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MYTHS OF CORRUPTION PREVENTION

What is (not) good with a Weberian Bureaucracy?

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ABSTRACT

It is often stated that the public sector should be separated from politics and that an isolated bureaucracy, in this sense, is less prone to corruption. The cornerstone of such propositions is that the activities of politicians and administrators should be separated so that politicians dominate policy making, while administrators dominate implementation. This paper investigates if the organizational characteristics aimed at isolating bureaucrats from politicians are correlated with lower levels of corruption in countries across the world. Using a unique dataset measuring features of the public sector administration in 97 countries, we show that there is no empirical association between four standard indicators of an isolated bureaucracy and low corruption.

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INTRODUCTION

Corruption is a persistent problem in the world today. This is not only true for developing countries in Latin America, Africa and Asia, but also for many European democracies such as Italy and Greece (for an overview see Holmberg, Rothstein and Nasiritousi 2009). In the academic field of Public Administration and in national debates in several countries it has been suggested that corruption can be curbed by fostering a traditional organization of public administration, guaranteeing lifelong careers, formalizing recruitments, and introducing strong legal protection for civil servants. This paper scrutinizes these suggestions and demonstrates that they are merely myths of corruption prevention.

The consequences of widespread corruption for economic development and social well-being are important in several ways. For example, factors related to corruption seem to be more decisive than traditional variables in economics for explaining sustained economic growth (Hall and Jones 1999; Mauro 1995; Rodrik, Subramanian, and Trebbi 2004). In addition, corruption has dramatic effects on social well-being as it contributes to worse educational attainment, lower levels of health and happiness, worse protection of the environment, impoverishment of social and political trust and higher levels of violence (Holmberg, Rothstein and Nasiritousi 2009). Therefore, the quest for finding institutional recipes to curb corruption has become a goal for many researchers and policymakers.

Policymakers and academics have, for example, suggested that institutionally isolating public administration from politicians' interferences curb corruption. A group of characteristics that have received attention are some fairly narrowly defined components of a Weberian bureaucracy such as formalized recruitments of public servants, lifelong tenure and special employment laws for public employees.¹ A common denominator of these bureaucratic features is that they aim to create a clear separation of the activities between public servants and politicians and, therefore, they have tended to go hand in hand.

¹ For a discussion on other characteristics of a Weberian ideal-type of bureaucracy, see Olsen 2006; Evans and Rauch 1999; Dahlström, Lapuente and Teorell 2011a. The particular bureaucratic characteristics studied in this paper belong also to the "Weberian elements" of what comparative studies like Ongaro (2008, 113) or Pollit and Bouckaert 2004, 99-100) define as the Neo-Weberian State (NWS). Since NWS is a concept difficult to operationalize – scholars admit it is an *omega concept* and thus vague and incomplete (Pollit and Bouckaert 2004, 100-102; Ongaro 2008, 113) – we focus our analysis on the individual characteristics for which we have measurements.

The result is that we have some countries with more isolated bureaucracies than others. In studies mainly of OECD countries, scholars have noted a division between the “open” (e.g. US, UK, Netherlands) and the “closed” civil service systems (e.g. France, Belgium, Spain) (Auer at al. 1996). Politicians in more “closed” civil service systems have limited discretion to manage public employees, although they often develop large bodies of politically appointed advisors instead (Peters and Painter 2010). Staff policy is in these countries often firmly controlled by autonomous administrative corps of civil servants, with recruitments made through formal examinations and life tenure guaranteed for those who pass those exams (Bekke and Van der Meer 2000; Heady 1996). In the more “open” civil service systems of Sweden, UK, Netherlands or Finland, public employees do not enjoy special employment laws, life tenure is less frequent, and public employees resemble their private-sector counterparts more.

Before moving on, a word of caution is in order regarding this classification of national bureaucracies. As Dahlström, Lapuente and Teorell (2011b) has shown, characterizing public administrations as closed or open is mainly meaningful for Western and post-communist countries. In other parts of the world these different aspects of staff policy do not cluster together in the same way as in Europe. This paper therefore treats the four components of an isolated bureaucracy, for which measurements are available, separately (these are salaries, recruitments, tenure and employment laws).

This paper makes two contributions. First, we argue that one should make a distinction between two different ways in which politics and administration can be isolated from each other. Different arrangements can separate careers of politicians and administrators, or separate their activities. We explain why one should expect different effects on corruption, depending on which of these arrangements is dominant. Another paper in which both authors of this paper have participated (Dahlström, Lapuente and Teorell 2011a), show a systematic positive effect of arrangements separating careers. In particular, that study notes a strong and significant effect of meritocratic recruitment to the administration, which is robust to stringent controls, such as the inclusion of the most prevailing institutional explanations like the form of government or the characteristics of the electoral system.

We do, however, know less about the effects of separating the activities of politicians and administrators, which leads us to the other, and maybe most important contribution of this paper. The

paper empirically analyses the effects on corruption of four characteristics associated with administrations that separate the activities of politicians and administrators, using a unique dataset based on a survey covering the administration structure of 97 countries. The empirical analysis demonstrates that these characteristics are not linked with low corruption, as traditionally alleged by the defenders of a closed bureaucracy.

The policy implications are thus relevant for any government interested in tackling systematic corruption: unlike the frequent interpretation of a Weberian bureaucracy as one that establishes a “stark line” between the activities of politicians and administrators, we claim that that stark line should instead be established between their careers, making difficult for bureaucrats to become elected politicians and vice versa.²

The bureaucratic dinosaur is back

There is a long list of explanations for corruption levels and the quality of public institutions resorting to differences in cultural values, economic development or political institutions (for an overview see Holmberg, Rothstein and Nasiritousi 2009). In the empirical section we will include one indicator from each of these as control variables. However, the main contribution of this paper is not to offer a comprehensive explanatory model. Instead, our focus is on scrutinizing an explanation that has gained attention from both academics and policy makers, namely the institutional design of public administration.

The first generation of explanations concentrated mostly on cultural factors. Weber’s (1978) well-known theory of Protestant work ethics and Banfield’s (1958) theory of “amoral familism” in Southern Europe are both classical examples of culture-based explanations for understanding the divergence performances of countries. Also more recent studies, focusing on differences in quality of government, have underlined the importance of cultural or religious values (e.g. Putnam 1993, La Porta et al. 1999, Treisman 2000, 2007).

