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# THE LINK BETWEEN APPOINT- MENTS AND APPROPRIATIONS IN THE POLITICS OF ADMINISTRATIVE DESIGN

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## ABSTRACT

In this paper, we analyze the relationship between political control of agency decision-making and the size of agency budgets. Scholars of bureaucratic and distributive politics have respectively highlighted how political leaders can use personnel management and resource allocation to advance their agendas: with the power of appointment, they can influence the policy priorities of unruly bureaucrats; and with the power of the purse, they can funnel resources towards favored constituencies. We argue that political decisions about agency appointments and appropriations can be understood as part of the same general delegation process, with political leaders strategically matching responsive personnel and prioritized resources across policy issues and over time. To buttress this conjecture, we examine four decades worth of data from the Swedish central bureaucracy, covering all agency appropriations and leadership appointment between 1971 and 2014, and show that agencies systematically receive more generous allocations when the appointing and appropriating governments are from the same ideological bloc. We thereby affirm the strategic considerations highlighted by previous works in both bureaucratic and distributive politics, but also shed new light on how the appropriations and appointment processes are linked.

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In all modern democracies, elected representatives routinely delegate public authority to unelected bureaucrats. As Weber (1978) famously observed, this arrangement holds both promises and pitfalls. The great advantage of bureaucracy is that ignorant politicians can draw on the expertise and abilities of others to prepare, formulate, and implement the law of the land. The dilemma is that bureaucrats can be just as motivated by gain, fame, and policy fortune as any other public official. To understand how modern democracies work, one must accordingly understand their bureaucracies—how they are designed, the functions that they serve, and whose interests they represent.

While an older generation of public administration scholars viewed delegation to the bureaucracy as fraught with peril and akin to abdication (e.g. Downs 1967; Lowi 1979; Niskanen 1971), more recent research has inspired less pessimistic conclusions regarding the ability of political leaders to steer agency decision-making. Scholars of bureaucratic politics have highlighted how the power of appointment can be used to influence the policy priorities of key administrative positions (e.g. Calvert, McCubbins and Weingast 1989; Epstein and O'Halloran 1999; Lewis 2008); and scholars of distributive politics have highlighted how the power of the purse can be used to funnel resources towards favored constituencies (e.g. Berry and Fowler 2015; Cox and McCubbins 1993; Weingast and Marshall 1988). Though bureaucrats often do strike out on their own, their motivations can also often be traced to the political coalitions who granted them the opportunity to do so in the first place.

However, while most scholars of bureaucratic and distributive politics would likely recognize that political decisions about agency appointments and appropriations are part of the same general delegation process, in practice they have come to be treated as distinct, with government budgets and spending being studied separately from control over implementation. This separation is unfortunate since, although politicians can appropriate resources with a view towards whatever policy outcomes they happen to desire, the final implementing decisions are usually made by bureaucrats (Arnold 1979; Berry, Burden and Howell 2010; Berry and Gersen 2010; Bertelli and Grose 2009; Kriner and Reeves 2015). And while bureaucratic spending may well ultimately align with the policy preferences of politicians, the past hundred years of research on public administration provide little reason to believe that it will happen automatically without direction. But if political leaders can reliably deliver policy benefits to their constituencies, as emphasized by scholars of distributive politics, then it implies that they must also be able to influence bureaucratic decision-making; and if political leaders can reliably influence bureaucratic decision-making, as emphasized by scholars of bureaucratic politics, then it implies that they must also be able to deliver policy benefits to their constitu-

encies. Yet, the literature on political control of the bureaucracy has generally ignored how agencies actually use their resources, while the literature on distributive politics has done the same when it comes to how political leaders assure that legislative pork barrels actually reach their intended destinations.

In this paper, we analyze the relationship between political control of agency decision-making and the size of agency budgets. We argue that, although the political processes that determine agency appointments and appropriations are often separate, they are not independent. Because politicians are generally more inclined to trust bureaucrats with common interests to act on their behalf, agencies also become more likely to receive generous funding when their policy priorities are aligned with those of the appropriating politicians. The problem facing both the principal and the agent *ex ante* in this context is that the credibility of an agency's policy commitments depends upon who is in control of the agency's agenda *ex post*. The agency would ideally like to secure as much resources as possible and will accordingly try to signal common interest with the appropriating politicians; however, if the appropriating politicians have reason to suspect that the agency might defect to some other policy position once resources have already been granted, then they will be less inclined to grant those resources in the first place. As a consequence, the likelihood that an agency will grow and prosper over time tends to go hand in hand with the ability of the appropriating politicians to determine the policy priorities of the agency's most important decision-making positions. And the most effective way to determine the policy priorities of any given administrative position is through the power of appointment. In short, we posit that political leaders often seek to establish control over agency personnel precisely *because* they are concerned about the distributive consequences of agency decision-making.

To buttress our conjecture, we have assembled a unique dataset with detailed information on all agency budgets and executive appointments in the Swedish central bureaucracy between 1971 and 2014. Whereas the vast majority of works on bureaucratic and distributive politics have focused on the US case—with its rather peculiar separation of powers system and, at least by Western standards, highly politicized bureaucracy—we exploit two notable features of Sweden's constitutional design to explore the link between agency appointments and appropriations empirically. First, the Swedish constitution defines an almost ideal-typical singular chain of delegation and accountability, running from the people, acting as the ultimate principal, through the legislature, executive, and bureaucracy (Bergman 2003). Since Swedish agencies are formally accountable only to a single polit-

ical principal, whoever manages to form a winning legislative coalition also wins monopoly rights on allocating bureaucratic resources. Second, the appointment opportunities of Swedish governments number in the hundreds and are limited to top-level management positions, all of which are contracted on fixed terms and with constitutionally protected decision-making powers (Ahlbäck Öberg and Wockelberg 2015; Dahlström and Holmgren 2015). Since agency executives enjoy both tenure protection and substantial policy discretion, in any given budget year there will be a structure-induced variation in the type of agencies that the parties in power will have to deal with: in some cases, an agency may have been appointed by an ideological ally of the government incumbent; and in other cases, an agency may have been appointed by an ideological opponent of the government incumbent. If the theory is on the right track, the differences in ideological relations should provide political leaders with easily interpretable cues concerning an agency's true policy priorities and, as a consequence, guide the allocation of agency resources.

Using a variety of estimation strategies, we show that Swedish political leaders match agency appointments and appropriations over time along distinctively partisan lines. Specifically, agency budgets tend to grow at substantially greater rates when the appointing and appropriating governments are from the same ideological bloc. Since the political processes that determine agency appointments and appropriations can be motivated by quite different preferences and priorities in the Swedish case, the relevant actors on both sides of the fence must keep a close eye on the other in order to make the most out of the instruments that they actually have at their disposal—not unlike how divided government can shape incentives and opportunities in the US system of separate powers. Along with scholars of both bureaucratic and distributive politics, we thus emphasize how political leaders can use personnel management and resource allocation to advance their agendas (e.g. Cox and McCubbins 2005; Kiewiet and McCubbins 1991; Lewis 2008; Wood and Waterman 1991). More importantly, however, we also shed new light on the link between bureaucratic and distributive politics. While a number of studies have recently begun to investigate how aspects of administrative design can affect bureaucratic spending (Berry, Burden and Howell 2010; Berry and Gersen 2010; Bertelli and Grose 2009; Kriner and Reeves 2015; Ting 2012), we provide novel evidence of the antecedent step in the process: political leaders can assure policy outcomes that they deem satisfactory by strategically matching agency appointments and appropriations from the outset of delegation. If different administrative arrangements carry different distributive consequences, why wouldn't the parties in power pursue just the sort of administrative arrangements that bring them

the distributive consequences that they want? We propose that this is, in fact, precisely what they do.

The remainder of the paper proceeds as follows. We first review the extant literature on agency appointments and appropriations and explain how personnel management and resource allocation are connected in more detail. Next, we discuss the dataset, inferential leverage of the Swedish case, and estimation strategy. We then present the results, and finally conclude by considering the implications of the findings for theories of delegation and administrative design.

