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A political economy approach to bureaucracies

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Abstract: La tesis fue defendida en la Universidad de Oxford y dirigida por José María Maravall. La tesis investiga la relación entre gobernantes y burócratas. En particular, por qué la organización de la administración pública oscila entre dos modelos. Por un lado, un modelo similar al del sector privado: políticos libres de reclutar y despedir a los funcionarios. Por otro lado, un modelo de delegación de estas decisiones a instituciones autónomas que reclutan y despiden a través de cuerpos de funcionarios; es decir, un modelo de burocratización. La explicación utiliza modelos formales de relación principal/agente con un doble interés del político: maximizar el esfuerzo y maximizar la lealtad del burócrata; y con un interés del burócrata: que el político cumpla su parte del contrato. Es decir, un doble problema de incentivos para maximizar la eficiencia, y de confianza para promover la lealtad. La tesis lo analiza como un control positivo por parte del gobernante, para promover e intenta promover el esfuerzo; y como un control negativo: para evitar que los burócratas persigan intereses contrarios al del político. Muestra cómo la relación entre el poder político y el proceso de democratización varía de forma inversa. Para promover el esfuerzo, es decir, resolver el problema de eficiencia, un gobernante con mucho poder y mucha capacidad de decisión (es decir, con poca credibilidad de que vaya a cumplir su parte del contrato por el poder de que dispone) se ata las manos para generar confianza y burocratiza la administración pública. Para resolver el problema de la lealtad, la burocratización será la respuesta de un gobernante con poco poder: reducirá así —dando estabilidad— el riesgo de deslealtad por parte del burócrata. La tesis fundamenta sus argumentos con un análisis empírico comparado de países de la OCDE y países no desarrollados; con un estudio histórico de la administración pública española, comparando distintos regímenes y distintos gobiernos (basado en fuentes secundarias y en información de entrevistados estratégicos) y con un estudio de una base de datos de 1312 administraciones municipales en Estados Unidos.

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Instituto Juan March de Estudios e Investigaciones

VÍCTOR LAPUENTE GINÉ

**A POLITICAL ECONOMY APPROACH TO
BUREAUCRACIES**

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Esta obra se presentó como tesis doctoral en el Departamento de Ciencia Política de la Universidad de Oxford el 26 de abril de 2007. El Tribunal estuvo compuesto por los profesores doctores D. David Rueda y D. Martin Lodge.

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CONTENTS

List of Tables.....	v
List of Figures	vii
Abstract.....	viii
Acknowledgements.....	x

CHAPTER 1. INTRODUCTION. DEFINITION OF BUREAUCRATIC AUTONOMY

1.1. The Puzzle: Hierarchical versus Bureaucratic Administrations.....	1
1.2. How to address the puzzle.....	3
1.3. Challenges of this dissertation	8
1.4. The dependent variable: Bureaucratic Autonomy.....	9
1.5. Outline of the dissertation.....	13

CHAPTER 2. A NEW POLITICAL ECONOMY THEORETICAL MODEL TO EXPLAIN BUREAUCRATIC AUTONOMY.....

2.1. Introduction	23
2.2. Basic assumptions of the theoretical model.....	28
2.3. Two relevant but disconnected theories of delegation	31
2.4. The Positive Control Game: Time inconsistency problems in the relationship between government and public employees.....	37
2.5. The Negative Control Game: Agents' shirking problem in the government-employees relationship	58
2.6. What is more important for government's survival in office: The Positive or the Negative Control Game?	63
2.7. Summary	66

CHAPTER 3. A CROSS-NATIONAL COMPARISON OF BUREAUCRATIC AUTONOMY

3.1. Introduction	69
3.2. Bureaucratisation, the 'State of the Art' and its limits	71
3.2.1. Macro explanations.....	72

3.2.2. Micro Explanations.....	81
3.3. A picture of the contemporary world	95
3.3.1. Bureaucratic Autonomy in developing countries.....	96
3.3.2. Bureaucratization in OECD countries.....	100
3.4. An observational implication: A comparison between Early Modern European Absolutisms and African Kleptocracies.....	103
3.5. Another observational implication: A comparison between Early Modern European Absolute and Limited Monarchies	108
3.5.1. Differences in concentration of powers	109
3.5.2. Differences in Bureaucratic Autonomy.....	112
3.6. Bureaucratic Autonomy and public employees' effort. Which type of administration is more efficient?.....	120
3.7. Conclusions	129
CHAPTER 4. THE SPANISH ADMINISTRATION IN 1808- 1918: FROM THE SPOILS SYSTEM TO THE CIVIL SERVICE ACT	133
4.1. The oligarchic Spanish political system from 1808 to 1918.....	135
4.2. Period 1. The 19 th century spoils system	141
4.3. Period 2. The first step towards Bureaucratic Autonomy: The creation of the 'Special Corps'	152
4.4. Period 3. The extension of Bureaucratic Autonomy to the rest of public employees: The 1918 Civil Service Act	161
CHAPTER 5. THE SPANISH ADMINISTRATION IN 1923- 1975: THE IMPACT OF AUTHORITARIANISM ON CIVIL SERVICE.....	169
5.1. First period of Primo de Rivera's Dictatorship (1923-1925).	171
5.1.1. Primo de Rivera's high decisiveness	172
5.1.2. An initial survival strategy based on loyalty	174
5.2. Second period of Primo de Rivera's Dictatorship (1925-1930).....	177
5.2.1. Increase of Bureaucratic Autonomy during the second period of Primo de Rivera.....	182
5.3. The Second Republic (1931-1936)	187
5.3.1. The low decisiveness of Republican governments	188
5.3.2. The survival strategy of Republican governments.....	189

5.3.3. The high Bureaucratic Autonomy during the Second Republic.....	192
5.4. First period of Franco's Dictatorship (1936-1959).....	196
5.4.1. Franco's high decisiveness.....	197
5.4.2. Franco's initial survival strategy	200
5.4.3. Franco's initial decrease of Bureaucratic Autonomy	205
5.5. Second period of Franco's rule (1959-1975)	208
5.5.1. Franco's change of survival strategy in the late 1950s.....	210
5.5.2. Franco's increase of Bureaucratic Autonomy in the late 1950s	214
5.5.3. An overview of the Bureaucratic Autonomy under Franco.....	223

CHAPTER 6. THE SPANISH ADMINISTRATION FROM 1975 TO 1996: THE IMPACT OF DEMOCRACY ON CIVIL SERVICE..... 227

6.1. From Franco's death to the consolidation of Democracy	229
6.2. The low decisiveness of Democratic governments.....	232
6.3. The Civil Service in the Transition to Democracy (1975-1982)	233
6.3.1. The survival strategy of UCD governments.....	233
6.3.2. The high level of Bureaucratic Autonomy under UCD governments	238
6.4. Civil Service in the Consolidated Democracy (1982-1996).....	241
6.4.1. The survival strategy of PSOE governments.....	241
6.4.2. The reduction of Bureaucratic Autonomy during the 1982-1986 PSOE government	243

CHAPTER 7. A TALE OF TWO CITIES: BUREAUCRATIC AUTONOMY IN US MAYOR-COUNCIL AND COUNCIL-MANAGER MUNICIPALITIES 263

7.1. Introduction.....	263
7.2. Existing explanations of Bureaucratisation in US municipalities.....	264
7.3. A Tale of Two American Cities	268
7.4. Empirical Evidence	280

7.5. Conclusions.....	286
CHAPTER 8. CONCLUSIONS: TOWARDS A POLITICAL SCIENCE THEORY OF ORGANIZATIONS	289
8.1. What we did not know and we know now. Contributions of the dissertation.....	290
8.2. What we still do not know. Inherent problems of this dissertation and guidelines for future research.....	298
8.3. Tentative normative implications of the dissertation	303
8.4. Towards a Political Science Theory of Organizations	309
BIBLIOGRAPHY	313

ABSTRACT

This dissertation aims to explain why the organization of some public administrations resembles that of private enterprises while in others chief executives (e.g. politicians) have decided to bureaucratise them, delegating the powers to hire, fire, and promote public employees to autonomous bodies (e.g. *corps* of functionaries). The dissertation explores the impact of political factors over politicians' decision of tying their hands in staff policy. It consists of three parts: a political economy theoretical model, a statistical analysis of the hypotheses, and a qualitative analysis which provides the flesh-and-bone case histories designed to show the micro-foundations of the theory.

The theoretical model deals with a double problem of trust in the relationships between politicians and public employees. First, there is a problem of *positive control*: politicians, like private-sector executives, must create incentives that inspire public employees to go beyond the required minimum levels of effort. Yet public employees do not trust politicians when the latter are too powerful and, therefore, they can renege on their promises. If concerned with this positive control, the more decisive (i.e. powerful) a politician is, the more she will have to bureaucratise her administration –given that autonomous bodies may offer more credible promises to employees. Second, there is a problem of *negative control*: politicians must prevent public employees from pursuing conflicting interests to politicians'. Here, the relationship between politicians' power and bureaucratism becomes the opposite: the less decisive a politician is, the more she will tend to 'buy' public employees' loyalty through bureaucratising the administration.

After a quantitative *cross-country* test of these hypotheses, the dissertation examines *cross-time within-country* differences in

bureaucratisation with an in-depth historical analysis of the Spanish Civil Service (since it presents an extraordinarily high number of bureaucratisation and de-bureaucratisation processes), and *cross-sectional within-country* variations with the analysis of a large data set on US municipalities.

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Political science in general, and public administration in particular, has been a battlefield between traditional comparative (or 'Europeanist') approaches and rational-choice (or 'Americanist') perspectives for a long time. This thesis is a modest attempt to put together the useful elements of each approach for the sake of the science of public administration. Yet keeping the equilibrium between two centrifugal forces is difficult and frequently quite uncomfortable, and it has only been possible thanks to the interaction with very diverse scholars from very different approaches, strands of thought and disciplines.

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CHAPTER 1. INTRODUCTION. DEFINITION OF BUREAUCRATIC AUTONOMY

1.1. The Puzzle: *Hierarchical* versus *Bureaucratic Administrations*

The aim of this dissertation is to explain why the organization of some public administrations resembles the organization of private-sector hierarchies -that is, the 'principal' (government) is free to choose its 'agents' (public employees)- and, on the contrary, why some other public administrations have autonomous civil service systems which limit the capacity of the government for choosing the public employees that are working for it. This dissertation analyses what Frant sees as the "most striking" difference between private sector and many public sector principals: "civil service personnel systems, meaning personnel systems in which some important decisions about hiring, firing, and promotion are routinely made by an external commission that is not under the control of the chief executive" (1993: 990).

Traditionally, Transaction-Cost Economics has focused on comparing *markets* with *hierarchies*. Their purpose has been to answer the *Coasian* question: "Why organize economic activity one way (e.g. procure from the market) rather than another (e.g. produce your own needs: hierarchy)?" (Williamson 1990: 80). In particular, the task of this literature has been, on the whole, to assign transactions to markets and hierarchies so as to achieve a most preferred (usually least cost) result, where this is judged principally in terms of transaction costs (Williamson 1975: 369).

2 / A Political Economy Approach to Bureaucracies

For Williamson (1999), the dichotomy market vs. hierarchy should be complemented by a third form: bureaucracies, which would be characterized by the existence of civil service systems. He considers that *bureaucracy* is a candidate ‘mode of governance’ (that is, a way of economic exchange among individuals like *hierarchy* or *market*) which is, like the other two, well-suited for some purposes and poorly suited for others.

But Williamson does not provide a theory to explain when *bureaucracy* (i.e. an organization where the principal cannot choose its agents) is preferred to *hierarchy* (i.e. an organization where the principal is free to choose its agents). It is the purpose of this dissertation to advance towards such a theory. My goal is moving the Coasian question from the dichotomy *market* vs. *hierarchy* to the dichotomy *hierarchy* vs. *bureaucracy*: Why organize activity in bureaucracies (where civil-service laws constraining principals) rather than in hierarchies (where principals are free to hire, fire and promote employees)? If Coase (1937) asked the question *Why Do Hierarchies Exist*, given the fact that markets -according to neoclassical economy- should work efficiently, the question this dissertation addresses is *Why Do Bureaucracies Exist* if hierarchies -according to transaction-costs economics- should work efficiently.¹

What is the rationale behind the existence of those limits to the discretion of governments in staff policy? Following Horn (1995: 95), it is difficult to believe that institutional arrangements that are so common and persistent such as autonomous civil service systems are a clearly inefficient way of addressing the problems faced by politicians. It is also complicated to maintain that the reason for independent civil service systems lies in the type of activities governments undertake, since, firstly, not all

¹ In other words, this dissertation addresses the puzzle pointed out by Silberman (1993: 5): the self-conscious transformation of the administration from the easily accountable but private, informal patron-client based to the protected but public, contractual administrative role that is, paradoxically, much less accountable in a direct fashion (because ‘principals’ cannot choose their ‘agents’).

administrations possess autonomous civil service systems, and, secondly, because there are no government activities that have never been done by a private firm (Wilson 1989, Tirole 1994). Even state ‘core’ activities, such as tax collection and military defence, have been historically implemented by standard private-sector hierarchies in many countries. Therefore, there are reasons to think that there is something within the nature of political institutions that may explain the peculiar features of public bureaucracies. This dissertation will thus explore those political factors that may lie behind the adoption of autonomous civil service systems. Similar to some political economy approaches (e.g. Frant 1993), this dissertation specifically analyses the impact of the *forms of government* over the *administrative structure* of a polity.

According to Moe (1997; 455), the study of bureaucracy has resisted theoretical progress because of two reasons. First, it is a very complex subject with no natural focus for analysis: we know that legislators’ main activity is voting, but we do not know what bureaucrats do. Second, the study of bureaucracies has been monopolized by organizational theories that –through emphasizing so much the inherent complexities of bureaucracies- resist building testable theoretical propositions.² As a result, studies of bureaucracy tend to be more descriptive than analytical and authors are prone to make more judgements than analysis.³

1.2. How to address the puzzle

This dissertation uses diverse methodologies from political

² Moreover, not only theories on bureaucracies, but theories on any kind of organization have rarely been tested across societies (Fligstein and Freeland, 1995; 40).

³ For example, the German autonomous civil service system is frequently explained as a “guarantor of the public good” (Goetz 2000: 87) and the French one by the “strong state tradition” (Meininger 2000: 189).

4 / A Political Economy Approach to Bureaucracies

science and economics, following Kettl's (2000) recommendation that only a catholic approach fully informed by the cross-fertilization of competing traditions is likely to advance our understanding of administration.⁴ Briefly, this dissertation combines a rational-choice theoretical model –and a quantitative test of its main propositions- with a historical qualitative part which offers the narratives of bureaucratic development for the case of Spain.

To begin with, I use a rational-choice theoretical model because it is the best way to move from description to explanation and from judgement to analysis. As Shepsle and Bonchek remark, although “political science isn't rocket science” rational choice models provide “purposely stripped-down versions of the real thing” and offer greater rigor than the story-telling approach that has characterized much of the post-World War II literature in the comparative administration field (1997, 8-9).⁵ A rational-choice approach may help address two of the most recurrent criticisms to comparative public administration. Firstly, the frequent edited volumes existing in the field are argued to lack a comparative design and their conclusions on country juxtapositions remain too impressionistic, depending too heavily on vague notions of differences in political culture. Secondly, most comparative public administration research is accused of being aimed at describing

⁴ In particular, the use of economic approaches for analyzing public organizations has been extensively criticised, but, as Kiser argues, political scientists and sociologists who study bureaucracies “should not be taking a protectionist stance towards foreign imports –it is becoming increasingly clear that the free trade in ideas benefits all parties since most intellectual progress is taking place in the intersections of disciplines” (Kiser 1999: 167).

⁵ Following North (1999), the rationality assumption is used here in its simplest form: human beings know what they are doing and act accordingly, but they are not omniscient. As North points out, “for somebody like myself who studies economic history over ten millennia, thinking that human beings have known what they are doing all the time and acted accordingly is ridiculous” (1999: 315).

instead of explaining cross-national variations (Brans 2003: 425). Thanks to its simplifying assumptions, a rational-choice approach facilitates comparative design and the explanatory dimension of a study.

The theoretical part of this dissertation provides a formal model since formalization can assist us in a variety of ways to develop, explore and test theories of public administration (Knott and Hammond 2003: 138). It is a simple and parsimonious theoretical model. Alternatively, I could have included many independent variables, but it would have reduced the analytic power of the explanation. Since the latter depends on the number of independent variables, the fewer variables to be measured, the easier it is to test a theory (Heckatorn 1984: 287). The stress on descriptive accuracy has already produced in comparative historical-research many explanations consisting of long lists of casual factors that are difficult if not impossible to test (Kiser and Hechter 1991: 9). When data are fragmentary and hard to come by –as often it is the case in comparative public administration- only a theory with high analytic power, and thus low data input requirements, can be tested (Heckatorn 1984: 302; Kiser and Hechter 1991: 10).

Inside rational-choice I use the theoretical approach that has been labelled as New Economic of Organization (Moe 1984: 739), Positive Theory of Institutions (Moe 1990: 249), New Political Economy (Miller 1997: 1173) or Political Economy of Institutions (Alt 2002: 148). The essential analytic tools of this dissertation are those of Transaction-Cost Economics (TCE). Similar to standard principal-agent theories (PAT), TCE considers that principals and agents contract, but, unlike PAT, TCE maintains that all contracts are unavoidably incomplete. A pioneering work on TCE would be Coase's (1937) *The Nature of the Firm*, and seminal authors would include Alchian and Demsetz (1972) and Williamson (1975). Although, for the analysis of public organizations, some precedents of this approach may be found in Weber's work, since he was the first to examine the implications of a bureaucracy's distinguishing organizational

features for the behaviour of its officials (Horn 1995). My relevant units of analysis, like in New Political Economy approaches, are self-interested individuals, but they are not in a vacuum. They live in a world of institutions that constrain their behaviour.⁶

There are two reasons why a new rational-choice approach to bureaucracies is necessary. In the first place, since the 1980s there has been a surge of rational-choice studies on the responsiveness of bureaucracy (e.g. Calvert *et al.* 1987, McNollGast 1987, Epstein and O'Halloran 1994, Huber and Shipan 2002). However, as Meier and Krause state in their *An Agenda for the Scientific Study of Bureaucracy*, while the literature on political control over bureaucracy is well developed, the study of bureaucratic organization is relatively uncharted territory for political science (2003: 297).⁷ Meier and Krause argue for taking organizational theory more seriously. They consider that the real breakthrough will go to the theory which links the structural characteristics of both political and administrative institutions to the ways in which they interact with one another (2003: 297). This dissertation is an attempt to provide such a theory.

⁶ In particular, "institutions affect behaviour by providing actors with greater or lesser degrees of certainty about the present and future behaviour of other actors (...) The key point is that they affect the expectations an actor has about the actions that others are likely to take in response to or simultaneously with his own actions" (Hall and Taylor 1996: 939). There is an important variety within the political economy of institutions, but a frequent point of agreement –which this dissertation embraces - is that authors view institutions as enabling cooperation or coordination in situations that include multilateral enforcement of bargains (Alt 2002: 149).

⁷ Rational-choice theories have paid disproportionate attention to legislature's organization as compared with bureaucratic organization (Moe 1990, Williamson 1990). Dixit (1996) considers that the lack of attention to the understanding of bureaucratic organizations is not only a problem in political science, but also in more purely economic theories of organizations (i.e. Laffont and Tirole 1993), and he also encourages the later to open up the bureaucratic *black box* and examine the actual working of the mechanism inside.

In the second place, most rational-choice works are focused on contemporary OECD countries –most notably, the US- and there are few studies which use rational-choice theory to model dictatorships.⁸ Authoritarian regimes could be analyzed by rational-choice theorists because dictators' behaviour may be also explicable and (statistically) predictable; and, besides, they are very relevant since most of the World for most of human history has been under dictatorships (Wintrobe 1998: 4-6). More importantly, none of the small number of rational-choice approaches to dictatorships has modelled authoritarian bureaucracies. Some works have analyzed dictators' credible commitment problems. For example, Wintrobe (1998: 25) studies the potential gains from exchange between a *dictator* and *civil society actors*, where the problem is that promises and obligations are not enforceable. Nonetheless, the potential gains from exchange between a *dictator* and his *employees* remain largely overlooked. Some authors have emphasized that no matter how great the dictator's powers, he or she cannot simply issue orders and expect them to be obeyed (Levi 1988). But even the most sophisticated rational-choice models of dictatorships end up assuming that civil servants will execute rulers' orders. How dictators organize their bureaucracies lies mostly outside their theories.⁹ The purpose of this dissertation is to endogenize the features of dictators' bureaucracies that are assumed by these authors.¹⁰

⁸ Some notable exceptions are Levi (1988), North and Weingast (1989), Tullock 1989, Olson 1993, Wintrobe 1998 or Bueno de Mesquita *et al.* (2003).

⁹ Bueno de Mesquita *et al.* (2003: 74) are conscious of the problem of this oversimplification. They recognize that, since they do not include bureaucrats and assume that policy implementation is never problematic, they can only aim to build a "skeletal theory."

¹⁰ Nevertheless, at the same time, the theoretical model of this dissertation is built on some insights of these rational-choice authors. For example, some scholars have shown that, even in the most totalitarian dictatorships such as the Nazi Germany, "superiors and subordinates, in

1.3. Challenges of this dissertation

A first broad problem of building up parsimonious rational-choice models is that it is always tempting to claim too much (North and Weingast 1989: 831). In spite of that, this dissertation opts for an abstract and general model because, at the early stages of development of a theory, it is more instructive to push the hypotheses as far as possible to test its bite (Levi 1988: 4).

More specific problems come from the nature of what is studied: public bureaucracies. Heady (1996: 151) finds that there are three main difficulties in making a comparative study of civil service systems. Firstly, we lack the database to proceed because we cannot isolate the relevant explanatory factors. Secondly, no two civil service systems, even those in a region that shares a common history and legal tradition, are the same. And thirdly, even in the same country, one may observe different types of civil service. Although this dissertation cannot solve completely these problems, it addresses them by making as explicit as possible the explanatory factors and by using heterogeneous sources of data.

It could be argued that studying civil service systems aggravates what is a general problem of comparative studies –that is, that they are a dangerous exercise because unless two countries are utterly identical, information will by definition be lost with every generalization made. Nevertheless, we should never forget that information is also lost when we do not make the links that clearly do exist between broadly similar settings in different countries (Laver and Shepsle 1994: 287). In sum, this dissertation's generalizations on civil service entail costs, but the absence of generalizations on civil service would have also come

effect, trade with each other" (Breton and Wintrobe 1986: 909). Superiors seek to buy informal services –that is, services that cannot be codified in formal documents- and, in exchange, they offer informal payments, such as rapid promotions. The aim of this dissertation is to transform these insights on the relationships between dictators and public employees into a more comprehensive theoretical model.

at a price, and the fundamental premise of this research is that the latter is larger.

1.4. The dependent variable: Bureaucratic Autonomy

This dissertation aims to understand the location of very diverse public administrations in the continuum that would go from the ideal-type *hierarchy* (that is, governments/principals are totally free to hire, fire and promote the public employees/agents who work for them) to the ideal-type *bureaucracy* (that is, government/principals are totally limited in staff policy). In order to avoid a concept with so many connotations as *bureaucracy*, I will define the second extreme of the continuum as Bureaucratic Autonomy.

In short, Bureaucratic Autonomy would be what Horn (1995: 101) defines as the “fundamental distinguishing characteristic” of autonomous civil service systems: that it “ties the hands” of the politicians in managing civil servants. That is, all rulers need administrators and the rulers have two basic ways to organize this: first, to create a *Corps* of self-managed and self-recruiting administrators and, second, to employ public employees directly with a chain of responsibility that goes straight to the ruler. Bureaucratic Autonomy is my label for the first case and Hierarchy my label for the second one. Between the two extremes (Hierarchy and Bureaucratic Autonomy) we find a continuum of levels of discretion for the government.

Every polity –especially the largest ones- at every historical period has public employees with different contracts in the scale from hierarchy to bureaucratic autonomy. Most rulers have both some very dependent subordinates and some very independent ones. However, several authors have made generalizations over the higher or lower level of bureaucratic autonomy of different administrations all throughout diverse historical periods, and they constitute the focus of study of this dissertation.

10 / A Political Economy Approach to Bureaucracies

In the first place, some scholars have pointed out the differences across public administrations of several Early Modern European countries (Finer 1997, Fischer and Lundgreen 1975). The non-formalized system of hiring and firing in Early Modern England –with low limits for the ruler- looked like that of private-sector corporations. Top officials like Wolsey or Cromwell took servants from their personal households with them into the royal government. This technique is similar to the corporate manager who hires her former collaborators for helping her in her new position. In fact, Modern Britain could be defined as a patronage-based administrative system, but also as a system of “hunting” and protection of talents (Fischer and Lundgreen 1975). On the contrary, France, Prussia and Spain developed administrative bodies, called *Corps*, which soon enjoyed high levels of independence –from governments’ (alas monarchs’) interferences- for hiring, firing and promoting public employees.

As far as 20th century civil service systems is concerned, there is a division between the “open” civil service systems (e.g. US, UK, Netherlands) and the “closed” civil service systems (e.g. France, German, Spain) (Auer at al. 1996). The more “closed” civil service career systems are those in which politicians have very limited discretion to manage public employees. Staff policy is firmly controlled by autonomous administrative corps of civil servants and public employees enjoy life tenure (Bekke and Van der Meer 2000). Those civil service systems are also known as the “classic administrative model” (Heady 1996). At the other end of the continuum we observe the more “open” civil service careers systems of Sweden, the UK, Netherlands or Finland, where bureaucracies are less independent from politicians and life tenure is less frequent.

One may also see differences within the same country. In the first place, this dissertation will analyze cross-time variations in the central government’s administration for the case of Spain. The main reason for the selection of the Spanish case is that the age-old instability of political regimes in Spain has provoked particularly numerous administrative reforms. Unlike most

Western European countries –where there have been less historical changes in the level of bureaucratic autonomy- Spain presents a high degree of variation. As it will be shown in chapters 4 to 6, up to 10 different regimes of bureaucratic autonomy may be distinguished in the Spanish Civil Service history since 1800. There have been phases of high bureaucratic autonomy, like the second period of Franco's regime (1959-1975) or Maura's *National Government* (1918); and phases of lower autonomy, like the spoils system during the early 19th century or the recent period of consolidated democracy (1982-1996).

In addition, one also can find within-country differences in bureaucratic autonomy across sub-national administrations. For example, there is an important variation in the level of bureaucratic autonomy across US local governments. There are municipalities whose employees are selected, promoted and dismissed by the administration's 'chief executives' (either council members, mayors or city-managers); and, on the contrary, there are local governments where those functions are partially or totally delegated to an autonomous body (Civil Service Commission) –which remains isolated from the main organizational line of command that flows from elected politicians to public employees (Tolbert and Zucker 1983, Frant 1993, Ruhil 2003).

Table 1.1 summarizes these classifications made in the literature that compound the dependent variable analyzed in this dissertation. The only valid comparisons among countries are those within the same row since a comprehensive indicator of bureaucratic autonomy for all countries and all periods has not been developed yet. Obviously, it could be argued that the British (or the Swedish) administrations of the 18th century are very different (far less bureaucratic) than the contemporary British (or Swedish) administrations, and, nevertheless, they fall into the same category in table 1.1. But the lack of exhaustive data for cross-time comparisons prevents us from putting all administrations in the same continuum –where, very likely, the administrations of the Modern Europe would be closer to the

12 / A Political Economy Approach to Bureaucracies

Hierarchy extreme and contemporary administrations nearer the Bureaucracy extreme. The only thing it can be stated now according to the existing evidence in the literature is what it is shown inside each row: that within each historical period there are some countries which are more bureaucratic than others.

Table 1.1. Classification of Administrations according to their Bureaucratic Autonomy

	More Hierarchy	More Bureaucratic Autonomy
<i>Cross-national variation</i>		
Modern European States	Britain Sweden	France Prussia Spain
Contemporary OECD countries	Japan, Denmark, Switzerland, Finland, Netherlands, Sweden, UK, US	Greece, France, Belgium, Italy, Austria, Spain, Portugal, Germany, Ireland
<i>Cross-time variation</i>		
Spanish Public Administration 1808-2000	Early 19th century spoils system; Consolidated democracy(1982-)	Maura <i>National Government</i> (1918); Second period of Franco regime (1959-1975)
<i>Local variation</i>		
US Local Governments	Cities without Civil Service Commission	Cities with Civil Service Commission

1.5. Outline of the dissertation

Similar to Bueno de Mesquita *et al.*'s *The Logic of Political Survival* (2003), this dissertation consists of three parts: a formal theory, a statistical analysis of the hypotheses, and a qualitative analysis which provides the flesh-and-bone case histories designed to illuminate, probe and illustrate the workings of the theory. The dissertation's organization and main points are the following.

Chapter 2 develops a NPE model to explain under which circumstances self-interested politicians will grant bureaucratic autonomy to their administrations. The model is composed of two games, each addressing one of the two main problems that, in my opinion, lie in the relation between politicians and public employees: the problem of *negative control* –politicians must design incentives and sanctions to prevent public employees from pursuing their own purposes- and the problem of *positive control* – politicians, like private-sector executives, must create incentives that inspire public employees to go beyond the required minimum levels of effort.

The driving force behind the model is a double problem of trust between politicians and public employees. In the first place, there is the possibility of moral hazard by principals. Rulers face a basic problem of credibility in their relationships with public employees because rulers cannot credibly commit themselves to reward employees properly. Public employees do not trust politicians when the latter are too powerful to renege on their promises (for example, about higher salaries, future promotions, or permanence of the office in the short-medium term). On the contrary, politicians are more credible in the eyes of public employees when they do not have a high degree of decisiveness¹¹

¹¹ I am using here the terminology of Cox and McCubbins (2000) who consider that one of the main trade-offs facing political systems is the trade-off between *decisiveness* –the capacity to take political decisions, which increases when the degree of concentration of powers of a polity raises- and *resoluteness* –the capacity to show a long-term

–for example, when they are counterbalanced by politicians from other parties. In those cases, politicians do not suffer a problem of credibility.

Thus, the main insight which arises from the first game of the theoretical model (known as the Positive Control Game) is the following: *If there is no separation of powers within a political system –in other words, when politicians have a lot of decisiveness or, that is, when there is only one relevant ‘principal’ of the public administration- politicians who are interested in an efficient provision of public goods,¹² in order to offer credible promises to public employees, will have to grant Bureaucratic Autonomy to their administrations.*

However, there is also a second problem of trust: the standard problem of moral hazard in principal-agent relationships. Politicians do not trust public employees because the latter may shirk or pursue opposite interests to politicians’. As the principal-agent literature has pointed out, agents are abler to shirk when they are facing two or more principals, because they can play off one principal against the other, and, at the same time, the more principals, the longer it takes to undertake a sanctioning decision. That is, political systems in which politicians have more decisiveness are better equipped to prevent agent’s shirking, because politicians can easily sanction agents’ misbehaviour. What can non-decisive rulers do to prevent agents’ shirking? It is contended in this second game of the theory that bureaucratic autonomy represents a second-best solution to the problems of shirking when rulers are not decisive enough. Bureaucratic autonomy is understood as a tool to achieve public employees’ loyalty. The costs of shirking against the incumbent with bureaucratic autonomy (i.e. losing a secure tenure) are higher than

commitment to the policies enacted in a concrete moment, which decreases when the degree of concentration of powers increases.

¹² What does “efficient” mean here and all throughout this dissertation? By efficient I mean that public employees do their best in the implementation of public policies; or, in other words, they exert what in the Positive Control Game of chapter 2 defines as “maximum effort.”

without it. That is, with bureaucratic autonomy, the government 'buys' public employees' loyalty.

Therefore, in the game known as the Negative Control Game, the theoretical prediction is that *if there is separation of powers within a political system*¹³ *politicians who are interested in the loyalty of public employees, in order to prevent agents' shirking, will have to grant Bureaucratic Autonomy to their administrations.* Bureaucratic autonomy is, hence, the second-best solution to the two main problems faced by rulers: provision of public goods and loyalty. Rulers resort to granting bureaucratic autonomy when they are not well equipped to solve the problem directly.

In sum, the level of concentration of powers (or, more broadly, as we will see in the subsequent chapter, the level of government's *decisiveness*) has a dual effect on the degree of bureaucratic autonomy of a public administration: it has a negative impact in the "provision of public goods" game (known here as the Positive Control Game) and it has a positive effect in the "loyalty" game (known here as the Negative Control Game). Therefore, depending on the survival strategies of rulers (i.e. to which of the two games rulers give more importance), four main hypotheses on the impact of the separation of powers over the level of Bureaucratic Autonomy can be drawn:

<H₁> When rulers' survival in office depends on the *efficient provision of public goods*, rulers will give autonomy to public employees in the management of personnel affairs if rulers have *high decisiveness*.

<H₂> When rulers' survival in office depends on the *efficient provision of public goods*, rulers will keep discretion in the management of personnel affairs if rulers have *low decisiveness*.

¹³ Or, more generally, as we will see in the theoretical chapter, when politicians have *low decisiveness* (e.g. when there are multiple 'principals' of the public administration).

16 / A Political Economy Approach to Bureaucracies

<H₃> When rulers' survival in office depends on the *loyalty of public employees*, rulers will give autonomy to public employees in the management of personnel affairs if rulers have *low decisiveness*.

<H₄> When rulers' survival in office depends on the *loyalty of public employees*, rulers will keep discretion in the management of personnel affairs if rulers have *high decisiveness*.

Table 1.2. shows how different combinations between the two exogenous factors of the theoretical model (degree of *decisiveness* and *rulers' survival strategy*) affect the endogenous factor (level of *bureaucratic autonomy*).

Table 1.2. Hypotheses of the Theoretical Model

	Government with High Decisiveness	Government with Low Decisiveness
Survival strategy of rulers primarily depends on public employee's Loyalty (when government and civil servants play the <i>Negative Control Game</i>)	LOW BUREAUCRATIC AUTONOMY	HIGH BUREAUCRATIC AUTONOMY
Survival strategy of rulers primarily depends on the efficient provision of public goods (when government and civil servants play the <i>Positive Control Game</i>)	HIGH BUREAUCRATIC AUTONOMY	LOW BUREAUCRATIC AUTONOMY

Chapters 3 to 7 test the hypotheses developed in chapter 2 in diverse contexts and using different methodologies. Within the limits of a dissertation which is not aimed at providing new evidence to test the existing theories, but which is mostly devoted to provide a new theoretical framework to understand the emergence of autonomous bureaucracies, and within the restrictions of a field like comparative public administration where data are fragmentary and hard to come by (Kiser and Hechter 1991: 10), this dissertation aspires to address both the external validity of the hypotheses –whether we can generalize the results from the cases studied to others- as well as their internal validity – whether the causal processes of the hypotheses are operating in the cases studied. It has been a common view since Campbell and Stanley (1966) that quantitative studies deal more effectively with questions of external validity while in-depth case studies are stronger on internal validity (Alt 2006: 4). For that reason, this dissertation combines quantitative analyses with qualitative ones. This methodological heterogeneity helps approach very diverse objects of study, such as studying *between-* as well as *within-country* differences in bureaucratic autonomy and *contemporary*, as well as *historical*, variations.

Chapter 3 provides a quantitative analysis with cross-country data on bureaucratic autonomy that contrasts the four hypotheses for two datasets –one for developing countries and another for OECD ones. The analysis shows a general map of the situation. It demonstrates that there are statistical correlations among the variables and that they follow the theoretical predictions. For the countries where one may assume that rulers are mostly interested in providing public policies, there is a negative relation between the separation of powers of a polity and its level of bureaucratic autonomy. On the contrary, there is a positive relationship between the variables in those countries which have recently experienced civil wars -which is used here as a proxy for rulers' concerns about employees' loyalty.