These studies do however present problems that encourage more institutional approaches. First, cultural factors are difficult to falsify, and, as some authors have noted, it is not intellectually satisfy-

² The “stark line” is a frequently used metaphor to describe the virtues of the Weberian or Wilsonian idea-type of bureaucracy (for a recent review of this view, see Lewis 2008, following Weber 1946, 95 and Wilson 1887, 210). The stark line would separate the activities of these two groups and “politicians should make policy and professional administrators should dutifully carry it out” (Lewis 2008, 6)

ing to argue that people act in a corrupt fashion simply because they lack morals (Erlingsson, Bergh and Sjölin 2008, 600). Second, even the most sophisticated empirical analysis showing that Protestant countries exhibit lower levels of corruption fail to provide causal mechanisms (La Porta et al. 1999, Treisman 2007). Third, cultural explanations of corruption and quality of government suffer from the problem of reverse causality. One cultural factor often considered key for explaining good institutions is the degree of generalized trust, or social capital, especially after Putnam's (1993) influential study of the differences between Northern and Southern Italy. As recent theoretical and empirical developments suggest, the direction of the causation could however be the other way around (Rothstein and Stolle 2008).

This is also the problem of authors – such as Welzel and Inglehart (2008) – emphasizing the importance of economic development for understanding why some democracies perform better in terms of governance. It can be argued, echoing the main prediction of classical modernization theories, that increasing levels of economic development lead to higher demands from voters and, as a result, higher quality of government. There are however an extensive and growing literature showing that the causal relationship arrow also goes in the opposite direction: the countries that are more capable of curbing corruption grow faster (see Mauro 1995 for an earlier test; see also Rodrik, Subramanian, and Trebbi 2004).

If we move to political institutions, it has been suggested that democracies, where incumbents are directly accountable via elections, should outperform unaccountable autocracies in curbing corruption. However, empirical evidence in favour of the democratic hypothesis is, at best, mixed (Holmberg and Rothstein 2010). Numerous scholars have explored what Harris-White and White (1996, p. 3) and Sung (2004, p. 179) define as the “contradictory” relationship between democracy and corruption and concluded that corruption increases in transitional countries and that new democracies only after a consolidation process are able to effectively curb corruption.

In sum, we will control for the main cultural variable according to the literature (i.e. the degree of “Protestantism”), the level of economic development in the empirical analysis (GDP), together with the most explored political factor (i.e. the level of democracy in a country).

The main focus of this paper is, however, the public administration structure, which is a factor traditionally overlooked by the literature on corruption. Recent studies have provided increasing evidence pointing towards the importance of bureaucratic institutions vis-à-vis the conventionally

examined political institutions for understanding corruption differences (Dahlström, Lapuente, Teorell 2011a; Rauch and Evans 2000; Olsen 2006). As Olsen (2005, 1) puts it; Weberian bureaucracy does not seem to be an “organizational dinosaur helplessly involved in its death struggle”. Instead, “it is time to rediscover bureaucracy” (ibid.). Nevertheless, as noted by numerous scholars, a Weberian bureaucracy may mean many different things and, in principle, it contains a large number of characteristics that potentially may have very different effects (Hall 1963; Olsen 2008).

In this paper we focus on one core principle of a Weberian bureaucracy, namely the idea of separating the political sphere from the administrative sphere within public organisations.³ This principle was the corner-stone of the British Northcote-Trevelyan Report of 1853, which is considered as the founding text of the modern meritocratic administration in the western world (Mouritzen and Svava 2002, 3).⁴ For the purpose of this paper it should be noted that already at that point in time these reforms aimed at tackling the extensive corruption, patronage and nepotism, in Britain known as “Old Corruption”.

The separation between politics and administration is also of essential concern for the two authors most frequently cited in the literature on administrative systems, namely Max Weber (1978), who underlined the necessity of having a civil service that was politically independent, and Woodrow Wilson (1887), who advocated the establishment of a separate sphere for public administration. The idea of a strong bureaucracy that acts as a counter-weight to the power of a democratic majority is also prevailing in the current scholarship. Garry Miller (2000, 325) concludes for example that “in order to be efficient (...) governments should establish mechanisms which constrain, and not only facilitate, popular democratic control over the bureaucracy”.

Separating activities or careers?

In spite of the consensus about the beneficial effects of separating politics and administration, it is much less apparent how administration and politics should be separated and what effects the different ways of institutionalising such a separation have. Very schematically, politics and administration can be separated in two different ways, which potentially can produce very different outcomes. We call it (i) the separation of activities and (ii) the separation of careers.

³ Therefore, similar to scholars in this administrative literature (Rauch and Evans 2000), we do not explore other hypothetically important principles long associated with a Weberian bureaucracy, such as the standardization of procedures or its hierarchical character.

⁴ The contemporary discussions in other European countries were very similar and, for instance, the Spanish Prime Minister Bravo Murillo, himself familiar with the problems of politicians' ad hoc interventions in the Treasury, aimed – unsuccessfully – to separate the political and administrative spheres in Spain via a Decree in 1852 (Lapuente 2007).

We will use the example of the main administrative figure in Western local governments to illustrate the difference between the separation of activities and the separation of careers because this figure travels well and has been subject to some comprehensive large-N comparative studies (Mouritzen and Svava 2002). The literature refers to this figure as the Chief Administrative Officer (CAO) because of its resemblance with the Chief Executive Officer (see Mouritzen and Svava 2002, 8). In the classic metaphor of good local governance offered by Peter Self (1972), the separation of politics and administration at the local level can be imagined as an arch, at whose apex the chief administrative figure (CAO)⁵ and the chief political figure (the council leader or the mayor) cohabit. Yet the same figure plays a quite different role in what otherwise may be relatively similar local entities.

For instance, Spain is a country with strict separation of the activities of elected politicians and CAOs. Mayors and councillors monopolize policy decision-making while the *secretarios-interventores* do not take active part in the decision-making process. Their involvement is more restricted to a passive role, as they mainly check the legal validity of the decisions by an all-political local executive. This is also the main purpose of local CAOs in other countries within the Napoleonic administrative tradition, such as France, Italy or Portugal.