## **Bureaucratic Aspects of Distributive Politics**

We draw on a number of contiguous literatures to construct our argument. First, along with scholars of bureaucratic politics, we treat policy implementation as a principal-agent problem where hidden information and hidden action can cause bureaucrats to act against the interests of politicians. Second, along with scholars of distributive politics, we treat government budgets as embodying policy benefits targeted at specific constituencies. Third, along with other recent attempts at bridging the literatures on bureaucratic and distributive politics, we posit that politicians manage the delivery of those benefits by deploying all the usual instruments emphasized in the principal-agent literature, but focusing particularly on the power of appointment<sup>1</sup>. Finally, we also borrow insights from comparative politics to analyze how institutions can affect strategic incentives and opportunities—and thereby shape the delegation process.

The first group of studies highlights how political leaders can use personnel management to resolve conflicts of interest between politics and administration. While it is disputed whether political leaders generally prefer perfect ideological clones or appointees at some distance from their own ideal-points (e.g. Bendor and Meirowitz 2004; Callander and Krehbiel 2014; Gailmard and Patty 2007), many have noted that when they do need to establish control over agency decision-making, they will appoint bureaucrats with common interests to act on their behalf. In the US, for example, incoming presidents have the power to make thousands of new appointments upon entering office (Lewis 2011). Though presidents often have to balance the costs and benefits of competence, pat-

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<sup>1</sup> This is not to say that we believe other aspects of bureaucratic structure and process to be unimportant (e.g. McCubbins, Noll and Weingast 1987; Moe 1989). Bawn (1997), for example, perceptively points out that it may sometimes be possible for politicians to compensate poor ex ante control with increased ex post control and vice versa. Though the logic of our argument should be easily extendable to any instrument with the potential to manipulate bureaucratic decision-making, the fact that different instruments may function as partial substitutes also poses serious problems for empirical analyses of their respective efficacies. We return to this issue in the concluding section.

ronage, and responsiveness, when it concerns the positions earning the highest pay and greatest authority in the policy domains they care about, the ideology of the appointee often becomes a deciding factor (e.g. Bertelli and Feldmann 2007; Fenno 1959; Hallibaugh, Horton and Lewis 2014; Gailmard and Patty 2012; Hecló 1977; Lewis 2007, 2008; Moe 1985; Parsneau 2013). Similarly, a large literature investigating screening and selection mechanisms in European civil service systems has exposed the propensity of governments to rely on ideological indicators when appointing key decision-making positions, despite the alleged neutrality of the civil service personnel structure (e.g. Aberbach et al. 1981; Boyne et al 2010; Dahlström and Niklasson 2013; Dahlström and Holmgren 2015; Ennser-Jedenastik 2014, 2015; Huber and Shipan 2002; James et al 2013; Kopecky, Mair and Spirova 2012). As long as political leaders can secure the most important administrative positions for bureaucrats with common interests, they can also keep opposing policies off the agenda and effectively bias agency decision-making in their own favor; and conversely, if an agency were to be captured by bureaucrats with conflicting interests, then politicians also risk seeing their policies go unimplemented as expertise and resources are diverted for other ends.

The second group of studies focuses on the strategic allocation of government resources. These scholars agree that political actors manipulate the appropriations process to benefit certain groups, but disagree about where the locus of power is and which groups are actually being targeted. In the US, the disputes have primarily revolved around whether control over budgets and spending is mainly in the hands of congress or the president, and whether the appropriations process is driven by individual politicians or the parties. Legislative studies have shown that members of the Appropriations Committee, and especially the chairs of its subcommittees—the so-called Cardinals of Congress—can bring home pork to their constituencies (e.g. Berry and Fowler 2015; Cox and McCubbins 1993; Crespín and Finocchiaro 2008; Fenno 1966; Kiewiet and McCubbins 1991; Levitt and Snyder 1995), while executive studies have shown that presidents can dictate conditions for business with the private sector (Gitterman 2013, 225), influence the distribution of federal outlays (Berry, Burden and Howell 2010), and steer those means to politically important constituencies, such as swing states and counties (Kriner and Reeves 2015). Though a US-centric literature, similar vote-buying tendencies have of course been observed in all sorts of contexts (e.g. Grindle 2012; Keefer 2007; Kitschelt 2000), including Sweden (Dahlberg and Johansson 2002). Even if agency

budgets are blunt instruments when it comes to manipulating bureaucratic behavior, then, they may still serve other valuable purposes for those who control them<sup>2</sup>.

The third group of studies has sought to combine the insights from the former two literatures, while filling in some of their respective gaps. As Berry and Gersen (2010, 3) point out, "...the distributive politics literature displays a historical blind spot for agencies, while scholarship on bureaucracy has generally ignored spending as an important class of agency behavior." They demonstrate, however, that the density of political appointments in an agency affects the political responsiveness of agency spending: agencies with more presidential appointees spend more funds in districts belonging to the president's party. Along the same lines, Berry, Burden and Howell (2010a) argue that presidents can influence federal outlays both through budget proposals and personnel management, and report that districts and counties represented by legislators from the president's party systematically receive more money. Similarly, Kriner and Reeves (2015) identify politicization of the federal bureaucracy as the primary mechanism for presidential influence over spending outcomes, and show empirically how bureaucrats target constituencies of strategic value for the president. Importantly, while these studies affirm that political actors use government resources to accomplish partisan goals, they also underscore that agencies are responsive to political interests in the way suggested by the literature on strategic appointments.

Building on this third group of studies, we provide a general account of the antecedent step in the delegation process, namely why agencies have the sort of resources that they do in the first place. Our basic contention is that if different administrative arrangements can affect bureaucratic spending, a rational political principal motivated by distributive outcomes would surely take agency responsiveness into account from the outset and try to assure that prioritized resources are allocated precisely to those agencies that are most likely to affirm their interests. While previous works have highlighted the distributive consequences of different administrative designs, they have also left the actual resource allocation within the bureaucracy largely unexplored. Berry, Burden and Howell

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<sup>2</sup> Scholars of bureaucratic politics have of course also considered the strategic value of the power of the purse for controlling agency decision-making. Yet, while many of the classics in the field viewed monetary sanctions as potent instruments to manipulate bureaucratic incentives (e.g. Downs 1967; Bendor and Moe 1985; Weingast and Moran 1983), more recent scholarship has pointed out that they are often both too inexact and costly to exercise to pose a credible threat (e.g. McCubbins, Noll and Weingast 1987, 1989). Moreover, monetary sanctions also present political leaders with a dilemma: if they are dissatisfied with the performance of an agency in a prioritized policy area, cutting the agency's budget may make its performance even less effective (Ting 2001). Carpenter (1996) does however suggest that actual changes in agency budgets may still transmit powerful signals over time—for instance, about incumbent ideology—which to some extent makes a control argument more plausible. Nevertheless, the contemporary consensus views monetary sanctions as relatively unwieldy instruments for political control, which likely explains part of the lukewarm interest in agency budgets and spending in this tradition.



(2010a) and Kriner and Reeves (2015), for example, persuasively argue that presidents can systematically stack the deck in their own favor by manipulating both budget proposals and agency personnel, but they do not provide any direct evidence of this manipulation and instead leave it as a black-box explanation for why we ultimately get the sort of spending outcomes that we do. In practice, however, far from all bureaucrats are friends of the president (Aberbach and Rockman 1995; Bertelli and Grose 2009; Clinton et al 2012). For the entire chain of delegation to resolve in favor of the president, agency resources must somehow end up in the hands of bureaucrats responsive to presidential policy priorities. In the next section, we draw on the comparative study of political and administrative institutions to explain both how this happens, as well as why it sometimes does not.

## **Institutional Constraints and Opportunities**

To analyze the link between appointments and appropriations in public bureaucracies, we sketch an informal comparative theory of delegation, grounded in institutional differences in the distribution of public authority. Our starting point is based on the observation that incoming political leaders typically enter an environment where people already have well-formed preferences and expectations about the way other people will behave, and that breaking those conventions can be costly. In the US, for example, each contemporary congressional session begins with more than a thousand spending programs already on the books (Berry, Burden and Howell 2010b) and with many of the operative decision-making procedures deliberately devised to shield those programs from undue manipulation (McCubbins, Noll and Weingast 1987, 1989; Moe 1989, 1990). Though political leaders may often face strong incentives to terminate, realign, or add to past programs, they may not always have the opportunity to do so.