Chapter 3 also develops, using material from secondary sources, two observational implications of the theory. In the first

place, keeping constant the level of concentration of powers (in particular, it focuses only on systems with very high concentration of powers such as authoritarian regimes), it asks what happens in terms of administrative design when rulers change their survival strategies (i.e. when rulers move from mainly playing one game to mainly playing another). The polities under analysis should present a very high level of bureaucratic autonomy when rulers are interested in the Positive Control Game and a very low bureaucratic autonomy if rulers are mostly concerned by the Negative Control Game. The chapter explores the consequences for the public administration when there is a change in the second independent variable of the theory (i.e. rulers' survival strategies). For example, is the administration of a despot like Mobutu –who is mostly seen in the literature as interested in what here is defined as the Negative Control Game- different from the administration of despots such as 17th century France's Louis XIV or 20th century Spain's Franco –who have been traditionally depicted as more concerned with the provision of public goods (i.e. the Positive Control Game)? Since Mobutu was primarily playing the Negative Control Game with his subordinates, his approach to the management of public employees was very personalistic. Quite the opposite, rulers who, like Louis XIV, seemed more interested in the Positive Control Game, tended to develop more autonomous bureaucracies.

In the second place, keeping constant the variable rulers' survival strategies, the goal is to see if changes in the degree of concentration of powers lead to variations in the level of bureaucratic autonomy. This section focuses on Early Modern European countries where, following the literature (e.g. Bates 2001), one may assume that rulers were mostly interested in the provision of public policies (i.e. the Positive Control Game). It is shown how, *ceteris paribus*, the European monarchs who had fewer constraints to their powers (e.g. France, Prussia, or Spain) were more inclined to create autonomous bureaucracies than the monarchs who were more severely constrained by parliamentary checks and balances (e.g. Britain or Sweden).

However, these correlations shown in chapter 3 do not fully verify the causal relationship between the separation of powers of a political system and its level of bureaucratic autonomy. A more exhaustive empirical analysis is needed to corroborate it. In order to do so this dissertation shifts its focus to the analysis of within-country differences. It takes two countries: Spain for examining *cross-time within-country* differences and the US for analysing *cross-sectional within-country* differences (in this case, at a sub-national governmental level). In the first place, I undertake an in-depth analysis of contemporary Spanish Administrative History - which exhibits an extraordinary variability- as a qualitative empirical test of the dissertation. The analysis of Spanish Civil Service history is developed from chapters 4 to 6. The narratives of the Spanish case will supply the causal mechanisms that link the independent variables of the theory (survival strategy of rulers and separation of powers) with the level of bureaucratic autonomy. Thus, the Spanish analysis will be used for describing accurately the *micro-foundations* of the theory: which individual decisions do bridge the gap between the macro variables (characteristics of the political system on one side and administrative features on another)?

The goal of chapters 4 to 6 is to see how changes in the independent variables (e.g. a regime change that creates a more decisive government) affect the behaviour of the dependent variable (more -or less- bureaucratic autonomy) for the last two centuries of the Spanish history. Spain is an interesting case of study because there have been continuous reforms in the Spanish level of bureaucratic autonomy during this extensive period. Sometimes the same rulers that gave more autonomy to some civil servants were the same that withdrew autonomy and recovered the reins of personnel affairs in other areas of the administration. Although there is no classification in the literature listing the most important administrative changes, Spanish administrative scholars have focused their analysis on ten main administrative reforms or ten 'periods of reform' where the major laws, statutes and regulations on the Spanish civil service have been established.

20 / A Political Economy Approach to Bureaucracies

Chapter 4 covers the first three periods -which would go from the 1808 French invasion to the 1918 Civil Service Act. Chapter 5 describes the administrative changes under the authoritarian regimes of Primo de Rivera (1923-1930) and Franco (1936-1975) –plus the brief democratic parenthesis of the II Republic (1931-1936). And Chapter 6 deals with the last two periods –the transition to democracy (1975-1982) and the consolidated democracy (1982-1996). Table 1.3 summarizes the main findings of these chapters.

Table 1.3. Ten periods of the contemporary Spanish Civil Service History

	Concentration of Powers (authoritarian, or governments with high decisiveness)	Separation of Powers (democratically elected, weak or limited Executives)
Survival strategy of rulers primarily depends on public employees' Loyalty	<p>LOW BUREAUCRATIC AUTONOMY</p> <p>1. Early 19th century spoils system. Alternation between authoritarian and oligarchic democratic regimes. In the public administration there was a generalization of the spoils system (called <i>Cesantias</i>) that implied a total discretion for politicians.</p> <p>4. First Period of Primo de Rivera's dictatorship (1923-25). Low autonomy of civil servants and high politicization during the first moments of the dictatorship (when employees' loyalty to the regime was key).</p>	<p>HIGH BUREAUCRATIC AUTONOMY</p> <p>3. Maura's National Government (1918). The government is formed with multiple and conflicting veto players. When public employees took part in the 1917 widespread social riots, the Maura government offered them bureaucratic autonomy throughout the enactment of the 1918 Civil Service Act.</p> <p>6. II Republic (1931-1936). In order to keep civil servants loyal to the precarious democratic authorities, governments gave more autonomy to civil servants.</p>

7. First Period of Franco's dictatorship (1939-1951). Great purges in the public administration. Probably the period of lowest autonomy of civil servants in the Spanish history.

9. Transition to Democracy (1977-79). To assure the loyalty of public employees, government gave bureaucratic autonomy to members of former fascist institutions.

Survival strategy of rulers primarily depends on public employees' Efficient Implementation of public policies	HIGH BUREAUCRATIC AUTONOMY	LOW BUREAUCRATIC AUTONOMY
	2. Late 19th century: rise of the Special Corps. Some public employees with asset specific investments in human capital (such as engineers or state lawyers) obtained secure tenure and a high level of self-regulation.	10. Consolidated democracy (1982-1996). Politicians increased quite substantially their margin of discretion in selecting, promoting and defining incentives for public employees.
	5. Second Period of Primo de Rivera's dictatorship regime (1925-1930). The strategy of the regime was to develop the Spanish economy and infrastructure. The Corps are given a greater autonomy.	
	8. Second Period of Franco's dictatorship (1950-1975). Franco follows a 'developmentalist' strategy and the Corps achieved the highest level of bureaucratic autonomy in the Spanish history.	

The second within-country analysis is the big-N quantitative test presented in chapter 7 with data for over 800 US municipalities. US local governments provide a unique setting for testing this theory. Firstly, proxies for the degree of bureaucratisation can be built for US local governments, because

there are municipalities which have a Civil Service Commission (CSC) and municipalities which lack it. More importantly, there are municipalities where the CSC plays a minor role in the selection, firing and promotion of employees, and municipalities where staff policies are more extensively delegated (from the Chief Executives of the municipality) to CSCs. Secondly, the number of observations is larger than in cross-country comparisons, thus allowing a more comprehensive quantitative analysis. And thirdly, unlike cross-country comparisons, where the probability of omission of relevant variables is high, US municipalities share a common denominator in cultural and historical terms. The empirical contrast confirms the predicted relationship between concentration of powers and bureaucratic autonomy in a democratic setting where rulers and employees are mostly playing the Positive Control Game. Municipal governments with more concentration of powers (Mayor-Council cities) exhibit higher levels of bureaucratic autonomy (more numerous and more active Civil Service Commissions) than municipalities with more separation of powers (Council-Manager cities).

In sum, this dissertation complements TCE developments both theoretically and empirically. Traditional TCE assumes that “in the beginning, so to speak, there were markets” (Williamson 1981: 1547). From there, TCE basically tries to understand the shift from markets to hierarchies. This dissertation moves the initial assumption a step forward. I assume that, in the beginning, States were organized as hierarchies. And I try to understand, with the help of a NPE theoretical model, why some states (or, more generally, why some polities) have remained closer to the hierarchical ideal while others have switched towards the bureaucratic ideal.

CHAPTER 2. A NEW POLITICAL ECONOMY THEORETICAL MODEL TO EXPLAIN BUREAUCRATIC AUTONOMY

2.1. Introduction

In this chapter a New Political Economy (NPE) theoretical model to explain the bureaucratisation of public administrations is presented. Thus, the first question this dissertation should address is why a NPE formal model is good to study the organization of public administrations?

Despite the problems inherent to NPE and, more generally to rational-choice approaches, formal theory is useful for understanding public administrations because of five reasons (Knott and Hammond 2003: 138). Firstly, unlike most works on comparative public administration, formal theory forces us to be as explicit as possible about the basic assumptions. Secondly, the rules of maths lead to a rigorous deduction. Thirdly, formal theory gives us a clearer idea of what to test. In the fourth place, formal theory has more capacity to be empirically falsified. And, finally, it makes complex problems more amenable to empirical test.

In particular, within the different types of formal theory, this dissertation uses game theory since it provides an ideal framework to tackle team production problems (such as policy implementation) in the public sector. The core of team production is that individuals have incentives to free-ride. In order to produce efficient outcomes in the long-run, individuals may thus act in

ways that are contrary to their short-term individual interest. Game theory offers a proper way to think about this problem (Knott and Hammond 2003: 138).¹ Nevertheless, a game-theoretic formal model also entails some costs. Let's see some of the most obvious.

In the first place, formal theory and economic approaches to organizations have come under heavy criticism from theorists who contend that the search for rationality robs the study of organizations of their very life (Kettl 2000: 21). For example, in opinion of Perrow, they represent "a challenge that resembles the theme of the novel and movie *The Invasion of the Body-Snatchers*, where human forms are retained but all that we value about human behaviour—its spontaneity, unpredictability, selflessness, plurality of values, reciprocal influence, and resentment of domination—has disappeared" (1986: 41). This would be the first cost of a theory like the one presented here: it may overstate the rationality of real-world actors, when they could be in fact behaving according to non-rational patterns.

Another unavoidable cost of using formal theory is the existence of a trade-off between, on the one hand, the clarity and rigor of a theory, and, on the other, its sensitivity to richness, context and nuance (Knott and Hammond 2003: 145). In its pursuit of a parsimonious theory, this dissertation is not sensitive to all the contextual reasons that may have affected the emergence of autonomous bureaucracies. In other words, there may be many country- and period-specific factors which may have played a role in the development of bureaucratic autonomy and which are not included in this dissertation. To have scientific value, every theory must simplify reality –and that is what this dissertation does-, but it might end up oversimplifying reality. This is a risk this dissertation's theory faces. Despite this, I contend that building up a simple theoretical model based on institutional factors –and subjecting it to empirical test- is precisely the best way to take into

¹ In broader terms, the main advantage of game theory is that it allows to think like economists when price theory does not apply (Gibbons: 2001).

account and eventually explain “national differences.” Because, the more institutional variables we can test the more limited the scope of cultural and historical factors will be –and, therefore, the more amenable and more feasible a future study based on those factors may be.

The model developed in this chapter predicts under which circumstances self-interested politicians will bureaucratize their public administrations. It is based on insights from two different delegation theories that lead to contradictory predictions over the influence of institutional settings on bureaucratic behaviour. For some delegation theories (e.g. Ferejohn and Shipan 1990, Hammond and Knott 1996), a situation of one political principal (i.e. one political party controls the executive and the legislature) will lead to a more responsive bureaucracy which will implement policies more efficiently than a polity with two or more principals (i.e. several parties share control of the executive and the legislature). They consider that civil servants achieve the maximum degree of autonomy under divided or non-decisive governments. In other words, if the rulers are divided among themselves, then the bureaucrats may be able to conquer (Hammond 2003).

Quite the opposite, for other delegation authors (e.g. Miller 1992), a polity with two or more principals will create an environment with better (i.e. more credible) incentives for public employees to transcend the minimum levels of effort required in an organization. To explain these contradictory predictions within delegation theories I develop a model composed of two games, each addressing one of the two separate problems that, in my opinion, lie in the relation between politicians and public employees: the problem of *negative control* –politicians must design incentives and sanctions to prevent public employees from following their own purposes- and the problem of *positive control* –politicians, like private-sector executives, must create incentives that inspire public employees to go beyond the mandatory minimum levels of effort.

The driving force behind the model is a double problem of trust between politicians and public employees. In the first place, there is the possibility of moral hazard by principals. Rulers face a basic problem of credibility in their relationships with public employees because rulers cannot credibly commit themselves to reward employees properly. Public employees do not trust politicians when the latter are too powerful to renege on their promises (for example, about higher salaries, future promotions, or permanence of the office in the short-medium term). On the contrary, politicians are more credible in the eyes of public employees when they do not have a high degree of decisiveness² – for example, when they are counterbalanced by politicians from other parties. In those cases, politicians do not suffer a problem of credibility. Hence, *when politicians have a lot of decisiveness* (i.e. when there is only one relevant ‘principal’ of public employees) *politicians who are interested in an efficient provision of public goods, in order to offer credible promises to public employees will have to grant Bureaucratic Autonomy to their administrations.*

However, there is also a second problem of trust: the standard problem of moral hazard in principal-agent relationships. Politicians do not trust public employees when they may avoid being sanctioned in case of shirking or pursuing opposite interests to those of the politicians. As the principal-agent literature has pointed out, agents are more capable of shirking when they are facing two or more principals, because they can play off one principal against the other. At the same time, the more principals, the longer it takes to undertake a sanctioning decision. In other words, political systems in which rulers have more decisiveness are better equipped to prevent agent’s shirking, because politicians can easily sanction agents’ misbehaviour. Therefore, in this case the theoretical prediction is that *when politicians have low*

² As it has been pointed out in the introductory chapter of this dissertation, I am using here the terminology of Cox and McCubbins (2000) who use the term ‘decisiveness’ for meaning high concentration of powers or, more precisely, the lack of constraints to rulers’ capacity for taking decisions.

decisiveness (i.e. when there are multiple ‘principals’) *politicians who are interested in the loyalty of public employees, in order to prevent agents’ shirking, will have to grant Bureaucratic Autonomy to their administrations.* Bureaucratic Autonomy is, thus, the second-best solution to the two main problems faced by rulers: provision of public goods and loyalty. Rulers resort to grant Bureaucratic Autonomy when they are not well-equipped to solve the problem directly.

In sum, the effect of government’s decisiveness has a dual effect on the level of Bureaucratic Autonomy of a public administration. It has a positive impact in the “provision of public goods” game (known here as the Positive Control Game) and it has a negative effect in the “loyalty” game (known here as the Negative Control Game). Which of the two problems – provision of public goods or loyalty – is more important for rulers? The assumption in the rational-choice model developed here is that it depends on the survival strategies of politicians. All rulers throughout human history have needed efficient and loyal personnel to execute the orders from above (Fischer and Lundgreen 1975: 558). But the weight of these two characteristics varies depending on the circumstances (i.e. not all rulers have needed to provide public goods to survive in office). Those circumstances will be briefly commented at end of this chapter and exhaustively analyzed in the empirical section (Chapters 3 to 7).

The chapter is organized as follows. Section 2.2 deploys the basic assumptions of the model. Section 2.3 summarizes the insights –from two different literatures- upon which this dissertation builds up its model. Section 2.4 and 2.5 present the two games which compound the theoretical model: the Positive Control Game and the Negative Control Game. Section 2.6 reflects on the question over which one of the two games is more important and provides the four hypotheses which will be tested in the remaining of the dissertation. Section 2.7 concludes.

2.2. Basic assumptions of the theoretical model

The fundamental assumption of the model is that the state is not a unitary actor capable of pursuing ruler's interest or an organism made of cooperating interdependent cells. Following Geddes' (1990) game-theoretic approach to bureaucracies, it is assumed here that the state is an agglomeration of single-celled animals who may or may not cooperate, depending on the costs they as individuals face. The assumption is that actors in the public realm are primarily moved by self-interest. The state would be thus a collection of self-interested individuals who want to maximize their careers.

The main reason for this assumption is that there is no conclusive evidence showing that human behaviour in government is not motivated by the same self-interested driving forces which guide human behaviour in private settings (Crain and Tollison 1990). This assumption does not imply that individuals do not care for others, but just that we cannot rely entirely in good nature to ensure that individuals act in the interest of others. For example, it is possible to accept that people may be attracted to civil service by a desire to serve the public, but it does not contradict the fact that they are likely to devote greater effort to this service if they think that increased effort will enhance their chances of promotion (Horn 1995).

The model simplifies public organizations to two sets of actors: Governments, who are the policy-makers of an administration; and Public Employees, who are the policy-implementators. Government would be the equivalent for the public sector of private-sector managers.³ In other words, they are

³ One traditional claim against the use of economic theories for explaining behaviour in the public sector is that states are not firms. As Tirole (1994: 3) points out, a high official in a foreign ministry is different from an IBM executive. For Tirole, however, these differences are differences in degree, not fundamental nature, because, among other reasons, most governments' activities have been, at some point, conducted by private agents. Thus, incentive theory could be successfully

the ‘superiors’ of public organizations. Therefore, the words *Government, Superiors, Rulers, Politicians, Principals, and Policy-makers* will be used indistinctly in this dissertation for meaning the same concept: the people who fix organizational goals and manage the public administration. Public Employees include all those who work for the public administration implementing policies. What is the same, they are the ‘subordinates’ of public organizations. The notations *Public Employees, Subordinates, Civil Servants, Agents, and Policy-implementators* will be used indistinctly for meaning the same concept: the state employees.

In a dictatorship, Government would include the authoritarian executive: the dictator and his ministries or departmental managers. In a parliamentary democracy, Government would cover the cabinet: the Prime Minister and the rest of ministers. And in a presidential regime, the Government would be formed by the members of the President’s executive and also by the legislature, since legislators, contrary to what happens in parliamentary regimes, are relevant policy-makers in Presidential systems (i.e. most laws are initiated by members of the legislature in presidential regimes).

Public Employees covers an even more heterogeneous group, since it includes all type of state employees: policemen, administrative clerks, state lawyers, teachers, road maintenance personnel, and so on. There may be important differences in the way each employee interacts with her superior. Nevertheless, all public employees share certain common characteristics: while superiors issue commands, public employees implement those commands. It could be argued that comparing state lawyers with road maintenance workers –or authoritarian with democratic governments- is like comparing apples and bananas. However, we

applied to government organization. Although, as it will be shown all throughout this dissertation, sometimes (not always) the differences between public and private managers seem differences in fundamental nature as well.

should not forget that some information is also lost when we do not make a comparison between two roughly similar objects like state lawyers and road maintenance workers or like apples and bananas. As Laver and Shepsle (1994: 287) remark, “to fail to notice that they are both fruit and implicitly assume that an apple is as different from a banana as it is from nuclear war also loses information.”

Which are the preferences that Governments try to maximize? Politicians search efficiency, but not an economic definition of efficiency. Politicians desire what Moe (1984) calls *political efficiency*: they want to remain in power. Following Bueno de Mesquita (2003: 8), it is assumed here that the politics behind survival in office is the essence of politics. There is no doubt that many people value other things above political survival. It is just that such people are not likely to find themselves in high office and so need not overly occupy political scientists’ interest (Bueno de Mesquita 2003: 23). Democratic rulers want to be re-elected and authoritarian ones want to prevent being overthrown. For achieving it, this dissertation embraces the view of Fischer and Lundgreen (1975: 457), who consider that the common problem of all rulers is creating not only *efficient* but also *loyal* personnel. Like in most NPE approaches, the institutions created by politicians (including civil service systems) are not seen in this dissertation as solutions to efficiency problems in the provision of public goods, but as simply vehicles by which politicians pursue their own interests (Moe 1990: 222).

Which are the preferences that Public Employees try to maximize? Traditionally, it has been argued that public employees lose their self-interest when they come to office and internalise the organizational norms of their bureaus. Kiser and Schneider (1994, 189) and Rosenberg (1958; 101) state that perhaps the best evidence against arguments that the preferences of officials are internalised norms of compliance with rulers’ demands is that rulers themselves –all throughout human history- have

traditionally assumed that their officials were self-interested.⁴ Early scholars of public administration, like Weber (1978), also understood that public employees were *pfrundenhunger* –hunger for salaried posts. More recently, many authors -especially public choice scholars- have stressed as well that bureaucracies are peopled by ordinary men and women, very little different to the rest of us (Buchanan 1978: 4).

This dissertation follows Horn's (1995) main assumption in relation to public employees: they maximize some combination of lifetime income and leisure. It is not supposed here that public employees lack any kind of policy preferences, but that they do not play a major role in employees' behaviour. Like Horn, in this dissertation it is assumed that selection and incentive arrangements will have a powerful effect on behaviour *even if* civil servants start out with some policy preferences of their own (1995: 11). In sum, this dissertation's suppositions on actors' behaviour are simplifying assumptions, but provide a basis for making falsifiable predictions.

2.3. Two relevant but disconnected theories of delegation

There are two interesting theoretical answers to the problem of bureaucratic responsiveness to politicians, and both take into account, directly or indirectly, the number of veto players –or the level of concentration of powers- as a relevant factor to understand policy implementation outcomes. In my opinion, these should be integrated because they focus on two different but equally important aspects of the relation between a politician who decides a policy and a public employee who implements it. The first theoretical approach is derived from scholars who, within the framework of principal-agent theories, underline what could be

⁴ That was the case of, for example, Frederick II of Prussia, who extensively criticised his public employees for being lazy when they were not subject to narrow control (Finer 1997).

labelled a *negative* political control over public employees: politicians must design incentives and sanctions to prevent public employees from shirking or following their own preferences at the implementation stage. The second approach, which comes from several organizational theories, stresses what could be defined as a *positive* view of delegation: politicians, like private executives, must create incentives that inspire public employees to transcend the minimum levels of effort required. For the latter, the key factor for organizational efficiency would be the existence of trust between managers and employees.

For **negative delegation theories**, the critical problem is the flow of information. Public employees, as agents of the political principal, know more about their nature and behaviour than the principal, and shirking and opportunism can result (Moe 1984, Kettl 1993). In general, the prediction is that, in a polity with multiple veto players, public employees will better exploit the differences in preferences among different principals and so be more capable of shirking and pursuing their own interests than in a context of one political principal (Ferejohn and Shipan 1990, Hammond and Knott 1996). In their review of delegation theories, Bendor, Glazer and Hammond (2001: 245) consider that one of the most established hypotheses within the literature is that the more principals (i.e. the more veto players), the more difficult is to control bureaucratic agents.

Although theoretically rigorous and exposed in elegant terms, delegation models present two basic problems. In the first instance, as Moe (1997) points out, they tend to be too complicated, and their implications threaten to be so hedged about by qualifications and conditions that they are either trivial or difficult to interpret or apply.⁵ For example, Lupia and

⁵ Likewise, Bendor and Meirowitz (2004: 293), reviewing formal models of delegation, complain about the fact that, despite the analysis of complicated signalling and screening games between bosses and their subordinates, we do not yet understand why the ally principle (i.e. the boss picks the most ideologically similar agent as delegate) fails in simple settings.

McCubbins' (1994) explanation of bureaucratic control is "so monstrously complicated and contingent that it is unclear where the innovation is" (Moe 1997: 478). The second problem with these delegation models is that bureaucratic organization tends to be omitted. Bureaucracies appear "as black boxes that mysteriously mediate between interests and outcomes" (Moe 1997: 479). Kettl (1993) considers that these theories try to answer the problems of delegation by actually reducing bureaucracies to black boxes, what allows the creation of sophisticated models of how, for example, a political principal can dominate bureaucracy, but what does not allow to understand bureaucracies' organizational features. The challenge of this dissertation is to address both problems: on the one hand, to provide a more parsimonious explanation of the problems between politicians and public employees; and, on the other, to look inside the bureaucratic black box.

At the same time, there are several approaches –from organizational psychology to political economy- that offer what could be called **positive delegation theories**. The emphasis shifts here from to prevent employees' shirking to induce them to undertake higher levels of effort. *Motivation* would be thus more important than *control*. As a matter of fact, these authors stress what Miller (2004: 99) defines as the "control paradox" and Murnighan, Malhotra and Weber (2004: 293) as the "paradox of trust." Controlling employees closely has a downside, since formal contracts and high degrees of surveillance as means to constrain employees to be trustworthy may end up provoking resistance rather than cooperation among employees.⁶

Traditionally, principal-agent theory has been assuming the existence of adversarial relationships between subordinates and superiors. However, recently, there has been the emergence of a new stream of scholarship which underlines a conception of mutual gain between superiors and subordinates (Levi 2005). The

⁶ As psychologists have shown, strong levels of supervision produce paranoid social cognition even among normal individuals (Levi 2005).

pioneer of this positive view would be Chester Barnard, who in *The Functions of the Executive* (1938) regarded the manager's primary job to be one of leadership. Those functions of the executive should consist of inspiring a willingness to cooperate, to take risks and to go beyond the level of effort that a narrow, self-interested analysis of the incentives would summon.⁷ There have been some theoretical developments of this idea for the public sector. For Brehm and Gates (1997), in order to achieve organizational efficiency, superiors must take responsibility for the actions they supervise and provide a perception of trustworthiness, treating employees as if they were trustworthy – that is, reducing overall levels of surveillance. In other words, using the carrot before the stick.

Nevertheless, the most important developments have been focused almost exclusively on private organizations. For example, Gary Miller uses political economy as a theoretical bridge between self-interested behaviour and the special characteristics of behaviour in organizations (Miller 1992, Miller and Falaschetti 2001). Unlike the negative delegation theories, which usually focus on the idea of contract, Miller emphasizes the fact that there are aspects in the principal-agent relation which cannot be established in a formal contract: "Every firm requires its employees to take actions that cannot be coerced – quality-improving suggestions, transaction-cost decreasing cooperation with other employees, customer-pleasing friendliness. These actions, by their very nature, cannot be induced by any formal incentive system" (Miller and Falaschetti 2001: 406). This idea resembles Coase's (1937) concept of contractual incompleteness: there are behaviours that cannot be specified *ex ante*.

If rational workers believe that their manager will reward them as she promised, they will engage in higher levels of effort than the minimum required. Therefore, managers face a problem of

⁷ For example, Barnard's idea of managers' "moral example" could be seen as a signal to employees that they may act truthfully (Knott and Hammond 2003: 140).

credible commitment similar to the typical problems of credible commitment that politicians have in policy-making. For Miller (1992), the tools for dealing with this dilemma are also the classic political tools: the enforcement of social norms, political leadership, and the credible constraint of hierarchical authority. Levi (2005) interprets Miller's theory as the existence of a "psychological contract" between superiors and subordinates which determines organizational success. This implicit contract would provide their mutual obligations and would give employees expectations about job security and fair compensation. If the psychological contract is broken, organizational efficiency may not be achieved.⁸

From the standard principal-agent perspective, the separation of ownership and control has been seen as a source of economic inefficiency (Berle and Means 1932, Baumol 1959, Marris 1964).⁹ Since firm-owners are "principals" and managers are "agents," anything that serves to reassert owners' control of firms should be applauded. However, Holmstrom's theorem (1982) shows the counter-intuitive finding that, in the presence of team production externalities,¹⁰ any benefit produced by the team must go outside the team to a party (owners) who has no active role in the firm's management. Contradicting traditional principal-agent theory,

⁸ This is also very similar to Williamson's (1975) concept of 'relational contracts' within firms which would cover the informal agreements, unwritten codes of conduct, and norms that powerfully affect the behaviour of individuals in a firm.

⁹ Although, as Fligstein and Freeland (1995) remark, this neoclassical theoretical prediction has never been empirically confirmed.

¹⁰ Team production externalities can be defined as that situation in which the actions of the agents are interdependent, in the sense that the marginal productivity of each worker increases with the effort levels of other workers (Miller and Falaschetti 1999). For Alchian and Demsetz (1972), team production process is one in which at least two factors (not owned by a single individual) with interdependent productivities (i.e., the marginal product of each factor is a function of at least one other factor) are combined to produce some output (Falaschetti 2002: 162).

Holmstrom shows the optimality for private companies of a *separation of powers* between owners and managers. For Holmstrom, the essential efficiency-enhancing feature of separating owners from managers is that it creates an external agent or budget-breaker that can credibly penalize team members when they have no incentive to punish themselves (Falaschetti 2002: 163). In sum, for the authors who stress the positive control of workers, the most effective organizations will be those that, like the most effective states, address the issue of opportunism by means of constitutional commitment and separation of powers, to ensure trust towards those agents whose long-term investments are essential for success.

From both *negative* delegation theories and *positive* delegation theories one can make predictions about the effect of different institutional settings –which I analyse through the concept of government’s decisiveness- over the behaviour of public employees. The problem is that those predictions are sharply opposite to each other. For negative delegation theories, a situation of one political ‘principal’ (i.e. high decisiveness/one veto player) will lead to a more disciplined and obedient public administration which will implement policies better than a chaotic polity with multiple principals (i.e. low decisiveness/multiple veto players). On the contrary, from a *positive* point of view, a situation of several ‘principals’ (low decisiveness/multiple veto players) will create an environment with better incentives for the public employee than a context of one principal.

In order to explain these contradictory predictions I develop a model composed of two games: the Positive Control Game and the Negative Control Game. The underlying assumption behind the model is that negative and positive delegation theories address two different problems, one of delegation under information asymmetries and other of credible commitment. Both problems may be important for rulers depending on the circumstances. The main difference between the two games is that, while in the first one it is the politician who has opportunities to renege, in the second one it is the bureaucrat who has the chance to renege.

2.4. The Positive Control Game: Time inconsistency problems in the relationship between government and public employees

“Once upon a time on the banks of a great river lay a town called Hamelin. The citizens of Hamelin were honest folk who lived contentedly in their grey stone houses. The years went by, and the town grew very rich. Then, one day, an extraordinary thing happened to disturb the peace: a black sea of rats swarmed over the whole town. The terrified citizens flocked to plead with the town councillors to free them from the plague of rats. But the council had, for a long time, been sitting in the Mayor’s room, trying to think of a plan.

Just then, while the citizens milled around outside, a stranger proposed to the city council: “for a thousand florins, I’ll rid you of your rats!” “A thousand florins!” exclaimed the Mayor. “We’ll give you fifty thousand if you succeed!” Next day, by the time the sun was high in the sky, there was not a single rat in the town. There was even greater delight at the town hall, until the piper tried to claim his payment. “Fifty thousand florins?” exclaimed the councillors, “Never...” “A thousand florins at least!” cried the pied piper angrily. But the Mayor broke in. “The rats are all dead now and they can never come back. So be grateful for fifty florins, or you’ll not get even that...”

Written by economists,¹¹ the plot of this traditional tale could have been different: the pied piper would have rationally anticipated that, once the town were free of rats, it would not be in the interest of the Mayor to reward him properly. It would be more rational for the Mayor to divert the 50,000 florins to build hospitals or directly to his own pockets once the pied piper had done his work. Therefore, the pied piper would probably have stayed at home and the story ends right at the beginning. The Tale of the Pied Piper illustrates nicely the problem of time-inconsistent preferences that is inherent to politics.

Thus the tale has been used to show the problems of credibility that arise in the relationship between government and citizens

¹¹ See, for instance, Kydland and Prescott (1977).

(Sala-i-Martin 2005). But, ironically, it has not been used to shed light into the relationship between real-world Mayors (i.e. governments) and real-world Pied Pipers (i.e. public employees). For instance, North and Weingast (1989) analyse the time inconsistency problem inherent to the relationship between rulers and bankers. They show that the more likely it is that the sovereign will alter property rights for his or her own benefit, the lower the expected returns from investment and the lower in turn the incentives to invest that economic agents have. Using a comprehensive empirical test, Henisz (2000) has shown that the capacity of a government to make credible commitments leads to more growth and a healthier economy while the political hazard or lack of credible commitment reduces sharply multinational investment in a given country. I contend here that if this time inconsistency problem arises in the relationship between a ruler and the *people who sometimes do things for her* (e.g. bankers), it is even more likely to happen in the relationship between a ruler and the *people who normally do things for her* (e.g. public employees).

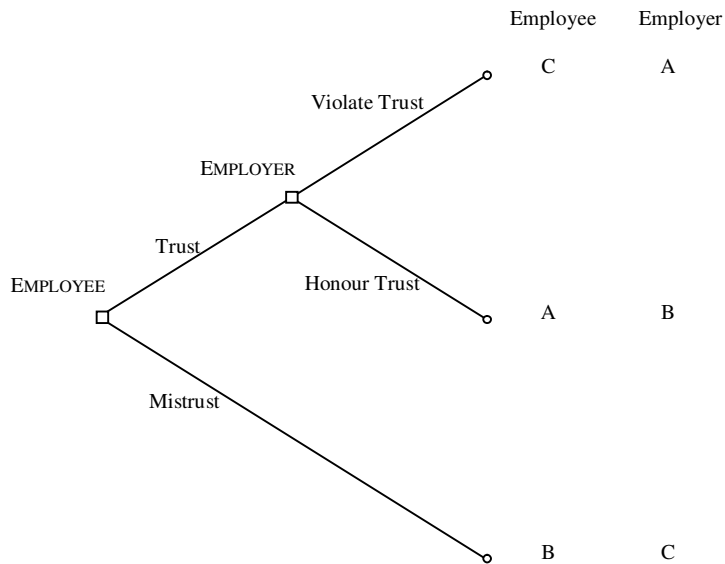
The pied piper's dilemma has an obvious solution in polities with rule of law and an independent third party (i.e. independent courts) capable of enforcing contracts between public authorities and private agents. In that case, the Mayor and the Pied Piper could have signed up a contract specifying the details of the transaction. However, not all transactions can be established in a formal contract. As it has been pointed out before, some authors have shown that relationships within a firm are governed by non-contractual exchanges, and those exchanges are made possible by the accumulation of trust between employers and employees. The theoretical model developed here uses insights from those scholars –especially from the work of Gary Miller (1992, 2001, 2002)- to understand the relationship between rulers and public employees.

Gary Miller's *Managerial Dilemmas* (1992) analyses the relation between employers and employees in private-sector companies. He uses the example of a "piece-rate" system, but the underlying problem of credibility he shows can be extended to any kind of relation (asset specific investments, information flows,

promotion or wage increase promises) between a boss and her subordinate. In a piece-rate contract, the employer pays the employee an amount based on the number of units, or pieces, the employee produces. In principle, this system of incentives is an ideal way of solving the principal-agent problem in production, because it aligns the self-interest of employees with organizational goals. Nevertheless, as Miller recalls, most research on the piece-rate contract has revealed that in practice the system is fraught with problems and it is far less used than what standard PAT would predict.

Miller explores a theoretical explanation for this empirical failure. There is a game between the employer and the employee, and the essence of the game is the issue of information asymmetry. Managers can never be sure what employees' marginal cost of effort functions are, and employees are systematically trying to protect that information asymmetry. With a price for each piece produced of p , if the employee discovers a more efficient production technique or if she decides to work hard, she may start to earn more money than the employer expected, and the latter has incentives to adjust piece rates downward –for example to $p-x$ - in response to employees' increasing payrolls. Formally, managers' optimal plan is time inconsistent because future decisions that appear optimal at an initial date are not optimal from a later date's viewpoint (Blanchard and Fisher 1989: 592). After learning the level of output that employees can make, employer's dominant strategy is not to remunerate properly its employees (Falaschetti 2002: 163). Then, the employee has incentives to a strategic misrepresentation: not to implement new techniques and not to work hard. The result is inefficient –the employer fixes a lower piece-rate and the employee makes a lower effort than is socially desirable. It is a stable outcome, but it is not efficient, because there is range of outcomes in which both the employee and the employer can be better off.

Figure 2.1. The Commitment Problem



Employer's outcome ranking $A > B > C$. Employee's outcome ranking $A > B > C$. Figure adapted from Miller (1992).

From a theoretical point of view, the basic problem with piece rates is that employees believe employers will inevitably adjust piece rates downward in response to employees' higher income. Employers know this problem, and know that the solution is to make a credible commitment not to lower the piece rates. Therefore, Miller considers that the relation between employer and employee is similar to the "commitment problem" game developed by Kreps (1990). In Miller's adaptation of the game (figure 2.1), the employee moves first and has a choice of trusting the superior (working hard) or not trusting the superior (making a

minimum effort). If the employee trusts the superior, the latter has a choice of honouring trust (giving a proper reward) or violating trust (cutting piece-rates to a minimum or laying off excess employees). In this movement, the superior has an incentive to violate trust, because he obtains a benefit from adjusting piece rates downward, and this would leave the subordinate worse off than if he failed to trust the superior. Anticipating this violation of trust, the employee refuses to trust the employer, which results in an outcome of minimum effort, a Pareto-suboptimal Nash Equilibrium.