On the contrary, in countries with local governments organized according to what we call here the separation of careers principle, such as in the Nordic countries, CAOs play a more active role in policy-making and management. Local CAOs may even launch their own policy initiatives as well as providing policy proposals elected representatives. The political neutrality of these local CAOs does not imply policy passivity, but rather an active role in policy design. CAOs are “professionally and morally obliged to furnish their political leaders with alternative policies which can be developed” (Asmeron and Reis 1996, 8). However, different formal and informal mechanisms prevent bureaucrats in countries organized after the separation-of-careers principle from engaging in politi-

⁵ Examples of a CAO would be the city-managers of the Anglo-Saxon world, the Swedish *kommunchef*, the Finnish *Kommundirektör*, the *segretari comunali* in Italy, or the *secretario-interventor* in Spain.

cal activities themselves and, particularly, from running for offices (Dahlström and Lapuente 2010), while the opposite often occurs in countries organized after the separation-of-activities principle (for example in France and Spain).

The separation-of-careers principle does thus not separate political and bureaucratic activities or responsibilities, but almost the contrary. This structure forces individual's with known different interests, some motivated by political re-election and others by their careers as professional managers, to take policy decisions together.

By contrast, the separation-of-activities principle emphasises the need to keep CAOs as separated as possible from the activities undertaken by elected representatives. CEOs are in such model limited to a passive role in policy-making. Therefore, all relevant policy-making and managerial activities fall in the hands of a team of individuals with a shared fate, namely the elected officials of the ruling party and their political advisors.

In settings where the careers of politicians and administrators are separated, CAOs act as a political brake on the party interests of the elected representatives in terms of, for example, giving greater consideration to the long-term objectives of public policies (Mouritzen and Svava 2002, 8).⁶ There are empirical indications of positive effects on local government of having two leaders that accountable to different groups – the elected representative and the CAO – working in tandem. The tension derived from the division of political activity between agents with such different interests has thus a healthy impact in terms of good governance, and permits a more balanced formulation of public policies.

Going beyond local governments, and looking at the general organization of public administrations in 52 countries, Dahlström, Lapuente and Teorell (2011a) argue that making professionals who respond to different chains of accountability work close together, creates a coordination problem in case they want to engage in corrupt activities. This means that when elected politicians are accountable to the party and public managers are accountable to professional peers have less margin for

⁶ More on CAOs: How does a USA *city manager* describe his role? "Mayors? I work with them, but I don't work for them" (Mouritzen and Svava 2002:47). CAOs also play another role, the '*whistleblower*' (Erlingsson 2008:601). The bureaucrat, as a potential '*whistleblower*', thus maintains an informal control over the elected representatives.

opportunistic behaviour. According to the same study, public administrations with such characteristics are empirically associated with low levels of corruption.

Keeping different career interests in the two groups of professionals (politicians and bureaucrats) at the apex of leadership of a local government, or, more generally, of any public administration is thus a deterrent of power abuse or corruption. In other words, the antidote against corruption and malfeasance in public office is to have individuals with different interests jointly taking the same decisions.

Four ways of separating the activities of politicians and administrators

Paradoxically, most policy recommendations for curbing corruption through administrative design do however not aim at creating a separation of the careers of politicians and bureaucrats but rather separating their activities. In short, politicians should monopolise decision-making activities while bureaucrats isolated from politicians' interferences should monopolize policy-implementation. The former should not get involved in the activities of the latter and vice versa. This paper identifies four widespread recommendations aimed at separating activities of politicians and bureaucrats that will subsequently be tested empirically.

The first recommendation is that a traditional public management organization does consolidate a more effectively isolated bureaucracy than a New Public Management (NPM) organization, since the latter is based on the idea that politicians may introduce incentives (e.g. performance-related payments instead of flat salaries) to make bureaucrats more accountable to their wishes. A prevailing argument in the literature on corruption is that NPM reforms open windows of opportunity for corruption. This would happen even in countries with high levels of quality of government. As Erlingsson, Bergh and Sjölin (2008, 595) argue regarding Sweden (although they admit that "hard empirical data do not yet exist"): "our conclusion is that there are reasons to suspect that retrenchment initiatives and organizational reforms over the latest two decades, often labelled 'new public management', have increased the risk of corruption". The basic idea behind this suspicion is that the principle of legality is the ruling principle in the traditional public management organisation, while the principle of efficiency takes priority in a more NPM-oriented public sector (for a review of the literature on Spanish corruption cases, see Lapuente 2009). It is argued that the greater flexibility associated with NPM reforms and lack of administrative procedures that guarantee the principle of legality create opportunities for partial and/or corrupt policy decisions. For instance, a

politician who wants to favour cronies in public procurement may create NPM-based agencies that more directly accountable to her.

The other three recommendations stem from the idea that careers in the public sector should be isolated from private market flexibilities in order to create the best opportunities for impartial implementation of policies. Public jobs should therefore follow a “closed” system in contrast to the “open” or “position-based” public administration system. In such systems recruitments, careers and exits of public employees are firmly controlled and often formalized (Bekke and Van der Meer 2000; Heady 1996). At the other end of the continuum in more “open” public administrations (Auer et al. 1996) the public sector resembles the private sector more.

Scholars have noted the importance of career stability for how organizations work. In Gary Miller’s (1992) *Managerial Dilemmas* the beneficial effects at medium-long term of strategies based on long-term employment commitments are shown. Yet, authors defending the “closed” civil service system go a step further in demanding almost total guarantees of job security in what, de facto, becomes life tenure for public employees. This is a key characteristic of the civil service status granted to the bulk of public employees in the “closed” administrative model (e.g. the *funcionario* or *fonctionnaire*). For some administrative scholars, the closed public administration system would obey to a more sophisticated conception of civil service than the open system because it involves life tenure and a step-by-step promotion based on seniority. In addition, civil servants achieve a maximum knowledge of the organization (Gutiérrez Reñón 1987, 66).