We conceive of political opportunities to shape the delegation process as a function of the institutional environment. In contexts where political leaders enjoy unrestricted access to both the power of appointment and the power of the purse, they can freely manipulate the composition of both agency appointments and appropriations and thereby assure that prioritized resources are managed by bureaucrats whose policy commitments they can trust. Since this arrangement effectively places all the bargaining power in the hands of the principal, it typically results in an extraordinarily simple case of exchange: the agent will either accept whatever spending conditions the principal proposes or be removed from office. However, it is also an atypical case in contemporary representative democracies. Institutional limitations on the power of appointment, such as those imposed by civil service systems, can constrain the ability of politicians to manipulate agency personnel; and institu-

tional limitations on the power of the purse, such as those imposed by constitutional checks and balances, their ability to manipulate agency resources. Rather than determine the staff, structure and process of the bureaucracy at will, then, enterprising political leaders may sometimes have to settle for adjusting appointments in response to appropriations, adjusting appropriations in response to appointments, or simply accepting the bureaucratic status quo.

One important set of constraints is imposed by political institutions. In the US system of separate powers, for example, some bureaucratic appointments can be made unilaterally by the president while others are subject to competition between the legislative and executive branches (McCarty 2004; Lewis 2008; Whitford 2005). In the parliamentary democracies of Europe, some positions are appointed by individual ministers, some require unanimity within the executive cabinet, while others yet may require parliamentary votes (Huber 2000; Peters and Pierre 2004; Strøm, Müller and Bergman 2003). Political institutions can be deliberately designed to disperse control over the bureaucracy, as when one branch of government is granted veto rights against the appointee and budget proposals of another, but also simply confer authority over public personnel and resources as part of more general constitutional commitments, as when cabinet ministers are granted monopoly rights within their respective portfolios. When political leaders can act without concern for compromise, they will have a relatively easier time to establish control over agencies than when conflicts of interest are the norm. To the extent that political leaders are motivated by concerns over policy outcomes, however, the same sort of collective action problems that can retard the legislative process can also constrain their control over the bureaucracy (Moe 1984; Moe and Caldwell 1994; Tsebelis 2002).

A second set of constraints is imposed by administrative institutions. The modern US federal bureaucracy, for example, consists of a few thousand presidential appointees at the top of the hierarchy, with hundreds of thousands of tenure-protected civil servants as subordinates (Johnson and Libecap 1994; Lewis 2011; Wilson 1989). Similarly, political leaders in countries like France and Germany typically only appoint executive positions, such as agency heads and management boards, while subordinate positions are staffed by the agencies themselves on objective measures of merit and with fixed or lifetime tenure (Horn 1995; Hood and Lodge 2006; Peters and Pierre 2004). The coverage of administrative institutions can vary both vertically and horizontally, granting political leaders more or less control over agency personnel and resources within and between different agencies. Many European bureaucracies employ personnel management restrictions that apply

equally to all agencies, for example, whereas rules and processes in the US federal bureaucracy can vary considerably from one agency to another. Whereas political institutions can affect whose interests must be taken into account, then, administrative institutions can affect the ability of political leaders to determine who makes agency policy and direct agency decision making.

In some cases, the institutions inherited by modern democratic governments may well be so cumbersome as to virtually ensure the survival of the bureaucratic status quo. In the US, for example, congress sometimes enacts statutory agencies excluded from presidential budget review and with fixed-terms for political appointees, severely restricting the president's ability to manage both executive personnel and resources (Lewis 2003, 2004). Similarly, when the Swedish Social Democratic Party were ousted from government in 1976 for the first time in four decades, the new State secretary in the Ministry of Education, Bert Levin of the Liberal People's Party, likened their inaugural experience with stepping into "a forest of red needles", with many of the agencies in the cultural sector being deeply rooted in the social democratic labor movement (Levin 1983, 91). Even if the new liberal-conservative coalition government were able to resolve their collective action problems and reach an agreement concerning how to distribute their resources—which, in this particular case, they often did not—the employment safeguards provided by the civil service regime ensured that the social democratic agencies would still enjoy considerable discretion concerning how to spend those resources.

However, it is important to recognize that even the most cumbersome of institutional arrangements, such as the combination of separation of powers and checks and balances at the political level with universal civil service restrictions at the administrative level, typically do not block every conceivable route that political leaders might use to manipulate the bureaucracy. Reversion strategies can both be formally specified *ex ante* as part of a given arrangement, but also developed informally *ex post* through learning and experience. An incoming president, for example, need not passively accept the administrative frameworks imposed by congress and previous presidents; instead, they can strike out on their own and create new agencies and positions (Howell and Lewis 2002; Lewis 2008). Likewise, if a parliamentary government finds themselves systematically disadvantaged by the current crop of agencies, then they can try to reshape the composition of those agencies to their own advantage (Bertelli and Sinclair 2016; Holmgren 2016). As Shepsle (2011) points out, rather than allow for no discretion, real institutions tend to allow for "costly discretion"—that is, discretion which is costly enough to exercise that defection will not be an everyday

occurrence, but not so costly as to completely prevent a decisive coalition from adjusting the institutional environment in case of contingencies. Whether they will ever attempt to do so, however, depends on whether the expected benefits are worth the costs.

To sum up, we suggest that political leaders often use the power of appointment and the power of the purse strategically to establish control over bureaucratic policy priorities and subsequent distributive consequences. By assuring that agency appointments and appropriations are appropriately attuned to advance their agendas, political leaders also indirectly assure that agencies will produce policy outcomes that they deem satisfactory. To do so, they can match responsive personnel and prioritized resources from the outset of delegation, appropriate prioritized resources to responsive personnel, and appoint responsive personnel to prioritized resources. In either case, political decisions about agency appointments and appropriations should generally be linked across policy issues and over time: the set of agencies which is most likely to grow and prosper should generally overlap with the set of agencies which is most likely to affirm the interests of the appropriating politicians; and the set of agencies which is most likely to affirm the interests of the appropriating politicians should generally overlap with the set of agencies which is most likely to be appointed either by those politicians themselves, or some other political actor with whom they have interests in common.

Additionally, we have also suggested that strategic incentives and opportunities can be shaped by the institutional environment. The power of appointment and the power of the purse are variables in the sense that a given political actor may at any given stage of the delegation process be able to reliably influence the exercise of both, either, or neither. To the extent that it is possible for political leaders to induce common interests between politics and administration by rearranging past appointments and appropriations, moreover, the two powers are also partial substitutes in the sense that having access to either can be sufficient to assure favorable spending outcomes: If they can manipulate appointments but not appropriations, then they can move responsive personnel to prioritized resources; and if they can manipulate appropriations but not appointments, then they can move prioritized resources to responsive personnel. The sort of sequential empirical patterns we should expect to find in a given polity therefore hinge not only on the distribution of public authority, the political interests who have access to it, and their expectations about the future, but also on the kind of administrative staff and resources they have to work with from the outset of delegation. Like others before us (e.g. Miller and Moe 1983; Kiewiet and McCubbins 1991; Moe and Caldwell

1994; Berry, Burden and Howell 2010; Kriner and Reeves 2015), we thus stress that the basic organization of government can have important implications for who gets what, when, how, and for how long—and in particular as it relates to appropriations in public bureaucracies.

## **Data, Case Description, and Estimation Strategy**

To explore how policy conflict can affect the relationship between bureaucratic appointments and appropriations empirically, we have assembled a novel dataset with detailed information on most agency budgets and agency heads in the Swedish central bureaucracy between 1971 and 2014. For our purposes, the Swedish case has a number of attractive qualities. Perhaps most importantly, Swedish politics is relatively simple in the sense that, despite sporting a multi-party system with proportional representation, there are two well-established ideological blocs sorting along a traditional left-right dimension. As a consequence, all governments during the observed period have consisted of either a social democratic or liberal-conservative coalition (Bale and Bergman 2006; Bäck and Bergman 2015). Additionally, in terms of our institutional typology, Swedish governments enjoy considerable discretion over resource allocation in virtue of the Westminster-inspired parliamentary design, at the same time as they are constitutionally prohibited from managing agency personnel. The sole exception to the political ban on agency personnel management comes in the form of fixed-term executive appointments, which provide periodic opportunities to lock-in ideological allies as agency heads over time and across elections (but see Dahlström and Holmgren 2015). Taken together, this setup enables an examination of how partisan shifts in government since the time of appointment affect the size of agency budgets, without having to worry too much about the sort of opportunistic and temporary coalition-building processes characteristic of many other European countries. Based on the theory, we should expect agencies to receive more generous allocations when the appointing and appropriating politicians have common interests; and conversely, that agencies should receive more restrictive allocations when the appointing and appropriating politicians have conflicting interests.