This basic problem of credibility can be observed in other aspects of the employer-employee relationship (Gibbons, 2001: 334). For example, when an employee takes the decision of making a specific-to-the-relationship investment in training which will improve her productivity, she does not know if, once the additional earnings of the investment are generated, the owner will reward her appropriately (Miller, 2000; 317). The bottom line of these arguments is that there is a fundamental obstacle to efficient outcomes in firms: namely, the dominant ex post strategy for owners to expropriate the product of their employees (Falaschetti 2002: 159-160).

How can this basic problem of credibility of the principal be solved? In fact, there is no definite solution: there is never a probability equal to one that the principal is not going to renege on her promises. But there are ways to reduce its negative consequences in terms of low efficiency. An obvious solution would be transforming the one-shot game in a repeated one. When there are expectations of frequent future interactions, actors must trade-off the short-run temptation of defection in the first round against the long-run cost if the other player decides to punish her because of defecting in the first round. Nonetheless, repeated interaction is not a general solution since the Folk theorem shows that there are no clear predictions as to the outcome of repeated games. While repeated interaction between employers and employees might sustain a cooperative outcome, it can sustain other outcomes as well (Falaschetti 2002: 163). There are infinite

possible equilibriums. For that reason, and similarly to most of the scholarship on the issue, I am going to focus on one-shot games.

Although in this literature on organizations there is no systematic account of the solutions that can mitigate the credibility problem,¹² the works of Miller and Falaschetti (2001) and Miller and Whitford (2002) point out two solutions: a system of “separation of powers” within companies, and the development of “hand-tying institutions” like corporate law or golden parachutes.

A first solution to the problem of principal’s credibility could be thus the introduction of a “separation of powers” system within organizational structures -similar to what happens in democratic political systems between political branches. The economic approach to organizations normally joins aspects of law, economics, and organizational theory (Williamson 1984). What this perspective lacks are insights from politics, and this is the task Miller proposes when he states that a genuine concept of politics, such as the separation of powers, may become key for understanding organizational efficiency.¹³

Miller tries to dismantle the orthodox principal-agent theory’s myth that anything that helps reassert owner’s control of managers’ activities must be praised. He offers evidence, from different productive sectors, where he shows that the entire firm (including owners) may be worse off when principal-agent problems are “solved” by reining in managerial independence (Miller and Whitford 2002: 239-246). Miller and Falaschetti (2001: 400-401) consider that “in a Madisonian way”, managers and owners must act as mutual constraints. They propose a

¹² In the literature on central banks and independent regulatory agencies there is much discussion. See Fabrizio Gilardi (2006) for a good summary of the arguments.

¹³ An author who has also tried to import insights from politics to the study of private organizations is Alfred D. Chandler. In *Scale and Scope: the Dynamics of Industrial Capitalism* (1990), he compares the federation of some tobacco companies with that of the Thirteen States of America, because in both cases there was a tension between an increasingly powerful central government and older local authorities.

separation of powers between the owners and managers which is similar to the solution that Holmstrom (1982: 324-340) gives to the “team production problem.” According to the latter, and as it has been mentioned before, in case of team production, the owner of a company must act as a “passive owner” and rely on a manager whose preferences must be different from the owner’s. External agents would thus mitigate the managerial moral hazard problem (Falaschetti 2002: 160). If the owner of a firm (the one who obtains the benefits) is at the same time its manager (the one who fixes the price for each piece-rate), workers lack incentives to work hard because the owner has occasion for opportunistic defections (such as adjusting “piece rates” downward). Hence, there are reasons for firms to rely on independent and separated powers. In other words, the managers should not act as perfect agents of the owners.

The second solution to the credibility problem –the development of “hand-tying institutions”- has been less explored. It is cited by Miller and Falaschetti (1999: 37), where it is argued that a corporate law which “hand-ties” owners to be relatively passive in the management of the firm may have positive consequences for the overall efficiency of the firm. In a similar sense, Miller and Falaschetti (1999: 39) also emphasize the importance of possessing internal constitutional provisions within companies that give some sense of predictability to decisions of promotion and wage increases. What they are proposing is very similar to my definition of Bureaucratic Autonomy: the introduction of limits to politicians’ discretion in personnel management issues. Miller and Falaschetti explicitly state that corporate law in firms and civil service arrangements in the public sector would “lengthen the shadow of the future,” using Axelrod’s (1984) terminology, for employees and employers both in public and private sector. They would allow employers and employees to engage in more cooperative interactions (Miller and Falaschetti 1999: 39). In particular, they are “hand-tying institutions” because they increase the cost of employers’ opportunistic strategies (Falaschetti 2002: 160).

The study on the adoption of golden parachutes agreements in firms by Falaschetti (2002) shows the existence of a certain substitutability between the two solutions –“separation of powers” and “hand-tying institutions.” The traditional view by PTA has been that golden parachutes are management perquisites and should be seen more frequently as the ability of owners to produce monitoring services decreases. Therefore, there should be more golden parachutes in firms with relatively diffuse ownership than in those firms where the owners are very concentrated and able to closely control the managers. That is, the more “separation of powers” within a firm, the more likely golden parachutes should be. However, after testing this hypothesis in a sample of 500 firms, Falaschetti shows that the contrary is true. Golden parachutes are more likely when ownership is concentrated. This evidence is consistent with diffuse ownership (i.e. “separation of powers” within a firm) and golden parachutes (i.e. “hand-tying institution”) acting as substitute factors in producing credible commitments (Falaschetti 2002: 161).

The theoretical argument would run as follows. Since firms where ownership is very concentrated lack the inherent advantage in addressing principal’s moral hazard problem than firms with “separation of powers” have, the former have an increased incentive to employ formal institutions (i.e. golden parachutes) that substitute for ownership diffusion’s credibility-enhancing role. When ownership is concentrated (at the extreme, a single owner-manager), shareholders have a strong incentive to implement institutions such as golden parachutes to constrain themselves from taking opportunistic actions (Falaschetti 2002: 166).

In conclusion, there is a growing literature that underlines the importance of an accumulation of trust between employers and employees in order to improve organizational performance. Yet we lack a model that predicts under which circumstances principals -or superiors within organizations- will choose either a separation-of-powers system or a hand-tying institution to solve

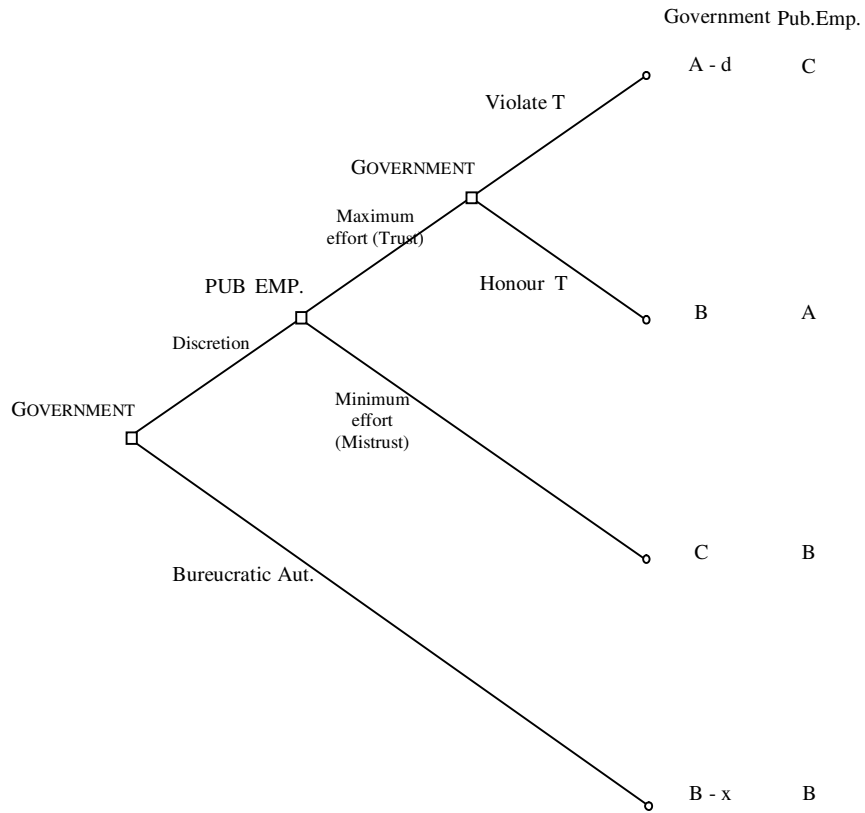
their problem of credibility. It is the purpose of this section to develop such a model and apply it to public sector organizations.

The interaction between governments and public employees can be modelled by a two-person game such as the one shown in figure 2.2. The Government is the actor with the capacity for introducing incentives and who, eventually, can renege on the promises given to employees. In other words, she is the Mayor of Hamelin. For example, if the government decides to shift the budget abruptly from fighting rats to building hospitals, it creates uncertainty on those employees who have made an asset-specific investment in pipe training. Furthermore, the government may make organizational decisions –related to hiring, firing, promoting, or introducing incentives to employees- that are subject to time inconsistency problems. The Government would be the one capable of introducing the “piece-rate” systems analysed by Miller. Public employees are the ones who obey the orders, the ones who can either trust or mistrust government’s promises on future rewards. That is, public employees are the Pied Pipers.

The game in figure 2.2 is similar to Miller’s trust game between an employer and an employee depicted in figure 2.1.¹⁴ The most obvious difference is that now the government (i.e. the employer) has the choice of playing the trust game –retaining her powers for hiring, firing, and promoting public employees (higher branch of the game tree)- or not playing it and *tying their hands* in personnel management through granting Bureaucratic Autonomy to civil servants (lower branch).

¹⁴ Like Gary Miller, I use the word ‘trust’ in the game. Nonetheless, I must admit that it is a controversial term, because, as Levi points out, it is difficult to see the emergence of “true trust relationships” between superiors and subordinates within an organization. Maybe, it would be more appropriate to talk about ‘confidence’ or ‘cooperation’ (Levi: pc). But, since trust is still the most standard term in the literature, I keep it.

Figure 2.2. The Positive Control Game



Public Employee's outcome ranking $A > B > C$. Governments' outcome ranking $A > B > C$.

Governments may tie their hands in the management of public employees in two ways. Firstly, they can delegate staff policy to independent administrative bodies such as the Civil Service Commissions (CSC) that we observe in the US or the *Corps* existing in the French or the Spanish Administration. Governments are not free to select, promote, fire or introduce monetary incentives to those public employees. Secondly, within the concept of Bureaucratic Autonomy I also include the enactment of laws and statutes through which governments limit their future actions in the relationship with public employees. For example, when governments issue rules that guarantee secure tenure or automatic promotion in function of seniority, governments are reducing their discretion in personnel management.

Bureaucratic Autonomy gives predictability to actors' payoffs. The assumption behind the model is that, instead of confronting relatively unpredictable rewards and incentives from governments, with Bureaucratic Autonomy public employees will deal with predictable rules about rewards and punishments — rules enforced by autonomous bodies such as administrative corps of civil servants. Incentives exist in institutions with Bureaucratic Autonomy but they are low-powered. For example, because in principle there are more subordinates than superiors in all organizations, there are almost always several candidates for a promotion in any kind of structure. The idea is that in a bureaucratized organization you must follow a more step-by-step promotion system, from one level to that right above it.

Horn (1995: 123) considers that, in general, there are two combined types of promotion incentives within bureaucratized civil service systems: promotion within grades based on longevity and promotion between grades, which is largely determined by performance relative to one's peers. The latter can be characterized as a contest where officials compete with one another for promotion to a fixed number of promotions at higher-paying grades. So, there is space for competitive promotions in a bureaucratized organization, but only for some positions, not for

all (such as it would happen in a standard hierarchy); and the one who takes the decision is not the chief executive of the organization, but a group of peers.

In absence of bureaucratic rules, the government could promote any public employee to whatever position. In other words, incentives are high-powered, and faster promotions are expected. Instead of the high-powered (although less credible) incentives from governments, with Bureaucratic Autonomy public employees will have low-powered incentives (although more credible because they are made by non-political peers) which will be clearly issued in statutes and regulations. With Bureaucratic Autonomy, public employees will not be able to obtain the maximum payoff (A) because governments will not offer them large remunerations or fast promotions to the top levels of administration as a reward for maximum efforts.

But, at the same time, Bureaucratic Autonomy also prevents the worst outcome for public employees (C), because there is no option for being betrayed by governments in case of choosing a maximum effort. As a result, Bureaucratic Autonomy would induce public employees to exert a sort of *medium effort*, halfway between the maximum effort and the minimum effort. Public employees will work harder than the minimum effort, because they know that if they work they will have some reward (like a slow promotion), but they will work less harder than when they expect high-powered rewards from government.

At the same time, governments do not enjoy the benefits of a high-powered system of incentives when they decide to grant bureaucratic autonomy, but they also avoid the worst payoff (C). If the government could credibly promise that it is going to honour trust with a fast promotion or with a large reward, it would obtain a higher effort without bureaucratic autonomy than the medium effort it gets from bureaucratized public employees. However, if that is not the case (i.e. if government is not seen as credible), public employees will make a lower effort than bureaucratized

public employees.¹⁵ Unlike what happens to public employees, governments face a cost (-x) for using Bureaucratic Autonomy: they must pay employees for life, and they lose flexibility to respond to external shocks demanding for fast changes in the size and composition of civil service.

It can be argued that politicians' Bureaucratic Autonomy is non-credible and politicians can repeal it whenever they desire. This would distort the incentives that Corps –or CSCs- design for public employees. As a matter of fact, there is no guarantee that a government will not subvert the delegation of staff policy and thus cancel the bureaucratic system of incentives. I am not contending here that the delegation of staff policy is exempt from problems of credibility. Delegation is –by definition- subject to revocation by politicians. However, if politicians want to recover their initial powers in personnel issues, they must pay costs: the costs that are involved in a process of changing laws and the costs of losing credibility in the eyes of social actors that are interacting with the government in other dimensions.

Undoing Bureaucratic Autonomy is not cost-free for politicians, and that is the reason why one cannot see many *de-bureaucratisation* processes all throughout the human history.

¹⁵ The argument here replicates Kydland and Prescott's on the advantages of tying one's hands to achieve a better outcome under certain circumstances. Policy-makers with discretion to set monetary policy are tempted to expand the money supply in response to adverse shocks, and the expectation of this temptation will produce a positive inflation bias. In their own words, "discretionary policy, namely the selection of the decision which is best, given the current situation and a correct evaluation of the end-of-period position, does not result in the social objective function being maximized. The reason for this apparent paradox is that economic planning is not a game against nature but, rather, a game against rational economic agents" (1977: 473). If Kydland and Prescott make an *argument for rules rather than discretion in economic planning*, here I make an *argument for rules rather than discretion within organizations* because, similar to economic policy, organizational incentives planning is not a game against nature but, rather, a game against rational economic agents.

Even the most autocratic rulers who delegated personnel management to autonomous bodies, like Louis XIV in France or Franco in Spain, did not dare to undo bureaucratic autonomy and recover again the full reins of staff policy. Bureaucratic autonomy plays thus the role that Falaschetti (2002: 165) gives to hand-tying institutions: mechanisms that *cannot totally eliminate* principals' moral hazard, but that *increase the cost* of acting opportunistically. To sum up the role of bureaucratic autonomy, we can state that it prevents the best and the worst outcomes for both players and it can be seen as a second-best option that is preferred when the best solution involves too many risks for the actors.

Before analyzing government's decision about Bureaucratic Autonomy, we should see the similarities and differences between Miller's trust game and this dissertation's trust game. To implement a public policy, the public employee can make a maximum effort (trust) or a minimum effort (mistrust). What does 'maximum effort' mean? I am referring here to any employees' effort (or investment) which may be subject to governments' time-inconsistency problems. Let's see four examples of 'maximum effort' in the public realm.

In the first place, there are some efforts that imply an asset specific investment for a concrete policy implementation and which cannot be written in a contract -and subsequently enforced by an external third party.¹⁶ For example, the public employee can learn specific skills required for a better policy implementation, such as how to play the pipe if she is in charge of fighting against rats' plagues. Once the asset-specific investment has been made, the employee is in a weaker bargaining position vis-à-vis the employer, and the latter may abuse her position of power.¹⁷

¹⁶ In principle, public administrations are places where asset-specific investments are abundant given the fact that the public sector has a monopoly on many activities, so an investment in developing working-related skills which will allow the employee to work more efficiently may prove useless in case the employee leaves the public sector.

¹⁷ Abraham and Prosch (2000) explore theoretically a situation in which private-sector employees must undertake asset specific-

Secondly, the public employee can devote an extra effort in order to develop innovative ways of implementing policies. As Gibbons (2001; 334) has argued for private sector firms, once an employee has explained a new project to the person with the authority to develop it, the latter could steal the employee's project, presenting it as her own. Something analogous may happen in public organizations where the ruler, who in both democracies and dictatorships may be interested in obtaining public opinion support, may have incentives for presenting the innovative project generated by a civil servant as her own.

Thirdly, although we do not observe many piece-rate systems in the public sector, in any public organization principals may give explicit or implicit promises to public employees about rewards and, particularly, promotions. For instance, at period t (i.e. the beginning of a term) a government can promise to several public employees that it will promote them if they make an extra effort. But at $t+1$, once the extra effort has been made, the government may have incentives for promoting just one or two employees. For instance, if elections are close, it could have incentives to promote an employee who, irrespective of her productivity, is able to mobilize voters for government's party. A parallel problem arises when the government has an incentive to stop the implementation

investments in their jobs. They analyze the case of the high-tech German firm Carl Zeiss which promised –at the end of the 19th century- to fulfill almost revolutionary social-welfare obligations to its workers. The reason for this apparently non-rational altruistic behavior is that, according to Abraham and Prosch, Carl Zeiss had the opportunity to realize a (short-term) gain by laying off employees who had done an extremely costly asset-specific investment. To induce employees to make those investments, the employer –Carl Zeiss- posted a hostage y (a severance pay in case of dismissal) for cooperation that, in case of defection (laying off the employee for the sake of short term efficiency) transferred to the employee. Abraham and Prosch's study of severance pay as a "hostage" -that employers use to create a credible commitment in their relations with employees- is very similar to my approach to the bureaucratisation of public administrations.

of the policy in which the employee is working and shift the budget to another policy that is going to give him a greater short-term gain in the upcoming elections.¹⁸ This problem is worsened by the fact that, in democratic settings with four-year-long terms for governments (as well as in unstable autocracies), when employees start some kind of ‘maximum effort’ they do not know if the government who promised a given reward to them will remain in office. If a government from another party takes over the incumbency in the meantime, the chances of not being rewarded properly raise for civil servants.

And, last but not least, there is another problem of credibility specific to autocracies. Given the fact that the ruler is at the same time the external third party who should enforce the contracts (i.e. independent courts), or has an important control over it, there is no guarantee (or there are very few guarantees) for the employee that, once she has made the effort (i.e. getting rid of rats), she will be rewarded according to the contract (i.e. 50,000 florins). The dictator may have lots of reasons for renegeing on the written contracts signed with public employees, alike to what North and Weingast (1989) showed for the relation between French Absolutist Monarchs and 17th century bankers. As a result, in autocracies not only is it possible for the ruler to change arbitrarily a given policy and eliminating a given public agency, but it is also possible to do so without respecting the written contracts. This is one of the reasons why “minimum efforts” are so frequent in the most extremely authoritarian regimes. For example, several scholars have stressed an increasing lack of motivation inside the German Army during the Nazism (Breton and Wintrobe 1986: 924). Hitler and his closest collaborators were constantly changing the formal and informal contracts they had with officers. The

¹⁸ Similar to Kydland and Prescott’s (1977: 474) analysis of the relationship between economic agents and policy-makers, this is not to say that public employees can forecast future policies perfectly. All that is needed for Kydland and Prescott’s -as well as for my argument- is that economic agents (e.g. public employees) have *some* knowledge of how policy-makers’ decisions will change as a result of changing conditions.

result was a spread “minimum effort” in many sections of the War Ministry. In words of a high-ranking officer, “the feeling of being left defenceless is beginning to cripple the best creative forces.”¹⁹

And what would ‘minimum effort’ mean? Minimum effort would be not to undertake any of those four types of effort examined and exert the minimum level of effort enough to avoid being fired. For example, the public employee would fulfil only those tasks carefully described in the labour contract. Like in Miller’s game, if the public employee chooses minimum effort, the result is an inefficient outcome: both actors would be better off with other result (i.e. maximum effort/honour trust).

If the public employee makes a maximum effort, the government can honour trust, which in this case means rewarding the public employee. And this probably happens very frequently in public administrations. Governments do not renege on the promises all the time. Nonetheless, in all cases of maximum effort depicted above, the government has an incentive to violate trust, like in Kreps’ or Miller’s games. Either if the employee makes an asset-specific investment, develops a new project or carries out an extra effort in exchange for a promised promotion, the government has incentives in $t+1$ to not to honour trust. In one sense or another, the government –if it has been democratically elected– has a strong interest to use the 50,000 florins promised to the Piper to build up a hospital in a swing electoral district or to pay the salary of other public employees ready to mobilize voters for the incumbent; or, if it is an authoritarian government, it has incentives to divert the promised reward to whatever policy area or to whatever foreign bank account.²⁰

¹⁹ Letter to Hitler from Wilhelm Frick (1940, quoted in Breton and Wintrobe 1986: 921).

²⁰ It is important to remark here, following Kydland and Prescott, that “the reason that they (policy-makers) should not have discretion is not that they are stupid or evil but, rather, that discretion implies selecting the decision which is best, given the current situation” (1977: 487).

Up to this point the game is identical to the one created by Kreps and Miller (figure 2.1). Yet the decisiveness –in words of Cox and McCubbins (2000)- or the capacity for taking a decision that changes the status quo –such as reneging on a promise- is limited in some political settings. This limit to the decisiveness of governments is captured by the parameter d (constraints for taking decisions). When there are no constraints to the decisiveness of a government, the parameter d would be zero. On the contrary, there are polities where governments face costs that restrain their capacity for taking decisions in their relationship with public employees. Which are those costs? In the first place, there may be an external third party –such as an independent court- checking government’s decisions. That may make *the parameter d higher in democracies than in dictatorships*, as it will be shown in the empirical chapters 4 to 6, which deal with the Spanish Administrative History.

Secondly, there may be other relevant political actors with known different interests from those of the politician who wants to violate trust. For example, party A may be the only relevant political actor in a given country, and then it may be entirely free to violate trust. This is what happens, for example, in one-party parliamentary governments. As Moe recalls, in those cases, “party’s supreme authority allows it to turn around tomorrow and renege on any agreement” (1990: 243). However, party A may also be only one of the several relevant political actors in a polity. In this case, party A will need an agreement with other veto players –using the terminology of Tsebelis (1995, 2002)- in order to break a promise given to the employee. Veto players would be the actors whose agreement is necessary to introduce a change in the status quo of a political system.

The more veto players, the more costly is for the veto player interested in violating trust to do so, given the fact that it needs to convince other veto players that violating trust is also Pareto efficient for them. For instance, the other veto players –especially if they have different electoral interests and thus different preferences on what public employees should do- may find that

violating trust does not provide them with a higher payoff than honouring trust. As Tsebelis (1995, 2002) has lengthily shown, the more veto players, the more policy stability, because it becomes harder to move the policy from the status quo when we increase the number of decision-makers. Consequently, it will be much more difficult for the government to shift suddenly the budget from a department to another, creating a 'violation-of-trust' situation in the former. In other words, a mayor in a context of several veto players will have more problems to move the 50,000 florins from the pied pipers' department to the department which builds hospitals. Therefore, *the parameter d may be higher in multiple veto players systems than in single veto player polities*, as it will be shown in the empirical chapter 3, which addresses cross-country differences in bureaucratic autonomy.

One may also observe within-country variations in the level of decisiveness. For example, that would be the case across different types of American municipalities. As the literature on US municipalities points out, in Mayor-Council local governments, "the mayor's recommendations will be dutifully enacted by the council" (Adrian and Press 1977: 160). On the contrary, the governance system of Council-Manager cities is very much like that of a corporation with a "separation of powers" between council members and a professional manager (Frant 1993: 996). The mayor may thus behave more discretionarily (i.e. more like the mayor of Hamelin) in a Mayor-Council municipality than in a Council-Manager one. That is, *the parameter d may be higher in Council-Manager cities than in Mayor-Council ones*, as it will be shown in the empirical chapter 7, which deals with variations in bureaucratic autonomy across US local governments.

In sum, one can observe how the level of decisiveness (the inverse of the parameter d) varies across different polities. It is important to emphasize that, although in many instances shown in this dissertation, *concentration of powers* and *decisiveness* are interchangeable terms, the relevant variable in this dissertation, as the examples depicted above have pointed out, is the degree of decisiveness of a given government, which is a more

encompassing concept than the existence or not of separation of powers.²¹ Very decisive governments (d close to 0) will have always a higher payoff for violating trust than for honouring trust $[(A - d) > B]$. Nonetheless, in those polities where the costs are high enough $[d > (A - B)]$, the government will prefer honouring trust rather than violating trust. Thus, the existence of a government with limited capacity of decision –because she is facing very high constraints $[d > (A - B)]$ - can paradoxically solve the problem of trust behind the model. It does not solve the problem because of the mere presence of more principals in a given institutional framework (e.g. veto players), but because the more principals we have in a given polity, the more likely it is going to be that they have different preferences regarding public employees. When there are multiple decision-makers it is more probable that they possess *known different interests* in relation to employees (Miller and Hammond (1994; 22).

When facing a government with low decisiveness, the choice for the public employee in the previous movement changes in relation to Miller's Trust Game. Now minimum effort gives the public employee a sure payoff of B while maximum effort which gives her the highest payoff (A).

Consequently, and that is the novelty this model provides to Miller's game, the initial choice of the government (on granting Bureaucratic Autonomy or not) depends on its decisiveness. When the limits to the decisiveness are high $[d > (A - B)]$, as the public employee makes a maximum effort, the government obtains a higher payoff by choosing 'Discretion' over 'Bureaucratic Autonomy.' The payoff for the government in case of 'Discretion' will be (B) while in case of 'Bureaucratic Autonomy' the government obtains $(B - x)$, which is always a lower payoff. Thus, when there is low decisiveness (e.g. when there is separation of

²¹ For example, countries traditionally classified as systems of concentration of powers (or as 'one veto player' systems) such as the UK are less *decisive* than other concentration-of-powers settings such as African kleptocracies.

powers), the government does not need to bureaucratise its public employees. Conversely, when the limits for taking decisions are low for the government [$d < (A - B)$; that is, a situation of high decisiveness], as the public employee makes a minimum effort, the government must balance the payoff C of 'Discretion' against the payoff $(B - x)$ of 'Bureaucratic Autonomy'. If the costs x are not high enough [$x < (B - C)$], the government will prefer Bureaucratic Autonomy.

This result is similar to what Stasavage (2000) and Gilardi (2002) have pointed out for the relationship between governments and private investors: governments in systems with low checks and balances should be expected to find alternative solutions to policy stability and credibility, and delegation (in their studies to independent regulatory agencies) is one possibility. This dissertation reaches the same conclusion for the relationship between governments and public employees: delegation to autonomous administrative bodies (bureaucratic autonomy) is an alternative solution to governments' problems of credibility in systems with low checks and balances. The bottom line of this Positive Control Game would thus be that there is a substitution effect between the separation of powers and the bureaucratisation of a public administration. In order to induce public employees to exert a level of effort above the minimal one, governments must either possess a system of separation of powers or delegate staff policy to autonomous institutions.

Another theoretical finding –the importance of the costs of Bureaucratic Autonomy- can help explain why, when there may be analogous problems of credible commitment, we observe much more bureaucratic autonomy in the public sector than in the private one.²² Public administrations are not subject to market pressure and they can assume the high costs linked to bureaucratic

²² Although, as it has been argued previously, another reason to explain public-private differences could be that, in fact, the problems of credible commitment are higher in the public realm because one of the contracting parts (government) is, at the same time, the third party who should enforce contracts.

autonomy. Few firms could afford the costs of some bureaucratisation processes. For example, according to Finer (1997: 963), one of the first movements towards the bureaucratisation of Western public administrations was in 1445 when Charles VII decided to put the mercenary *bandes* used in the Hundred Years War on what could be called “unemployment dole.” It was the first step towards the adoption of secure tenure in the French army. The cost of this proto-bureaucratic autonomy was prodigious, because it implied the permanent instauration of the “*taille*” tax in France. Contrary to monarchs, firms cannot raise taxes to finance expensive processes of bureaucratisation.

2.5. The Negative Control Game: Agents’ shirking problem in the government-employees relationship

With the Positive Control Game we have dealt with one of the political controls over public employees: the positive control. We have answered the question of which political settings produce more incentives for public servants to take costly actions that cannot be coerced. In broad principal-agent terms, the underlying problem beneath the positive game was the moral hazard of the principal. However, the implementation process has a reverse problem. Public employees can shirk and pursue their own interests instead of the interests of their political principal. Rulers need to monitor public employees’ behaviour –what it is known here as the negative control over public employees. In broad principal-agent terms, the underlying problem analysed in this section is the moral hazard of the agent.²³

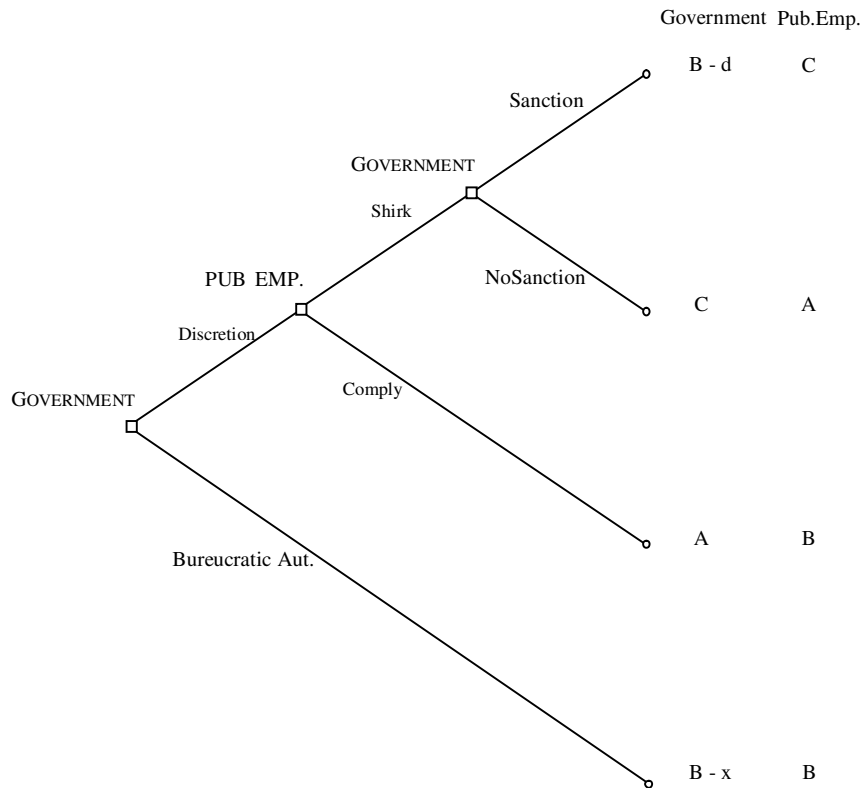
²³ That is, I contend here that Miller’s (1992) theory on the moral hazard of the principal must be complemented with insights from the standard PTA, which focuses on the moral hazard of the agent. Unlike Miller, and similar to PTA, I do not state that “the only useful role played by the principal is the passive acceptance of residual profits” (Miller 2000: 326).

As I have argued previously, politicians not only desire an efficient personnel, but also a loyal one. The problem of loyalty may be important in the private sector, but probably it is even more important in public settings. In the latter it is not a matter of losing benefits, sometimes it may be a matter of losing one's head if public employees are not loyal. The problem of public employees' loyalty is the objective of the Negative Control Game depicted in figure 2.3.

The structure of the Negative Control Game is symmetrical to that of the Positive one. The only differences are the courses of action available to actors. Unlike the Positive Control Game, where the election was between 'Minimum Effort' and 'Maximum Effort', in this case public employees choose between 'Shirk' and 'Comply.' 'Shirk' collects all actions that public employees perform in the policy implementation process which may be harmful for politicians' interests. Those activities can be very diverse and range from undertaking a biased implementation (such as favouring some interest groups over others) to directly engaging in conspiracy with politicians' challengers.²⁴ On the contrary, 'Comply' means undertaking a loyal policy implementation.

²⁴ The label 'Shirk' includes the two types of agent's misbehavior – *shirk* and *sabotage* – that Brehm and Gates (1997) carefully distinguish. There are several reasons for joining those two concepts. Firstly, the analysis here follows the traditional PTA approach, which does not normally differentiate among those actions. Secondly, 'Shirk' embraces those agent's activities that are damaging for rulers' survival, and both shirking and sabotaging may result in bad outcomes for rulers. Third, similarly to the positive game, where all possible problems of principal's moral hazard were included under the same label (*violate trust*), for sake of simplicity, the negative game is parsimonious in order to allow the development of testable propositions. And, in the fourth place, the relevant variable for my analysis is the degree of damage agent's activity may produce for the principal, and not the type of activity which produces that damage (shirking versus sabotaging). The level of harm is captured by the payoff C: the higher the damage, the worse C will be in relation to payoffs A and B. Thus, in general, it may be assumed that C will be lower when public employees engage in sabotaging activities

Figure 2.3. The Negative Control Game



Public Employee's outcome ranking $A > B > C$. Governments' outcome ranking $A > B > C$.

than when they merely shirk. Nevertheless, an interesting future research could consist of adding Brehm and Gates' distinctive categories into the kind of theoretical model created here.

If the public employee decides to shirk, the preferred option for the government is to sanction the public employee. However, the capacity to detect and to sanction a shirking activity is never absolute. There are always some limits and many costs associated to monitoring. Politicians at the top of the administrative hierarchy lack what public employees have and what Hayek (1948) called the particular circumstances of time and place. And there are political systems with more capacity to detect and sanction shirking than others. As it has pointed out in the literature, agents are more capable of shirking when they are facing two or more principals, because they can play off one principal against the other, and, at the same time, the more principals, the longer it takes to undertake a sanctioning decision (Ferejohn and Shipan 1990, Hammond and Knott 1996). Equally to what happened in the Positive Control Game, here there are also limits to government's decisiveness, captured by the parameter d . The lower the parameter d the more decisive a government is –that is, the easier it is to detect shirking and take the decision of sanctioning. Nevertheless, here, unlike in the Positive Control Game, political systems where governments enjoy more decisiveness (a lower d) solve the game easier than governments with low decisiveness.

If we analyse by backwards induction the decision of the public employee, we see that choosing 'Comply' gives her a payoff of B while choosing 'Shirk' gives her a payment that depends on the limits governments face to sanction subordinates. For the government, 'Sanction' gives a higher payoff than 'No sanction' if the constraints to sanction are lower than a given threshold [$d < (B - C)$] -in other words, if the government is very decisive. If d is high enough [$d > (B - C)$] -that is, if the decisiveness is low- the government will prefer not to sanction. As a result, in the previous movement, the public employee will choose 'Shirk.'