The positive views of a closed public administration system are common in the European academia. For instance, the German autonomous public administration system is considered a “guarantor of the public good” (Goetz 2000, 87) and the French as essential to the “strong state tradition” (Meininger 2000, 189). At the same time, attempts in some countries, like Spain, to introduce elements of a more “open” civil service system are seen as if the “the sword of Damocles is hovering over their (civil servants) heads” (Crespo Montes 2001, 114). Moving towards a more open public administration would thus result in less efficient public organizations as well as create more opportunities for corruption. This is also the conventional view among public opinion leaders in many countries. For example, the major Spanish newspaper, *El País*, voiced its opposition to those elements of the new Civil Service Act that have tried to replace rigid employment arrangements with more flexible private-sector-like conditions in local governments (Iglesias 2007, 127).

The argument for an isolated bureaucracy with firmly regulated recruitments, careers and exits in the public sector is thus that they limit the ad hoc flexibility of private-sector-like contracts. The three main mechanisms to keep public employment as “public” as possible would be: recruitment via anonymous formal examination systems which eliminate the subjectivity (and thus, the opportunities for nepotism) that the private sector-like conventional procedures (e.g. screening of CVs, face-to-face job interviews) allow; a guaranteed secure tenure, which prevents political superiors from removing inconvenient public employees; and special labour laws – different from the general labour laws covering private sector workers – protecting public employees and limiting the possibilities for punishing public employees by firing them.

In sum, four hypotheses can be derived from this view of a Weberian bureaucracy as separation of politicians and bureaucrats: (i) The first hypothesis is that NPM oriented public sectors are associated with higher corruption levels. (ii) The second hypothesis is that formal examinations when recruiting public employees are associated with lower corruption levels. (iii) The third hypothesis is that lifelong careers for public employees are associated with lower corruption levels. (iv) The fourth hypothesis is that the existence of special employment laws for the public sector is associated with lower corruption levels. The remainder of this paper will be devoted to the empirical test of these four hypotheses.

Method and data

In the empirical section we investigate the relationship between four ways of creating a separation of activities between politicians and public administrators (traditionally organized public sector, formalized recruitment to the public sector, lifelong careers and special labour laws for the public sector) on the one hand and corruption on the other, in 97 countries around the world. The method we use is very straightforward. We start by looking at simple correlations between the four indicators and levels of corruption, illustrating the relationships with scatterplots. We carry on by employing cross-section OLS with a minimum amount of control variables. We include three control variables in the regression from the spheres discussed in the theoretical section; one cultural (Protestantism), one political (level of democracy) and one economical (log of GDP per capita).

On the dependent side, the corruption level, we rely on the Corruption Perceptions Index from 2010. This is a widely used aggregate corruption measure, ranking countries according to the cor-

ruption level in the public sector and provided by Transparency International. 178 countries are ranked on a scale from 10 (very clean) to 0 (highly corrupt). CPI 2010 brings together data from 13 different data sources from 10 different institutions for a time period of two years. The bulk of these sources are based on perceptions from either country experts or business leaders (Transparency International 2010, 15).

On the independent side we use a unique comparative data set on the structure of public administration. The data is produced by the Quality of Government survey (from here on the QoG-survey). This is a country expert survey completed by 973 public administration experts from a total of 126 countries. The data has been collected in two different waves, one running from September 2008 to May 2009 and the other running from March to November 2010. In this paper we use a merged data set, combining both waves. The number of respondents per country in the QoG-survey varies from 1 to 28, with a mean of 8. However, in order to enhance data quality we only include the 97 countries for which at least 3 expert responses have been obtained (for a more detailed discussion see Dahlberg et al. 2011; and Dahlström, Lapuente and Teorell 2011b).

We use four different indicators from the QoG-survey, one for each of the four hypothesis described in the previous section. The first, the NPM orientation of the public sector, is measured through a question where experts rank the degree to which salaries of public sector employees are linked to appraisals of their performance, on a scale from 1 (hardly ever) to 7 (almost always). Table 1 reports the exact wording of all questions used in this paper.

Although NPM is a broad concept including much more than performance-related pay for public sector employees, it should be uncontroversial that performance-related pay is a core element of NPM, as it exemplifies a new component in rewarding systems not present in traditional public administration (Dahlström and Lapuente 2010; Peters and Hood 2004; Thompson 2007). The degree of performance-related pay in the public sector should thus give a good indication of the degree of NPM. The second indicator we employ relates to how commonly used formal examinations are when public sector employees are hired, again going from 1 (hardly ever) to 7 (almost always). The third indicator is a question on how frequent it is that one stays as a public sector employee for the rest of one's career once recruited, again measured from 1 (hardly ever) to 7 (almost always). The fourth indicator comes from a question relating to the regulation of public employees. More

specifically, it asks if public sector employees are regulated by special laws that do not apply to private sector employees, on a scale from 1 (not at all) to 7 (to a very large extent).

TABLE 1, INDICATORS OF THE DEGREE OF NPM, FORMAL EXAMINATIONS, LIFELONG CAREERS AND SPECIAL LABOUR LAWS FOR THE PUBLIC SECTOR

Indicator of:	Question	Scale
Degree of NPM	The salaries of public sector employees are linked to the appraisals of their performance?	1 (hardly ever) 7 (almost always)
Formalization of recruitments	Public sector employees are hired via a formal examination system?	1 (hardly ever) 7 (almost always)
Career tenure	Once one is recruited as a public sector employee, one stays a public sector employee for the rest of one's career?	1 (hardly ever) 7 (almost always)
Special labour laws	The terms of employment for public sector employees are regulated by special laws that do not apply to private sector employees?	1 (not at all) 7 (to a very large extent)

Comment: Questions are from the QoG-survey (see Dahlberg et al.; Dahlström, Lapuente and Teorell 2011b).

As already mentioned we use three control variables. First, on the cultural side, we use a control for the proportion of Protestants in the population 1980, from La Porta et al. (1999). Second, on the political side, we control for the level of democracy that is taken from Freedom House and Polity (from 2002-2006 varying for different countries).⁷ Third, relating to economic development, we control for logged GDP per capita, from the United Nations Statistics Divisions (2009). All control variables are taken from the Quality of Government data set (Teorell et al. 2010).