The dataset is constructed out of the same raw materials as Swedish governments have to base their decisions on. To acquire information on agency appointees, we have relied on two publically available sources: *Sveriges statskalender*, which is a compendium of operative public organizations and employees published annually by the Swedish government since 1812; and *Vem är det?*, which is the Swedish version of the reference publication “Who is Who?” with biographical information on most agency heads. To acquire information on agency appropriations, we have relied on official

records of government budgets and spending (*Specifikation av utgifter på statens budget*, 2000-2014; *Statsbudgetens utfall*, 1980/81-1999; *Budgetredovisning för budgetåret*, 1970/71-1979/80). To assure the reliability of the data, we have also further cross-checked and complemented these sources using a number of additional government publications (*Statsliggaren*, various years; *Statliga myndigheter*, various years; *Fakta om folkvalda*, various years; *Enkammarriksdagen*, various years) and with CVs acquired through personal communications with agency staff. In addition to being nearly comprehensive, the dataset also allows us to work within the same general frameworks as Swedish governments do<sup>3</sup>.

Figure 1a shows the annual budget of each individual agency on a logarithmic scale (in inflation-adjusted SEK), while Figure 1b shows the annual budget growth rates. As can be seen from the budget distribution, there is considerable variation in budget sizes between agencies, ranging from around a thousand euros in the lower ranges to a billion euros in the upper ranges. On average, budgets have been growing by slightly more than two percent per year. Looking only at Figure 1a it may thus be tempting to conclude that, along the lines suggested by Niskanen (1971), bureaucrats are consistently able to exploit their informational advantage to reap ever more resources at the government's. This would be a premature conclusion, however. As can be seen from the growth distribution in Figure 1b, although budgets have been growing on average, there is also considerable variation in growth rates between agencies: in any given year, we can find budgetary growth, stagnation, as well as contraction. The steady monetary growth of the bureaucracy may thus just as well be indicative of political planning as of irresistible bureaucratic expansion.

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<sup>3</sup>Some agencies have their budgets reported collectively, which means that we are unable to match individual appointees with individual budgets for those agencies. Most of the missing observations fall into one of the following categories: county administrative boards; executive councils; police authorities; and universities (prior to 1991). An additional set of missing observations stem from government owned businesses, which often receive only tiny allocations from the government. It is difficult to say how this affects our results, but some of the missing values are likely to be relevant. For example, the county administrative boards act as representatives of the national government on the local level and are typically led by former politicians, while the universities are almost always led by career bureaucrats. We thus miss out on two large sets of observations of positions which respectively tend to be highly politicized and professionalized.

Figure 1a. Agency Budgets by Year (SEK).

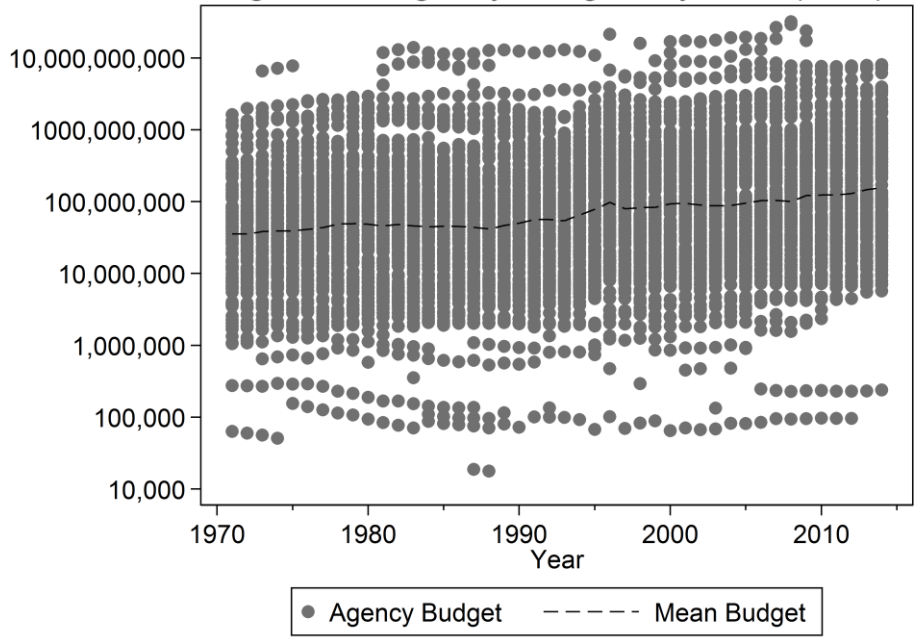
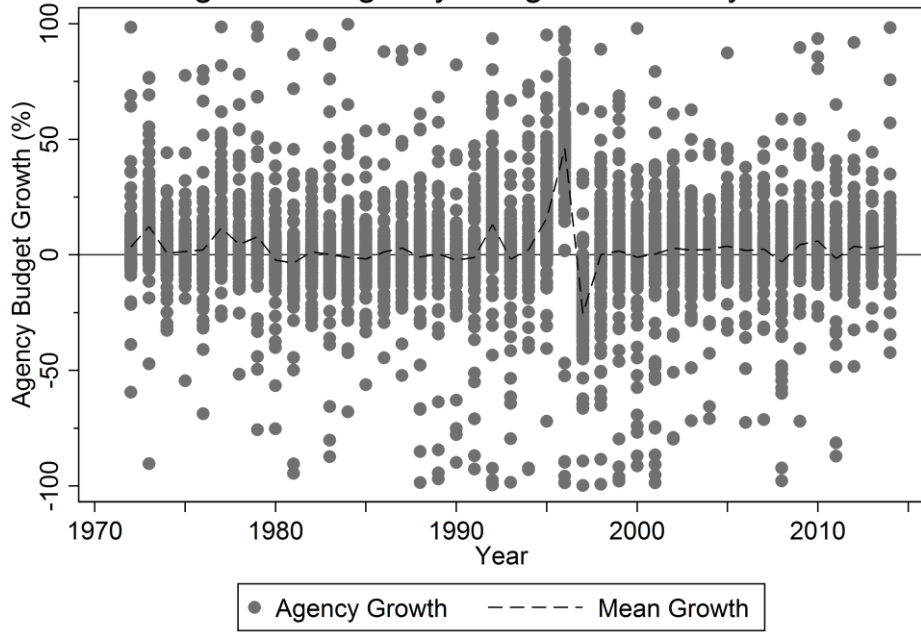


Figure 1b. Agency Budget Growth by Year.



Before turning to estimation issues, we briefly describe some key characteristics of the Swedish appropriations and appointment processes of relevance to our argument and empirical analysis. Like in most other Western countries, the relationship between politics and administration has been under fairly consistent scrutiny and debate since the 1970s, with a number of reforms as a result. The clearly visible growth shock in 1996 in Figure 1b, for example, represents the introduction of Sweden's first comprehensive national budget law, which among many other changes realigned the budget year to follow the calendar year. As a consequence, all agencies received a one-time budget increase to cover eighteen months' worth of funding, which naturally affected the annual growth rates in both 1996 and 1997. We detail some of these developments both to qualitatively validate the motivational assumptions of the theory and to explain certain modeling choices which may be less appropriate in other settings, discussed in more detail in the following section.

## **Appointments and Appropriations in the Swedish Bureaucracy**

The 1970s and 1980s saw many European governments struggle with growing debt and unsustainable deficits. Hallerberg, Strauch and von Hagen (2007) argue that fiscal discipline has since been imposed using two types of approaches: the delegation and the contract approach. Under the delegation approach, special agenda-setting powers are granted to the ministry of finance over the other ministries at the proposal stage, while the executive's plans are protected from amendment by the legislature at the approval stage. Under the contract approach, discipline hinges on the ministries negotiating and committing to numerical budgetary targets at the start of the process, while the legislature is granted information rights to monitor the executive's compliance with those targets. Under both approaches, the minister of finance is bestowed with substantial enforcement powers at the implementation stage to monitor and correct deviations from the initial plan.