Similarly to what happened in the Positive Control Game, 'Bureaucratic Autonomy' is the solution available to politicians when they cannot solve the problem at stake on their own. Here,

politicians will opt for Bureaucratic Autonomy when they face many constraints to sanction public employees properly (i.e. low decisiveness). The question is: What does 'Bureaucratic Autonomy' imply in this game? Following some arguments in the literature, bureaucratic autonomy is understood here as a device to achieve public employees' loyalty. Bureaucratic autonomy acts in this dissertation along the same lines as in Silberman's *Cages of Reason* (1993) when he analyses the bureaucratisation in countries like France, Spain or Japan at the end of the 19th century. Thanks to bureaucratic autonomy, French, Spanish and Japanese state employees lost the incentives they had to engage in any kind of subversive activity against the government. Once the government has granted you bureaucratic autonomy (i.e. life tenure, predictable promotions, and the like), you have more assets to lose in case of being sanctioned. The costs of shirking against the incumbent with bureaucratic autonomy (i.e. losing a secure tenure) are higher than in absence of bureaucratic autonomy. In simpler terms, with bureaucratic autonomy, the government 'buys' public employees' loyalty.

Again, Bureaucratic Autonomy gives predictability to the actors' payoffs and prevents the best and the worst outcomes for both players. It is a second-best option that is preferred when the first-best solution involves too many risks for the actors. Public employees will not obtain the maximum payoff (shirking without being sanctioned: A), but they also avoid the worst outcome (shirking and being sanctioned: C). At the same time, governments lose the margin of discretion they enjoyed before Bureaucratic Autonomy and pay a cost (-x) for using it (i.e. they are committed to pay some employees for life and they lose flexibility to respond to external shocks), but they also avoid the worst payoff (i.e. shirking without being sanctioned: C).

If we look at the first node of the game tree –the decision whether to grant Bureaucratic Autonomy or not- we observe that when the government enjoys high decisiveness [$d < (B - C)$], as the public employee will comply, the politician always obtains a higher payoff by choosing 'No Bureaucratic Autonomy' over

'Bureaucratic Autonomy.' The payoff for the government in case of 'No Bureaucratic Autonomy' will be the highest (A). That is, when there is high decisiveness (e.g. high concentration of powers), the government does not need to bureaucratise its public administration.

When government's decisiveness is low [$d > (B - C)$], as the public employee will shirk, the government must balance the payoff C of 'No Bureaucratic Autonomy' against the payoff $B - x$ of 'Bureaucratic Autonomy.' If the costs of Bureaucratic Autonomy are not very high [$x < (B - C)$], the politician will prefer Bureaucratic Autonomy. In sum, contrary to what happened in the Positive Control Game, here there is an inverse relationship between government's decisiveness and the Bureaucratic Autonomy of its public administration. In the Negative Control Game, the lack of decisiveness (e.g. the existence of separation of powers) increases the probability that rulers decide to establish a costly bureaucratic autonomy.

2.6. What is more important for government's survival in office: The Positive or the Negative Control Game?

As we have seen, the effects of rulers' decisiveness over the degree of bureaucratic autonomy of a public administration change completely depending on the type of game politicians and employees are playing. If they only play the Positive Control Game, one should observe bureaucratic autonomy in those contexts with high concentration of powers. On the contrary, if politicians and employees only play the Negative control Game, we should see bureaucratic autonomy in those polities with low concentration of powers. Nevertheless, they always play the two games simultaneously. There is always some degree of efficiency and some degree of loyalty needed.

Yet, at the same time, it does not seem logical to think that the two games are equally important for all rulers irrespective of their personal circumstances. The question that remains unanswered is:

which of the two games is more vital for rulers? Unfortunately, it cannot be answered easily. The weight of efficiency and loyalty varies for each office and each historical period and should be analysed on case-by-case basis. The empirical chapters of this dissertation (chapter 3 to 7) provide detailed evidence on which game (i.e. which ruler's survival strategy) is predominant in each one of the particular government-public employee relationships studied. Here one can only make some general remarks on rulers' survival strategies.

As Bueno de Mesquita *et al.* (2003) have shown, in order to survive in office, sometimes rulers have incentives to pursue "good" public policy (e.g. delivering public goods which make most people in a society better off) and sometimes "bad" public policy (e.g. repressive policies). In other words, sometimes *bad policy* is *good politics* for rulers and *good policy* is *bad politics*. The assumption in this dissertation, like in Bueno de Mesquita *et al.*'s (2003: 19) analysis, is that if there is a general mismanagement of the economy by a given government is not because of "economically irrational decisions," but because, under certain circumstances, rulers may prefer to assure the loyalty of core supporters rather than to provide good economic policies. For example, to survive in power, if they are facing riots or a civil war, politicians will tend to emphasize the loyalty of public employees over long-term efficiency in policy implementation. On the contrary, if rulers are selected through fair and competitive elections, their survival in office seems to depend more on the efficient delivery of public policies.

The survival strategy does not coincide with the regime type – that is, dictators do not always play the Negative Game with civil servants while democratic rulers play the Positive Game. Recent or instable democratic rulers, since their *future discount rate is very high*, -as it will shown in the Spanish case with the governments of Maura (1918) or Suárez (1976-1979)- may prefer to assure public employees' loyalty rather than promoting the implementation of long-term public goods. At the same time, some dictators who have a relatively *low future discount rate* –like

Spain's Franco (especially from 1959 to 1975) or, more generally, the so-called 'developmentalist' dictators- may prefer to deliver good public policies, paying more attention to civil servants being efficient than being loyal.

Therefore, depending on the survival strategies of rulers (i.e. to which game rulers give more importance), four main hypotheses on the impact of the decisiveness over the level of Bureaucratic Autonomy can be drawn from the theoretical model developed in this chapter:

<H₁> When rulers' survival in office depends on the *efficient provision of public goods*, rulers will give autonomy to public employees in the management of personnel affairs if rulers have *high decisiveness*.

<H₂> When rulers' survival in office depends on the *efficient provision of public goods*, rulers will keep discretion in the management of personnel affairs if rulers have *low decisiveness*.

<H₃> When rulers' survival in office depends on the *loyalty of public employees*, rulers will give autonomy to public employees in the management of personnel affairs if rulers have *low decisiveness*.

<H₄> When rulers' survival in office depends on the *loyalty of public employees*, rulers will keep discretion in the management of personnel affairs if rulers have *high decisiveness*.

Table 2.1 shows how different combinations between the two exogenous factors of the theoretical model (degree of *decisiveness* and *survival strategy of rulers*) affect the endogenous factor (level of *bureaucratic autonomy*).

Table 2.1. Hypotheses of the Theoretical Model

	Government with High Decisiveness	Government with Low Decisiveness
Survival strategy of rulers primarily depends on public employee's Loyalty (when government and civil servants play the <i>Negative Control Game</i>)	LOW BUREAUCRATIC AUTONOMY	HIGH BUREAUCRATIC AUTONOMY
Survival strategy of rulers primarily depends on the efficient provision of public goods (when government and civil servants play the <i>Positive Control Game</i>)	HIGH BUREAUCRATIC AUTONOMY	LOW BUREAUCRATIC AUTONOMY

2.7. Summary

This chapter has brought together two different ideas on organizational design and have applied them to explain the emergence of bureaucratic autonomy. In the first place, it has been shown that, when concerned with policy efficiency, rulers with high decisiveness will tend to delegate staff policy to autonomous administrative bodies as a way to craft credible commitment towards employees. This finding concurs with the insights of some economists like Granovetter (1985: 487) or Williamson (1994: 97), who argue that to create credible commitments (through the use of bonds, hostages, information disclosure rules, specialized dispute settlement mechanisms, and the like; in this case,

bureaucratic autonomy) is to produce functional substitutes for trust. In the second place, this chapter has shown, in accordance with the insights of some political scientists like Silberman (1993), that, when concerned with public employees' loyalty, rulers with low decisiveness will tend to grant bureaucratic autonomy to civil servants as a way to 'buy' their loyalty.

The theoretical models presented in this chapter have shown the existence of the following trade-off: a principal with high concentration of powers is a more efficient producer of monitoring services, but it is incapable of credibly committing against opportunistic behaviour. The discovery of trade-offs normally leads to pessimistic statements. Reform or reorganization are useless, because they only relocate the incentives for inefficient action. In Miller (1992) words, "reorganize to what? The impossibility results of Arrow, Sen, Holmstrom, and other suggest that the result of every possible reorganization will itself be flawed," or "if it were an ideal system, no doubt it would never be abandoned." Nevertheless, that does not need to be the case. Analysing each problem (efficiency and loyalty) in separate games allows us to see how these problems can be solved at different levels (e.g. with the introduction of bureaucratic autonomy in some contexts) and with different costs. Probably Miller's claim that there is no ideal system is true, but, as it is shown in this dissertation, it seems that there are *more ideal* systems and *less ideal* systems.

The empirical chapters of this dissertation explore the emergence of more ideal and less ideal administrative systems. Chapters 3 to 7 test the hypotheses developed in this chapter in very diverse contexts and using different methodologies. Chapter 3 provides a *quantitative analysis* with cross-country data. Chapters 4 to 6 show the particular *mechanisms* that link the variables for ten different periods of the Spanish Civil Service history since the 19th century. And chapter 7, on US municipalities, is aimed to test the main hypotheses *controlling for cultural and historical differences*.

CHAPTER 3. A CROSS-NATIONAL COMPARISON OF BUREAUCRATIC AUTONOMY

“Nations stumble upon establishments, which are indeed the result of human action, but not the execution of any human design.”
(Ferguson 1767: 122)

3.1. Introduction

This chapter represents the first empirical test of the theoretical model of this dissertation. It is aimed at providing a general map –both at contemporary and at historical level- of the relations between the independent variables (*rulers’ decisiveness* and *rulers’ survival strategy*) and the dependent one (level of *bureaucratic autonomy*). In the first place, it offers a quantitative analysis with contemporary cross-country data. In the second place, the chapter also develops, using material from secondary sources, two observational implications of the four theoretical predictions for historical cases. Finally, I provide a preliminary test of the consequences of bureaucratic autonomy for the productivity of public employees.

The chapter is organized as follows. Section 3.2 summarizes the main contributions of the literature to the understanding of cross-country variations in the level of bureaucratic autonomy. It reviews the main *macro* and *micro* theories as well as their major

empirical findings (or lack thereof). Section 3.3 presents the quantitative analysis for 52 contemporary countries grouped in two datasets –one for developing countries and another for OECD ones. It shows how, under “normal circumstances” (that is, when there are no major problems of loyalty, such as civil wars, in a country) the more concentration of powers a polity has, the more likely an autonomous bureaucracy is. And, quite the opposite, when rulers are having important problems of loyalty, the relationship reverses and then it is the separation of powers (i.e. lack of decisiveness) what leads to bureaucratic autonomy.

Section 3.4 provides the first observational implication of the theory using secondary sources. Keeping constant the level of concentration of powers (i.e. it focuses only on systems with very high decisiveness: authoritarian regimes), it asks what happens –in terms of administrative design- when rulers change their survival strategies. For example, is the administration of a despot like Mobutu –who is mostly seen in the literature as interested in what here is defined as the Negative Control Game- different from the administration of despots such as 17th century France’s Louis XIV or 20th century Spain’s Franco –who have been traditionally depicted as more concerned with the provision of public goods (i.e. the Positive Control Game)?

Section 3.5 offers a second observational implication of the theory. This time the fixed variable is rulers’ survival strategies, and the goal is to see if changes in the other independent variable (rulers’ decisiveness) lead to variations in the level of bureaucratic autonomy. This section uses findings by administrative history scholars on the historical variations in bureaucratic autonomy across Early Modern European countries. Following the literature (e.g. Bates 2001), one may assume that their rulers had an increasing interest in the provision of public policies (i.e. the Positive Control Game). The section shows how, *ceteris paribus*, the European monarchs who had fewer constraints to their powers (e.g. France, Prussia, or Spain) tended to create more autonomous bureaucracies than the monarchs who were more severely

constrained by parliamentary checks and balances (e.g. Britain or Sweden).

Section 3.6 presents a test of the effects of bureaucratic autonomy over the productivity of a very particular group of public employees whose output is relatively comparable at cross-country level: state scientists. The results of this section cannot be easily generalized to mainstream civil servants and must be taken with a grain of salt, but provide interesting insights. The quantitative analysis shows a non-obvious result: *bureaucratic autonomy produces better science in dictatorships, but worse science in democracies*. Using the Positive Control Game, the explanation could be the following. In dictatorships, bureaucratic autonomy (i.e. put scientists under autonomous civil service systems) is a solution to the credible commitment problem created by autocrats, because the benefits from bureaucratic autonomy are higher than its costs (lack of flexibility). In democracies, the problem of credible commitment is much less acute, since rulers are constrained by checks and balances, and bureaucratic arrangements are less useful. That is, using the terminology of the Positive Control Game, in dictatorships bureaucratic autonomy moves scientists' level of effort from 'minimum' to 'medium' while in democracies bureaucratic autonomy downgrades the effort level from 'maximum' to 'medium.' Hence, bureaucratic autonomy is 'good' for dictatorships and 'bad' for democracies. Finally, section 3.7 concludes.

3.2. Bureaucratisation, the 'State of the Art' and its limits

One can classify the existing explanations of cross-country administrative differences into two main blocs: those arguments that reflect the importance of structural *macro* variables and arguments based on the *micro* decisions of politicians. In this section, I offer a brief review of the main advances in the study of bureaucracies within these literatures, emphasizing the problems of both which justify a new approach. Within the macro

explanations, I include the works of classical authors, like Weber or Hintze, as well as contemporary scholars like Tilly, Ertman, Raadschelders or Guy Peters. These scholars have in common the use of macro factors –mostly structural or cultural. In the section on micro explanations, I review the works of authors who, from diverse methodological traditions, aim to show the micro-foundations of the particular rulers' decisions which have led to different levels of bureaucratic autonomy, such as Kiser, Silberman, Moe, Horn or Williamson.

3.2.1. Macro explanations

The work of Weber is the right place to start a review on the comparative study of public administrations.¹ Weber was the first author to underline that the success of bureaucracy lied in its economic efficiency or technical superiority, not in the Prussian values and spirit. Bureaucracy was “technically the most perfectly adapted form for achieving the highest level of performance” (Weber [1922] 1978: 973). Unlike conservative Prussian scholars who gave bureaucracy a “sacred halo”, for Weber it was only a technical instrument, “precise, soulless, and machine-like.”² Bureaucracies would be a consequence of the increasing general economic complexity and differentiation which led to a process of rationality of the state. For Weber, it is capitalism what produced the urge towards convergence in the type of administration adopted.

Nevertheless, as it has been pointed out in the introduction, advanced capitalist countries present different types of administration: while Germany, Japan or France posses more autonomous bureaucracies (‘closed civil service systems’) other

¹ That is the case if we only look at the modern contemporary period only (Page 2003: 421). Raadschelders' (1998: 45) review of administrative history includes Herodotus and Aristotle.

² Weber (1978) quoted in Beetham (1974).

advanced capitalist societies -such as the US, the UK or Sweden- have less autonomous bureaucracies ('open civil service systems'). As Silberman (1993: 8) argues, this suggest that, unless one is prepared to make a vigorous and rigorous argument about the existence of systematically different forms of capitalism and how these have different organizational outcomes, we cannot rely on the capitalist macro-functionalist explanation of the variations in bureaucratic organizational development.

Despite the problems with his own hypotheses, Weber made a pioneering use of what nowadays would be defined as a principal-agent theory (PAT) for analysing rulers-employees relations. Weber considered that the interactions between rulers and their administrative and military staff were essential to understand political history. His model of this relationship anticipates contemporary organizational economics of public administration in a double sense. Firstly, Weber shares many features with current agency theory. For him, rulers (as principals) face a problem in controlling state officials (as agents), because the interests of the state officials often differ from theirs. This is a classical statement of PAT: delegation of authority leading to problems of control due to conflicting interests of principals and agents (Kiser and Baer 2005: 6). And this is the aspect of Weber's work that has been more extensively explored by contemporary scholars. Bureaucratic structures are often seen as rulers' responses to problems of control over state employees (Kiser and Baer 2005; Kiser and Cai 2003).

At the same time, Weber anticipated some of the insights that the new stream within organizational economics -on which the theoretical model of this dissertation is based- has extensively analysed. The principals (rulers) may also be sources of organizational problems. Weber realized that rulers could engage in "appropriation and expropriation"³ of the resources of their

³ "Historical reality involves a continuous, though for the most part latent, conflict between chiefs and their administrative staffs for

staff, a problem that Perrow (1990) correctly notes is ignored by contemporary agency theorists in economics (Kiser and Baer 2005: 9). Following Perrow's remark, the theoretical model of this dissertation takes into account the two dimensions of the Weberian approach, addressing not only the organizational problems caused by agents, but also those caused by principals.

The work of Otto Hintze (1860-1940) has remained relatively unknown until recently, but Hintze developed one of the first parsimonious theories on the origins of bureaucracy. He hypothesized that the more geographic exposure a country has, the more threat of land warfare, and, then, the more likelihood that the ruler will undermine representative institutions and try to create an absolutist state with a professional bureaucracy. Hintze's theory has some flaws such as the fact that there are several countries - such as the modern Poland or Hungary- which faced lots of external threats but did not become Absolutist countries (Ertman 1997: 15). Nevertheless, there are two pioneering elements of Hintze's theory which this dissertation understands as important to trace the emergence of bureaucracies worldwide: first, the necessity of developing simple and parsimonious theories, which may be applied to a great variety of political settings; and, second, the historical connection between Absolutist regimes and autonomous bureaucracies.

Some Hintze's insights have been used by contemporary structuralists, such as Charles Tilly (1975, 1990). He states that the increase in war efforts is what forced rulers to create new sources of resource extraction in Modern Europe. In countries with developed economies (e.g. Holland, Britain) the resource extraction was not very costly because relied on commercial goods. Therefore, states created only small fiscal apparatuses and small bureaucracies. On the contrary, the resource extraction is more costly when it depends on land tax, as happened in underdeveloped economies like Prussia. In the latter, states carried

appropriation and expropriation in relation to one another" (Weber [1922] 1978: 264).

out big fiscal apparatus and more complex bureaucracies. Tilly then uses the divergent cases of Brandenburg-Prussia and England to spell out the practical implications of his argument (Ertman 1997: 13).⁴ Though Tilly's theory is more sophisticated than Hintze's, it suffers from the same deficiencies. In Tilly's analysis the cases of Hungary and Poland remain unexplained as well. Almost entirely lacking commercial resources, both states should have become absolutist and bureaucratic, but in fact they remained constitutional and non-bureaucratic, as Ertman (1997: 15) notes.⁵

Another structuralist explanation would be the one by Almond and Powell (1966). They argued that the closed civil service system or 'classic administrative model' (e.g. Germany, France or Spain) arose as a result of the political instability historically prevailing in those countries. Autonomous civil service systems became stabilizing forces in unstable political systems. The problem with this explanation is that it can hardly be applied outside Europe. There are developing countries with sustained periods of political instability –such as Chile or Brazil- which remain close to the classic administrative model (McLennan 1984, Hojnacki 1996: 146), while other instable developing countries tend to prefer patronage-based administrations, such as the Philippines or most African nations (Brauchll 1992, Morgan 1996).

Ertman (1997) would fall also within the category of structuralist explanations (Kiser and Baer 2005: 4). He develops a parsimonious theory based on three explanatory factors: the type of local government during the first centuries after state formation

⁴ Tilly considers that Brandenburg-Prussia was the classic case of costly resource extraction and, as a result, the Prussian effort to build an army matching those of its larger Continental neighbours created an immense structure. On the contrary, England illustrates the other extreme of the continuum, "with a relatively large and commercialized pool of resources drawn on by a relatively small fiscal apparatus" (1985: 182).

⁵ In addition, Tilly's work is basically aimed at explaining variations in the size and complexity of the state, and he does not address differences in the type of administrative structures adopted.

(‘administrative’ in most continental Europe versus ‘participatory’ in Britain or Scandinavian countries); the onset of sustained geopolitical competition (whether states faced sustained wars in the pre-1450 period or in the post-1450 one); and the existence, or not, of independent parliaments. Ertman builds up an original theoretical model taking into account the interactions among these variables.

The result is that he is able to offer a simple and convincing explanation of cross-country variations in the level of power enjoyed by rulers. The former countries of the Western Holy Roman Empire developed Tricursal Assemblies, in which each social group (clergy, nobles and bourgeoisie) is separated from the others. Given this structure, kings found it easy to play one chamber off against the other until concentrating all powers in the Crown. On the contrary, in England, Poland, Hungary and Scandinavian countries, the Parliament was formed by Two-Chamber Assemblies, and different social groups sat together.⁶ The higher social interaction between the two chambers allowed cooperation among social groups and prevented monarch’s Absolutist attempts.

However, Ertman finds more difficulties when he wants to explain differences in the type of State apparatuses. He argues that, in principle, states which faced up to a pre-1450 sustained war, developed improvised administrations –such as the patrimonialist administrations he finds in Latin European countries. On the contrary, states that did not face up to a constant

⁶ The variable that these countries share and that, according to Ertman, produced Two-Chamber Assemblies is the absence of failed Dark Age polities, in contrast to Central and Latin Europe countries. England, Poland, Hungary and Scandinavian countries were “virgin territories” in which local government was not seen as a power struggle between central government and local authorities, but as a “collaborative venture” among royal officials, local notables, free men, etc. What Ertman does not explain is why during the Modern period those “virgin territories” and no others –such as Asian or African ones- developed those communitarian virtues.

period of war until the post-1450 period could chose more sophisticated administrations –such as the Weberian-type bureaucracies created in most German States.

Given the fact that there are countries which contradict this hypothesis, Ertman introduces a new variable – the existence or not of independent parliaments - in an imaginative, but ad hoc way. For countries that experienced sustained pre-1450 war, the survival of independent assemblies (i.e. England) allowed them to avoid monarch-controlled patrimonialism. Instead, assemblies forced monarchs to develop Weberian bureaucracies. Paradoxically –and this is what Ertman does not justify clearly– the effect of independent parliaments has the opposite effect if we talk about countries which confronted sustained war in the post-1450 era. In these cases, independent assemblies altered the preference of monarchs for Weberian bureaucracies and forced them to create patrimonialist administrations in its place. This dual effect of independent Parliaments on the type of state apparatuses (sometimes they favour one administrative type and sometimes another) is weakly explained by Ertman. He seems to suggest that Parliament's primary aim was to frustrate whatever the monarch desired, which does not seem a very consistent argument.

Following partly the structuralist tradition but including cultural factors as well, we find one of the most known macro explanations within comparative administrative history: Raadschelders' (1998). He analyses what he defines as the five main stages in the development of civil service all throughout history. In a first phase civil servants were seen a 'personal servants,' in a second as 'state servants,' in a third as 'public servants,' in a fourth as 'protected service,' and in the most recent one they are considered as 'professional service.' The main factors which would explain the evolution from one stage to other are the importance of nation-state building, the demarcation between the public and private domains of life, the creation of a separate civil service identity, the expansion of government tasks, and the increasing professionalism of the civil service. Since he offers too many and too vague factors, it seems difficult to build up testable

hypothesis from them. How can you detect that country X has more “demarcation between the public and private domains of life” than country Y? How do you operationalize these concepts? Furthermore, some causal factors overlap with the dependent variable (type of civil service) and they seem to be capturing the same things. For instance, although it is difficult to evaluate what constitutes some independent variables such as the “creation of a separate civil service identity” or the “demarcation between the public and private domains of life,” at first sight, they seem more the result of the country’s type of civil service than causes of it.

In turn, many scholars have sought to assign differences in administrative organizational structure to variations in culture, especially political culture (Heady 1979, Morstein Marx 1957, Crozier 1964, Berger 1957). Some of the extensive work of Guy Peters on bureaucracies may be included within these explanations. Guy Peters (1995) argues that cross-country differences in administrative structures are, among other reasons, a function of different cultures. Guy Peters uses a very broad definition of culture and argues that it exists at three distinct levels –societal, political, and administrative. Within these levels, Guy Peters includes almost all traditional cultural arguments that could, in some way or another, influence public administration: “entrepreneurial societies” (UK) versus “bureaucratic societies” (Germany); or “deductive or rationalist” cultures (France, Germany) versus “inductive or pragmatist” cultures” (UK). This taxonomy used by Peters, and borrowed from Bendix, represents a clear example of a tautological explanation of differences in administrative structures. We do not know if a ‘bureaucratic society’ – whatever the concept means and in case someone could measure it– is a cause of a certain kind of public bureaucracy or, on the contrary, if it is a consequence of the latter.

Guy Peters (1995) also develops his own cultural arguments and emphasizes the importance of what he considers as the two main dimensions of political culture: the level of citizens’ trust in politicians (‘political trust’) and the level of interpersonal trust (or ‘social trust’). A combination of high social trust and high political

trust would lead to administrations with low bureaucratic power (e.g. the UK). A combination of low political and social trust would facilitate the emergence of administrations with high bureaucratic power (e.g. France or Italy). Finally, intermediate levels of trust would explain the medium administrative power he finds in 'consociational democracies' (e.g. Belgium or Holland) as well as in the US.

A first deficiency of Guy Peters' theory is that he does not provide measures of his variables and, in particular, of the level of administrative power each country has. A second flaw is that we do not know which concrete cultural factors affect which concrete bureaucratic characteristics. Guy Peters does not offer the mechanisms through which different degrees of trust at individual citizens' level affect rulers' decisions on which power must be delegated to bureaucracy: is it through demands to political parties? And, if that is the case, how does it work? In which historical moment parties aggregated the demands of a high/low-trust society and transformed them in particular decisions regarding the administrative structure?⁷

Another author who attributes bureaucratic arrangements to cultural attitudes towards government is Kelman (1987). For him, the characteristics of American bureaucracy are a consequence of the two jostling views Americans have of government: the "prideful view" -which asks for a high standard government- and the "cynical view" -which sees officials as potentially corrupt. Kelman, like many cultural accounts, see bureaucratic characteristics as a result of "good" or "civic" cultures that desire to avoid public corruption. A common problem of these explanations which use culture as an equation-filler is that the origins of such good cultures usually remain obscure.

⁷ Guy Peters (1995: 77) is, nonetheless, conscious of the ad hoc uses cultural explanations may offer and he stresses the necessity of complementing these accounts with other factors, such as the institutional ones.

Furthermore, we do not know if those cultures are causes or consequences of the types of bureaucracies.⁸

Obviously, one might argue that political culture is mostly the inheritance of history. So, for example, in Japan there was a proto-legal-rational bureaucratic organization in existence prior to the modern period. And its values came to be valued so that it enabled the emergence of a fully rationalized structure. The major problem with such proto-bureaucratic explanations is that the notion of 'bureaucratic legacy' is derived primarily from chronological sequence rather than from an argument that spells out the dynamics of how proto- moves to mature bureaucratic autonomy. Reading backward along the continuum from less to more bureaucratic autonomy is not an explanation but an argument about the present being the function of the past. Such a view leads to infinite regression with no explanation in sight as to what fuels the drive towards rationalization (Silberman 1993: 9).

Generally speaking, it is difficult to create testable propositions from cultural explanations (Kiser and Baer 2005: 4). How can we distinguish one culture from another? How can we detect the mechanisms through which culture ends up affecting politicians' decisions on which type of civil service to enact? Cultural explanations face as well the problem of how to explain

⁸ A specific problem of cultural accounts for administrative reforms in the US such as Kelman's is that it is not clear that bureaucracy helps solve corruption problems. As a matter of fact, civil service rules attempt to control only certain types of corrupt behaviour. Frant (1993: 992) remarks that civil service arrangements are aimed at restricting nepotism, favouritism and corruption at high-level employees. Nevertheless, he claims there is no evidence that low-level employees are more tightly monitored in the public sector. Wilson (1989) goes even further and asserts that some public occupations (i.e. policing) give low-level employees much greater discretion than most private-sector jobs. Along the same lines, Nelson (1982: 300) provides some qualitative evidence in which he shows that patronage systems do not necessarily produce more corruption than bureaucratic systems.

that such widely differing societies as Japan, France or Germany end up possessing similar state administrative structures which, in turn, are different from those of the US, UK or Sweden (Silberman 1993: 8). As Moe and Caldwell (1994: 187) remark, although important, “history and culture always cloud the picture.”

Possibly one of the best examples against the use of cultural or civic-mindedness arguments for explaining the development of political institutions is the one provided by Bueno de Mesquita et al (2003: 33). They underline how Leopold II, as king of Belgium, was the forefront of promoting economic growth and reform and actively contributed to build up an efficient administration for the provision of public goods. Quite the opposite, as owner of Congo, he promoted oppression and ad hoc and arbitrary institutions. Did Leopold II suffer constant changes of ‘heart’ or changes in ‘culture’ every time he moved from ruling one territory to rule the other one? It seems more plausible to think that there was a change in fundamental political realities. In order to maximize his power, he found more useful to create different types of institutions in Belgium and Congo.

3.2.2. Micro explanations

The main problem of macro explanations is that, as Kiser and Baer (2001) remark, they do not entail *micro-foundations*. A micro-founded explanation must involve causal relations and must also specify the mechanisms which describe the process whereby one variable influences the other (Kiser and Hechter 1991). However, structuralist or macro-level arguments pay little attention to the mechanisms (or the human decision making processes) that link macro-structures with the creation of bureaucracies. Instead, Kiser and Baer propose a model for explaining the causes of the bureaucratisation of states based on what they call Analytical Weberianism. Following an interpretation of Weber as a methodological individualist, Kiser

and Baer argue for a re-incorporation of the micro level of analysis in the study of bureaucracies.

The work of Kiser –with several collaborators- assumes that rulers seek the most efficient form of administration (Kiser and Cai 2000: 9). This is a disputable yet plausible assumption.⁹ For Analytical Weberianism bureaucratic institutions emerge as a solution to decision-makers' efficiency problems. The core of Kiser's theory is that variations in monitoring capacity lead to differences in the administrative structures of states. For example, the more difficult the monitoring of public employees by rulers is, the more likely it is to observe tax farming. On the contrary, the smaller the size of a country (or the better its technologies of communication), the more prone rulers are to develop bureaucracies. A major flaw of Kiser's approach is that it shares the same bias he denounces in contemporary agency theories: the agents (state employees), and not the principals, are, de facto, the only source of organizational problems.¹⁰

At the same time, despite their initial intention, Analytic Weberianists do not fully show the micro-foundations of their explanations.¹¹ They just state that the most efficient system (e.g. of tax collection) is the one that is going to be chosen by the ruler. But there are constraints for the decision-maker in any possible polity and Analytic Weberianism does not take into account that. Even when they are Absolutist autocrats, rulers face three main

⁹ As we have seen in the previous chapter and as it will be more extensively shown in the chapters on Spain, it is not always the case.

¹⁰ In his own words, "the central problem in all agency relationships is control" (Kiser and Kane 2001: 4).

¹¹ For instance, Kiser and Cai (2000: 59) point out several intervening variables which would link their main independent variable (long and severe wars of conquest) and their dependent one (bureaucratic reform): weakness of aristocracy, development of roads, trained personnel, among others. But, from those variables, they do not develop a theoretical model to show why rulers took the concrete decisions of reforming bureaucracies, and, therefore, it is not clear which relations among variables may be causal and which may be spurious.

constraints. They have a relative, never absolute, bargaining power that depends on their control over coercive, economic and political resources. Each decision they take involves some transaction costs that come from the costs of negotiating and implementing policy. And, in addition, rulers have a discount rate, a time horizon that counterbalances their short-term and long-term interests (Levi 1988). If always the most efficient institutions (for the interest of ruler) were chosen, we should never observe inefficient institutions (again for ruler's interests), but we observe lots of them.

The goal of this dissertation, similar to game theoretical studies on the origin of institutions (Calvert 1984), is analysing bureaucratic institutions not as solutions to the decision-maker's problems, but as equilibriums that come from strategic interactions among several actors. In other words, autonomous bureaucracies are considered here, following Ferguson's (1767: 122) definition of institutions, the result of *human action*, but not of *human design*.¹²

One of the most known micro explanations on the origin of autonomous bureaucracies is Silberman's *Cages of Reason* (1993). He considers that variations in administrative structures are "a consequence of strategic choices by those holding political power in environments of greater or lesser uncertainty". The main problem that politicians face is that of leadership succession. When politicians live in contexts of high uncertainty (e.g. France, Spain or Japan in the 19th century), a rational strategy to remain in power is replacing politically committed employees for civil servants with commitment only to the organization (meritocrats). In order to assure their early devotion to the organization, politicians must offer civil servants a high predictability in their careers. The consequence is that these employees lose the incentives they could have to engage in rebellions and conspiracies against the ruler.

¹² This definition was popularized by Hayek (1967) two centuries later.

The argument is compelling and, as it has been noted in the previous chapter, it constitutes a cornerstone of this dissertation's theoretical model (in particular, of the Negative Control Game). Nevertheless, it only sees public employees as potential challengers of the ruler, and it does not take into account the functions that public employees are supposed to fulfil: implementing rulers' policies. Another flaw of Silberman's explanation is that some elements of the autonomy of the French and Spanish administrative *Grand Corps* emerged long before the 19th century brought political instability to their political systems. On the contrary, as the literature has extensively shown, self-managed administrative bodies were born within the relatively stable Absolutist monarchies of the 17th and 18th centuries.¹³

Meanwhile, in what Silberman defines as low uncertainty contexts, such as the UK or the US, there were more or less consolidated democratic mechanisms of leadership succession during the 19th century. In those cases the main cause of the change from patronage-based to merit-based officials was the increase of corruption that accompanied the augment of party influence on the delivery of public jobs. According to Silberman, at some point in the nineteenth century, corruption transformed from an asset into a liability for politicians, because there were large additions of voters to the electorates. Politicians started to have problems for providing sufficient offices to their supporters. Incumbents became sort of benevolent rulers and decided to stop the provision of private gains to their party loyalists. Like rawlsianian impartial spectators, rulers were "led to a distributive conception of utilitarianism," and turned out to be interested in maximizing the net balance of satisfaction of the whole society (Silberman 1993: 71). To do that, they decided to replace party loyalists for neutral professional-based bureaucrats.¹⁴

¹³ For a review of this literature see sections 3.4 and 3.5 of this chapter.

¹⁴ One problem of this explanation is that, as it has been previously mentioned, it is not clear that civil service arrangements reduce corruption (Frant 1993: 992).

Silberman underlines that the civil service systems created in low uncertainty countries such as the UK or the US (i.e. 'open') are different from the systems of nations with high uncertainty such as France or Spain (i.e. 'closed'). His theoretical argument to explain this variation is very similar to the one deployed here. Under circumstances of low uncertainty (what I define as a situation where rulers are worried by the provision of public goods and not by the loyalty of employees), an open or non-autonomous bureaucracy is preferred by democratic incumbents because they can adjust policy more easily to electoral demands. Like Silberman, this dissertation argues that in low uncertainty polities delegating "completely to a body of homogeneous officials whose roles are autonomous and committed to the organizational structure would deprive elected politicians of the means to organize voters in a significant fashion;" "loss of discretion (...)" would tend to undermine the structure of party politics" (Silberman 1993: 72).

A final *micro* approach to the study of bureaucracies is the one used in this dissertation: the political economy perspective. It is mainly formed by those rational-choice authors who, especially since the 1980s, have been reacting against the general neglect within rational-choice to study administrative structures. Traditionally, for rational-choice authors, bureaucracies have been on the whole seen as black boxes that mysteriously mediate between interests and outcomes (Moe 1987; Kettl 1993). The political economy approach to public administrations is aimed at opening the bureaucratic black box using theoretical tools borrowed from economics. Although clearly interrelated, two groups of authors may be distinguished for the purposes of this review. In the first place, we have those scholars who, coming mostly from political science, have developed what has been defined as the 'positive political theory' of bureaucracy (Miller, 1997; 1173). In the second place, we have those authors who, departing from economics, have followed the 'transaction-costs economics' approach (Williamson 1984: 54).

Regarding the positive political theory, while earlier work had already recognized the political nature of bureaucratic structures and processes (e.g. Scher 1963), authors like McCubbins, Noll and Weingast (1987) and Moe (1989) may be considered as the first ones to use political incentives as the underpinning for a theory of administrative structures and procedures. They have in common that they use rational choice modelling to analyse administrative structures. In particular, this dissertation borrows the theoretical developments, as well as his accurate critical remarks on political economy perspectives, of one of the most notable contributors to this approach: Terry Moe.