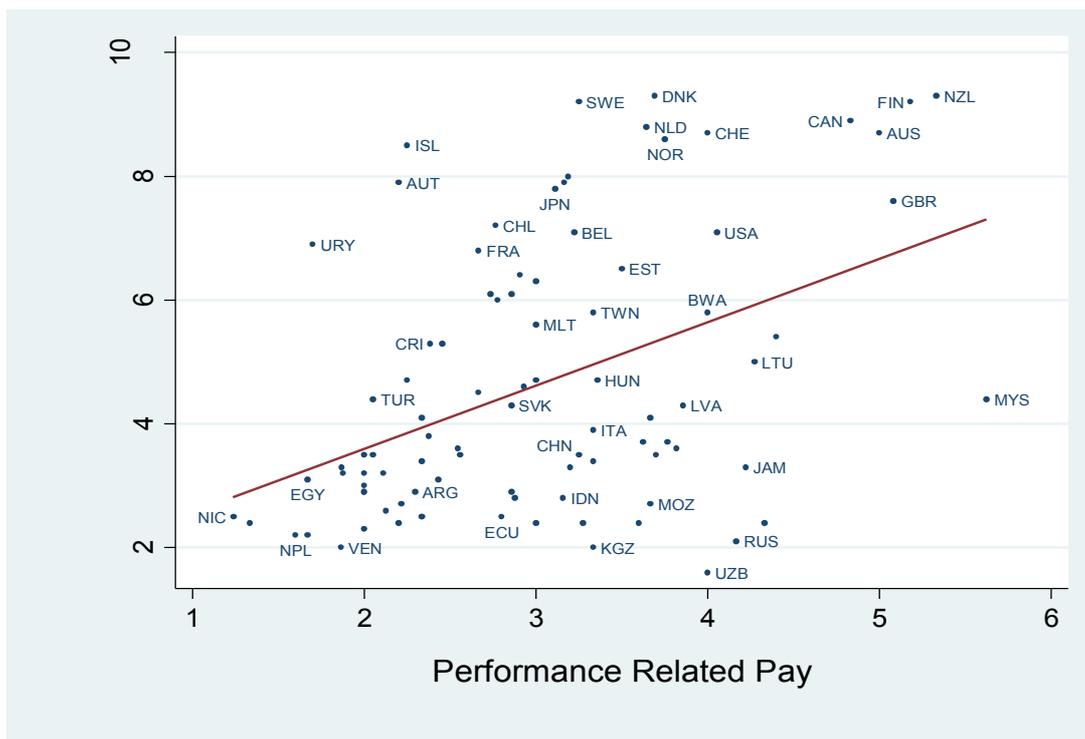
Results

A prevailing argument in the literature on corruption is that NPM reforms open windows of opportunity for corruption, and that a traditionally organized public sector has stronger legal mechanisms and more routines for preventing corruption (Andersson and Erlingsson 2010). Previous literature thus suggests that we should find a negative relation between the degree of NPM and the Corruption Perceptions Index (remember that lower values in the Corruption Perceptions Index indicate more corruption).

⁷ We use the Freedom House/Polity version, which has imputed values for countries where data on Polity is missing by regressing Polity on the average Freedom House measure (see Hadenius and Teorell 2005).

When we examine the situation from a comparative perspective it does however become hard to blame the new organisational modes of the NPM for corruption. Consider figure 1, which reports the degree of performance-related pay (our NPM measure) on the X-axis and the Corruption Perceptions Index on the Y-axis. The correlation between performance-related pay in the public sector and the Corruption Perceptions Index is positive, and not negative as suggested in the literature. The correlation is also fairly strong (0.42). Countries with a high score in the Corruption Perceptions Index are thus in several cases those that have adopted more NPM reforms. Finland, New Zealand, and the UK are for example often considered as forerunners in terms of NPM reforms, while countries such as Spain, France and Italy are considered to be “laggards” (Hood 1996; Pollit and Boukaert 2004; OECD 2004, Dahlström and Lapuente 2010).

FIGURE 1, PERFORMANCE RELATED PAY IN THE PUBLIC SECTOR AND CORRUPTION



Comment: The Y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). Data comes from the Corruption Perception Index: 2010 provided by Transparency International (2010). The X-axis reports the degree to which salaries of public sector employees are linked to appraisals of their performance on a scale from 1 (hardly ever) to 7 (almost always). Data comes from the QoG-survey.

The first column in table 2 reports the regression coefficients when we examine the same hypothesis but take into account that the relationship could have been suppressed by cultural, political or economic factors. Including the control variables does however not seem to change anything in substantive terms. The performance-related pay coefficient is positive also when the controls are included. It is however not statistically significant. We are therefore unwilling to draw any conclusions from the positive correlation between the degree of performance-related pay and the Corruption Perceptions Index, but the results clearly indicate that there is no negative relationship as suggested before.

TABLE 2, FOUR INDICATORS OF A CLOSED PUBLIC ADMINISTRATION AND CORRUPTION

	1	2	3	4
Performance Related Pay	0.146 (0.125)			
Formal Examination System		0.070 (0.082)		
Lifelong Careers			0.070 (0.082)	
Special Employment Laws				-0.117 (0.159)
Level of Democracy	0.067 (0.047)	0.065 (0.047)	0.065 (0.047)	0.068 (0.047)
Protestantism	0.023*** (0.005)	0.026*** (0.005)	0.026*** (0.005)	0.023*** (0.005)
Log (GDP/Capita)	0.999*** (0.096)	1.014*** (0.095)	1.014*** (0.095)	1.029*** (0.095)
Constant	-4.659*** (0.661)	-4.677*** (0.694)	-4.677*** (0.694)	-3.798*** (1.081)
Number of Countries	91	91	91	91
Adjusted R-squared	0.798	0.797	0.796	0.796