For most of the observed period, Sweden used neither the delegation nor the contract approach. Under the old and largely unregulated regime, the yearly appropriations process started in September with each individual agency head presenting their responsible ministry with a budget bid for the agency's coming budget year, a so-called *anslagsframställan*. The respective ministries then processed the requests and, based on the bids from the agencies, approached the Ministry of Finance for funding. Negotiations between the Ministry of Finance and the line ministries usually lasted from September to December, with the final national budget being proposed collectively by the cabinet to the parliament in January (Mattson 2000; Vinde 1971). The old appropriations process was thus typically bottom-up and initiated by the agencies; no formal budget frames were set in advance, the



ministries based their decisions on proposals made by the agencies, and there was limited monitoring of agency spending (Hjalmarsson 2009).

The current appropriations process was developed over roughly a ten year period, starting in the 1980s and culminating with a new comprehensive budget law in 1996. The Ministry of Finance, led by Kjell-Olof Feldt of the Social Democratic Party, acted as a prime mover for reform (Government bill, 1987/88:150), but a parallel initiative with similar intentions started around the same time in the Parliament (Riksdagen, 1993/94:TK1). In the context of a severe economic crisis in the early 1990s, the old regime was heavily criticized for being too de-centralized and contributing to growing debt and unsustainable deficits (Molander 1992; SOU 1993:16). The dour economic climate increased the pressure for change and in 1996 the appropriations process was formally transformed from emphasizing bottom-up demands to top-down steering (SFS 1996:1059). The new regime combined elements from the delegation and contract approach. An expenditure ceiling was now to be defined at the outset of the process, which empowered the Ministry of Finance and forced the line ministries to fund their agencies within a national budget that was already set (Ljungman 2008). The decision-making process in the parliament was changed to mirror the same procedure: first were the frames for the budget decided; then started the policy discussions in the standing committees (Mattson 2000). Above all, the new law clarified the collective rights and obligations of the cabinet, who were now supposed to set the budgetary agenda, inform the parliament about objectives and results, and assure bureaucratic performance.

However, although the reformation of the Swedish appropriations process marked an important shift in Swedish fiscal policy, its implications for agency budgets should not be exaggerated. Even before the reform, the ministries could influence allocations and spending by giving informal instructions prior to an agency's bid, and perhaps more importantly, by earmarking budget posts for special purposes and appropriating funds with special spending rules (for example, forbidding agencies to save part of their resources for the next budget year). And, even after the reform, the inputs from the agency heads remain central. The heads are de facto responsible for assuring both that auditors, citizens and politicians can learn what they need to know about agency operations, and that subordinate positions act in accordance with the law of the land. Without reliable information and enforcement, the responsible ministries cannot calculate the costs and benefits of different policy proposals and will thus be at risk of misallocating the resources they have their dis-

posal. The ministries were not impotent in the old regime, and the agencies are not irrelevant in the new regime.

In comparison to the appropriations process, the process behind the appointment of agency heads has in some ways been a more sensitive topic. While there has been no shortage of disagreements concerning the details of agency resource allocation, there has also been widespread agreement that it is and should be a political process. The same cannot be said when it comes to agency personnel management. The Swedish Instrument of Government explicitly stipulates that: all government decisions are taken collectively at formal cabinet meetings (ch. 7, art. 3); all agencies are independent in the sense that no one but the agency itself is allowed to dictate how the agency should rule in specific cases or implement the law (ch. 12, art. 2); and that all bureaucrats are appointed on meritocratic principles (ch. 12, art. 5). Put differently, individual ministers are constitutionally prohibited from instructing and appointing individual agencies, and whatever political decisions are made about bureaucratic staff, structure and process must be taken collectively by the cabinet as a whole. The most recent attempt to directly subordinate the agencies to the ministries occurred in the early 20<sup>th</sup> century and was met with vigorous resistance from leading bureaucrats and other stakeholders (Schotte 1917). The prevailing organizational structure has instead been to collect the ministries within the government offices—comprising about two percent of all state personnel—while the agencies are separated from the ministries and manage their own personnel, but with heads appointed collectively by the cabinet.

Yet, the constitutional emphasis on merit and competence notwithstanding, for most of the observed period the actual appointment process has been just as unregulated as the old appropriations process and typically performed behind closed doors. The official stance has been that agency heads should normally be appointed on fixed six-year terms with a possibility for three-year extensions, but there are no general laws or executive orders that regulate contracting periods and no special examinations or formal recruitment procedures prior to appointment (Dahlström and Holmgren 2015). Once a head is appointed, however, they fall under the same extensive employment safeguards as any other public employee and generally cannot be outright terminated before their terms are up for renewal without reference to some form of serious misconduct, i.e. “for cause.” As a consequence of the tenure protection for public personnel, there have traditionally been no permanent agency positions outside the government offices that can be filled at-will by the parties in power in the same way as, say, US presidents can fill many of the upper management

positions in the federal bureaucracy (Lewis 2011), despite the informal character of the appointment process as a whole.

In tandem with growing concerns over the appropriations process, however, there were also growing concerns over the appointment process and the substantial policy discretion enjoyed by the agencies. One salient issue revolved around the partisan affiliation of agency appointees. The liberal-conservative coalition that entered office in 1976 after forty years of social democratic rule claimed that their initiatives were hampered by what they saw as a social democratic bureaucracy (Levin 1983). When the social democrats returned to power in 1982, they expressed similar apprehension against the bourgeoisie ideology now allegedly imprinted in agencies central to the social democratic policy agenda (Rothstein 1986). The governing parties of course usually deny that their screening and selection procedures are guided by anything but relevant merits and competence, but the opposition parties often disagree (e.g. Committee on the Constitution, Report 1997/98:KU25). Another salient issue was the sheer volume of bureaucratic activities that had emerged over the past few decades. During their respective terms in the early 1980s, both blocs independently commissioned evaluations of the steering capacity of the cabinet (SOU 1983:39; SOU 1985:40). The commissions concluded that, although the size and complexity of the bureaucracy had indeed made it more difficult to govern, the cabinet faced no inherent constitutional or practical problems to clarify hierarchical relations, revoke powers that had previously been delegated, or increase their influence over powers that remained delegated—if they so desired. Just as how the parties saw an increasing need for control over resource allocation, they also saw an increasing need for control over bureaucratic decision-making.

The changes that followed were spearheaded by the social democrats and would eventually lead to the same kind of New Public Management doctrines embraced by many other countries of the era (Hood 1991). One particularly important part of the package was Government bill 1986/87:99, which introduced a number of new escape clauses that the cabinet could invoke to transfer agency heads to other (not necessarily permanent) positions, if deemed necessary for “organizational reasons” or “the greater good of the agency” (ch. 7, art. 10). What exactly constituted a valid organizational reason or the greater good of the agency, moreover, was to be judged by the cabinet, not by the agency in question or some third-party like the courts. In practice, this enabled a partial circumvention of the standard public employment frameworks. The government offices, for example, now typically hold around ten former agency heads who have been allowed to keep their titles and

pay—thereby respecting the fixed-term contracts—but with only minor, if any, formal responsibilities. While the reformed appointment process is still constrained by fixed-terms and constitutional demands for meritocratic recruitment, then, it has also brought new opportunities for inventive political leaders to reappoint prioritized agencies by reshuffling the composition of previous appointees.

To sum up, we want to highlight two aspects of the Swedish case in light of our theoretical argument. First, the reformation of the appropriations process was officially motivated by concerns over distributive consequences. Though much of Swedish fiscal policy over the past few decades has been aimed at containing national debts and deficits, spurring inflation, and getting the economy back on track from the crash in the early 1990s, the development of the new appropriations process started well before it stood clear that a crisis was looming on the horizon. In Government bill 1987/88:150, minister of finance Kjell-Olof Feldt explicitly stated that the public sector now had access to unprecedented amounts of resources and that the purpose of increasing control over agency budgets was not to save those resources, but to provide more opportunities for strategic targeting and redistribution (p. 69). Second, the reformation of the appointment process was officially motivated by concerns over agency policy priorities. Though bureaucratic expertise has naturally played a central role in the public debate over agency personnel management throughout the observed period (e.g. Sandahl 2003), the professional competence of agency leaders was not presented as either a goal or an obstacle at the time of reform. In Government bill 1986/87:99, minister of civil affairs Bengt Holmberg explicitly stated that the purpose of increasing control over executive appointments was to assure that agency operations were aligned with political agendas and contributing to the production of satisfactory policy outcomes (p. 11). The core components of our argument are thus not taken out of thin air, but have figured prominently among central Swedish policymakers and been used to justify substantial reforms of the Swedish bureaucracy. Assessing the relationship between the two, however, requires a more quantitative analysis, to which we now turn.