In his *The Positive Theory of Public Bureaucracy* (1997), Moe admits the theoretical advances made by positive political theory, yet he warns about two flaws they have. First, since they are focused on organizational efficiency, they tend to forget the basics of politics -the struggle to exercise 'public authority.' It is obvious that public administrations are the 'business firms of the public sector' -given that they produce its goods and services. Therefore, applying insights developed by economists for understanding the organization of firms may be certainly useful. Nevertheless, public administrations are created throughout the exercise of public authority and not throughout market exchange. Moe considers that the standard economic ways of thinking about institutions have been in terms of voluntary exchange. But they can only tell half of the story in the public realm (Moe and Caldwell 1994: 173). Moe's complaint is not thus with what economic approaches have to contribute to the understanding of public bureaucracies (e.g. Horn and Shepsle 1989, Horn 1988, McCubbins 1987), but with what they tend to downplay or overlook. They focus on the gains from trade and they forget about the 'neglected side;' that is, the concept of public authority (Moe 1990: 225). Hence, any attempt to explain why autonomous bureaucracies exist -and why they take the forms they do- eventually must confront the theoretical role of public authority.

The second problem of positive political theories underlined by Moe is that they normally narrow their scope of analysis to the

American bureaucracy. This dissertation tries to address both problems. To begin with, it is developed here a theory where *political efficiency* (that is, rulers are not interested in having an efficient administration, but in surviving in office) is taken into account. In addition, a great bulk of the empirical material of this dissertation comes from outside the US.

The bottom line of Moe's analysis of the American public bureaucracy –which is, nonetheless, the administration he mostly studies- is that it is not intended to be effective (Moe 1989: 267).¹⁵ Political uncertainty (i.e. legislators do not know if they will remain in incumbency for long) is the driving force behind the preferences of interest groups and legislators over the ideal type of bureaucracy. In order to protect the interest groups which support them, legislators will try to isolate agencies from a possible future political control by opposition parties. For example, in creating the Consumer Product Safety Commission (CPSC), legislators, following consumers groups' interests, did not have in mind to design an efficient administration. They aimed to generate a bureaucratic and isolated agency, which could be protected from likely future pro-business legislative actions. For Moe, the CPSC, like the Environmental Protection Agency (EPA), is a "creature of politics –and, in politics, organizations are not designed to be effective" (Moe 1989: 321). One important consequence of interest groups' demands to politicians is the enactment of autonomous civil service systems and the reduced role for political appointees (Moe and Caldwell 1994: 176). The emergence of a non-efficient¹⁶ bureaucratic autonomy would be thus "inherent in our democratic system as a whole" (Moe 1989: 324).

As it is shown in this dissertation, Moe's account has the empirical problem that bureaucratic autonomy seems to be also

¹⁵ Given his skepticism about the utility of sophisticated mathematical modeling, Moe does not build up a formal model. Nevertheless, his theories offer us valuable and original insights on the emergence of bureaucratic structures.

¹⁶ That is, an administration where, following the theoretical model developed here, employees do not undertake 'maximum efforts.'

'inherent' to some particular authoritarian systems. Another deficiency of his explanation is that, if politicians are normally seen as short-sighted by political economy authors, it is difficult to understand why they are going to pay the costs of having their hands tied today in exchange for the hypothetical possibility that their political opponents will have their hands tied in the future.¹⁷ Moe's politicians seem as rational as the thief who cuts his hand off because he fears that if they capture him, they will cut his hand anyway.

Despite its flaws, the work of Moe contains two elements which should inspire any political economy approach to bureaucracies and which this dissertation aims to follow. Firstly, the idea that bureaucracy is a creature of politics. Following Moe's recommendation, this dissertation is not an attack on the existent positive theory of public organizations (e.g. Horn and Shepsle 1989, Horn 1988, McCubbins 1987), but a warning against the autopilot features of their methodology (Moe 1990: 249). Yet, contrary to Moe, the analysis here is not restricted to democratic rulers, but to all kind of incumbents. Since one also sees bureaucratic autonomy in some authoritarian regimes, one should question Moe's argument that civil service arrangements are almost exclusively a result of electoral concerns.

A second element of Moe's approach which this dissertation embraces is his statement that looking at differences in institutional context (e.g. separation-of-powers systems versus Westminster parliamentary systems) should be central to any theory of bureaucracy. For Moe, the general question that remains largely unexplored is the following: with regards to their administrative structures, "is separation of powers or parliamentarism somehow better?" (Moe and Caldwell 1994: 171). With regards to this, the difference between my approach and Moe's is that we reach opposite conclusions on the effect of

¹⁷ The argument of Moe makes perfect sense, though, when he refers to legislators who decide to tie the hands of a president from an opposing party.

political systems over bureaucratic autonomy. For Moe (1990: 248), “bureaucracy in parliamentary systems appears to be ‘less bureaucratic’ –less encumbered by formal restrictions, more informal and discretionary.”¹⁸ In parliamentary regimes it is more likely, owing to the unchallenged authority of the party in government (i.e. no separation of powers), that the administration resembles a coherent, top-down hierarchy. On the contrary, this dissertation argues –and shows empirically– that it is precisely the ‘unchallenged authority’ of the party in government (and, therefore, its more serious problems of credible commitment) what leads to ‘more bureaucratic’ administrations in parliamentary systems in comparison with separation-of-powers ones.¹⁹

Another set of explanations which could be classified within the political economy approaches to bureaucracies are those based on transaction-costs economics (TCE). Similar to PAT, TCE considers that parties contract. However, unlike PAT, TCE maintains that all complex contracts are unavoidably incomplete. The father of the transaction-cost approach is Coase (1937), who asserted that firms emerged because there were costs of using the price system of markets. If these transaction costs –costs of entering the markets, of negotiating, and of enforcing contracts–inherent to market exchanges were higher than the costs of carrying out the same transaction within a firm, firms would be preferred to markets.²⁰ There are two main TCE contributions to

¹⁸ It is important to notice that Moe says “appears to be,” because, contrary to this dissertation, he fails to provide systematic empirical evidence that this is the case. He mostly bases his assertion on a review of the literature which compares some British and American public agencies.

¹⁹ Or, to be more precise, in concentration-of-powers systems in comparison with separation-of-powers systems.

²⁰ The study of TCE is thus a comparative institutional undertaking which recognizes that there is a variety of distinguishably different transactions (e.g. costs of negotiating or enforcing a contract) on the one hand and a variety of alternative governance structures (e.g. markets, firms or, like in this case, bureaucracies) on the other. The object is to

the understanding of public bureaucracies: Murray Horn (1995) and Oliver Williamson (1999).

Horn's (1995) *The Political Economy of Public Administration* probably represents the most comprehensive application of TCE.²¹ For Horn, the characteristics of public administrations are a consequence of an exchange between legislators and their constituencies: votes in exchange of policies. This exchange is limited by four main transaction costs: time and effort to reach an agreement; durability of the agreement (costs of commitment for the legislators); the possibility that administrators do not comply (agency costs); and uncertainty about 'who gets what' from the policy. Horn builds up a general theoretical model in which he introduces the four transaction costs.²² All possible contingencies in the relationship between constituencies, politicians and bureaucrats are included in his theoretical model -and it constitutes precisely its main weakness.

If we take into account all possible factors, an explanation has not much scientific value, because it does not simplify reality (Knott and Hammond 2003: 145). To overcome this problem, Horn makes an ad hoc use of factors: when he wants to explain X (e.g. the decision of choosing bureaus versus state-owned enterprises) he gives the relevant weight to the transaction-cost A (e.g. legislative instability) that best fits. Concretely, civil service arrangements –the features of bureaucracies in which this dissertation is interested– would be basically a consequence of one transaction cost: the commitment problem of legislators in relation

match governance structures to the attributes of transactions in a discriminating way (Williamson 1981: 1544).

²¹ Horn's work on bureaucracies benefits from both theoretical rigor and an extensive first-hand knowledge of public bureaucracies. He acquired the latter thanks to his job experience in New Zealand's administration, where he became the youngest person to head its leading economic and financial agency when he was appointed as Secretary of the Treasury in 1983.

²² His formal model is based on the one developed by McCubbins and Page (1987).

to their constituencies. By removing party loyalists from administration, and changing them by 'untouchable' bureaucrats, legislators also avoid that future legislators (from opposing coalitions) try to sabotage the implementation of policies enacted by the initial legislators. A protected bureaucracy is the best way to assure the benefits (for constituencies) of the existing legislation from changes in government. Yet Horn does not explain why the other transaction costs which compound his theory –such as agency problems– are not relevant in this case.

Another flaw of Horn's work -which is shared by most positive political theory explanations of bureaucracies (e.g. Moe 1997)- is that he concentrates on democracies and does not deal with the fact that some meritocratic reforms have been developed under authoritarian rule (e.g., Japan, Spain). The kind of open bargaining between legislators and constituencies that constitutes the base of Horn's argument seems to be difficult to observe in dictatorships.

This dissertation offers also a TCE approach to bureaucracies, but with three main differences from Horn's. In the first place, instead of developing a very realistic and detailed theoretical model which includes all conceivable transaction costs, this dissertation, for scientific purposes, simplifies reality to two transaction costs which are considered essential for understanding the evolution of public administrations: principals' commitment problems and agents' shirking. Horn's account can hardly be falsified since he does not show us how to measure and delimit his four transaction costs and, thus, he does not specify which factors lay outside his theory. If factors A and B do not work, he can always argue that it is C (or D) the relevant variable to comprehend a particular bureaucratic feature. Here, the use of a much more limited number of variables, their conceptual delimitation for empirical tractability and their integration within a theoretical model which predicts under which circumstances each one is more relevant, reduces the possibility of an ad hoc treatment of variables. Unlike Horn, in this dissertation transaction costs are neither empirically unspecified nor independent from each other

(that is, ready to be used at total discretion). Therefore, testable propositions may be drawn. Secondly, I substitute the exchange between *politicians* and *civil servants* for Horn's exchange between *politicians* and their *constituencies*. This helps me develop a more general theory, one which also includes the arousal of autonomous bureaucracies in dictatorships, where the relationship between politicians and constituencies is very different than in democracies. And, thirdly, unlike Horn, whose case material, in his own words, "does little more than illustrate the point being made" (1995: 34), in this dissertation a more extensive empirical analysis is provided.

Although Williamson has devoted more efforts to explain the dilemma markets versus hierarchies, he has also made some contributions to the understanding of the particular features of bureaucracies. On the whole, Williamson agrees with Moe and considers that the contract law of bureaus (civil service and administrative law) has been mostly designed to relieve concerns of legislative instability (Williamson 1990). Williamson (1999) has also analysed the transaction costs which affect a particular type of public activity: foreign affairs. For him, there are two main contractual hazards that alter the transactions between a ruler and her foreign affairs officials. In the first place, similar to what can be observed in some private-sector activities, there is a problem of asset specificity, because a foreign affairs official invests in asset-specific training, and, if she is fired, it will be difficult for her to find another job. Nonetheless, for Williamson, the most important contractual problem in foreign affairs is the hazard of probity. Overall, what worries the president of a country is that the agent is accountable to him, and *not to the president of another country*. Williamson believes that bureaucratic arrangements such as secure tenure, administrative controls, hierarchical authority, and personal commitment with the departmental 'mission' help solve this hazard of probity.

A first problem of Williamson's work is that, since he does not construct a fully-specified theoretical model, we do not know which concrete bureaucratic arrangements (e.g. secure tenure,

hierarchical authority) solve which transaction-cost problem (e.g. asset-specificity, hazard of probity). In addition, it seems obvious –as not only Williamson but also multitude of spy novels and movies have shown us- that the hazard of probity is very important in foreign affairs. But, in other policies, such as public health or public transportation, this is not so apparent, and yet we still observe very similar bureaucratic arrangements. At least, in other policies we cannot assert that the hazard of probity is higher than in some private sector activities. For instance, in many high-tech firms managers (similar to the President in Williamson's example of foreign office) may fear their most qualified employees to be accountable *to the managers of other firms*. Yet, in those firms we do not find the same kind of bureaucratic arrangements that characterise the public sector. This problem is worsened by the fact that Williamson does not offer us any guide for identifying and measuring probity.

This last point is related to one of the main problems in using TCE. In general, TCE studies fail to specify what constitutes a transaction cost. Neither Williamson nor Horn provides an exhaustive list of which costs we should analyse and which we should not. There is thus an intrinsic lack of operational utility in the concept of transaction costs. As Perrow (1989; 436) points out, any competing analysis can be reinterpreted by saying that a concrete issue is really a transaction cost. As it has been already mentioned, in order to solve this problem, this dissertation focuses only on two concrete transaction-costs which affect the relationship between politicians and bureaucrats: agency costs and commitment costs.

Before concluding this section, it is important to remark that, in general, one of the major deficiencies of the existing economic approaches to bureaucracies is their lack of quantitative data. Neither Moe (1989) nor Horn (1995) nor Williamson (1999) provides quantitative empirical tests of their propositions. Lewis (2003) addresses this problem by offering one of the first large-N studies on the impact of political variables over the level of

bureaucratic autonomy of an administration.²³ Lewis uses cross-time data for the US federal administration since 1945. His starting hypothesis, is that the President will make the bureaucracy as manageable as possible (i.e. the maximum level of discretion possible) if the opposition party does not control the Congress.

However, since his initial empirical analysis does not confirm this hypothesis, Lewis elaborates a more sophisticated theoretical explanation.²⁴ A divided government (i.e. the opposing party controls the Congress) can only frustrate President's plans of having a discretionary administration when the size of the majority in Congress is large. If the majority is small, it will not be able to block the presidential attempts to make a manageable bureaucracy, because it is likely that a few dissidents end up voting against their party lines. The situation is symmetrical under a unified government (the President's party controls the Congress), as it can be seen in table 3.1. If the President's party enjoys a large majority in Congress, he can obtain its most preferred payoff (lower bureaucratic autonomy). On the contrary, if the size of the majority is small, his aspirations for a discretionary administration may be blocked by the Congress, because, again, it is probable that a few dissidents may vote against their party lines. In this case the result will be the one shown in the upper left cell (higher bureaucratic autonomy).

²³ Although, unlike here, Lewis' main dependent variable is *policy autonomy* for independent and not *personnel autonomy*.

²⁴ As a matter of fact, his first result (the one without interactions) is contrary to his (and Moe's) expectations and similar to what would have been predicted using the theoretical model of this dissertation: the existence of a unified government –when the party of the President controls both chambers of the Legislature (i.e. when the government has “high decisiveness”)– leads to more bureaucratic autonomy in the US.

Table 3.1. Bureaucratic Autonomy as a function of the size of majority and the degree of separation of powers

	Small size of the Majority in Congress	Large size of the Majority in Congress
Unified Government	Higher Bureaucratic Autonomy	Lower Bureaucratic Autonomy
Divided Government	Lower Bureaucratic Autonomy	Higher Bureaucratic Autonomy

Source: Lewis (2003).

Despite being appealing and original, Lewis' theory has a major weakness in its internal logical coherence. Following his argument one should state that, for an opposition party interested in high bureaucratic autonomy (or in *any other policy*), it is better to have, let's say, 48 senators out of 100 (unified government/small size of the majority) than 52 (divided government/small size of the majority). Nonetheless, at first sight, it seems difficult to find a party which believes that losing the majority in a chamber gives it more chances to pass its most preferred policies. Lewis' empirical results confirm the predictions of his theory. Although, given the dubious logic of his hypotheses, it may be possible that the relations he finds are spurious. Especially if we take into account that he does not fully specify the 'mechanisms' through which his original argument works in reality. That is, what makes easier for the Senate (or the House) to pass his most preferred policy with 48 than with 52 senators?

3.3. A picture of the contemporary world

In general, there is a lack of reliable data on the characteristics of public bureaucracies. And, in particular, as it has been previously noted, cross-country data on public administrations are

fragmentary and hard to come by (Kiser and Hechter 1991: 10). There is quite a substantial amount of indicators –developed by both for-profit and non-profit organizations– which tap the performance or the quality of bureaucracies.²⁵ However, there are few studies which try to measure cross-country differences in the structure of bureaucracies, such as what I defined below as bureaucratic autonomy: the limits to the discretion of principals for firing, hiring and promoting public employees. The indicators which may be the best proxies for my definition of bureaucratic autonomy are Evans and Rauch's (1999) *Weberianess Scale*, which contains data for 35 developing countries, and Kai-Uwe Schnapp's (2001) *Closed-ness of the Civil Service* for OECD countries. For both indicators I have created dummy variables of Bureaucratic Autonomy, with a value of '1' if the country's public administration scores above the average and with a value of '0' if its value is below the average. Due to the fact that the number of observations is low in both datasets (35 and 17 respectively), I have not included control variables – such as the GDP per capita or the political regime (democracy/dictatorship) -, in the analyses showed below – after testing they have no significant influence over the level of Bureaucratic Autonomy.

3.3.1. Bureaucratic Autonomy in developing countries

Evans and Rauch's "Weberianess Scale" is an indicator built on comparable expert evaluations gathered over the period 1993-1996. The index was created from ten items that originate from experts' answers to several questions related to employees in public administrations. The individual responses to the ten questions were aggregated to create a country-level dataset, in which each country's score is the average of the responses of all experts answering each question for that country. The

²⁵ See, for example, the World Bank's government indicators (World Bank 2002, 2004).

Weberianness Scale does not aim to measure the autonomy of the public administration in staff policy, rather it seeks to collect data on some of the characteristics that Weber considered as defining features of bureaucracies. Nevertheless, many of the items included in the Weberianness Scale can be proxies for the degree of autonomy that civil servants enjoy from politicians. The reason is that, one key feature of Weber's bureaucracy is its autonomy from political interference. For example, some items in Evans and Rauch's Weberianness Scale measure the importance of exams (instead of political appointments) in recruiting civil servants or whether civil servants have secure tenure and are likely to stay in the civil service (instead of being dismissed by politicians).

The data covers 35 countries: 30 "semi-industrialized" countries identified by Chenery (1980) and 5 poorer countries selected to increase representation of the Caribbean, South Asia and Sub-Saharan Africa. According to the theoretical model of this dissertation, when rulers are mostly interested in providing public policies, the more separation of powers (or the less governmental decisiveness) the less likely bureaucratic autonomy will be. The variable that I use as a proxy for "separation of powers" is the variable "veto players" developed by Beck *et al.* in Database of Political Institutions (2001), which measures the number of veto players existing within each country. As it has been pointed out in the previous chapter, Tsebelis' theory (1995, 2002) shows that the existence of multiple veto players within a polity reduces the decisiveness of the government. To give a wider view, the observation used here is the mean of the number of veto players in 1970 and 1990.

Also according to the theoretical model, when rulers are mostly interested in preventing employees' shirking, the relationship between decisiveness and bureaucratic autonomy reverses. In this case, the more separation of powers, the more probability of bureaucratic autonomy. There are no cross-national indicators of the level of loyalty of public employees, but there are proxies for the circumstances where there is more potential for disloyal behaviour and where the harm caused by disloyal servants

to the ruling politician is higher. An obvious case where employees' engagement with challengers may be more likely and more damaging for rulers is civil wars (Silberman 1993).²⁶ Therefore, in order to control for problems of disloyalty, I have created a dummy variable "civil war since 1960" with value 1 for those countries who suffered from civil wars between 1960 to 1995 and with value 0 for those countries who have not experienced civil wars in the same period. Data on civil wars is obtained from Alvarez *et al.*'s (1997) ACLP World Political/Economic Database.

Table 3.2. shows the results of a logit regression with the dummy variable Bureaucratic Autonomy created from the Evans and Rauch's Weberianness Scale.²⁷ In the first place, we observe how the *number of veto players* (proxy for the level of separation of powers existing in a polity) exerts a significant influence on the level of Bureaucratic Autonomy: the more veto players exist in a polity, the lower the probability that a country has a high level of Bureaucratic Autonomy. Included in table 3.2 is column reporting the odds ratio, which allows an interpretation of the strength of the coefficients. With an odds ratio below 1, the number of veto players seems to reduce clearly the probability of having bureaucratic autonomy. This result coincides with the prediction of hypotheses 1 and 2: when there is concentration of powers (few veto players), politicians *who are interested in the provision of public goods*, in order to offer credible promises to public employees, will have to bureaucratize their public administrations.

²⁶ There are many more instances, apart from civil wars, where servants' loyalty can be a great concern for rulers. The impossibility of obtaining data for those circumstances limits the scope of this empirical analysis, and the possible inferences of this analysis must be only done for the concrete loyalty problems caused by civil wars.

²⁷ The results do not change if the analysis is done with a continuous variable.

Table 3.2. Determinants of Bureaucratic Autonomy in developing countries

	Coefficient	S.E.	Odds ratio
Number of Veto Players (Separation of Powers)	-1.903**	.975	.149
Civil War since 1960	-4.123**	2.133	.0162
Interaction between Number of Veto Players and Civil War since 1960	2.809**	1.416	16.593
Constant	2.912*	1.519	
Number of observations	35		

Dependent Variable: Bureaucratic Autonomy (** 5% significance, *10% significance), Pseudo R-2= 0.135.

In order to test hypotheses 3 and 4, I introduce an interaction between the separation of powers and civil wars in order to analyze the impact of the former on the level of Bureaucratic Autonomy in countries with civil wars. The empirical test shows that the existence of civil wars reverses the influence of the variable separation of powers with respect to those countries where there is no civil war (and, therefore, where there is less of problem of loyalty). Unlike what happens in countries without civil war, the number of veto players does not decrease the level of Bureaucratic Autonomy, but that it has a significant positive impact in those countries which have suffered civil conflicts for the latest decades. The more separation of powers within a country with civil war, the more Bureaucratic Autonomy of its public administration can we observe. As the odds ratio of 16.5 indicates, the probability of bureaucratic autonomy visibly rises in those

countries which have both multiple veto players and have experienced a civil war.

What is the mechanism that links a higher number of veto players with higher bureaucratic autonomy in countries which have undergone recent civil wars? The Negative Control Game has proposed one: the more “principals” public employees have, the more difficult is to control and sanction their behaviour. Consequently, rulers will try to obtain employees’ loyalty by offering them a high level of autonomy. This seems to be case when one analyzes the Spanish administrative history, as chapters 4-6 show. Whenever non-decisive Spanish governments have faced high problems of employees’ loyalty (such as in the aftermath of the 1917 revolutionary riots or in the pre-civil war period 1931-1936), they have tried to buy employees’ loyalty granting them autonomy along with many privileges. It would be necessary to look if that is also the case for the countries analyzed in here –a very ambitious project which is out of the scope of this dissertation. Therefore, one may conclude that, in the light of the available data so far, hypotheses 3 and 4 seem to be confirmed: if there is separation of powers within a polity, rulers *who are interested in the loyalty of public employees* (i.e. rulers who experience civil wars), in order to prevent agents’ shirking, tend to bureaucratize their public administrations.

3.3.2. *Bureaucratization in OECD countries*

Kai-Uwe Schnapp (2001) builds his data from Auer *et al.* (1996) and offers values for 17 OECD countries. He creates a 0-6 scale for the level of “closed-ness of Civil Service career system,” that measures the degree of autonomy of each country’s administration and its closed-ness to external entries. The more “closed” civil service career systems -such as the ones in Greece, Belgium or France- are those in which politicians have very limited discretion to affect civil servants’ firing, hiring, or promotions. These civil service systems are also known as the

‘classic administrative model’ (Heady 1979). At the other end of the continuum we observe the more “open” civil service careers systems of Sweden, the UK, Netherlands or Finland, where bureaucracies are less independent from politicians.²⁸

Table 3.3. “Closed-ness” of OECD civil service systems

Greece	6.00
Belgium	5.60
France	5.60
Ireland	5.20
Austria	5.10
Spain	4.70
Portugal	4.70
Germany	4.70
Norway	3.90
Japan	3.40
Switzerland	2.10
Italy	2.00
UK	1.70
Denmark	1.30
Finland	1.10
Sweden	.50
Netherlands	.40

Source: Schnapp (2001).²⁹

²⁸ The distinction between ‘closed’ and ‘open’ civil service systems resembles Silberman’s (1993) classification between bureaucracies with ‘organizational orientation’ (such as Japan, France, Germany or Spain) and those with ‘professional orientation’ (like the US, the UK, Canada or Switzerland). The former would be characterized by being “very autonomous” from politicians’ interventions, while the latter would be more open since the government has not “loss its discretion” on personnel matters (1993: 72).

²⁹ The indicator is an aggregate of the answers to several proxies for the degree of closed-ness of civil service systems: are there formal

Table 3.4 shows the results of a logit regression with the dummy variable Bureaucratic Autonomy for those 17 OECD countries. As predicted by hypotheses 1 and 2, the variable ‘number of veto players’ exerts a significant negative effect on the probability that the level of Bureaucratic Autonomy is high. This is confirmed with the fact that the variable ‘number of veto players’ shows an odds ratio below 1 (0.380). Due to the absence of extreme problems of loyalty in the OECD (no one of the 17 countries have experienced war since World War II), hypotheses 3 and 4 cannot be tested with this sample of countries. The assumption that politicians in OECD countries are mainly interested in the provision of public goods –instead of the loyalty of public employees – is derived from the fact that in those countries rulers are chosen according to electoral results and not depending on the result of civil wars.³⁰

Table 3.4. Determinants of Bureaucratic Autonomy in OECD countries

	Coefficients	S.E.	Odds ratio
Number of Veto Players (Separation of Powers)	-.968*	.584	.380
Constant	2.507*	1.421	
Number of observations	17		

Logit regression. Dependent Variable: Bureaucratic Autonomy (*10% significance), Pseudo R-2= 0.141.

recruitment procedures? Is prior experience in the private sector recognized for job classification? Is pay related to performance? Is the employment for life/ is the employment system a tenure system? Is there a set progression in pay? Does recruitment occur only to entry level positions? Is the promotion system a seniority system? Is there specific legislation to regulate labour relations in the public sector (or is it the general labour law that governs employment in the public sector? Is there a statutory remuneration scheme in place?

³⁰ For a more formal demonstration of why rulers elected in fair and open electoral contests have a special interest in providing public goods, see Bueno de Mesquita *et al.* (2003).

The results shown here for developing and OCDE bureaucracies are similar to the negative correlation between separation of powers and the autonomy of regulatory agencies found by Gilardi (2002, 2006). He examines regulatory agency independency across a variety of policy arenas -such as telecommunications, financial markets, food safety- and across a range of countries. Gilardi (2002: 884) observes that, unlike what the literature on delegation has been arguing, *the number of veto players has a negative impact on the degree of delegation from governments to independent regulatory agencies (IRAs)*. The less veto players a country has, the more likely it is that its agencies are independent from government. When governments are not decisive, when there are multiple veto players, governments would not need to delegate to IRAs to be credible in the eyes of private investors. The analysis presented in this chapter shows that what Gilardi argues for IRAs seem to be also true for the whole public administration of a country: it will be more autonomous the fewer veto players there are (i.e. the more 'decisive' the government is).

3.4. An observational implication: A comparison between Early Modern European Absolutisms and African Kleptocracies

This section provides an illustration of this dissertation's theoretical predictions based on secondary sources. It is not aimed at falsifying the hypotheses, but just at showing the existence of what King, Keohane and Verba (1994) call observational implications of a theory. Keeping constant the level of *separation of powers* (i.e. focusing only on systems with very high concentration of powers such as authoritarian regimes), the goal of this section is to see the effects of a change in the *survival strategies of rulers* over the level of bureaucratic autonomy.

There are some studies which point out differences across authoritarian regimes in what here has been defined as the survival strategy of their rulers. For Bates (2001), the study of Early

Modern European Absolutism can help us understand some problems that many post-colonial African states are having nowadays. Bates aims to answer why in some contexts violence becomes domesticated and is used not to predate or to destroy but rather to strengthen the productive forces of a society. Rulers produce public goods and wealth-enhancing policies when their ability to survive, politically, depends upon the capacity of others to produce economically (Bates 2001: 102). For example, while Early Modern Absolutisms contributed with active public policies to the economic development of their societies, many post-WWII African states have not shown much interest in providing public goods. This divergence could be explained by the differences in the survival strategies of Modern European monarchs and contemporary African rulers. According to Bates (2001: 76), there are two main reasons why the former pursued efficient policies (i.e. they mostly played what here has been called the Positive Control Game with their employees) while the later seem to be more focused on assuring the loyalty of their subordinates (i.e. they are more interested in the Negative Control Game).

Firstly, while the Early Modern states did not receive external aid, post-WWII African states have been enjoying more foreign sources of capital. These states arose in an international system marked by the Cold War –which implied foreign donations from either the USSR or the US, or from both- and by the existence of international organizations such as the UN –which also offered important aid to African countries. In addition, the frequent interstate wars during Modern Europe put Absolutist rulers under constant military threat. That was an incentive to develop not only efficient armies, but also to provide public goods which could foster economic growth and thus the taxes needed to pay the military expenses. The lack of external military threats for many African post-WWII states has provoked that their governments are less likely to view their economies as a strategic resource. An equivalent comparison could be made between post-colonial Asian and African states. In the resource-poor Asia, post-WWII rulers

have possessed more incentives to promote the creation of wealth than in the resource-rich Africa (Bates 2001: 107).³¹

For example, Louis XIV needed to develop his economy if he wanted to raise taxes in order to have an army able to win wars abroad and to suffocate rebellions within French borders. Mobutu did not need to do so, because he was receiving foreign aid from the US and other Western countries. The survival strategy of Mobutu-type rulers does not depend on the provision of public goods (e.g. road building). The main risks those rulers are facing are internal conspiracies within their own rank-and-files.³² These differences in the survival strategies could explain why Louis XIV chose a relatively autonomous bureaucracy to deliver his policies while Mobutu preferred a non-bureaucratized administration filled with loyal and dependent servants. The acquisition of bureaucratic autonomy within European modern states is extensively documented in the literature, as it will be seen in section 3.5. The lack of bureaucratic autonomy in many post-WWII colonial states is also broadly pointed out by several scholars.

For instance, Guy Peters (1995) considers that the great politicization of the public administration in many African countries obeys to the survival strategy of rulers –obsessed with the loyalty of public officials. As the former ruler of Ghana

³¹ Acemoglu *et al.* (2004: 6) review other interesting and similar comparative static results -on why some rulers prefer the provision of public goods to other survival strategies- from the literature on dictatorships. Existing ideas suggest that better economic policies are chosen by dictators with long time horizons (Levi 1988, Grossman and Noh 1994), who are ‘encompassing’ in the sense that a large fraction of income accrues to them (McGuire and Olson 1996), who do not fear losing their political power (Robinson 1998, Acemoglu and Robinson 2000), or who have not gained the support of a large ‘winning coalition’ (Bueno de Mesquita *et al.* 2003).

³² As it has been noted by many authors all throughout the history of Mankind, the lives of the most powerful tyrants are governed by fear until the point that they tend “to trust strangers more than citizens” (Xenophon, quoted in Wintrobe 1998: 21).

remarked in relation to the design of his administration, “for disloyal servants are no better than saboteurs.”³³ Those countries have become what Bratton and Van der Walle (1997) define as ‘neopatrimonial regimes.’³⁴ Rulers are not interested in inducing employees to undertake maximum levels of effort. They just want to keep them loyal. For that purpose, rulers maintain a highly discretionary approach to staff policy and, at the same time, they offer employees a salary and various forms of illicit rents, prebends and petty corruption, which constitute an entitlement of office. In neopatrimonial states, “relationships of loyalty and dependence pervade a formal political and administrative system, and officials occupy bureaucratic positions less to perform public service (...) than to acquire personal wealth and status” (1997: 62). They represent the exact opposite of an administration ruled by autonomous corps of civil servants. Not only politicians have a total discretion to remove state employees, but there is also a lack of rules in the regulation of civil servants. Instead, neopatrimonial regimes rely almost entirely on a ‘personal rule’ (Jackson and Rosberg 1982: 6). That is, a system of individual relations linking rulers with state employees, as well as with patrons, clients or supporters.³⁵

Mobutu Sese Seko’s Zaire (1965-1997) epitomises the characteristics of a neopatrimonial state. He used an extremely discretionary approach to staff policy in his administration (Acemoglu *et al.* 2004: 7-10). Individuals in public office were totally dependent on him for selection and maintenance. Access to high rank in all state agencies depended directly upon presidential favour (Turner and Young 1986: 165). By regularly rotating government posts, Mobutu managed to maintain uncertainty and vulnerability; and by bestowing favours on his subjects based on personal discretion, he played the role of “big chief” (Leslie 1987:

³³ Quoted in Guy Peters (1995: 209).

³⁴ Neopatrimonial regimes are those where the right to rule is “ascribed to a person rather than to an office (1997: 62).

³⁵ “The system is ‘structured’ (...) not by institutions but by the politicians themselves” (Jackson and Rosberg 1982: 6).

70). Office holders were constantly reminded of the precariousness of tenure by the frequency of office rotation, which simultaneously fuelled the hopes of those Zairians waiting just outside the portals of power (Turner and Young 1985: 165).

Another clear example of neopatrimonial regime is the Dominican Republic under Trujillo (1930-1961). His dictatorship was highly personalistic. Power was not shared, even among a small clique, but concentrated in his hands. Trujillo was obsessed with public employees' loyalty and his principal method for controlling the state machinery was the constant shuffling and reshuffling of officeholders. In addition, he even kept a file of signed but updated resignations for all government employees. Officials frequently arrived at work only to learn that Trujillo had filled in the date and that they had 'resigned' (Wiarda 1968: 26; Acemoglu *et al.* 2004:12).

The result in these neopatrimonial states is a good outcome for politicians in the Negative Control Game. State employees tend to remain loyal. But the cost of this loyalty is an absence of incentives to undertake any kind of costly asset-specific investments. Rulers lack credibility because they enjoy an extraordinary concentration of powers and they do not try to solve it by delegating staff policy to autonomous bodies. Which type of incentives to undertake maximum efforts can employees *who are constantly reminded of the precariousness of their tenure* have? Several scholars have noted how the neopatrimonial administrations which are focused on keeping employees loyal fail to create incentives to provide policies efficiently. As Bratton and Van der Walle (1997: 62) remark, in a standard neopatrimonial regime "the chief executive and his inner circle undermine the effectiveness of the nominally modern state administration by using it for systematic patronage and clientelist practices in order to maintain political order". In the case of Mobutu, Acemoglu *et al.* (2004: 9) emphasize that his extremely discretionary staff policy was "catastrophic for the efficiency of the bureaucracy". In relation to Dominican Republic, the "confusion within the state was an almost inevitable by-product of Trujillo's system of

continually circulating high-level functionaries into different positions almost every year for the purposes of maintaining his control” (Turits 2003: 140).

That such neopatrimonialism is at the heart of Africa’s lack of provision of public goods –and finally of its pervasive economic failure- is the conventional wisdom in political science (Acemoglu *et al.* 2004: 6). It is not that rulers *have not been able*, but that rulers have not been interested –or not interested enough- in delivering public goods because their survival strategy has been based on other considerations. For instance, as Leslie observes, the inefficiency of Mobutu’s administration was not accidental, but the consequence of a deliberate choice: “what is considered to be simply bureaucratic disorganization and economic mismanagement by external actors such as the [World] Bank and the IMF, is to Zaire’s ruling elite a rational policy of ‘organized disorganization’ designed to maintain the status quo.”

3.5. Another observational implication: A comparison between Early Modern European Absolute and Limited Monarchies

The goal of this section is, again, to keep fixed one of the two independent variables of this dissertation (decisiveness and rulers’ survival strategies) and observe how changes in the other variable lead to modifications in the level of bureaucratic autonomy. Unlike the previous section, here the characteristic shared by the countries analyzed (Early Modern Britain, France, Spain, Prussia and Sweden) is that rulers are mostly interested in the Positive Control Game. The aim is to analyze, *ceteris paribus*, the effects of a change in the level of decisiveness (e.g. concentration of powers) on the level of bureaucratization.