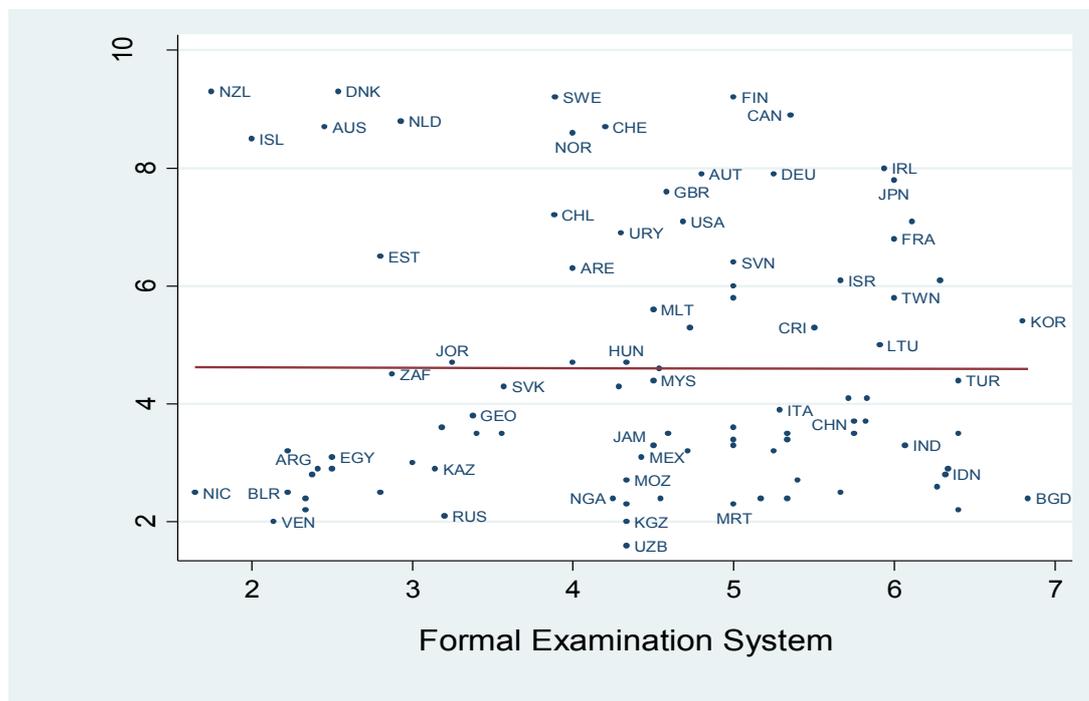
Comment: Data for Performance Related Pay, Formal Examination Systems, Lifelong Careers and Special Employment Laws are measured on a scale from 1 to 7 and come from the QoG-survey (Dahlström, Lapuente and Teorell 2011b). Level of democracy is taken from Freedom House and Polity (from 2002-2006 varying for different countries). Protestantism is measured as the proportion of Protestants in the population in 1980 and is from La Porta et al. (1999). Data on GDP per capita are from the United Nations Statistics Divisions (2009).

*** significant < .01-level

One important argument for formalized recruitments to the public sector is that anonymous formal examinations limit the opportunities for nepotism and politicization of public sector positions. More informal recruitments resemble the private sector, since positions are open for competition and filled with the most suitable candidate, often resorting to private-sector-like recruitment systems such as screening CVs and personal interviews. The basic idea is that an informal system is more easily manipulated and should therefore offer more opportunities for corrupt behaviour and,

maybe more importantly, create close ties between politicians and administrators. Figure 2 reports how common it is that a public sector employee is recruited via formal examinations on the X-axis, and scores on the Corruption Perceptions Index on the Y-axis. If the hypothesis from previous literature is right, the relationship between formal examinations and the Corruption Perceptions Index should be positive. As is evident from Figure 2, the correlation is however close to zero (0.02), indicating that the two phenomena are unrelated.

FIGURE 2, FORMAL EXAMINATION SYSTEM AND CORRUPTION



Comment: The Y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). Data comes from the Corruption Perception Index 2010 provided by Transparency International (2010). The X-axis reports how common it is that formal examinations are used when public sector employees are being hired on a scale from 1 (hardly ever) to 7 (almost always). Data comes from the QoG-survey.

Column 2 in table 2 reports the results from an OLS-regression including the same three control variables as before (democracy, Protestantism and GDP per capita). The regression coefficient for formal examinations is positive but the effect is very weak and the coefficient is not statistically significant. We therefore are fairly confident that there are no positive relationships between formalism in recruitments and low corruption, as suggested in the hypothesis.

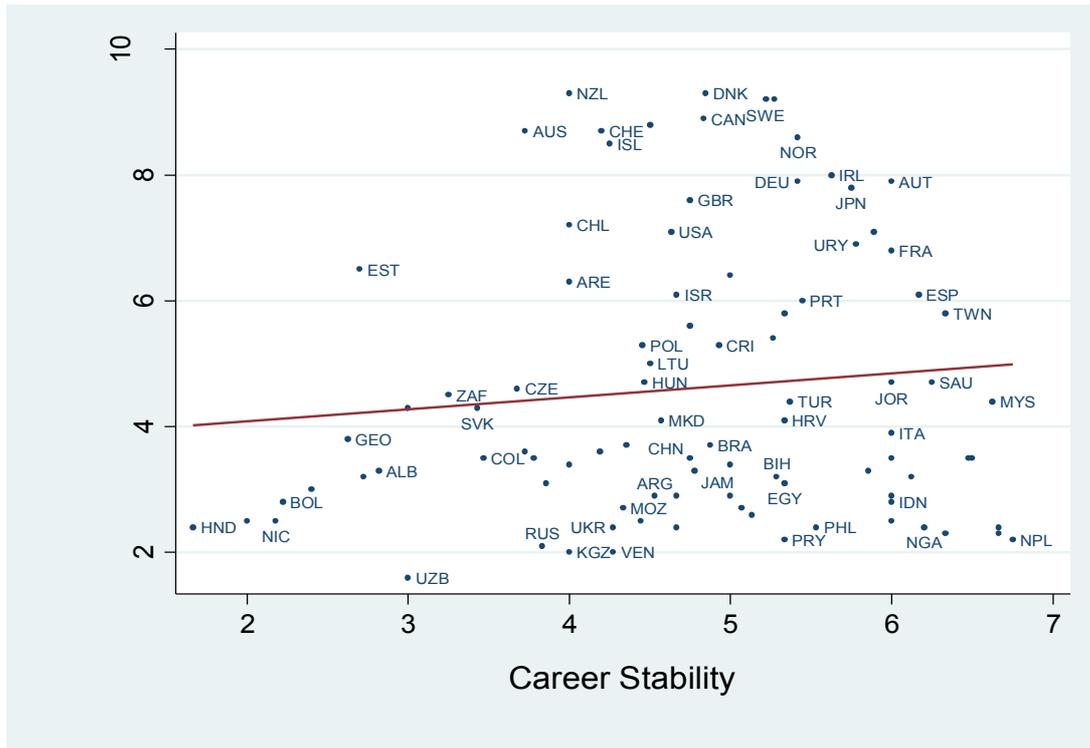
If we move from aggregate data and look at some specific countries, we find illustrative examples of the relatively counter-intuitive result that public employment systems that are more similar to the private sector are not more prone to generate corruption. For instance, while face-to-face interviews belong to the standard repertoire of selecting public employees in a country like Sweden (a country with high CPI score), it has traditionally been rejected as a method for recruiting public sector employees in Spain (a country with a lower CPI score). When the Spanish administration needs to fill a vacancy the standard procedure is the publication (in the official administration's bulletin) of detailed lists of desired characteristics of the would-be civil servants (and the respective points assigned to each characteristic). Unlike the Swedish procedure (theoretically more prone to subjective considerations), the formalized Spanish mechanism may lead to some – although hard data is unavailable to confirm it – abuses. For example, some heads of administrations, in order to favour their preferred candidate, simply insert some very specific qualifications in the legal job description published in the administration's *Boletín Oficial*. These practices of bending the formal exam in favour of a preferred candidate are, obviously, very difficult to uncover, let alone to prove before a court that a special requirement for a particular post was meant to favour a given candidate. Nevertheless, some scholars and civil society organizations have listed many striking cases that point towards an intention for nepotism and power abuse. For example, for theoretically standard managerial jobs, some official requirements have included bizarre conditions such as “knowing how to ride a horse” or “having been manager of a ceramics factory” (Iglesias 2007: 124). This example points out that also formal recruitment systems are possible to manipulate, which would explain why they are not an effective protection against corruption.