## **Estimation Strategy**

We rely on a variety of estimation strategies to explore the link between appointments and appropriations empirically. As the theory implies a rather complex causal structure—where appointments and appropriations alike can be adjusted both in response to past arrangements and in rational anticipation of future states of the world—our empirical ambition is relatively modest. We only seek

to establish that a link between appointments and appropriations actually exists. Properly determining which piece moves first and what the true motivations of all the relevant political actors actually were in a given year would require information at a far greater resolution than the annual reports we have access to can provide. We therefore leave an analysis of causal sequencing and psychological mechanisms to future work and instead focus on a central implication of the theory, namely that the set of agencies which are most likely to grow and prosper over time should generally overlap with the set of agencies whose policy priorities are most likely to affirm the interests of the parties in power.

We proceed using the standard tool-kit for stationary time-series and with annual agency budget growth rates as the dependent variable. All models include fixed year-effects in order to adjust for macro-economic trends, broad changes in the political environment, and other factors that could affect all agencies simultaneously. Additionally, all models also include a supplementary set of agency-specific, time-varying covariates to adjust for heterogeneity in agency characteristics over time. Finally, we also use both fixed- and mixed- agency-effects to cope with unobserved cross-sectional heterogeneity, as well as lagged covariates to account for time-series dynamics. Our main treatment consists of partisan shifts in government since the time of appointment of an agency's upper management. Since Swedish agency leaders cannot be straightforwardly removed from office before their contracts are up for renewal, in any given year there will be a structure-induced<sup>4</sup> variation in the type of agencies that the parties in power will have to deal with: in some cases, an agency may have been appointed by an ideological ally of the incumbent; and in other cases, an agency may have been appointed by an ideological opponent of the incumbent. If the theory is on the right track, the ideological relations should provide political leaders with easily interpretable cues concerning an agency's true policy priorities and, as a consequence, guide the allocation of agency resources.

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<sup>4</sup> While tenure-protection can increase the costs of personnel management, this should obviously not be misread as indicating strictly exogenous variation. Even in the most insulated of civil service systems, political leaders will typically retain a set of residual control rights that can be deployed to either directly or indirectly manipulate the appointment process (Dahlström and Holmgren 2015; Holmgren 2015, 2016). If the parties in power were ever to find themselves in a situation where they cannot reach a permissible policy agreement with an agency's upper management, for example, then they may opt to terminate that agency, effectively censoring the (counterfactual) remainder of the panel. In statistical terms, this means that we may have a selection problem on our hands, with theoretically relevant cases being systematically excluded from the analysis. Is this a fatal problem? We think not. The selection logic should mostly apply to extreme cases of policy conflict where the government may take drastic measures in order to bring the bureaucracy back in line (see Lewis 2004 for a similar argument in the US context). Since the treatment may then become range-restricted to exclude the most potent cases of policy conflict, at worst this implies that the impact of partisan shifts in government may be somewhat underestimated in our analyses (we rely on our supplementary covariates to adjust for other possible disruptions to the appointment process; see further below).

To capture changes in the partisan composition of governing coalitions over time we construct a binary covariate, *cabinet turnover*, denoting whether or not the cabinet responsible for appointing a given agency head has a different ideological affiliation than the incumbent cabinet, with the appointer and incumbent respectively being either a social democratic or liberal-conservative coalition. We assume (rather than demonstrate) that when political leaders appoint agency heads, they do so strategically to advance their own policy preferences. Ideological turnover in the cabinet since the time of appointment increases policy conflict between agency and political incumbent because new partisan coalitions see the appointments of past partisan coalitions as representing interests opposed to their own. We focus on turnover in the cabinet rather than in individual ministries because all formal decisions must be sanctioned by the cabinet as a whole before gaining traction. We expect to find substantially greater rates of growth when an agency is accountable to an ideological ally of the appointing cabinet than when accountable to an ideological opponent of the appointing cabinet.

Four of the supplementary regression controls focus on the attributes of the sitting agency head and one on the attributes of the agency itself<sup>5</sup>. *Private sector* denotes whether or not a head has previous CEO experience from the private sector, *public sector* whether or not a head has previous CEO experience from the public sector, *political sector* whether or not a head is affiliated with a political party<sup>6</sup>, and *education* whether or not a head has a PhD in hand. We include measures of private, public, political, and academic experience to adjust for the possibility that outside recruits may be more inclined to voluntarily leave their posts in pursuit of alternative careers than heads recruited from inside the bureaucracy (Boyne et al 2011; James et al. 2014) and because previous studies have found that agencies managed by political appointees tend to perform worse than other agencies (Lewis 2007, 2008). Finally, we also include a continuous covariate, *budget<sub>t-1</sub>*, capturing the mean-centered log of an agency's annual budget in the previous year (in inflation adjusted SEK). Unlike many other countries, Sweden has been moving towards fewer but larger agencies over time (Statskontoret 2014). We know of no extant evidence to draw from on this matter, but one might

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<sup>5</sup> The mean of cabinet turnover is 0.31 and the distributions of the supplementary covariates are balanced across both treatment groups. We provide more detailed descriptive statistics in the appendix.

<sup>6</sup> We consider an agency head to have a political affiliation if he/she has: (i) served as a minister; (ii) been elected to Parliament or a local democratic assembly; (iii) been Secretary of State (the second in command at the Government Offices, following the ministers); (iv) been employed as a political adviser at the Government Offices; or (v) been employed by a political party or an organization clearly associated with a political party, such as the blue-collar union confederation *Landsorganisationen*.

reasonably suspect the gradual consolidation of the bureaucracy to affect both agency growth rates and the appointment strategies of political leaders. If functions have been transferred from smaller to larger agencies, for example, it is likely to be at least partially reflected in the allocation of resources. And if administrative authority has become increasingly concentrated in the hands of the few, it may also raise the policy stakes associated with those agencies. We thus include the budget covariate to gain leverage over some of the structural reforms that have occurred throughout the period and the possibility that they may have made agencies that were already large increase even further in both size and salience<sup>7</sup>.

To cope with unobserved cross-sectional heterogeneity, we estimate models with both fixed- and mixed- agency-effects (Allison 2009; Beck and Katz 2007; Hsiao 2014; Snijders and Bosker 2012). The fixed-effects estimator conveniently allows us to ignore heterogeneity in time-invariant agency characteristics. However, since our theory implies that we should observe differences both within and between agencies, for substantive reasons we would ideally want to use an estimator capable of taking both within- and between-variation into account—which the random coefficient model does. Furthermore, since there is no good reason to expect the parties in power to disagree on every single policy issue (e.g. Lavertu 2013), there is also little reason to expect a simple binary measure of partisan shifts in government to have uniform coefficients across the entire bureaucracy. Modeling unobserved heterogeneity explicitly via random coefficients allows us to also explore how the effects of cabinet turnover might be conditioned by agency characteristics, as opposed to simply treating it as a statistical nuisance.

Finally, we also estimate a set of autoregressive distributed lag (ADL) models to cope with dynamics (Beck and Katz 2011; De Bouf and Keele 2008). Since agency budgets often change incrementally, there is good reason to suspect that the appropriations process suffers from path-dependency (e.g. Wildavsky 1964). In practice, this means that we must also adjust for the possibility that political decision-making can have both short- and long-term consequences. To do so, we first set up an ADL (1,1) specification where the dependent variable and all other covariates are accompanied by a set of covariates capturing their respective values at time  $t-1$ . We then use the Akaike information

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<sup>7</sup> Since the lagged budget covariate is both non-stationary and potentially a consequence of our treatment, we mostly use it as a placeholder until we can hopefully get our hands on something more statistically appropriate. For now we simply note that, although the inclusion and lag structure of the budget covariate does have some implications for the random components and how to most appropriately model the time-series dynamics (discussed further below), it is only of marginal importance for the overall results and interpretation.

criterion to discriminate between different ADL specifications, going as far back as ADL(4,4). The comparisons indicate that less is better. Next, we use the same procedure to compare the ADL(1,1) specification against specifications without lags on the individual covariates, going as far ahead as ADL(1,0). The comparisons once again indicate that less is better. Since a Lagrange-multiplier test indicates that including a covariate corresponding to a one-year lag on the dependent variable is also sufficient to absolve us from some minor serial correlation, we settle for the ADL (1,0) specification as our main dynamic model. The results of our modeling efforts are reviewed below.