To do so, I rely on the work of scholars who classify Early Modern European countries in two main groups: Absolute Monarchies –like France, Spain or Prussia- and Limited Monarchies –such as Britain, Holland or Sweden (Finer 1997). According to the theory developed here, if rulers are mainly

concerned by an efficient provision of public goods (as one may assume following Bates' analysis described above), the level of bureaucratization will be inversely proportional to the degree of separation of powers in the polity. In other words, we should observe more bureaucratization in the Absolute Monarchies than in the Limited ones. That seems to be the case if we review the literature on state-building in Modern Europe. This section briefly summarizes, firstly, the scholarship dealing with cross-country historical differences among Britain, France, Spain, Prussia and Sweden in the level of concentration of powers and, secondly, the literature that describes their variations in administrative structures.

3.5.1. Differences in concentration of powers

With regards to the level of concentration of powers, there is a general agreement that at the turn of the 17th century Spanish, Prussian and French political institutions were more absolutist than those in Britain and Sweden.³⁶ In the first place, in the Early Modern France, the king achieved an unlimited personal authority. Although French monarchs faced some limits and there was a constant *marchandage* between them and nobles in order to assure loyalty of the latter towards the former,³⁷ they were free to enact laws at discretion. France soon became a paradigm of Absolutism—that is, of high decisiveness.³⁸

Meanwhile, in Spain the king had been reducing the pretensions of the Castilian nobility and towns, so that the representative body, the *Cortes*, could obstruct but not in the last

³⁶ For a comprehensive analysis of those differences see Finer (1997). For an overview of the French, Spanish and British cases, see Acemoglu *et al.* (2004).

³⁷ In particular, Louis XIV, the 'Sun-King,' followed a policy of balancing nobiliar families' claims (Finer 1997).

³⁸ The same expression Absolutism comes precisely from *ab legibus solitus*.

resort prevent royal tax raising (Davids 1973: 210). The Spanish king, like his French counterpart, ruled subject only to weak constitutional restraints (Acemoglu *et al.* 2004: 23). Prussia followed a similar path under the rule of Great Elector Frederick William (1620-1688), turning into what Finer (1997) defines as the most clear example of Absolutism and concentration of powers within Modern Europe.

In Britain, the political institutions at the beginning of the 16th century -though not as absolutist as in Prussia, France or Spain- were largely authoritarian. Nevertheless, they moved towards a system with greater checks and balances. The two milestones in the emergence of political institutions constraining royal power were the (English) Civil War of 1642-1649, when Parliamentary forces defeated Charles I, and the Glorious Revolution of 1688-1689. In the latter James II was deposed by the Parliament with the help of an invading Dutch army and replaced by William of Orange and a parliamentary regime with a constitutional monarchy (Acemoglu *et al.* 2004: 16). The victory of the Parliament in those events introduced major checks on royal power. British monarchs were no longer able, for example, to raise taxes in an unconstitutional way or manipulate the legal decisions in their favour.

The resulting political system could be defined as a 'Crowned Nobiliar Republic': Crowned because the executive was in hands of the Monarch; Nobiliar because nobles occupied most positions in the legislature and the executive; and Republic because there were checks and balances (Finer 1997). Despite the fact that the Parliament was unable to compel the monarch to do what it wanted done, it could certainly stop the king from doing what he wanted to do. The parliament had become thus a real constraint to king's 'decisiveness.' The conventional wisdom in economic history has emphasized the importance of these institutional changes for the protection of property rights in Britain (e.g. North and Weingast 1989, Neal 2000, Acemoglu *et al.* 2004). Similarly, it is argued here that the development of checks and balances had

also an impact on the characteristics of British public administration.

Using Gurr's (1997) Polity data set, Acemoglu *et al.* (2004: 24) develop the quantitative variable 'Constraints on the Executive'. It measures limitations on the arbitrary use of power by the executive (for the relevant time period, the monarchy). It gives a score 1 to 7 depending upon the strength of their constraints on the executive.³⁹ Table 3.5 offers the values of this variable for the five Modern European countries analyzed here from 1500 to 1750. One may observe how while the starting position was similar in 1500 –with all countries showing very few constraints on the executive- there are two divergent paths since then. On the one hand, in France, Spain and Prussia the concentration of powers around the monarch either remained very high or increased. On the other, both Sweden and (very especially) Britain increased their constraints on the executive.

Table 3.5. 'Constraints on the Executive' in Early Modern European countries

	France	Prussia	Spain	England	Sweden
1500	2	1	1	2	2
1600	1	1	1	3	2
1700	1	1	1	5	3
1750	1	1	1	6	3

Source: Acemoglu *et al.* (2004).

³⁹ A value of 1 means "there are no regular limitations on the executive's actions," 3 means "there are some real but limited restraints on the executive," 5 means "the executive has more effective authority than any accountability group, but is subject to substantial constraints by them," and 7 means "accountability groups have effective authority equal or greater than the executive in most activities." Scores of 2, 4, and 6 are used for intermediate values (Acemoglu *et al.* 2004: 25).

3.5.2. *Differences in Bureaucratic Autonomy*

As it has been mentioned before, according to hypotheses 1 and 2 of the theory, one should expect more bureaucratic autonomy in the Absolutist Monarchies (France, Spain and Prussia) than in the Limited Monarchies (Britain and Sweden). As a matter of fact, this prediction is an application to the administrative design of what Root (1989) defines as the irony of Absolutism. When the King claims full discretion, he really has less real power, because his promises are less credible. This is also what Wintrobe (1998: 22) defines as the “dictator’s dilemma”: as the dictator’s powers over her subjects increases, her problem appears to become larger.⁴⁰ And, using principal-agent terminology, this would be described as a situation in which the principal imposes too much risk to the agent.

What it is argued in this section is similar to what McLean (2000: 668), based on the work of North and Weingast (1989), remarks for the comparison between Modern France and Britain: “French rulers from Louis XIV to XVI could never make a credible promise not to renege on their debts. But the British executive (...) would not be able to renege because parliament (...) could have punished the executive for any default. This was common knowledge, and so Britain faced a lower interest rate on its state debt than France.” If one reviews the existing literature on the differences between the administrative structures emerging in France and Britain, it seems that the French kings had to pay as well what could be considered as a ‘higher interest rate’ to state employees (e.g. secure tenure, autonomy for selection, guaranteed promotions, among others) than their British counterparts.

The divergences in the bureaucratisation processes of the Absolutist France and the (more) parliamentary England have been pointed out by several authors. In the first place, in its state-building Britain did not develop an autonomous civil service

⁴⁰ Friedrich and Brzezinski (1965) referred to this as the “vacuum effect” surrounding the more powerful dictators.

(Cohen 1941, Fischer and Lundgreen 1975). The British executive enjoyed a substantial discretion for selecting, promoting, firing and establishing incentives for state employees. As a result, the non-formalized system of hiring and firing in the Early Modern Britain looked like that of private-sector corporations (Finer 1997). Top officials like Wolsey or Cromwell supplanted their personal household with their personal servants into the royal government. This technique is similar to the corporate manager in private sector who hires her former collaborators for helping her in her new position. Family and neighbourhood, friendship or business associations were reliable sources for judgment of a person's credibility and ability –akin to what happens in private-sector firms.

This was a perfect setting for recruitment by patronage, but it did not necessarily mean ineffectiveness. A person in the hierarchy of service who wanted to go ahead or stay at least, was well advised to look for capable assistants (Fischer and Lundgreen 1975: 490).⁴¹ Consequently, the Early Modern Britain's administrative system could be defined as a patronage-based one, but also as a system of "hunting" and protection of talent, which "remained in a much more fluid, adaptable state than on the Continent" (Fischer and Lundgreen 1975: 483). British governments seemed able to obtain the maximum level of effort from their employees without the need of giving them bureaucratic autonomy. Although there is a lack of conclusive evidence in this point, the literature remarks the "paradox" that, despite having an administration made of "amateurs" –in contrast to the more autonomous French "professionals"- the British state appeared quite efficient.⁴²

⁴¹ As Fischer and Lundgreen point out, "no merit system was formally established, but this does not mean that merit remained necessarily unrewarded" (1975: 482).

⁴² Fischer and Lundgreen (1975) analyze, among others, the good results obtained by the British Navy when compared with the more bureaucratized ones of Portugal and Spain. And they emphasize that, generally speaking, the British administration was more open to talent

At the same time, the few existing comparative studies which include the historical evolution of the Swedish public administration underline its similarities with the British one. For instance, Guy Peters (1995) points out that, historically, the Swedish administration has been much more accountable to rulers than countries like Prussia and France, because Sweden lacked the independent administrative bodies the latter had developed. Also like in the British system, and unlike in France or Spain, Swedish civil servants had no proprietary claim to their offices (Ertman 1997). In other words, it seems that Modern Swedish governments enjoyed a level of discretion akin to their British counterparts and higher than the one enjoyed by the Absolutist monarchs of France, Prussia and Spain.

In relation to the French administration, Finer (1997) identifies the origin of its distinctive features as early as 1445. That year France created the first standing army (with 12,000 cavalry and 8,000 fighting men) in Western Europe since the fall of Rome. Prior to that, French kings had relied on mercenary *bandes* which were only employed when fighting arose and were dismissed as soon as it was over. In 1445, Charles VII put the *bandes* on an “unemployment dole” in the first step towards the concession of life tenure. Soon afterwards, the differences between the administrations of Modern Britain and France became more evident and while the former kept ad hoc contracts with its military and civil officials, the latter started to create a body of paid professional administrators.

France rose the numbers of its permanent civil servants from 8,000 in 1515 to 80,000 in 1665 and to more than 300,000 in the 18th century (Finer 1932: 1242). They were classified (in 1656) into 629 categories of offices, each class constituting a *corps d’officiers* (Gohring 1938: 122). It was precisely in times of the all-powerful Sun-King Louis XIV when the main characteristics

from lower social classes, such as the examples of the tailor’s son Samuel Pepys or the merchant’s son Thomas Cromwell show (1975: 490).

of the French administrative state –and in particular the autonomy of the *Grand Corps*- took shape (Guy Peters 1995). Most servers of the State owned their appointments and could not be sacked. They started to enjoy a high degree of isolation from executives' interferences thanks to their integration in increasingly autonomous administrative bodies. Especially in finance and law, the classical branches of inner administration, civil servants were organized into a hierarchy of *officiers*, ruled by sovereign courts. These *cours souveraines* never acquiesced to consider themselves dependent on the king and his *conseil d'état*.

The first autonomous *Corps* were precisely those formed by public employees who had to undertake a very costly investment in human capital. For instance, in the Army two main kinds of specialists were required: the *genie*-officer (i.e. military engineer) and the artillerist (Fischer and Lundgreen 1975: 550). For both professions France created autonomous corps (e.g. the *corps du genie militaire* in 1697) which enjoyed independent promotion and selection mechanisms via military technical colleges (e.g. the *école du genie* in 1748). That was also the case for the civil administration. The major technical services within the civil realm –and of crucial importance to the modernizing French state- were civil engineering and architecture. Here again France was the pioneer creating autonomous corps of civil engineers and architects with their own technical colleges (Fischer and Lundgreen 1975: 551).⁴³ At the time of Colbert the king still appointed individual engineers or architects and held them responsible for public works. But soon afterwards, and especially since 1716 with the constitution of the *corps des ponts et chaussées*, state civil engineers became autonomous from king's discretionary managerial decisions.

With regards to Prussia, the common opinion among the scholars is that its state-building was accomplished under the reign

⁴³ For Crozier, bureaucracy “may be considered as one of the best parts of the contribution of the French culture to the Western World” (1964: 313).

of four successive Hohenzollern kings (1640-1786) who regarded the military bureaucrats as the focus of their administrations (Fischer and Lundgreen 1975: 509-511).

In the Brandenburg-Prussia of the Great Elector Frederick William (1640-1688), the Parliament still retained some powers of veto on ruler's activities. The army was organized through contracts –called *Kapitulation*- between the Elector and Colonels. However, Frederick William started to modify ad hoc the military contracts and to veto colonels' appointments in the army, what produced discontent among troops. As a result, the Great Elector's successor, Frederick William I, abolished the *Kapitulation*. Instead of market-like contracts, Frederick William I introduced a bureaucratic-type army: he gave a regular employment to soldiers and high rates of pay. Furthermore, autonomous corps of army officers started to emerge (Finer 1997). Those corps enjoyed autonomy for the selection of their members. Once a candidate had passed all examinations, he had to be elected by the officers of the corps he wanted to enter. This, in fact, was a device for a cooptative personnel policy, but, "at the same time made the officers' corps relatively independent of government interference" (Fischer and Lundgreen 1975: 524).

As far as the civil service is concerned, Prussia has been acclaimed by the scholarship as being the first country in Modern European history to have elaborated and applied a merit system (Fischer and Lundgreen 1975: 516). The rules of recruitment became very strict and they were not broken up by arbitrary exceptions from the government (Morstein Marx 1935: 174). In particular, it was the judiciary the first section of the Prussian state which established the merit system and by 1775 every candidate had to pass two examinations (Finer 1932: 119).⁴⁴ There was as well an increase of the regulations which protected functionaries

⁴⁴ In general, Frederick's aim was to tie his hands in the management of the judiciary system. In his own words, "we ourselves or our state ministry can give no decisions which have the force of judicial ruling" (Frederick the Great, 1772, quoted in Finer 1997).

from being arbitrarily fired by the executive during the Hohenzollern rule. For example, a sentence of the *Reichskammergericht* in 1759 stated, for the first time, that the removal of a civil servant could not be decided by the executive, but it could only be established by a well-founded judicial sentence (Nieto 1976: 46).

The increasing autonomy of Prussian civil servants led to the emergence of a bureaucratic elite within the civil as well as the military administration which monopolized personnel policies (Rosenberg 1958: 211). And, though at a later time, the history of civil technical engineering in Prussia follows a similar pattern to that of France: autonomous corps and training through specific technical colleges (Fischer and Lundgreen 1975: 552).⁴⁵ For the literature, the bottom line of the Prussian administration was the marked independence of the bureaucracy as a corporation and exclusive group from royal arbitrary intervention (Fischer and Lundgreen 1975: 526).

In relation to Spain, it is important to remark that the accumulation of powers in the hands of Castilian kings was done at an earlier stage than in other European countries. The reason for this was that Castilian monarchs needed to centralize all territorial forces to expel the Arabians during the *Reconquista*. As a result, Parrado (2000: 250) argues that, while the 11th and 12th century Spanish civil servants were still, using the terminology of Raadschelders (1996), 'personal servants' of the ruler, during the 13th century efforts of the Spanish kings to distinguish among personal activities and administrative tasks began to appear. Soon afterwards, Spanish civil servants became 'state servants' - a first step towards their autonomy - whereas in most European countries this transition would not occur until three or four centuries later.

⁴⁵ In particular, with regards to engineering, Prussia went after the French model (the one prior to 1789) during the first half of the 19th century. Yet the Prussian colleges for the training of technical public servants never reached the high standing of the respective French institutions of the time up to 1850 (Fischer and Lundgreen 1975: 554).

Likewise to what happened in Prussia, the Spanish Absolutist government started to lose the capacity to freely remove civil servants during the 17th century. In the first place, monarchs started to create more complex appointment contracts which offered civil servants guarantees against arbitrary removals (Trayter 1992: 38). In addition, the rule became that a functionary could only be dismissed *ex grave and legitima causa* and through an increasingly detailed procedure (Nieto 1976: 46). Several contemporary scholars emphasized in their writings the establishment in Spain of a judiciary system to fire civil servants. That is, it was a court and not the executive the organ in charge of removing civil servants. For example, Castillo de Bobadilla (1546-1605) remarked that “no one can be deprived of his office unless it is by a great reason or in the cases issued by laws”⁴⁶ and Fernández de Otero stated in 1732 that “officials cannot be removed unless there is a fair cause.”⁴⁷

The Spanish administration became organized in gradually more independent *corps* similar to the French ones. They became so important since then that it could even be argued that “the *corps* provide the foundation on which the Spanish Public Service is built” (Gutiérrez Reñón 1968: 135). Authors also underline the emergence in the Absolutist Spain of an autonomous bureaucratic elite akin to that of France (Nieto 1986). In particular, it was during the 18th century ‘enlightened despotism’ of King Charles III when some of the most prestigious corps of engineers were established.⁴⁸

⁴⁶ *Politica de Corregidores*, 1775, Ed. Madrid, p.239. Quoted in Nieto (1976: 46).

⁴⁷ *Tractatus de Officialibus Reipublicae*, 1750, p: 62-63. Juan Solórzano detailed some of the crimes which could entail civil servants’ removal: “heresy, sodomy, treason to the King or Motherland, bribery (...), and marriage without licence” (1647, *Politica Indiana*, Ed. Madrid 1930; quoted in Nieto (1976: 46-50).

⁴⁸ These autonomous bodies would be replaced by a discretionary spoils system at the beginnings of the 19th century with the arrival of a constitutional regime (Nieto 1976; Jiménez-Asensio 1989:84; Trayter

Finally, one could briefly mention the differences in the “outcomes” of the two main types of Early Modern European administrations. Fischer and Lundgreen (1975: 536) compare the more flexible and individualistic English (and Dutch) approach to the management of the Navy with the more bureaucratic relationships existing in Spain (and Portugal). While the British made ad hoc contracts with Italian navigators and trusted privateers like Hawkins or Drake to apprentice young officials, Spain (and Portugal) established a more regulated and formalized system of training and promotions through relatively autonomous schools of navigations. The higher flexibility of the British Navy⁴⁹ is argued in the literature as one of the decisive reasons of their divergent “efficacies.” Specifically, Portugal and Spain, which started the 16th century with a maritime position of superiority over Britain, adapted much slowly than the British to the new technological developments, such as how to use the great guns while sailing (Marcus 1961: 362; Parry 1963: 123; Baugh 1965: 145; Fischer and Lundgreen 1975: 538).

To sum up, the scholarship agrees that France, Prussia and Spain developed a “higher degree of bureaucratisation” than Britain and Sweden (Fischer and Lundgreen 1975: 559). On the whole, the former created administrative *Corps* of state employees which, sooner or later, started to enjoy independence from monarchs’ interferences. Table 3.6 summarizes the findings of this section. One may see how the administrations of the countries defined as Absolute monarchies by Finer (1997) –or which score less than 2 in the Acemoglu *et al.*’s (2004) index of constraints on the executive- do possess more bureaucratic autonomy –measured by the existence of administrative corps- than the administrations of the countries defined as Limited monarchies.

1992: 39; Ortega 1992: 5). This shift will be extensively shown in chapter 4.

⁴⁹ According to this dissertation’s theory, this higher flexibility would lead to a ‘maximum effort’ in comparison of the ‘medium effort’ expected in the more bureaucratized Navies of Spain and Portugal.

Table 3.6. Early Modern European countries in function of type of administration and degree of separation of powers

	Bureaucratic Autonomy (administration based on Corps)	Hierarchy (administration not based on Corps; more similar to private sector firms)
<i>Absolute Monarchies</i> (Finer 1997) <2 Constraints on the Executive (Acemoglu et al. 2004)	France Prussia Spain	
<i>Limited Monarchies</i> (Finer 1997) >2 Constraints on the Executive (Acemoglu et al. 2004)		Britain Sweden

3.6. Bureaucratic Autonomy and public employees' effort. Which type of administration is more efficient?

The theoretical model of this dissertation predicts that public employees will exert 'maximum efforts' when confronted with credible (i.e. non-decisive) rulers, 'minimum efforts' when they may be subject to the opportunistic defections of non-credible (i.e. very decisive) rulers, and 'medium efforts' under bureaucratic autonomy. Testing these predictions is particularly complicated. The problems for finding comparable data on public administrations are aggravated here by the difficulties for finding proxies for the levels of effort exerted by public employees. Nevertheless, a preliminary test is provided here.

Is there any policy field where the performances of employees who must undertake costly asset-specific investments are comparable cross-country? It is contended here that state scientists

could be that collective.⁵⁰ Can a state scientist trust the government is going to pay her fairly? In the science-government relationship an incumbent may be better off if he does not pay—or does not pay *fairly*. The scientist, thus, faces the risk that after a long and difficult career the incumbent changes the rules of the game. Although the solution to this credibility problem shapes the institutional arrangements in public science (which represents most of the published research world-wide) the problem has seldom been addressed theoretically or empirically within science studies.⁵¹ It might well be that the relationship between governments and scientists is subject to similar problems of credibility as the ones described in the Positive Control Game. The reason is that, once scientists have undertaken a costly asset-specific investment in a given research, they are in a weak situation vis-à-vis the government, which may take opportunistic advantages such as not rewarding them properly (e.g. cancelling research grants).

Yet the problems of credibility vary across political systems. Following some basic insights from the literature, the dividing line here could be the dichotomy democracies versus dictatorships. In

⁵⁰ The relationship between governments and state scientists is a peculiar one and, thus, generalizations to other groups of public employees should be made with a grain of salt. Nevertheless, as recent literature on science policy has shown, the government-scientists relationship can be analyzed as an agency problem -very similarly to what it is argued in this dissertation. Nowadays science policy scholars assume that scientists are mostly self-interested and respond to incentives (see, for instance, Mulkay 1991, Barnes and Dolby 1970, or Barnes 1985). In addition, governments' preferences in relation to public scientists are assumed in the specialist literature as being very close to the preferences of the theory developed here: governments request scientists to perform certain tasks governments are not able to perform directly (Guston 1996: 230). In other words, with regards to the nature of her relationship with the government, a state scientist is not so different from, say, a state civil engineer or even a policeman.

⁵¹ See, for instance, Braun (1993), Guston (1996), Caswill (1998), Van der Meulen (1998), and Morris (2003).

authoritarian regimes, some authors have shown how government's high decisiveness has reduced scientists' levels of productivity, because the latter do not dare to exert costly research efforts (Fernández-Carro 2002). The theory presented here predicts that if those rulers granted bureaucratic autonomy to scientists, it would foster the scientific productivity of the country (by moving the general effort of scientists in the country from 'minimum' to 'medium' effort levels).

On the contrary, one may find examples of how governments' attempts to take opportunistic ex post actions against scientists' interests are stopped in democratic settings by the activation of certain checks and balances. For instance, in 1996 the newly elected Spanish conservative government recruited Mariano Barbacid, discoverer of human oncogenes, to manage the new Spanish National Cancer Centre (CNIO). Hired in 1998, Barbacid was promised total support from the Government and a €20 million budget a year. However, in its third year, the centre's budget was unexpectedly threatened with a one-third cutback.⁵² A journal commented at that time: "The budget (...) is hardly over a 0.1 % of the National Health System, but it surely represents an irresistible temptation for a manager in distress."⁵³ Barbacid faced the same threat again in 2001 and in 2002. He then commented to a journalist: "We have achieved a great deal, but without a long-term commitment from the Government, our efforts may be wasted." (...) "I am rather disappointed because when I came back [from the USA] I thought that the CNIO would change the attitude of the government regarding science."⁵⁴

In the case of Barbacid, it could be argued that the public opinion acted as a sort of veto player that prevented the

⁵² From 19.83 million to 13.82 million Euros.

⁵³ See *El País*, June 20, 2000, on the budget reduction, and *El País*, May 28, 1999, on the Government's initial support and the main facilities' budget.

⁵⁴ *The ELSO Gazette*, 13, February 2003. <http://www.the-also-gazette.org/magazines/issue13/features/features3.asp> Retrieved November 2005.

government from renegeing on the promise given. The scientist resisted the first attempt to curve down the CNIO's budget in 2000 when the story went to the press. He managed to use his public visibility and his reputation to change the planned cutback. Early in 2001, he granted a two-full-pages interview to the main Spanish newspaper, *El País*, closer to the social-democrat opposition party.⁵⁵ In the interview he underlined the difficulties to do research in Spain and, specially, the troubles he had with the government. As a result of the impact of those statements in the Spanish media, the government was forced to cancel the planned cutback.

In the previous Franco's authoritarian regime the 'pied piper' Barbadic would have hardly being able to stop the cutback. More likely, he would have not taken any costly action in the first place. The decisiveness of governments in democracies seems to be low enough to convince scientists to undertake costly research efforts. Thus, for democracies, the theory of this dissertation would predict that bureaucratic autonomy is not necessary, since scientists know they have more protections against governmental opportunistic defections.

Table 3.7 summarizes the predicted scientific productivity according to what has been argued so far. It shows scientists' incentives under different combinations of regime type (dictatorship, considered as a 'high decisive' regime, or democracy, a 'low decisive' regime) and type of scientific contract (more or less bureaucratized). Unlike other policies, the outcomes of the science policy are relatively comparable across countries, so a tentative test of the predictions in table 3.7 can be made for state scientists in dictatorships and democracies.

⁵⁵ *El País*, January 7, 2000: "Si no cumplen, regresaría a EE UU" ("If they do not keep their word, I will go back to the USA").

Table 3.7. Predicted Scientific Productivity in function of the regime type and the level of bureaucratization

	Low Bureaucratization of Scientists (politicians enjoy more Discretion)	High Bureaucratization of Scientists (politicians enjoy less Discretion)
More Decisive Governments (Dictatorships)	Low Scientific Productivity	Medium Scientific Productivity
Less Decisive Governments (Democracies)	High Scientific Productivity	Medium Scientific Productivity

One of the most common proxies for the scientific productivity of a country is its number of publications recorded in the Science Citations Index database (SCI) by its total population. Since there is a great consensus in the literature that the degree of economic development of a country is the most important determinant of its scientific productivity (Price 1963), most authors underline that the relevant question that should be answered nowadays is not the degree of impact of GDP over scientific productivity, yet why there are countries — like Israel — which produce far more science than what one should expect according to its wealth, while there are others — like Italy — which produce far less scientific achievements than those expected according to its GDP (Cole and Phelan 1999: 14-15). As a result, one could define the Scientific Productivity of a Country (SPC) as Science Production by its per capita GDP. In other words, SPC is the capacity a country has to produce science controlling for its population and level of development.

What this dissertation aims to know is if this ‘scientific capacity’ is affected by changes in scientists’ type of contracts. If one uses, as proxies for the degree of bureaucratic autonomy of

the state scientists, the same variables used in section 3.3, one may see the different effects which bureaucratic autonomy produces on the scientific productivity of dictatorships and democracies. It is important to remark here that the assumption on which this preliminary analysis is based is that the contracts of public researchers and academics are very similar to the contracts of public employees in other public agencies (the ones captured in the indicators used in section 3.3). That is normally the case in countries with closed civil service systems, such as Spain, where public researchers have traditionally been organized in autonomous corps, very similarly to mainstream civil servants. But it might not be the case for all countries. Nevertheless, despite being rough proxies and until more accurate indicators of public scientists' level of bureaucratization are developed, the variables used in section 3.3 provide the best feasible alternative to undertake this analysis. Results are shown in tables 3.8 and 3.9.

Table 3.8. Impact of Bureaucratic Autonomy on Scientific Productivity in Dictatorships

Variables	
Constant	1.935 (2.540)
Bureaucratic autonomy (Weberianess Scale)	0.762** (0.330)
	0.170 28

Unstandardized Regression Coefficients; Standard Errors in parenthesis. *p < 0.10 , **p < 0.05 , ***p < 0.01 (two-tailed)

The dependent variable is Scientific Productivity of Countries (by Real Constant GDP) in 2000.

Figure 3.1. Bureaucratic Autonomy and Scientific Productivity in Dictatorships

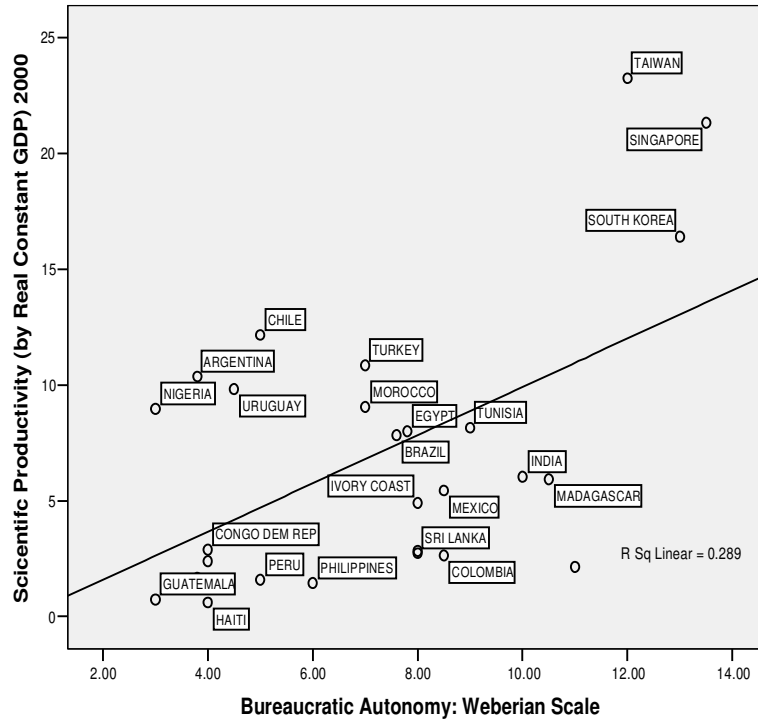


Table 3.8 presents the effect of bureaucratic autonomy over the scientific productivity of dictatorships.⁵⁶ Despite the relative

⁵⁶ As a proxy for the bureaucratic autonomy of scientists in dictatorships it is used here, like in section 3.3, the Weberianess Score developed by Evans and Rauch (1999). The Weberianess Score —a continuous variable which ranges from 0 to 14 — measures bureaucratic autonomy for 35 developing countries around 1993 and, since in this section I am only interested in dictatorships, I have removed the democracies from the sample. In particular, those countries that had a score lower than 2.5 —on average— in the Freedom House’s freedom

low number of observations (28), bureaucratic autonomy exerts a positive and significant impact on the quality of science. Therefore, it seems that the type of contract between government and scientists — bureaucratized or not — makes a difference in the scientific productivity of dictatorships.⁵⁷

Table 3.9. Determinants of Scientific Productivity in Democracies

Variables	Model	
	1	2
Constant	15.228** (6.168)	7.488 (7.798)
Bureaucratic autonomy (OECD Bureaucratic autonomy)	-1.864*** (0.501)	-1.519*** (0.537)
Expenditure in Science 2000		6.070* (3.299)
% of Population with Tertiary Education		0.055 (0.915)
	0.339 29	0.435 29

Unstandardized Regression Coefficients; Standard Errors in parenthesis. *p < 0.10 , **p < 0.05 , ***p < 0.01 (two-tailed)

The dependent variable is Scientific Productivity of Countries in 2000.

ratings between 1972 and 1992 (Costa Rica, Israel, Greece, Portugal, Dominican Republic, and Spain) have been eliminated from the analysis.

⁵⁷ In the literature on developed countries (see Cole and Phelan 1999 for a review of the main findings) scientific productivity has been found to be dependent also on the *country's expenditure in research and development (R&D)* and on its *stocks in human capital* — and this dissertation uses control variables for those factors in its posterior analysis of democracies. The unavailability of reliable data on dictatorships on those variables makes difficult to control for them here.

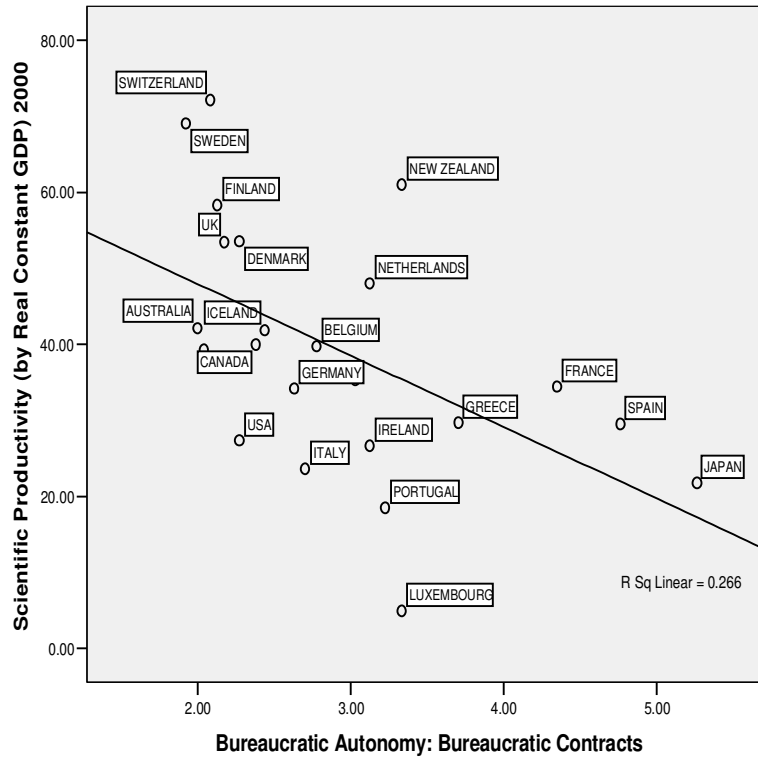
As far as democracies are concerned, the model 1 in table 3.9 presents the results without any control variable. One may observe how bureaucratic autonomy exhibits a highly significant effect on scientific productivity. As predicted by the theory, this effect is *negative*: (for democracies) the more bureaucratic autonomy, the less scientific output. The availability of more reliable data for democracies than for dictatorships allows us to introduce more sophisticated controls in this case. In model 2, I include two independent variables which, according to the literature, show a significant and positive effect on scientific productivity on their own: 'Expenditure in Science for the year 2000' (from the World Development Indicators) to control for the money (in percentage of the GDP) actually devoted to science, and the 'Percentage of Population with Tertiary Education', which is the available indicator on human capital which correlates most with science production.

The proxy for scientists' bureaucratic autonomy used here remains highly significant — at 1% — even when the two control variables are included. What is more, the inclusion of bureaucratic autonomy also diminishes the explanatory power of the two variables traditionally associated with scientific productivity. In the first place, the addition of bureaucratic autonomy reduces the significance of the money spent in science (Expenditure in Science 2000); and, secondly, it completely eliminates the effect of the available human capital variable which is most correlated with scientific productivity (Percentage of Population with Tertiary Education). In other words, the existence of bureaucratic autonomy seems to matter quite a lot for explaining the productivity of state scientists in democracies — even more than the variables conventionally underlined by the literature.

To sum up, the normative statement which could be derived from this preliminary research — taking into account, as it has been mentioned, that the results must be qualified given the use of rough proxies for the bureaucratisation of scientists' contracts — is that bureaucratic autonomy produces an opposite effect on policy outcomes depending on the political regime: it increases public

employees' productivity in dictatorships and decreases public employees' productivity in democracies.

Figure 3.2. *Bureaucratic Autonomy and Scientific Productivity in Democracies*



3.7. Conclusions

This chapter has offered a general map of the associations among the relevant variables of the theoretical model. It has shown the existence of significant correlations between the degree of separation of powers within a country and its level of

bureaucratic autonomy -both at a historical and a contemporary comparative level. The chapter has used an original quantitative analysis for testing the hypothesis for contemporary countries and secondary sources to analyze historical variations. The correlations follow the predictions of the theory: there is a negative relation between separation of powers and level of bureaucratic autonomy when rulers are mostly interested in providing public policies and there is a positive relationship between the variables when rulers are obsessed with civil servants' loyalty.

Furthermore, in the final section of the chapter a preliminary test of the effects of bureaucratic autonomy over employees' productivity is offered. It has studied a particular group of public employees whose productivity levels are comparable cross-country such as public scientists. The results must be taken with a grain of salt because of the use of rough proxies for scientists' type of contracts. Nevertheless, they seem to illustrate that in contexts of high decisiveness (e.g. dictatorships) the adoption of bureaucratic autonomy seems to increase the overall performance of public employees (who 'move' from minimum to medium efforts) while in contexts of low decisiveness (e.g. democracies) bureaucratic autonomy seems to decrease it (employees 'move' from maximum to medium efforts).