The third hypothesis suggests a positive relationship between the length of career tenure for public sector employees and the Corruption Perceptions Index. Here the basic idea is that a secure position for public employees makes them more autonomous and therefore less dependent on politicians. Some scholars have suggested that a secure position creates an *Esprit de Corps* within the agencies that hampers corruption (Rauch and Evans 2000).

Figure 3 has the degree of career stability on the X-axis and again the Corruption Perceptions Index on the Y-axis. There is a weak positive relationship between career stability and the Corruption Perceptions Index (0.13). An OLS-regression without any controls shows that the relationship is not statistically significant (coefficients not shown). When the three controls discussed earlier are

included in the regression, the career variable stays weak and statistically insignificant (reported in column 3 in table 2).

FIGURE 3, CAREER STABILITY IN THE PUBLIC SECTOR AND CORRUPTION

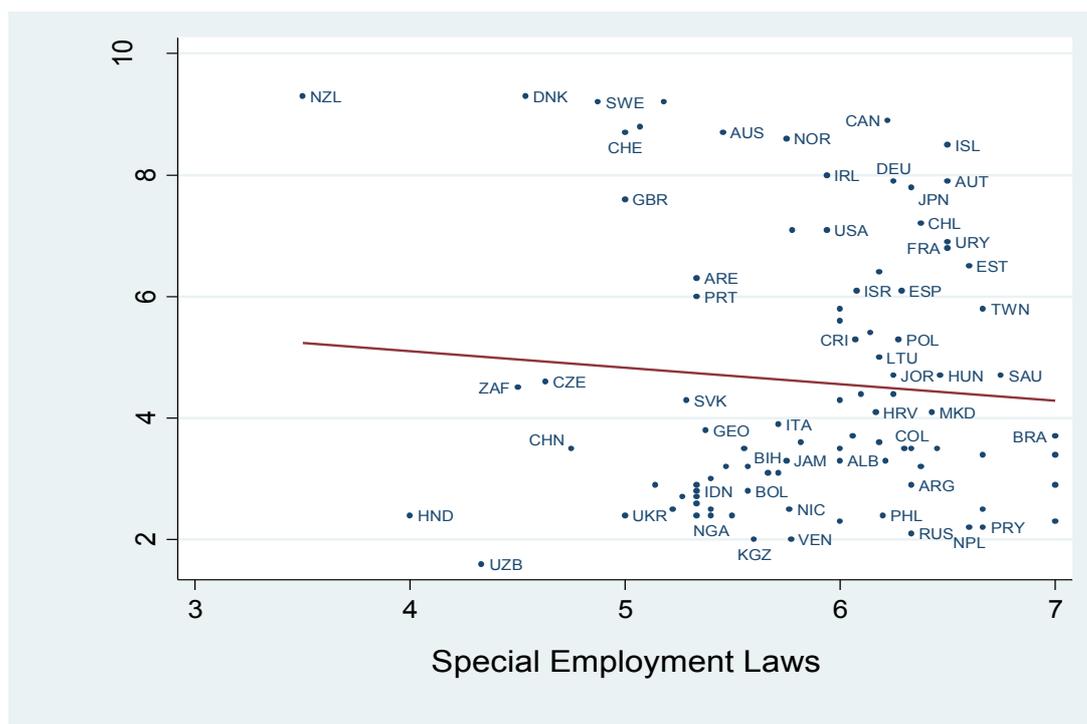


Comment: The Y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). Data comes from the Corruption Perception Index 2010 provided by Transparency International (2010). The X-axis reports how frequent it is that one stays as a public sector employee for the rest of one's career once recruited on a scale from 1 (hardly ever) to 7 (almost always). Data comes from the QoG-survey.

Another mean for creating a secure position for public sector employees and isolating them from political and public pressure is to have special labour laws for public employees. This has for the same reasons as just discussed been considered an efficient way of combating corruption (Cádiz Deleito 1987, 113). If we believe this argument, we should expect a positive relationship between to what extent public sector employees are regulated by special employment laws and the Corruption Perceptions Index. Figure 4 does however report a negative relationship. The correlation is however only -0.06, and thus very weak. A regression without control variables included shows a statistically non-significant regression coefficient (not reported). When the same controls as in previous analysis are included in the regression the coefficient for special employment laws stays negative

and statistically insignificant (see column 4 in table 2). We are therefore reluctant to draw any conclusions from the negative relationship but are convinced that there is no positive relationship between special employment laws and the Corruption Perceptions Index.