## Results

We present results from six models—three static and three dynamic. The first model includes the turnover covariate along with the supplementary regression controls and fixed year effects. The second model adds fixed agency effects, and the third model random intercepts and coefficients. Model four, five and six are ADL (1,0) variants of model one, two and three, and thus mirror the former but with the addition of a lagged dependent variable on the right-hand side. Table 1 reports coefficients with robust standard errors for all models, while Figure 2 summarizes the model estimates for cabinet turnover with 95 % confidence intervals<sup>8</sup>.

Consistent with theoretical expectations, we find evidence that changes in the partisan composition of governing coalitions over time can disrupt the delegation process. Specifically, agency budgets tend to grow at substantially greater rates when accountable to an ideological ally of the appointing cabinet than when accountable to an ideological opponent of the appointing cabinet. Moreover, in all six models the difference is statistically significant at conventional levels using a two-tailed test of significance. In contrast to classical theories of irresistible bureaucratic expansion (e.g. Niskanen 1971), these results suggest that whether or not an agency will grow and prosper over the long haul depends at least in part on the strategic considerations of the parties in power.

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<sup>8</sup> As there is some disagreement in the literature concerning the appropriateness of including a lagged dependent variable along with unit-effects (since their inclusion violates the independence assumption by construction), we have opted to present both types of specifications for reference. With an average  $T$  of 15, the dynamic models with unit-effects suffer from some Nickell bias, but in what we would call manageable ( $\sim 1/15$ ) amounts.

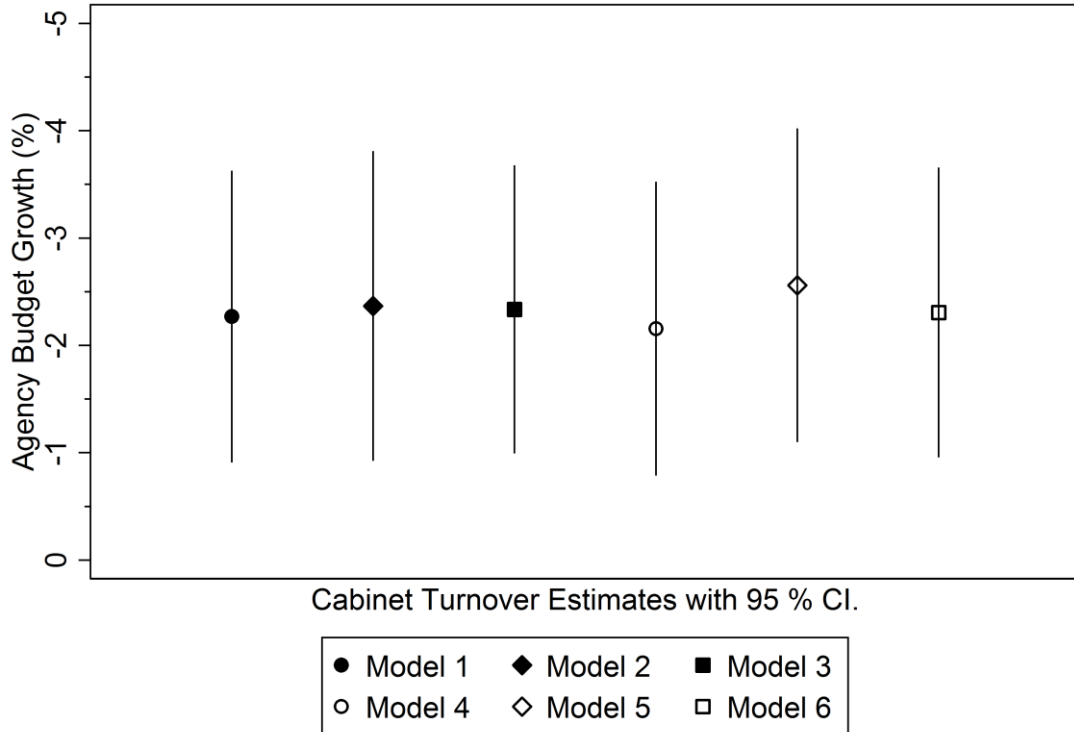


**Table 1. Agency Budget Growth in Sweden, 1971-2014.**

<i>Covariates</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
Cabinet turnover	-2.27** (0.69)	-2.37** (0.73)	-2.33** (0.68)	-2.16** (0.70)	-2.56** (0.74)	-2.31** (0.69)
Political sector	-0.07 (0.58)	0.49 (1.09)	-0.05 (0.68)	-0.02 (0.58)	0.55 (1.08)	-0.02 (0.70)
Private sector	-1.34 (0.95)	-0.54 (1.10)	-1.13 (1.10)	-1.31 (0.96)	-0.37 (1.52)	-1.12 (1.16)
Public sector	-0.53 (0.58)	1.15 (0.73)	-0.34 (0.60)	-0.07 (0.55)	-0.72 (0.81)	-0.09 (0.59)
Education	1.98** (0.69)	-1.06 (0.93)	1.97** (0.66)	1.79** (0.60)	-0.58 (0.88)	1.84** (0.66)
Budget <sub>t-1</sub>	-0.58** (0.14)	-7.67** (1.63)	-0.76** (0.20)	-0.50** (0.14)	-6.99** (1.59)	-0.69** (0.19)
Budget Growth <sub>t-1</sub>				0.03 (0.02)	0.02 (0.02)	0.03 (0.02)
Constant	2.72** (1.82)	5.05** (2.07)	2.81** (1.83)	11.45** (1.63)	13.40** (1.74)	11.46** (1.83)
Fixed year effects	Yes	Yes	Yes	Yes	Yes	Yes
Fixed agency effects		Yes			Yes	
Random intercept			2.16**			2.05**
Random coefficient			0.38**			0.42**
Observations	5267	5267	5267	4901	4901	4901
R <sup>2</sup>	0.21	0.26	-	0.21	0.26	-

*Notes.* Random components are estimated standard deviations. Robust standard errors in parenthesis. \*\* p<0.01, \*p<0.05 (two-tailed).

Figure 2. Model Summaries.