A more exhaustive analysis is needed because the empirical findings of this chapter do not fully verify the causal relationship between the separation of powers of a political system and its level of bureaucratic autonomy.⁵⁸ In order to do so, this dissertation uses both qualitative and quantitative tests. In the first place, chapters 4 to 6 offer an in-depth study of the Spanish Civil Service history since 1800. The narratives of the Spanish case will supply the causal mechanisms or *micro-foundations* that link the different variables of the theory: what motivated rulers' decisions of tying

⁵⁸ As well as the relationship between the type of administration and the productivity of its employees. But this latter relation cannot be further tested here due to its difficult empirical tractability.

or untying their hands in the management of civil servants? In the second place, the large-N analysis showed in chapter 7 with data for US municipalities provides a more rigorous quantitative test than the small-N analysis shown here. Although with very different methodologies, what I do in the cross-time Spanish study and in the cross-space American one is to control for the existence of country-specific variables which could have been omitted in the cross-national analysis presented above.

Nonetheless, the general map offered in this chapter is useful to falsify the existing theories on the emergence of bureaucratic autonomy reviewed in section 3.2. We have seen that two of the most prevalent propositions in the literature do not seem to have empirical support. Firstly, unlike traditional cultural explanations, this chapter has demonstrated that countries with widely differing cultures such as South Korea, Spain or Germany have ended up possessing similar state administrative structures –which, in turn, are different from those of countries like the UK or Finland. Secondly, while recent political economy accounts have tended to suggest a positive correlation between separation of powers and bureaucratic autonomy under ‘normal circumstances’ (i.e. assuming that rulers are basically interested in providing public policies), this chapter shows that the contrary seems to be true. In sum, the general evidence presented here, although far from being a comprehensive and definite test, disqualifies the most known explanations of bureaucratic autonomy. At the same time, it encourages us to further contrast the hypotheses developed in chapter 2.

CHAPTER 4. THE SPANISH ADMINISTRATION IN 1808-1918: FROM THE SPOILS SYSTEM TO THE CIVIL SERVICE ACT

This chapter covers the first three periods of the history of the Spanish civil service depicted in table 1.3: the low bureaucratic autonomy of the spoils system in the early 19th century (*period 1*); the high bureaucratic autonomy enjoyed by some ‘Special Corps’ in the late 19th century (*period 2*); and the extension of high bureaucratic autonomy to all employees through the 1918 Civil Service Act (*period 3*).

The chapter starts with the collapse of the *Ancien Regime* after the Napoleonic invasion of Spain in 1808. The public administration of the previous Absolutist regime¹ began to disappear with the enactment of the Statute of Bayonne by the French authorities. The invasion produced a disruption of the traditional administrative structure, but a Bonaparte-type of administration did not have time to take shape in Spain (Jiménez-

¹ For an extensive analysis of the characteristics of the Spanish Absolutist administration in the late 18th century, see Nieto (1967, 1976, 1996) and De la Oliva and Gutiérrez Reñón (1968). In essence, the situation at the end of the Absolutist period was similar to the one described in the previous chapter: like their French and Prussian counterparts, the Spanish administration had developed some autonomous administrative bodies which enjoyed a notable degree of autonomy from monarchs’ interventions.

Asensio 1989: 42). In 1810 an independent political regime started off in the southern city of Cádiz and in 1812 the liberal Constitution of Cádiz was enacted. Then, a new type of public administration emerged in Spain. It was based on an extensive use of the spoils system, which was known in Spain as the *cesantia* system (Jiménez-Asensio 1989: 42; Parrado 2000: 252). The situation would change towards the end of the century, when many qualified civil servants, such as Mining Engineers or State Lawyers, started to obtain bureaucratic autonomy through the creation of 'Special Corps.' Finally, the 1918 Civil Service Act gave bureaucratic autonomy to the remaining civil servants. This chapter analyzes, using the theoretical propositions derived from the Negative and Positive Control Games, the causes of the emergence and progressive demise of the Spanish spoils system throughout the 19th century until its elimination in 1918.

The chapter is organized as follows. In section 4.1 a description of the main characteristics of the nineteenth century Spanish political system and of the major political events is provided. Section 4.2 examines how the spoils system was the consequence of the fact that, initially, governments were mostly playing the Negative Control Game. Their survival did not depend on inducing employees to undertake costly implementation efforts, but on preventing them from engaging in the frequent plots, conspiracies and uprisings of those years. As it will be shown, Spanish public employees had frequent temptations for obtaining high payoffs by shirking on government's interests. Since governments had a high degree of decisiveness (i.e. an absence of checks and balances), the result, according to the Negative Control Game, would be a discretionary approach to the management of civil servants. In other words, governments made an extensive use of the spoils system.

Section 4.3 analyses how the Positive Control Game becomes relevant for governments towards the end of the 19th century. Their survival strategy started to depend more on the provision of public goods –especially, the protection of property rights and the improvement of transportation infrastructures. Policy-makers

began to play the Positive Game with some particular civil employees: those who had to undertake costly asset-specific investments, such as engineers. Since governments had a high level of decisiveness –and, therefore, lacked credibility–, in order to induce employees to make an effort higher than the minimum one, governments had to grant autonomy to civil servants. That was the origin of the ‘Special Corps’ of civil servants. Those bodies enjoyed independence from politicians’ interferences and self-regulating capabilities inside an administration where the vast majority of civil servants were still subject to the spoils system.

Finally, section 4.4 studies how the political crisis of 1917 – with general strikes, military uprisings and nationalistic rebellions– made the Negative Control Game the most relevant once again. 1917 and 1918 coalition Governments preferred to preclude employees from engaging in any of the numerous revolutionary movements than to encourage them to efficiently implement policies. Since those executives were formed by encompassing coalitions with multiple parties who frequently vetoed each other, they lacked the decisiveness of previous cabinets. They could not properly sanction employees’ misbehaviour. Consequently, the only way to prevent civil servants’ shirking was to grant them extensive bureaucratic autonomy. And that was the purpose of the 1918 Civil Service Act.

4.1. The oligarchic Spanish political system from 1808 to 1918

The main characteristics of the nineteenth century Spanish political system are its oligarchic nature and the high instability of its governments. In general, the changes of government have been very frequent in the overall period of the Spanish history analyzed in this dissertation. There have been 215 changes in 193 years (1808-2000). In other words, more than one government per year (1.12) (Jordana and Ramio 2005). However, it was during the 19th century when governments were especially unstable. In some

phases of the century, like the Revolutionary Period (1868-1874), there was an average of 3.33 governments a year.

Table 4.1. Number of governments in different periods

	Number of governments	Governments/year
Reign of Fernando VII (1808-1833)	26	1.04
Reign of Isabel II (1833-1868)	57	1.62
Revolutionary Period (1868-1874)	20	3.33
Reign of Alfonso XII (1874-1885)	9	0.82
Reign of Alfonso XIII (1885-1931)	58	1.26
II Republic (1931-1939)	24	2.66
Franco's Regime (1939-1975)	10	0.27
Reign of Juan Carlos I – democracy (1975-2000)	11	0.44
Total	215	1.12

Source: Jordana and Ramio (2005).

The Spanish 19th century presents a scenario of perpetuated failures to install a liberal system.² During most of the century, the country existed in a state of latent turmoil with recurrent eruptions

² In fact, the word *liberal* as a noun in a political sense was first used in the world by the editors of the Spanish Constitution of Cádiz. They named themselves the *Liberales*, to express their opposition to the Absolutists.

of civil war and where the *de facto* power was often in hands of military groups (Tortella 2000: 27). The major political events of the century could be briefly summarized as follows.³ In 1808 the Absolutist King Ferdinand VII resigned the Crown to Napoleon and soon afterwards a war of independence (1808-1814) against the French occupation broke out. During the war, a liberal constitutional regime was created in Cádiz, but it would not last long since the first military coup of the century -carried out by the general Eguía- restored Absolutism again in the person of Ferdinand VII in 1814. Abrupt changes of government –and eventually of regime- will also be the rule during the reigns of Ferdinand VII (1814-1833) and Isabella II (1833-1868).

In 1820 Under Commander Riego led the second military *pronunciamento* of the century, this time against Fernando's Absolutist regime. In turn, the Liberal Triennium (1820-1823) that followed Riego's coup would end with another military uprising as well. In 1823 Fernando VII would concentrate again all relevant powers. At that moment, regime stability started to be also threatened by country's most radical Absolutists -called *Apostólicos*. For them, liberals had been obtaining too many rights during the last years of Ferdinand VII's rule. In the succession's disputes over who should replace Ferdinand VII, the *Apostólicos* supported the candidate to King Prince Carlos, brother of Ferdinand VII and profoundly devout and anti-liberal. The moderates and liberals backed Ferdinand's elder daughter Isabella, who would finally became the monarch. As a response, the supporters of Prince Carlos started two *Carlist* civil wars (1833-1840 and 1847-1849), but they failed on both occasions and Isabella consolidated her rule.

Isabella II, like Ferdinand VII, had the power to choose the members of the cabinet and gave them the all-important decree of dissolution. This decree allowed the cabinet to 'make' a parliamentary majority thanks to the use of electoral manipulation

³ For an extensive description of these events, see Carr's comprehensive *Spain 1808-1975* (1982).

(Carr, 1980: 2). Systematic election-rigging was facilitated by a census-based suffrage scheme which enabled local elites in rural areas to manipulate the right to vote and to bring many pressures to bear upon electoral results (Tortella 2000: 28). Using her discretionary powers, Isabella favoured the conservatives –called Moderates- and excluded the Progressives from office in her later years.⁴ Since they could not win an election without the influence of a progressive cabinet, the progressives turn to their sympathizers among the generals in order to catapult the party into power by a coup d'état. With the backing of important military factions, the progressives seized power after the political-military revolution of September 1868.

Internally divided over which form of government to choose, the revolutionary coalition of progressives finally decided on a monarchical form (Carr 1982: 316). This was established in the Constitution, whose Article 33 stated a compromise between a “monarchy with all its attributes” and a democracy “with all its consequences.” The progressives selected Amadeo of Savoy as the new King of Spain. At the end of the day, Amadeo would enjoy the same formal powers as Isabella II to appoint the cabinet. The difference was that, unlike Isabella, he chose Progressive parliamentarians for his cabinets. Despite his efforts, discrepancies between radical and moderate progressives forced Amadeo to abdicate after two years of rule in 1873.

At those moments, the unity of Spain seemed in peril (Carr 1980: 2). In the first place, *Cantonalist* revolts, in which radical democrats took power over the government, spread over southern cities like Cartagena. Secondly, another eruption of civil war against the traditionalist *Carlists* broke out again in the north of Spain. And, more importantly, the disaffection of moderate conservatives with the progressive incumbents increased. At last, a

⁴ As a matter of fact, the progressives governed only during succinct periods: the Progressive Mendizábal years (1833-1837), the Espartero Regency (1840-1843), and, in the midst of the long ‘moderate decade,’ a two-year progressive spell from 1854 to 1856 (Tortella 2000: 29).

group of conservative Army officials headed by General Martínez Campos undertook an uprising in 1875 to restore Bourbon monarchy with Isabella II's son, Alfonso XII.

The conservative politician Cánovas del Castillo, young king's plenipotentiary and adviser, would be the responsible for the design of the political system which would be known as the *Restoration* (1876-1923). Cánovas planned a regime of concentration of powers around the restored monarch the purpose of which was preventing the so frequent military uprisings coming from both liberal and conservative officers. Cánovas crafted a peaceful system of alternating control through which his Conservative party and the Liberals could rotate in power thanks to a tacit acceptance of electoral manipulation. This alternation of the two main parties was called the *turno pacífico* and it achieved its goal of replacing the military coup as the main instrument of political change in Spain (Carr 1980: 8).

The piece of the system that made possible the rotation of parties every a certain amount of time was the Monarch, who had to keep a scrupulous neutrality (Tortella 2000: 29). Similar to what had previously happened under Isabella II's rule, Alfonso XII (from 1875 to his death in 1885), Queen Regent Maria Cristina (from 1885 to 1902) and Alfonso XIII (from 1902 when he came of age) accumulated an extraordinary power. The Monarch not only appointed ministers, but he also dismissed them. The cabinet had the capacity of enacting the decree of dissolution through which it could 'make' an election and count on a comfortable majority in the *Cortes* (Spanish legislature).⁵ Contemporary foreign observers, like the British Minister Lord Granville, noticed the importance of the prerogatives of the crown: "as the crown can constitutionally at any moment place this [electoral] machine into

⁵ As Jiménez-Asensio (1989: 154) remarks, especially skilful Ministers of the Interior, like Posada Herrera or Romero Robledo, were nicknamed the Great Electors because of their abilities in that task.

the hands it likes, the all-important role assigned to the prerogative at once becomes manifest.”⁶

The universal male suffrage was introduced in 1890, but the overall government control over the electoral results from above did not disappear. The electoral manipulation was done through *caciques* or local political bosses, employed by each of the two parties to secure for itself a comfortable majority in the Cortes while giving a decent proportion of seats to the opposition in order to keep them in the game. The division of the spoils at the local level was, therefore, the heart of the Restoration system (Carr 1980: 10; Tusell 1976: 22). It worked as follows: once granted the royal decree of dissolution, the Prime Minister and the Minister of the Interior would work out a list of their followers who needed seats. Then they had to come to terms with the demands of their party and with the claims of the outgoing party leader for a ‘decent’ show of members. In other words, the actual electoral contest took place in the negotiations before the elections. Once the list was drawn up, the chosen candidates had to be imposed on the constituencies (Carr 1980; 11).

At the next stage, the Civil Governor of the province –as the representative of the party in office- started the negotiations with the local bosses. There was a hierarchy of *caciques* –the ones who could provide the votes, whether those of a province or a great city or a tiny municipality-, each with his portion of influence. The *cacique* created his clientele by delivering jobs in the public sector. He handed out all type of jobs within a given territory: from night watchman to judge (Carr, 1980: 11). To do this the *cacique* had a total control over municipalities and judgeships and it was essential that every electoral contest was preceded by a massive change of mayors and local judges. This system was especially effective in rural areas, which were numerically overwhelming. The electoral manipulation was so high that the electoral results were often published in the press *before* polling day (Carr 1980; 12). The Restoration preserved most of these

⁶ Lord Granville 1882, quoted in Carr (1980: 9).

characteristics until 1923, with the disruption of the 1917 events that we will see in section 3.

4.2. Period 1. The 19th century spoils system

In order to understand the characteristics of the Spanish administration, it is necessary, according to the theoretical propositions of this dissertation, to ask *which the survival strategy of rulers was*. Which was the game governments were playing with public employees? Were they more interested in the Negative Game (i.e. in having *loyal* employees)? Or, on the contrary, were they more interested in the Positive Game or, in what is the same, in having *efficient* employees? The available evidence points out towards loyalty questions as the main concerns for nineteenth century governments. According to several sources, executives seemed to be more worried about preventing employees' shirking than about encouraging them to efficiently implement policies.

In the first place, the temptations to shirk for public employees were very high during a 19th century with several military uprisings from both sides of the ideological spectrum. Falsification of electoral results meant that opposition groups could only make headway by means of force. Insurrection or military coup became an almost exclusive means of changing governments for some periods of the century, and transformed generals into major protagonists on the political scene (Tortella 2000: 28). Civil servants, as the administrative history literature points out, played a major role in most military uprisings and social riots (Jiménez-Asensio 1989: 92).

The press of the time stressed the importance of public employees' loyalty for governments' survival. In particular, the potential risks for the government derived from having disloyal employees were frequently remarked in the newspapers ideologically closer to the incumbents. For example, for the liberal *El Turia*, a key threat for the permanence of the 1834 liberal government was the fact that there were "in many offices and

courts people known to be disloyal (rebel *carlistas*) with this regime who conspire in an undertone...persecute and calumniate.”⁷ The *Revista Espanola* agreed that the main problem were the “enemies of the government...(who) earn a salary from those to whom they cheat and who yearn for the destruction of those to whom they serve.”⁸ At the same time, the administrative bodies responsible for staff policy were reported to be more concerned about firing disloyal civil servants than about hiring the proper ones. For example, contemporary observers extensively criticized the role of the commissions in charge with administrative staff policy during the Revolutionary Period (1868-1874). They were accused of having only a negative task –to dismiss certain type of employees- while overlooking the selection of qualified ones.⁹

In the second place, governments also tried to prevent employees’ shirking in the manipulated electoral contests. All throughout the 19th century the employees’ asset which was most required by governments was “electoral loyalty to a party, in particular to a certain stream within the party, and very especially to some political bosses” (Nieto 1996: 390-1). Civil servants were the cornerstone that allowed governments to control the electoral machine (Jiménez-Asensio 1989: 154).

Prior to the establishment of universal male suffrage in 1890, civil servants’ role in elections was absolutely crucial because they were one of the few collectives who were allowed to vote. Often times, electoral rolls were altered to favour the number of civil servants to be included in the limited suffrage (Parrado 2000: 252). For example, civil servants amounted up to a 40 per cent of

⁷ *El Turia*, 10-5-1834.

⁸ *Revista Espanola*, 28-3-1834, quoted in Nieto (1996: 359).

⁹ Gil de Zárate considered that those commissions, once they had removed the disloyal employees, “watching their work, they exclaim like God after creating the World, ‘well done it is,’ and, like the Lord, they rest and do not do anything more, and they remain full of glory” (quoted in Jiménez-Asensio 1989: 73).

the 1879 electoral roll in Barcelona (Varela Ortega 1977: 17; Jimenez Asensio 1989: 155).

After the enactment of universal male suffrage, the role of civil servants to assure votes for the governing party diminished, but remained important (Nieto 1996). In the first place, civil servants were the ‘impact force’ of the government party. To show they were complying and not shirking, and to intimidate voters of opposition parties, civil servants used to vote in groups and sometimes to decorate their uniforms to make their electoral choice more evident (Parrado 2000: 252; Jimenez Asensio 1989: 155; Varela Ortega 1977: 415). In the second place, civil servants were assigned the function of mobilizing friends and relatives to vote. Thus, the possession of a large family able to vote became a prime asset for a civil servant.¹⁰ The Count of Romanones, who was 17 times minister and 3 times Prime Minister, openly recognized -after leaving office- that the elections in Spain were not won by providing public policies for the citizenry, but by offering jobs and having friends (Romanones 1934: 71).

Public employees’ main duty was not to undertake any costly asset-specific investment in training or policy-implementation, but simply to vote for the governing party and not for the challenger. According to the political journal *El Empleado*, the only criterion to enter the public administration was “to be Spanish and have votes in some district.”¹¹ At most, the candidates for public positions would be required “to have good writing” (Beltrán 1996). Often times it did not matter even to have good writing for most employees, since their activities –help mobilize voters- were mostly done outside the office. That is the reason why, according to a contemporary scholar, “there are many functionaries that only show up in their offices the pay day” (Almirall 1886: 129). This situation also raised the concerns of some politicians within the *Cortes*. A *diputado* (MP) of an opposition party stated that those loyal to government “obtain, without preparation or exams, the

¹⁰ *El Empleado* 4-4-1887.

¹¹ *El Empleado*, num. 274, 2-4-1887.

highest posts, with a reduction of the rights and aspirations of those who exhibit aptitude, zeal and competence.”¹²

In sum, governments were not interested in employees exerting a maximum effort as the one analyzed through the Positive Control Game. As a scholar remarked towards the end of the period analyzed in this chapter, staff policy was not based on the general interest or the technical capabilities of candidates, but on loyalty to the ruling party (Royo Villanova 1916: IX). Induced by the economic crisis or by civil wars, many candidates to public offices had arrived at Madrid all throughout the century and their only means of subsistence was to show loyalty to the would-be winner (Nieto 1976: 209). In an unstable political context, it meant continuous shifts of loyalty to prevent being dismissed.¹³ In other words, 19th century governments and public employees were mostly playing what here has been called the Negative Control Game.

As it has been shown in the theoretical chapter, governments will opt for Bureaucratic Autonomy in the Negative Control Game when their decisiveness is low (i.e. when they face veto players or

¹² Quoted in Jiménez-Asensio (1989: 188).

¹³ Nieto (1976: 202-225) describes how popular literature depicted the adjustment of civil servants' loyalty to the political momentum. Don Fructuoso, character in Breton de los Herreros' *I leave Madrid* explains his situation: “*My illness is to be good with everybody. Today I praise the republicans and tomorrow I will pay tribute to the moderates with the same fervour... I feel comfortable with whoever governs while I earn a public wage.*” Rufo, from Bretón de los Herreros' *Todo es Fama en Este Mundo*, when defending his shift of political loyalty, adopted a more cynical point of view: “*I am not a traitor. What happens is that I am just convinced by facts, and I see that now everything goes perfect. They value my services and talents.*” Another character disapproves him - “*but you said that the Patria...*”-and Rufo replies that “*there is no Patria for a cesante!*” According to Nieto (1976: 216), the most popular motto among 19th century employees –and especially those of the Isabella's period (1835-1868)- was precisely that one: there is no Patria (no stable loyalty) for a civil servant.

checks and balances). Thus, the question is: *which was the level of decisiveness of 19th century Spanish governments?* The answer is that governments were highly decisive and were not restricted by any veto player. There was an extreme centralization of power with a total absence of checks and balances. The King discretionarily chose the government, and the government could take any policy without being constrained by any parliamentary group or independent court.

Governments' decisiveness in relation to subordinates was almost complete. According to the literature, public employees were subject to a triple governmental threat (Nieto 1996: 405-406). In the first place, ministers could dismiss the employee with a standard ministerial order, without any kind of external surveillance. In the second place, employees could be prosecuted in criminal laws by politically appointed judges who tended to rule in favour of political authorities.¹⁴ Lorenzo Domínguez, a retired politician, criticized in 1875 how conflicts of interest between government and public employees were solved. For Domínguez, those conflicts were worked out by politically appointed judges who acted in politicians' behalf instead of according to "justice and law." No neutrality could be expected from politically appointed judges in matters affecting the relationship between governments and civil servants because "the one in charge with law enforcement should be in the proper conditions without danger and fear for her personal interest; she needs to be calm and sure that she will not be punished in case of treating everybody in a fair way" (Domínguez 1875: 28). And thirdly, employees could be penalized with administrative sanctions by ministers who did not need to prove the reasons of the sanction.

Governments understood that, facing regime and cabinet instability, public employees should be monitored –and threatened– very closely. That attitude was held among all

¹⁴ As Nieto (1996: 414) remarks, there was no real distinction between judges and the rest of public employees: all of them were just tools in hands of the Executive.

politicians irrespective of their ideology. José Posada –a liberal and minister with the Moderate Party- was the author of a guide to public administration,¹⁵ where he urged for tough measures against potentially disloyal civil servants. The implementation of such measures should be above the respect for law: “if a functionary commits not an offence, but simply an abuse which cannot be qualified as an offence while he is doing his duties, he should be sanctioned by courts, because if courts restrict themselves to just enforce the enacted laws, most of the crimes would be unpunished” (Posada 1843: 148). In other words, sanctions were totally discretionary and above the rule of law.

The example of a particular group of employees may illustrate the high decisiveness of governments in relation to civil servants. During the 19th century it was frequent that many MPs were, at the same time, civil servants.¹⁶ Instead of going to their respective offices in the administration, they were supposed to attend all parliamentary sessions; and, obviously, to vote in favour of all government proposals. Executives kept a close record on legislative voting and they were eager to dismiss any public official who did not behave in the *Cortes* according to the governmental instructions (Nieto 1996: 381). In 1836 a group of 18 MPs-civil servants voted against the Minister Istúriz in a vote of confidence. Soon afterwards all 18 disloyal *diputados* were removed from their administrative posts.¹⁷ In sum, governments had effective means to control and sanction shirking employees.¹⁸

¹⁵ *Lecciones de Administración*, (1843).

¹⁶ There are not datasets available for most of the 19th century on the percentage of members of the Congress who were simultaneously civil servants. Nevertheless, in his study on the period 1834-36, Burdiel (*Isabel. La política de los notables*, 1987) calculates that civil servants and military officers amounted between 30 to 45 per cent of all seats in the Spanish Cortes.

¹⁷ Cabinet meeting on 26 May 1836 (De la Oliva *et al.* 1968).

¹⁸ That was especially true for the most experienced politicians. For instance, the control capabilities of the leader of the Liberal party and Prime Minister Sagasta were so high that he was nicknamed the ‘Old

As a result of the high decisiveness 19th century governments enjoyed, they did not need to grant bureaucratic autonomy to civil servants to assure that they would not shirk. As predicted in the Negative Control Game, when the constraints for sanctioning are low [$d < (B - C)$], governments will tend to keep a high degree of discretion in staff policy. That would explain the extensive use of the spoils system one can see in the 19th century administration.

The Spanish spoils system started in 1812, when it first appeared in the text of the Constitution of Cádiz, and it lasted until 1918 for the main bulk of civil servants (Parrado 2000: 252; Beltrán 1977: 26; Nieto 1976: 305; Jiménez-Asensio 1989: 204). A decree by the *Cortes* of Cádiz represents, in turn, the first implementation of the spoils system. It ordered that “will be immediately dismissed all those employees appointed by the occupation government...and all those who had served that government irrespective of being appointed by it or not.”¹⁹The spoils system would be generalized as a regular method of employee’s turnover by a decree in 1835, according to which “may be removed those employees...who do not identify with the political or administrative course of the government or who, *in spite of their good qualities as employees*, do not have Minister’s approval.”²⁰

The government had also a high degree of discretion in the Army, where most appointments were based on political loyalty (Ballvé 1983: 82). Obviously, if military officers were disloyal – for example, participating in a *pronunciamiento*- the consequences for the government could be ruinous. Several measures were taken to prevent it. For example, a Royal Order stated in 1841 that “the government cannot tolerate that the cause of the Queen Isabella II, and the fundamental Acts this nation has given itself, be defended

Shepherd’ while ‘his’ employees and MPs were, in turn, known as the ‘flock’ (Carr 1980: 11).

¹⁹ Royal Decree in August 1812 (*Coleccion de los decretos*, 1813: 58).

²⁰ Royal Decree of 14 December 1835 (italics are mine).

by equivocal interest and not with a sincere and decisive faith.”²¹ Consequently, the Royal Order urged the top commanding officers in the Army to “watch very closely, especially to the officers and military employees under your command, and proceed to dismiss those who are not ready to comply exactly with their duties, to blindly obey government’s orders and to put everything in second place to the sacred duty of reinforcing the legitimate throne and the laws we have passed.”

As we have seen in the theoretical part, a combination of high concentration of powers and high discretion in the management of public employees produces a good outcome in the Negative Control Game. But it creates problems in the Positive Control one. Governments are not credible enough to induce employees to exert a maximum effort, and thus the result is civil servants’ minimum levels of effort. Contemporary observers soon realized that the spoils system was not designed to achieve public employee’s maximum efforts. In particular, the scholars and writers of the ‘regenerationist’ stream of thought extensively criticized the spoils system.²²

After reviewing the studies by 19th century public administration scholars, Nieto (1976: 237; 1996: 361) considers that their chief concern was the fact that the ambiguity of the spoils system had created a degree of “unsupportable anguish” among employees. The consequences for the efficiency of the

²¹ Royal Order of October 9th 1841 (Alcubilla, *Diccionario Juridico*: 2, 467).

²² The aim of the ‘regenerationists’ was to denounce what they considered the main causes of the Spanish Empire age-old crisis, which would reach its peak with the loss of the last Spanish colonies in 1898. For Macías Picavea, author of *The National Problem. Facts, causes and solutions* (1899), one of the major Spanish problems was that its administration’s purpose was not to provide public services, but to share the spoils among the electoral winners. According to Nieto (1976: 262), the main policy proposals with regards to public administration launched by ‘regenerationists’ was to separate administration from the pernicious influence of politics.

public administration were devastating. Public employees felt uncertain over whether they would be properly rewarded or not. In terms of the theoretical model, they would prefer to exert minimum levels of effort in order to prevent being betrayed *ex post* by opportunistic governments without checks and balances.

The 19th century politician Lorenzo Domínguez described the problems created by the lack of government's credibility: "the employee knows that her application, assiduity, zeal, will be of little use, not only for promoting, but even for keeping her job;" and "she lives in a continuous state of alarm and start, fearing that some politician will require her post to compensate some relative, friend or protégée. The employee who notices, sees and fear all this, how is she going to work with zeal? Which kind of stimulus does she have?" (Domínguez 1875: 27).²³

One can see these complaints from opposition politicians all throughout the century. In 1840, the MP San Miguel claimed against governments' discretionary powers: "which kind of interest, for example, a provincial administrator will have? Which reforms will he take? Which works will he make when he knows that –because of any reason, intrigue, betrayal or because someone is closer to the minister- he will be dismissed?"²⁴ Another MP considered that the major problem inside the public administration was "the man who does his duty and, nevertheless, is not sure about his fate."²⁵

Politicians who had been in cabinet were also conscious of the problem. After retiring from active politics, the former Prime Minister Bravo Murillo stated that "it is impossible the administration of public affairs when employees do not have any

²³ Jiménez-Asensio (1989: 72-73) offers further references of the literature which shows the negative effects of the high discretionary 19th century staff policies over employees' incentives.

²⁴ Parliamentary session of 1-4-1840, *Diario de Sesiones del Congreso de Diputados*, 3.

²⁵ Diputado Seoane. Parliamentary session of 15-11-1838, *Diario de Sesiones del Congreso de Diputados*, 54-55.

kind of stability”.²⁶ For another former Prime Minister and experienced minister, Francisco Silvela, governments’ high discretion in relation to public employees was producing that “all administrative and governmental springs are weakening and making mouldy”.²⁷ In 1853, Prime Minister Sartorius also understood that some professions required a long scientific career and it was not appropriate to let them to the total discretion of ministers (Jiménez-Asensio 1989: 124).

The press also stressed that the widespread demoralization among civil servants was produced by “the insecurity of office due to a high turnout without substantive reasons.”²⁸ An *El Empleado* article argued that “their competence and extreme zeal is useless for most employees, and when it ever occurs to some *cacique* that a certain post may be convenient for a loyal supporter, (...) it is very frequent in our land that the zeal and capabilities of the incumbent official are forgotten and the only reward he obtains is to be replaced by a person who has never checked a handbook of public administration” (Nieto 1976: 258).

According to the theory, the solution to those problems of credibility created by very decisive governments [$d < (B - C)$] would be to grant bureaucratic autonomy to civil servants. Assuming that the costs of bureaucratisation are not very high, granting bureaucratic autonomy gives a higher payoff (B-x; in other words, employees exert a ‘medium effort’) than keeping discretion (C; what is the same, employees only exert a ‘minimum effort’). Nevertheless, given that 19th century governments’ survival strategies were less linked to the efficient delivery of policies than to loyalty concerns, governments preferred the best possible outcome in the Negative Control Game (total discretion to manage employees) than a solution to the Positive one.

²⁶ Bravo Murillo (1858:255), *Mi Testamento Politico, o sea el discurso que pronuncie el 30 de enero de 1858*, quoted in Nieto (1976: 234).

²⁷ Francisco Silvela (1888), quoted in Martin-Retortillo (1961: 179).

²⁸ *El Castellano* (18-1-1838).

In spite of that, different nineteenth century governments tried to appear concerned about the pernicious effects of the spoils system over the efficiency of public administration. Several executives launched reforms aimed at showing interest on the issue, but without any practical consequences on civil service. Often times those reforms were proposed by reform-minded politicians who were truly worried about the efficiency of public policies. Their proposals were really designed to sort out problems of principals' credibility. But they were vetoed by mainstream politicians (sometimes even members of the same cabinet), who did not give the same importance to the delivery of public goods.

The best example of failed reform is the Royal Decree of 18 June 1852 enacted by the government of Bravo Murillo. Prior to becoming Prime Minister, Bravo Murillo had been Minister of Finance and, during that period, he developed an interest in reforming the public administration (Nieto 1967: 129; Artola 1986: 223; Jiménez-Asensio 1989: 101).²⁹ In principle, the 1852 Royal Decree on civil service guaranteed job security for all public employees two years before the Northcote-Trevelyan Report asked for the same in the UK. In practice, unlike the British report, the Royal Decree of Bravo Murillo was not implemented (Beltrán 1977, 1996; Martínez Pison 1989: 79; De Saz 1995; Nieto 1996: 394; Gutiérrez Reñón 1987: 32). Furthermore, the subsequent successors of Bravo Murillo -Egaña and Sartorius- moved promptly to dismantle his work and enacted two decrees that cancelled the administrative structure designed by Bravo Murillo (De la Oliva 1965: 20; Jiménez-Asensio 1989: 123).

²⁹ Bravo Murillo, like other reform-minded politicians of the 19th century such as López Balleteros, did not feel comfortable with the political system of his time. Carrasco Canals (1975: 230) defines him as the first Spanish 'technocrat', in contrast to his more 'political' colleagues. Bravo Murillo generally felt as an outsider and he was frequently accused of being an *afrancesado* (one of the worst charges at the time) by his peers, due to his regular trips to France (Carrasco Canals 1975: 218).

The bottom line of this period 1 of the Spanish Civil Service would thus be, as the former politician Lorenzo Domínguez summarized in 1875, that “from the last clerk to the highest functionary, all owe their post to political patronage, to the political favour or to political services; hardly ever to their careers, scarcely to their aptitudes and knowledge.”³⁰

4.3. Period 2. The first step towards Bureaucratic Autonomy: The creation of the ‘Special Corps’

The survival strategy of Spanish rulers –what they wanted from public employees- started to change towards the end of the century. It was not a shift for all public employees, but for some particular groups who would end up forming the first autonomous administrative bodies – known as the ‘Special Corps.’

In general, during the last decades of the century, survival in office mainly depended on electoral manipulation yet. Conservatives and Liberals were alternatively winning the elections thanks to the Restoration plan designed by Cánovas del Castillo. Politicians lacked incentives to provide public goods because no matter what they did, they would lose the next election and would win the subsequent one. Linz (1983: 373) defines this as a period of parliamentary politics in which the leading personalities, consisting mostly of lawyers with oratorical abilities and inside knowledge of the machinery of the state and administration, governed with considerable independence from real constituencies and interests, thanks to their control over the electoral machinery.

However, the system started to show some weaknesses towards the end of the century. More and more the whole spoils system came to rest on the rural vote of backwards regions like Galicia and Andalusia which returned 80 per cent polls while the cities showed a strikingly lower participation (Carr 1980: 12).

³⁰ Domínguez (1875: 5), quoted in Nieto (1976: 236).

What is more, urban voters were shifting their voting preferences. The city votes often represented opposition to the two establishment's parties. For example, liberals and conservatives were defeated by Republican parties in several cities like Madrid (in 1893 and 1903), Barcelona (in 1900), or Valencia and Granada (in 1919).

The division between a manageable rural vote and an increasingly independent urban vote was an issue for contemporary philosophically-minded thinkers who coined the concept of the 'two Spains': the Spain of rural poverty, ignorance and illiteracy and the more volatile and educated Spain of the larger towns (Carr 1980: 12). As it can be seen in table 4.2, unlike other European countries, around 1900, nearly 50 per cent of the Spanish population could not read and write. Nevertheless, there had been a remarkable expansion of literacy during the second half of the century, when the illiteracy rate dropped from 75 per cent of the total population. The educational advancement had been mostly done in larger cities and towns. An important consequence is that it made the traditional electoral manipulation more difficult in urban districts.

Table 4.2. Illiteracy rates in four European countries, 1850-1910

<i>Year</i>	<i>Spain</i>	<i>Belgium</i>	<i>France</i>	<i>England</i>	<i>Italy</i>
1850	75	47	42	38	75
1860	73	42	37	31	72
1870	71	36	32	24	69
1880	69	31	27	17	62
1890	61	26	22	8	55
1900	56	19	17	3	48
1910	50	15	13	0	38

Source: Cipolla (1969).