FIGURE 4, SPECIAL EMPLOYMENT LAWS IN THE PUBLIC SECTOR AND CORRUPTION



Comment: The Y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). Data comes from the Corruption Perception Index 2010 provided by Transparency International (2010). The X-axis reports if public sector employees are regulated by special laws that do not apply to private sector employees on a scale from 1 (not at all) to 7 (to a very large extent). Data comes from the QoG-survey.

There are two potential objections to the results presented in this section. First, characteristics of an isolated administrative organization could support each other and only produce the expected effects when they do so. Second, it is possible that the expected effects only occur at higher levels of development or in different parts of the world. In order to check the robustness of our results, we have re-run all regressions with an additive index of the four indicators as the independent variable (first objection) and divided the sample into four subsamples of OECD/non-OECD-countries and EU/non-EU-countries (second objection). There are no substantial changes of the result when we use the additive index (results not shown). When we divide our sample into sub-samples the results change in two interesting ways. Both speak against the expectation in the literature and strengthen

our results. In the OECD sample the positive (non-expected) effect of performance-related pay is statistically significant on the .10-level, and the negative (non-expected) effect of career stability is statistically significant on the .05-level (results not shown). Since we have a minimum of controls and only observe significant results in one of our sub-samples, we are however unwilling to draw any conclusions from these unexpected effects.

To sum up, we have been able to contradict the expectations when it comes to the effects of an isolated administrative organization on the levels of corruption. We have used four different indicators of bureaucratic isolation and none of them have shown a statistically significant association with corruption in the expected direction.

Separate careers, but not separate activities

It is often stated that the public sector should be protected from politics and that an isolated bureaucracy, in this sense, is less prone to corruption. This paper has tried to uncover the relationship between four characteristics of an isolated public administration and levels of corruption across the world. It has previously been suggested that i) so-called NPM reforms should introduce more opportunities for corruption; ii) that a formalised recruitment system to the public sector should curb corruption; iii) that long career tenure for public employees should curb corruption; and iv) that strong employment laws for the public sector should limit corruption. Using a dataset including 97 countries around the world, we have tested these hypotheses. In sum, we show that there is no empirical association between any of these characteristics and low corruption.

We believe that two mechanisms explain why isolating the activities of the administration is not an efficient tool for curbing corruption. First, there are several examples showing that politicians in countries with closed administrative model try to work around the rigidity of administrative procedures by designing *at will* flexible para-administrative structures (e.g. public companies, foundations, and private-public joint ventures) which in-turn may open windows of opportunity for corruption. Spain is one such example, but the same can be seen in Belgium and Italy (Cassese 1999; Dierickx 2004; Lapuente 2009).

Second, a strict separation of political and administrative activities between elected officials and bureaucratic officials leads to the monopolization of decision-making in the hands of elected offi-

cial and the implementation details in the hands of bureaucrats, creating opportunities for abuses in both types of activities. For instance, in the strict separation of political and administrative activities, bureaucratic officials are restricted to “external control” of politicians’ decisions. That is, as is the case with bureaucratic officials in Napoleonic countries such as the Spanish local *secretarios*, they check if politicians’ decisions follow the required legal and administrative procedures. Bureaucratic officials check politicians’ decisions *ex ante* or *ex post* and *from the outside*, but not *during* and *within* the decision-making process.

It is plausible to assume that, no matter what external controls decision-makers are subjected to, they will always enjoy a margin of manoeuvre for corrupt activities. The reason being that it is logically impossible to eliminate the *residual* – i.e. the opportunity for personal or partisan advantage – that is a part of all policy decisions (Miller and Hammond 1994). The decision-maker always enjoys at least some opportunities for taking advantage at the expense of social welfare derived from their informational advantages (e.g. how much a bridge – and all its feasible alternatives – really costs). Similar also to organizational economists (Miller and Falaschetti 2001), this paper considers that it is key to create a relative (not absolute, since it would lead to complete gridlock) coordination problem among decision-makers to minimize the probabilities of opportunistic behaviour. We argue that the separation-of-careers model creates such a coordination problem, because we have agents responsive to two different chains of accountability (professional peers in the case of bureaucrats; and party fellows in the case of elected officials) forced to jointly take policy decisions.

Instead of creating a coordination problem, closed administrations actually *solve* the problem by dividing politicians and bureaucrats into two independent – and internally coherent – groups assigned to distinct tasks. The decision-making falls exclusively in the hands of politicians and policy implementation in the hands of bureaucrats. In a closed administration, bureaucrats are, at best, “external legal checks” for politicians’ decisions. For example, in Spanish local administration, the chief administrative officer, the *secretario-interventor* reviews politicians’ decisions (e.g. granting a public contract to a private provider) and checks if the formal legal requirements have been met. Yet, within the limits of the existing legal framework, local politicians have a wide margin to take their most preferred policy decision (e.g. to which private contractor to benefit). In this context, individuals with shared interests (e.g. elected politicians of a given party) unilaterally set the level of the “residual” and who will eventually benefit from it.

In our view the most promising solution is to force people with different interests to take decisions involving residual, as in open public administrations. This is, for example, the case in local governments in Continental and Northern European countries where unelected bureaucrats are involved in active policy-making together with elected officials. In the more “open” public administrations the “residual” is thus in the hands of two types of officials (elected and bureaucrat) who respond to different chains of accountability (the party and the bureaucrat’s professional network). As a result, favouring some particular citizens or firms, violations of the impartiality rule, and other corrupt activities are less likely when individuals with different interests must take policy decisions jointly.

There is also empirical evidence showing that arrangements consistent with the separation of careers principle curb corruption. This idea is directly tested in Dahlström, Lapuente and Teorell (2011a) and that paper shows that the critical factor separating good performing administrations from poorly performing ones is how the selection of public employees takes place: if merit trumps personal and political connections, the probability of curbing corruption hugely increases.

Judging from the results presented in this paper and in related papers, policymakers and others interested in reducing corruption through administrative design should aim for reforms separating the careers, but should not have too high hopes when it comes to the effects of reforms separating the activities of politicians and administrators.

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