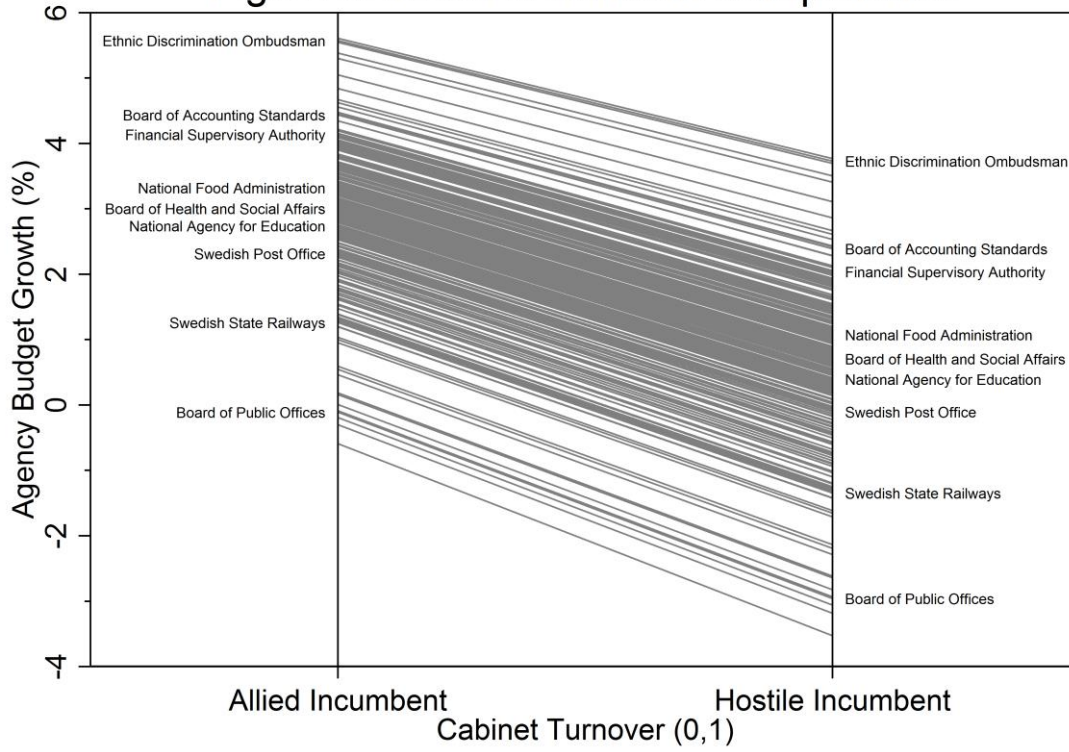


The static models all point in the same direction and with similarly sized coefficients. In Model 1, cabinet turnover is associated with a point estimate of -2.27 [-3.63, -0.91], indicating a growth rate around two percentage units below that of when the political incumbent and agency appointer have the same ideological affiliation. Since this specification ignores both unobserved cross-sectional heterogeneity and over-time dynamics, however, it is obviously underspecified and mostly useful for reference. Of the three static models, the two-way fixed-effects estimator in Model 2 gives the most optimistic point estimate, with cabinet turnover now being associated with a -2.37 [-3.81, -0.92] percentage decrease in budget growth. Model 3, which relies on random intercepts and coefficients to account for unobserved heterogeneity, sits in-between the preceding estimates size-wise, with an average point estimate of -2.33 [-3.68, -0.99]. Despite relying on different estimators, then, the point estimates of Model 2 and 3 both remain well within one standard error of the point estimate in Model 1.

The dynamic models do not differ substantially from the static models when it comes to our focal relationship. The near-zero coefficients on the lagged dependent variable implies a rapid speed of adjustment, with the budget growth rate more or less immediately reverting back to its equilibrium after a one-time unit shock. With such fast dynamics, the ADL models are not really very different from the static models and should thus also produce similar estimates—which they do in the case of cabinet turnover. In Model 4, partisan shifts in government are associated with a -2.16 [-3.53, -0.79] percentage decrease in budget growth, in Model 5 a -2.56 [-4.02, -1.10] decrease, and in Model 6 a -2.31 [-3.66, -0.96] decrease. These results follow those from the static models, with the introduction of fixed agency-effects magnifying the difference somewhat in comparison to the other specifications, but with the mixed-effects specification being the most stable.

Though all six models have their respective strengths and weaknesses, a particularly attractive feature of the models with mixed-effects is that they also allow for an examination of how the effect of cabinet turnover varies with different levels of budget growth. Since Model 1 and 4 simply pool all the observations into a single group, while the fixed-effects estimator in Model 2 and 5 only considers variation within agencies, neither has much to say about variation between agencies, other than as it relates to the covariates explicitly included in the models. By contrast, the mixed-effects models also estimate two agency-specific parameters: a random intercept; and a random coefficient. These are reported as standard deviations in Table 1. For the static Model 3, the standard deviation of the estimated intercept is 2.16 and of the coefficient 0.38, while for the dynamic Model 6 the corresponding values are 2.05 and 0.42. To get a better view of their relationship, we graph the random coefficients by random intercepts in Figure 3 (based on Model 3). The correlation suggests that coefficients turn increasingly negative as the intercept decreases. Put differently, cabinet turnover hits the hardest on those agencies that tend to have relatively low rates of growth, while it makes somewhat less of a difference for the agencies that tend to have relatively high rates of growth. This relationship is reflected in the graph by the slopes leveling out slightly the further up on the chart that we get, while tilting progressively as we move downwards.

Figure 3. Model 3 Random Components.



While our research design does not permit a clean evaluation of why exactly the relationship between intercepts and coefficients looks the way it does, a plausible interpretation in light of the theory is that the agencies which consistently manage to secure more generous appropriations (resulting in large intercepts) do so because there is less conflict over their activities among the parties in power (resulting in flatter slopes). At the very top of Figure 3, for example, we find police patrol agencies such as the Bank Inspectorate, the Financial Supervisory Authority, and the Swedish Chemicals Agency; fire alarm agencies such as the various Ombudsmen and the Chancellor of Justice; and developers of reporting requirements such as the Swedish Accounting Standards Board. These are agencies that serve important governance functions by moderating the flow of information, but they are hardly policy-making powerhouses. As we move towards the middle of the growth chart, however, we start encountering many of the larger regulatory agencies such as the Migration Agency, the National Board of Fisheries, the National Food Administration, the Swedish Working Environment Authority, the National Agency for Education, the Swedish Environmental Protection Agency, and the Board of Health and Social Affairs. And as we move even further down

we find openly politicized agencies such as the Agency for Government Employers (which is the Swedish government's collective bargaining agency), the Swedish Public Employment Agency (which manages unemployment benefits and labor market policy), and the Swedish International Development Cooperation Agency (which manages foreign aid). Interestingly, at the bottom of the chart we also encounter a number of transportation and construction agencies such as the Swedish Postal Service, the Swedish State Railways, and the Board of Public Offices—agencies which in most countries would be prime targets for patronage. If viewed as a politicization index of sorts, then, the agency-specific parameters do appear to lend some face validity to the more general estimates.

Do the overall results indicate a substantially important difference? We believe so. The average growth rate across our sample is 2.37 per cent. A difference around two percentage units can thus in principle spell the difference between expansion and contraction. Moreover, due to the Swedish appointment system where agency heads serve on fixed-terms—meaning that current cabinets will always inherit at least some of the appointees of past cabinets, and not uncommonly for multiple years—the difference can also be expected to accumulate over time. The dynamic models are particularly illuminating here in virtue of showing that the effect of an agency head's ideological relations to the political incumbent is generally immediate. That is to say, an agency does not appear to inherit the reputation of its leaders to any notable degree; once an agency's management is replaced, whatever budgetary effects they might have had disappears with them. With that said, there is clearly also much variation left unaccounted for in our models, and future work would do well to also consider factors other than appointments through which policy conflicts may be transmitted over time.

## **Conclusions**

In this paper, we have analyzed the relationship between political control of agency decision-making and the size of agency budgets. We have suggested that political decisions about agency appointments and appropriations can usefully be understood as part of the same general delegation process, with political leaders strategically matching responsive personnel and prioritized resources across policy issues and over time. To buttress this conjecture, we have examined four decades worth of data from the Swedish central bureaucracy, covering all agency appropriations and leadership appointment between 1971 and 2014, and shown that agencies systematically receive more generous allocations when the appointing and appropriating governments are from the same ideo-

logical bloc. We have thereby affirmed the strategic considerations highlighted by previous works in both bureaucratic and distributive politics, but also shed new light on how the appropriations and appointment processes are linked.

Our approach to delegation places particular emphasis on *ex ante* incentive alignment, but also has implications for how we should understand *ex post* decision governance. On our account, the power of appointment and the power of the purse are not so much about punishing unresponsive bureaucrats as they are about selecting responsive bureaucrats. The distinction is important because if political leaders primarily see them as instruments for providing agencies with high-powered, outcome-based incentives through oversight, then they both suffer from a number of well-known deficiencies that are likely to limit their efficacy and hence also the political incentive to actually deploy them. As McCubbins, Noll and Weingast (1987) pointed out some years ago, in politics, sanctions are not simply wealth transfers from the agent to the principal—they are costly for both parties. Cutting the budget of a hostile agency, for example, may also thwart a government's ability to realize its own policy goals by causing even greater reductions in the agency's performance (Ting 2001). However, if political leaders instead see them as instruments for aligning incentives from the outset of delegation, as we argue, then the political incentive for deployment can be strong, even if it might hurt an agency's performance. If cutting the budget of a hostile agency also opens for more funds to be invested in a friendly agency, for example, then a political intervention may be motivated on grounds of overall efficiency. Because real political leaders will typically inherit most of their bureaucracies from previous generations of political leaders—sometimes from ideological allies, sometimes from ideological opponents—they often have to revisit administrative arrangements made in earlier rounds in order to assure satisfactory policy outcomes in future rounds.

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