One of the mechanisms through which the expansion of education led to a different urban voting behaviour was the press. It played a key role around the turn of the century in the articulation of social and economic interests, especially in Madrid and Barcelona, but also in the provincial capitals and even smaller towns (Linz 1983: 376). At the same time, the significant rise in the number of potential readers -together with the fact that it was easy to create a newspaper- allowed the emergence of leading journalists who exercised considerable political influence with their campaigns. Many even gained seats in parliament. Some newspapers became the voice for economic and political interests, as well as the basic source for information on economic and political issues. And they also started to contribute to making and unmaking the political careers of main figures (Linz 1983: 376).³¹

As a result of the increasing sophistication of urban voters in comparison to their rural counterparts, the city votes started to be known as *votos de verdad*, true votes (Carr 1980: 12). Urban electorates did not accept the tacit manipulation and establishment's parties started to be challenged by outsider parties. Facing a growing opposition, liberal and conservative governments began to develop an interest in providing what could be called *políticas de verdad*, true policies. Gradually more, the Positive Control Game became relevant for governments. There are several indicators that show this shift in governments' preferences.

In the first place, Spanish governments undertook an increasing number of activities as it can be inferred by the growth of the national budgets during the second half of the century - which surpassed that of the total economy. The government

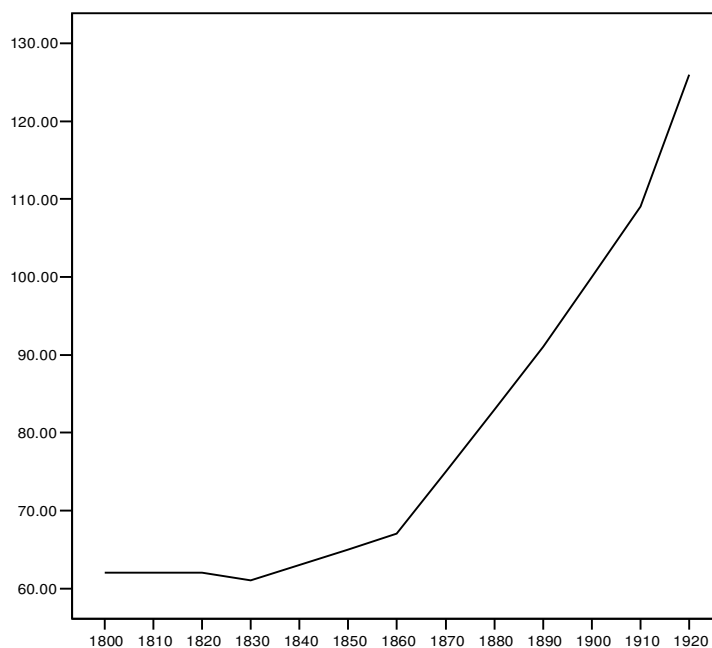
³¹ Another mechanism that played an essential role in the articulation of urban voters' interests at the end of the nineteenth century was the cultural association. In many cities and large towns cultural associations often became the meeting point of socio-economic reformers. That was the case, for example, of the Barcelonese *Ateneu Català* or the Sevillian Society of Emulation and Development.

spending as a share of GDP grew from 6 per cent in 1860 to 10 per cent in 1929 (Simpson 1997: 355).

More importantly, a remarkable part of the government spending went to agricultural public works. Agrarian reformers, inspired by the Aragonese lawyer Joaquin Costa, had campaigned for a solution to the problems of Spanish agriculture in the widespread use of irrigation. Several public works at the end of the century produced a progress of irrigation schemes, especially in the fruit-growing region of Levante (Harrison 1980: 260). Governments also started substantial programmes for the improvement of transportation infrastructures (Tortella 2000: 116). In relation to roadways, around 1840 the total extent of the network amounted to only 9,000 kilometres. In contrast, in 1900 Spain could count on some 36,000 kilometres of roads. Maritime transport underwent a major transformation too. In the second half of the century there were vital ports improvements -which included enlarging and dredging, building wharves and breakwaters.

In general, the achievements in public transportation were considerable. It is important to mention that, although they served to reduce transport costs in terms of money and time, scholarship agrees that those programmes did not suffice to put Spain on par with other European countries (Tortella 2000: 116). A large part of the budget was devoted to administration, defence and the public debt (Comín 1995: 544) and there was a general inability to undertake major public works projects (Simpson 1997: 355). In other words, Spanish governments were increasingly –but not exclusively- playing the Positive Control Game. Despite this, the provision of more public goods fostered the Spanish economy. It did not grow at the same pace as other European countries' (such as Great Britain or France), but it exhibited an important augment during the last decades of the century. According to the literature, the Spanish 19th century comprises two clearly defined sub-periods (Tortella 2000: 1). As it can be seen in figure 4.1, during the first half, the economy remained virtually stagnant while in the second half a significant growth process was set in motion.

Figure 4.1. Index of national income per head in Spain, 1800-1920 (1900 = 100)



Source: Tortella (2000).

Throughout the last decades of the century, Spanish governments began to separate public employees into two groups. On the one hand, from the main bulk of employees, governments only wanted loyalty –that is, that the employee to vote for them and not to engage in revolutionary or military conspiracies. And the only required skill was, at most, to have a ‘good writing’. In other words, governments and these employees were basically playing the Negative Control Game. On the other hand, from a particular group of employees, governments wanted them to undertake some complex policy implementation, such as building public works. That is, governments and these employees started to

play the Positive Control Game. In order to provide public goods such as roadways, ports and hydraulic constructions, governments needed people who had to make a costly investment –very frequently an asset-specific one- in human capital, such as engineers or architects. And in order to overcome the minimum effort equilibrium existing in the Positive Control Game so far, governments had to delegate bureaucratic autonomy to those employees.

That was common knowledge at the time. The former politician Lorenzo Domínguez understood in 1875 that the solution to the lack of incentives was to “create purely administrative personnel, totally isolated from politics, separating the personal interest of the employee from that of politicians and parties.”³² Similarly, during the parliamentary discussions over the creation of Special Corps, some MPs stated that “a technician could not be created overnight” (Jiménez-Asensio 1989: 85,144). It was increasingly perceived that the administration should have professionalized functionaries who had to undertake costly investments in formation (De la Oliva 1965: 39). Nowadays, scholars continue emphasizing that the historical origin of the ‘Special Corps’ lies precisely in the growing government’s necessity of skilful employees towards the end of the 19th century (Beltrán 1996).

Therefore, a multiple civil service system was created (Parrado 2000: 252). While most employees were subject to the spoils system, some specialized regimes arose with the creation of autonomous bodies of functionaries, for whom the general rules did not apply. In other words, governments decided to tie their hands in the management of certain public employees. The Corps who escaped from the *cesantia* system acquired an almost total autonomy for managing staff policy by the end of the century (Gutiérrez Reñón 1966: 24; De la Oliva 1968: 30; Carrasco Canals 1975: 1975; Ortega 1992: 6; Beltrán 2001: 191). Instead of the common regulations applied to the rest of civil servants (*ius*

³² Domínguez (1875: 66), quoted in Nieto (1976: 239).

commune) they had their particular directives (*ius singulare*). The special corps used this *ius singulari* as a source of several types of privileges and they became self-governing inside the state apparatus (Alba 1997: 184). They enjoyed three main elements of bureaucratic autonomy: their members had secure tenure, a closed civil service system that prevented external interferences in staff policy, and, in some cases, corps benefited from self-financing capacities as well (Gutiérrez Reñón (1987: 34).

Which type of public employees did form those Special Corps? The literature states that the Special Corps were composed of the most capable, the most needed, the most talented or the best strategically located (Gutiérrez Reñón 1987: 34). The first bodies which enjoyed self-regulation were precisely those of engineers, the members of which had to undertake great investments in human capital. While most Special Corps were created at the turn of the century, engineers got a partial bureaucratic autonomy as early as 1835 and total autonomy in the 1880s. During the eighteenth-century ‘enlightened despotism’ of King Charles III, some corps of engineers had already been established in Spain. But, as other autonomous bodies, they had been replaced by the spoils system at the beginnings of the nineteenth century (Jiménez-Asensio 1989: 84).

One of the most prestigious special corps, the Corps of State Lawyers, was founded in 1881. State lawyers would play an essential role in the expansion of state activities during the subsequent decades, taking responsibility for all legal aspects. The Corps of State Lawyers was also defined as a “special professional career with a closed ladder” which should be separated from politicians’ discretion.³³ Other important corps were also founded at the end of the century, such as the Corps of Agrarian Engineers

³³ Article 29 of the Royal Decree of March 16th 1886 (Jiménez-Asensio 1989: 179).

in 1877, the Corps of Diplomats in 1883 or the Corps of Customs Agents in 1884 (Jiménez-Asensio 1989: 177).³⁴

In the army, a dual system of civil servants was formed as well. Some 'Specialized Corps' –like those of Artillery, Army Engineers, and General Staff- obtained protection against political promotions, while the bulk of the army –like the Infantry- was fiercely subject to the spoils system. The first autonomous military body was the Military Corps of Army Engineers which, again, had been constituted during the *Ancien Regime* and dismantled at the beginnings of the 19th century (Jiménez-Asensio 1989: 84). In opinion of Carr (1980: 83), these military 'Specialized Corps' would resemble the bureaucratic ideal with officer committees (*Juntas*) which enforced strict promotion by seniority and which were able of overturning any governmental intrusion.³⁵

The bottom line of the 19th century would thus be the consolidation of a division in the Spanish Civil Service between two great groups: those functionaries subjected to the general regulations (and to the prevailing spoils system) and those corps constituted by a special legislation, which would enjoy autonomy from politicians (De la Oliva *et al.* 1968: 30; Carrasco Canals 1975: 357). The different nature of the relationships between the Prime Minister González-Bravo and his subordinates exemplifies clearly the duality of the Spanish public administration during this century.

González-Bravo was the paradigm of politician to whom employees may hardly trust. As Prime Minister, his governments lasted less than 6 months: from December 1843 to May 1844; and

³⁴ Progressively, other special corps were established in different departments and they covered the most qualified employees. That was the case of Finance, in 1904, or Home Affairs and Public Works, both in 1908 (Fernández 2001).

³⁵ These corps of officers also enjoyed autonomy from political interferences in selection, and, as a result, their numbers were grossly inflated. There was one officer to every five enlisted men in 1915. Consequently, 60% of the Spanish army budget went on officers' pay (Carr 1980: 83).

from April to September 1868 (Carr 1982: 228, 272). Besides, during his long political career he moved from the left side of the ideological spectrum (Liberal Party) to the centre (Moderate Party) and he finally ended up his life as a convinced supporter of Absolutism (*Carlist*). In addition, within the same period, his orders were frequently contradictory.³⁶ In sum, it is difficult to find a political superior with more problems of credibility. Enjoying the great concentration of powers existing throughout the 19th century, staying in incumbency for very short periods of time, and changing ideology and policy so abruptly implies one of the worst imaginable scenarios for any employee to make a maximum effort.

For that reason, whenever González-Bravo was interested in an efficient delivery of certain public policies, he was forced to give autonomy to civil servants. Precisely, under his rule, two of the most known administrative Corps were founded in two sectors where the provision of public goods was considered as essential for González-Bravo's survival in office. The *Guardia Civil*, the first public security body at a national level in Spain, was established by González-Bravo in March 1844. The origins of the *Guardia Civil* lie in the intense social demand to combat the alarming lawlessness in the roads and lands of the country.³⁷ Also in March 1844, the Diplomatic Corps was created by another González-Bravo decree. The reason is that foreign affairs had become an important issue during the 1840s due to the spread of the war in Northern Africa against the Spanish-ruled enclaves.

On the contrary, in most departments González Bravo's policy towards public employees followed very closely the spoils system ideal. González Bravo's general substitution of loyal supporters for former government's appointees was almost total in the

³⁶ For example, the orders ranged from asking for a fierce repression against liberals during 'the night of Saint Daniel' in 1865 to protecting liberal thinkers like the writer Becquer (De la Oliva *et al.* 1968: 27-28).

³⁷ They were subject to the activities of bandits since the War of Independence against Napoleonic troops (López Garrido 1982: 84; 1987: 43).

Ministry of the Interior and in the Ministry of Justice, in spite of the brief period of his premiership (De la Oliva *et al.* 1968). In sharp contrast with what had happened with the *Guardia Civil*, González-Bravo was not interested in employees within the Ministry of Interior and Justice to undertake costly asset-specific investments or maximum implementation efforts. He was just interested in having loyal employees given the fact that those ministries were the ones in charge with the management of electoral contests. Employees' shirking in those departments could have devastating consequences for González-Bravo's survival in government.

4.4. Period 3. The extension of Bureaucratic Autonomy to the rest of public employees: The 1918 Civil Service Act

In 1917 it started a prolonged crisis that lasted until the overthrow of the parliamentary monarchy by Primo de Rivera's military uprising in September 1923 (Carr 1980: 81). The period 1918-1923 was one of high governmental instability, with 11 changes of the entire cabinet and 30 partial modifications of it (Ruiz 1993: 504). There were simultaneous rebellions of three different groups: military officers, parliamentarian groups (from the left and the nationalistic sectors), and trade unions (Jiménez-Asensio 1989: 208). Public employees not only did actively participated in the three rebellions, but the rebellion that triggered the others was produced precisely by an administration's labour conflict: the relatively bad situation of Infantry's junior officers in relation to the privileges of 'Specialized Corps' (Artola 1991: 360). The rebellion was known as the *Junteros* movement.

Taking advantage of the social discontent due to the mismanagement of the colonial war at Morocco, the Barcelona infantry garrison illegally formed in June 1917 a *Junta de Defensa*. It was an imitation of the legal *Juntas* –the autonomous bodies which regulated the military specialized corps. With the support of junior officers all over Spain, the *Junta* defied the

government's attempt to dissolve it. Their petitions included the same privileges enjoyed by the specialized corps: secure promotions and better pay. The demands of the *Junteros* were supported by the most known intellectuals and critics of the Restoration system like Ortega y Gasset. And they were the opening move in the generalized crisis of 1917 (Carr 1980: 85). The *Statesman* defined the situation as "the first sign that that the political structure known as the Restoration is beginning to crumble in Spain."³⁸

The second rebellion was what has been called the bourgeois revolution. In the aftermath of the *Junteros* rebellion, a moderate convention of Republicans and Catalan Nationalists challenged the political authorities with the creation of the 'Assembly Movement.' They tried to become the actual legislature in response to the fact that the *Cortes* had remained closed during the revolt of the Infantry's junior officers (Jiménez-Asensio 1989: 209).

And the third insurgence would consist of different attempts of workers proto-revolutions. An economic wartime boom in the neutral Spain and the Russian Revolution of 1917 increased the strength and militancy of organized labour. As a result, several riots took place in big cities (Carr 1982: 81; Jiménez-Asensio 1989: 186). The peak of workers protests was the general strike staged by the socialist union UGT in August 1917, which would be repressed by the government using military forces. What is important to underline here is the existing consensus in the literature over the degree of public employees' involvement. Many civil servants –especially low-level functionaries- participated very actively in the different uprisings and strikes during 1917 and 1918 (Martínez-Cuadrado 1973: 378; Nieto 1976: 315; Jiménez-Asensio 1989: 210,228; Villacorta 1989: 385).

In other words, public employees were shirking –or they had many temptations to shirk- on government's interest. Again, for the executive, it became less important to encourage employees to

³⁸ Quoted in Carr (1980: 85).

work than to prevent them from engaging in subversive revolutionary movements. The Negative Control Game turned out to be the only relevant game for government's survival during those years. If the degree of decisiveness had remained high, 1917-1918 governments would have decided to keep or even increase its discretion on public employees. Nevertheless, 1917-1918 governments had lost the decisiveness previous executives had enjoyed.

Several authors emphasize the increasing weakness of the pre-1918 cabinets (Carr 1970: 453; Artola 1991: 349). In the past, the King Alfonso XIII had used to appoint a single party cabinet. At the end of 1917, in order to attract the moderate elements of the extra-parliamentary 'Assembly Movement,' the King relied on a 'government of concentration.' It included liberals and conservatives, plus two ministries for the Catalan nationalist party –the *Lliga Catalana*. The new government would be headed by a well-known political figure like García Prieto.³⁹ However, this coalition government fell on March 1918 because of internal disputes and the pervasiveness of social riots.

In the search for stability, the King appointed the conservative politician Antonio Maura as Prime Minister of another government of concentration –called this time National Government- with several parties in coalition (Carr 1970: 481; Ruiz 1993: 503). Again, it included conservative ministers, headed by Maura, liberals like Alba and Catalan nationalists like Cambó. The most relevant ministers and Prime Ministers for the last two decades held a portfolio in that government (Jiménez-Asensio 1989: 223). Maura himself was sceptical about the capacity of his government for taking important decisions. He expected continuous deadlocks due to the clash of so many charismatic and powerful politicians within the same cabinet. In his own words, "they have kept me stuck for almost 10 years, preventing me from

³⁹ In principle, Alfonso XIII achieved his purpose and Cambó -the leader of the *Lliga Catalana*- dropped the dissident 'Assembly Movement' in exchange for the two ministries.

doing anything useful, and now they call me to govern all of them. Let's see how long this hassling lasts."⁴⁰

The ideological heterogeneity of the cabinet coalition prevented a coherent design of public policies. For example, Cambó's ambitious programme of state investment –which included a state take-over of the railway system and hydro-electric schemes- was blocked by the conservatives. In addition, the liberal and centralist Alba vetoed any Cambó's attempt to decentralize administrative activities in favour of the regions (Carr 1980: 87). In general, the 1917-1918 governments enjoyed a low degree of decisiveness. Therefore, they limited their activities to the most technical decisions, such the elaboration of the annual budget (Artola 1991: 188).

The governments were also incapable of taking any major decision in relation to public employees (Jiménez-Asensio 1989: 185). A government where political actors were constantly vetoing each other lacked the decisiveness required to prevent employees from shirking. Nevertheless, for some time, governments thought that they had the sufficient capacity of sanctioning employees. So, in response to the strikes in the postal service that started in February 1918, the Minister La Cierva reacted with an extensive use of his discretionary power in personal staff. In March he replaced all post office workers by more loyal military officers. However, the problems of coordinating a military intervention in a civil department together with the opposition of other members of the government –who vetoed La Cierva's action- made the implementation of such measure impossible (Ballvé 1983: 285). Consequently, La Cierva's decree was repealed a few days later (March 23rd) and military officers were withdrawn from the postal service.

According to the Negative Control Game, when governments are interested in precluding employees' misbehaviour but they are not decisive enough, they should resort to a second-best solution: granting bureaucratic autonomy. Following Silberman (1993)'s

⁴⁰ Quoted in Maura and Fernández Almagro (1999: 311).

argument, public employees embedded in an autonomous closed career system lose the incentives they could have to pursue opposite interests to those of politicians. In other words, the government 'buys' their loyalty.

That was the purpose of Maura's civil service reforms. Scholars agree that Maura government reacted to the increasing employees' shirking with the launch of a Civil Service Act (*Estatuto de Funcionarios*) in 1918 (Parrado 2000: 253; Gutiérrez Reñón 1987: 46). The Act was not aimed at providing better public policies, but at calming down public employees in the uncertain political and social circumstances of 1918 (Nieto 1986: 315).⁴¹

The Civil Service Act extended the bureaucratic autonomy enjoyed by the special corps to the rest of the administration which was still under the spoils system (Jiménez-Asensio 1989: 226). The Act increased bureaucratic autonomy in several aspects. Firstly, civil servants achieved job security (De la Oliva 1968: 31). Policy-makers lost the capacity they had enjoyed to freely dismiss employees. Articles 62 to 66 established that firing could only be due to serious misconduct, proved disobedience or repeated negligence. The Act also required the fulfilment of long and detailed procedures before firing a civil servant, which included issuing a file and publishing any resolution in the government gazette. In addition, the functionary had the opportunity to appeal the governmental decision of firing her before the courts. The guarantees of secure tenure were high enough to consider that the 1918 Act implied the end of the spoils system in Spain (García-Trevijano 1970: 247). The general consensus among administrative scholars is that job security was the greatest achievement of the Maura Act (Jiménez-Asensio 1989: 253).

Secondly, the Civil Service Act also gave autonomy to public employees over the access to civil service. It issued open

⁴¹ As scholars have emphasized, the origin of the Act does not lie in the political personality of a Maura interested in policy reforms but in the urgent employees' pressures (Jiménez-Asensio 1989: 207).

competitive exams for recruiting personnel instead of political patronage. Those exams would be designed not by politicians but by administrative Corps (Gutiérrez Reñón 1987). The Act divided the public administration into two groups: the Technical scale and the Auxiliary one. Both scales had an entry level at the bottom and, from that, civil servants would be promoted –with a mixture of seniority and Corps’ discretion- to the next grades. For example, within the Technical scale there were the Chiefs of Administration and three ordered categories of officials. The normal procedure of entry was through competitive open examinations for third category officials.⁴² When a candidate entered the administration as a third category official she also entered the Corps operating in that administrative sector. Once inside, seniority and Corps’ decisions would determine the promotion within a ‘closed scale’, mostly based on seniority and without external (political) interferences.

The most important innovation of the 1918 Civil Service Act was, nevertheless, that, unlike the previous general reforms, it had real effects: the spoils system was effectively abolished in Spain more than a century after being established and secure tenure was guaranteed (Parrado 2000: 253).

In sum, this chapter has analysed the interactions between the two independent variables of this dissertation (rulers’ survival strategies and rulers’ decisiveness) and their impact on the evolution of the Spanish civil service during the 19th century. During the first decades of the century, the highly decisive Spanish governments made an extensive use of the spoils system – that is, no bureaucratic autonomy. Rulers’ survival hardly depended on inducing employees to undertake costly implementation efforts. On the contrary, rulers were mostly interested in keeping employees loyal and preventing them from

⁴² The Corps of each Ministry had a great deal of discretion to establish the examiners, the contents of the exams, the dates, and the educational degrees required to apply (Jiménez-Asensio 1989: 253).

engaging in the recurrent uprisings. And, therefore, bureaucratic autonomy was not necessary.

This situation would change towards the end of the 19th century, when rulers' survival strategy started to depend more on the provision of public goods. Since highly decisive, and thus non-credible, rulers began to play the Positive Game with those public employees who had to undertake costly asset-specific investments, they had to grant autonomy to civil servants. That led to the arousal of the so-called 'Special Corps.' Lastly, this chapter has analysed how the non-decisive 1917 and 1918 coalition governments were forced to give bureaucratic autonomy to civil servants as a second-best option in a period of instability in which they could not properly sanction employees' misbehaviour.

CHAPTER 5. THE SPANISH ADMINISTRATION IN 1923-1975: THE IMPACT OF AUTHORITARIANISM ON CIVIL SERVICE

This chapter covers the periods 4 to 8 of the history of the Spanish Civil Service depicted in table 1.3. Periods 4 and 5 describe the two different stages in which the authoritarian rule of Primo de Rivera (1923-1930) may be divided up into. Period 6 analyses the civil service under the democratic Second Republic (1931-1936). And periods 7 and 8 address the two phases in which the second Spanish authoritarian regime of the 20th century, the dictatorship of Franco (1936-1975), may be broken up.¹ Therefore, the chapter mainly deals with the administrative reforms taken under authoritarian regimes.²

¹ From 1936 to 1939 –the Spanish Civil War- there were two administrations in the zones under Republican and Franco control, but the lack of either quantitative or qualitative studies on the Republican Administration during the Civil War makes very difficult its analysis. For sake of simplicity the public administration during the Spanish Civil War will be included within the Franco's period, which, as a result, here lasts from 1936 to 1975 and not from 1939 to 1975.

² Democracy only entails a brief parenthesis of 5 years between two longer dictatorships. In addition, unlike the consolidated governments of Primo de Rivera and Franco, the Second Republic was a period of high governmental instability -with 18 different cabinets which left civil service mostly untouched.

There are similarities between the two dictatorships' approaches to public administration. At the beginning, in order to consolidate their insecure rules, both dictators emphasized the loyalty of employees (Negative Control Game) over other concerns. It led them to choose very discretionary approaches to staff policy. Strong purges and a broad governmental margin of manoeuvre for selecting and promoting employees were the main characteristics of the first periods of Primo de Rivera (1923-1925) and Franco (1936-1959). In a second stage of their rule, both dictators shifted their survival strategies and became 'developmental dictators.' They were less interested in preventing employees' shirking than in inducing them to efficiently provide public policies. As a result of the problems of time inconsistency existing in autocratic regimes with high concentration of powers, dictators had to delegate a great deal of staff policy to administrative autonomous bodies. The bureaucratic autonomy granted to Spanish administrative Corps during the second periods of Primo de Rivera (1925-1930) and Franco (1959-1975) included an extensive range of personnel issues, such as selection, promotion, disciplinary regime, and incentives.

The chapter is organized as follows. For each one of the five phases analysed –the first period of Primo de Rivera (1923-1925), the second period of Primo de Rivera (1925-1930), the Second Republic (1931-1936), the first period of Franco (1936-1959) and the second period of Franco (1959-1975)- there is an introductory section explaining how the political regime was founded. Later, the relationship between rulers and public employees is explored: which was rulers' main survival strategy? And which was rulers' decisiveness? Afterwards, for each period, it is shown which degree of bureaucratic autonomy was granted to the administration.

5.1. First period of Primo de Rivera's Dictatorship (1923-1925)

Similar to many European countries, the problems created by the WWI proved too great for a quasi-democratic political regime, and, from 1917 to 1923, Spain suffered a crisis of the parliamentary monarchy. The contraction of the European market had brought falling prices and high unemployment to Spain. The economic crisis –with declining wages and profits- triggered revolutionary strikes from 1919 to 1923. Employers' answer to those strikes was a strong determination to fight a unionism that they had partially tolerated during the previous economic expansion (Carr 1982: 509). In parallel to the socio-economic crisis, Spain underwent a permanent political crisis with 10 short-lived governments from the fall of Maura's in 1918 to 1923.

Those instable governments faced two major problems. In the first place, one of the most savage social conflicts of post-war Europe, with anarcho-syndicalist revolutions, mostly in Barcelona and Andalusia -which were counter-balanced by employers-paid gunmen's violence (Carr 1980: 88). Although they emerged out of labour conflicts, strikes became increasingly more political. Even the most moderate union leaders did not conceal that the ultimate goal was the total destruction of the bourgeois society. To the employers the only solution seemed to be a strong ruler.³ The second major problem was the 'disaster of Annual.' In July 1921, the Spanish army had been driven in panic from its advanced positions in the eastern zone of Morocco around Annual into the town of Melilla. As a result, the fruit of a decade of expensive and increasingly unpopular war in the north of Africa had vanished in a few days. Spanish politics between 1921 and 1923 were dominated by discussions on who were to blame for the socio-economic crisis and the disaster of Annual. As a result, the

³ Temporarily, they achieved that in Barcelona. The local governor General Martínez Anido ruled the city as he wished from 1920 to 1922 (Madrid 1932). More than relying on traditional police repression, Martínez Anido trusted the counter-terror of the 'yellow' Free Syndicates, organized by his own police chief (Carr 1980: 90).

Restauración oligarchic system was being criticized from all possible fronts. Among the political elites there was a general mood –shared as well by the king- that some sort of dictatorship was a necessary prelude to a renewal of political life (Carr 1980: 95). Finally, Spain, akin to all southern and eastern European states except for Czechoslovakia, would experience an authoritarian take-over (Carr 1980: 81).⁴

5.1.1. *Primo de Rivera's high decisiveness*

On September 1923 General Primo de Rivera pronounced in Barcelona and, when the success of the coup d'état was still in doubt, the King appointed Primo de Rivera as his Prime Minister.⁵ Alfonso XIII remained formally as the Head of the State, but all relevant powers went to Primo de Rivera's hands. The initial decree of the regime appointed Primo de Rivera as President of a Military Dictatorship and gave him exceptional powers to issue decree-laws. At the same time, in order to increase executive's discretion, the first regulation by Primo de Rivera also abolished all constitutional guarantees (Jiménez-Asensio 1989: 271).

Primo de Rivera's decisiveness was further increased when judiciary's checks and balances were eliminated. In principle, Primo de Rivera's aim was, in his own words, to “restore the independence of the judiciary system.”⁶ However, in practice, this is the aspect he most resembled an old-style autocrat and he “behaved as a sultan administering justice at the town's gates” (Ben Ami 1983: 74). Primo de Rivera appointed and dismissed judges at total personal discretion (Villacorta 1989: 57). Not only did he control all nominations, but, through a series of decrees in

⁴ Out of the 28 states of the Western world, 26 possessed parliamentary democracies in 1920. By 1938, 16 of the 26 countries had succumbed to dictatorship (Mann 1993: 2).

⁵ As it happened in Italy with Mussolini, the king sanctioned an authoritarian regime.

⁶ *El Sol*, 2, 10-10-1923.

1926, he put his government above any legal restraints (Carr 1982: 583). Accordingly, government could impose administrative and disciplinary sanctions, even when they contradicted existing laws and regulations (Jiménez de Asúa 1930: 95). Another decree allowed the government to suspend the verdicts of the Supreme Court (Ben Ami 1983: 101). The executive's interferences in the judiciary were so rampant that many politicians and intellectuals who had previously backed Primo de Rivera criticized dictator's lack of juridical sense. As a result, an independent justice and the rule of law became opposition's rallying cry (Carr 1982: 583).

It can thus be argued that Primo de Rivera enjoyed a very high concentration of powers. This was also dictator's own point of view: "the very essence of a dictatorship is (...) while responding to circumstantial imperatives, to prefer the supremacy of the executive power over any other. A dictatorship ought never to be accountable for breach of the law."⁷ With his admired Napoleon Primo de Rivera shared the view that every law can and should be violated when the destiny of the patria is at stake (Ben Ami 1983: 106).

Nevertheless, scholarship considers that *Primo de Riverism* was not fascism (Carr 1982: 567). Although Mussolini was well-liked, the political regime was not totalitarian and its supporters were not the members of any emerging fascist party, but a mixture of 19th century pro-Absolutism *Carlists* and radical *regenerationists*. Within his typology of authoritarian regimes, Mann (1993: 6)⁸ classifies Primo de Rivera as a traditional authoritarian regime, in the same category as most dictatorships during the interwar period. Like Alexander in Yugoslavia (1929-1934) or Pilsudski in Poland (1926-1935), Primo de Rivera severely curtailed civil rights and showed little interest in social mobilization. If those dictators cultivated a one-party regime system, their aim was not to create comprehensive fascist parties,

⁷ Quoted in Ben Ami (1983, 101-102).

⁸ The four types of Mann's classification are the following: semi-constitutional, traditional authoritarian, corporate state, and fascism.

but just to demobilize the existing political parties (Mann 1993: 6). For example, Primo de Rivera's party –the *Unión Patriótica*- was conceived as a civil movement rather than a real political party and it had little in common with mass parties like the *Partito Nazionale Fascista* in Italy (Linz 1981: 378).

5.1.2. An initial survival strategy based on loyalty

Was Primo de Rivera initially interested in inducing employees to undertake costly asset-specific investments? This could hardly be the opening goal of the dictator given that, to start with, he knew that the last 10 governments had lasted less than six months on average. In principle, he could not rely on having time enough to provide any long-term public policies. There are no time inconsistency concerns when there is no time to be inconsistent. Primo de Rivera himself was conscious that his was just “a brief parenthesis in the constitutional life of Spain.”⁹

Quite the opposite, Primo de Rivera opted for a short-term strategy to secure his rule. The main goal was preventing that any politicians' conspiracy, revolutionary movement or military uprising could overthrow his government. Primo de Rivera's major concern was to purge politicians until, in his own words, “the country offers us men uncontaminated with the vices of political organization.”¹⁰ Consequently, Primo de Rivera embraced extensive repressive policies and depurations of the state apparatus. Firstly, the dictatorship saw its greatest enemies in those regionalist forces which threatened the unity of Spain. The reaction of Primo de Rivera was to suppress any expression of political ‘Catalanism’ and the official use of the Catalan language was forbidden, even in church (Maura 1930: 265; Carr 1982: 569).

⁹ Boletín de la Revista General de Legislación y Jurisprudencia, year 72, vol.185, Madrid, p.366.

¹⁰ Quoted in Carr (1982: 564).

Secondly, he used repressive policies against anarchist revolutionary syndicalism and he managed to split the movement.

For doing that, Primo relied on a government formed exclusively by loyal military close collaborators, called the Military Directory. This executive would be replaced by a Civil Military at the beginning of what scholars call the 'constitutional phase' of the dictatorship (Ben Ami 1983) and what it is defined here as the Second Period of Primo de Rivera's rule. None of the ministers –most of them generals- of the Military Directory which ruled the Spain from 1923 to 1925 had any previous experience in policy-making. Studies agree that ministers were amateurs with a single expertise in repressive policies (Carr 1980; Jiménez-Asensio 1989: 270). Most of the policies taken were aimed at the short-term repression of the political opposition.¹¹

It can thus be argued that the game Primo de Rivera was mostly playing with public employees was the Negative Control Game. Primo de Rivera was interested in employees implementing short-term repressive policies –which are not subject to time inconsistency problems. Thus, his main worry in relation to civil servants was not to induce them to make costly investments which could be subject to ex post opportunistic defections (i.e. using a gun does not require a high asset-specific investment), but to prevent them from engaging in any conspiracy –either with Catalan separatists, with an unfaithful military commander, or with any of the workers' revolutionary movements. Unlike the previous 1917-1923 governments, dictator's decisiveness was high enough to sanction most agents' misbehaviours. Therefore, Primo de Rivera governments did not need to rely on granting a great deal of bureaucratic autonomy to preclude employees' shirking. Using the terms of the theoretical model, he could achieve a better

¹¹ For example, the Military Directory re-established the *Somatén*, a sort of special armed police reserve. Later on, its Minister of the Interior, the former governor of Barcelona General Martínez Anido, renewed and widened for the whole country his old alliance with the 'yellow' Free Syndicates that he had successfully implemented in Barcelona (Carr 1982: 570).

outcome by keeping a high discretion on staff policy (A) than by delegating it (B-x).

If one observes the measures taken by Primo de Rivera during his first two years in office in relation to civil servants, one can see several examples of how he chose the path of high discretion in his relationships with public employees. He withdrew part of the bureaucratic autonomy which had been granted to public employees during the previous period, and, in particular, through the 1918 Civil Service Act.¹² In the first place, there was an increase of governmental regulations affecting public employees (Jiménez-Asensio 1989: 280). More importantly, scholars agree that those regulations were aimed at increasing government control over the administration (Ben Ami 1983: 44; Jiménez-Asensio 1989: 281). Bureaucratic autonomy was decreased in three aspects: tenure, selection and promotion.

As far as **tenure** is regarded, despite the prevailing legislation, the spoils system –who had been abolished in 1918- was readopted during the beginning of the dictatorship by purges (Parrado 2000: 254). Primo de Rivera tried to renew the ruling elite, the caciques, the high-ranking civil servants and whoever could be seen as part of the old establishment. As a consequence, job security was temporarily abolished for all administrative corps. The purpose was substituting entirely ‘new men’ for the long-standing and not truly reliable bureaucrats. In the same September 1923, Civil Governors, the highest officials at provincial level were dismissed. Military Governors, selected among the most loyal army officers to Primo de Rivera, assumed the authority of their civil counterparts (Ben Ami 1983: 91). In the Departments of Justice and Interior, the purges were especially intense and most functionaries were dismissed. That was possible thanks to the

¹² Not only Primo de Rivera’s military government did not delegate staff policy to administrative bodies, but it did hardly delegate any minor policy decision to public employees. As Ben Ami (1983) points out, the military directory –which governed until 1925- met everyday during he first months and dealt with 18,290 matters, and 3,614 of them were personally reported on by a general.

arbitrariness of a new regulation that allowed firing all those who “do not deserve the job, because of their scarce professional morale.”¹³

In relation to **selection**, Primo de Rivera’s first measures were devoted to paralyze the autonomous selection procedures used so far by administrative corps. So, all competitive examinations to enter any administrative body were temporarily cancelled by a Royal Decree in 1923.¹⁴ Instead, new entries would entirely rest on government’s discretion. Finally, decisions over **promotions** - which had been mostly in hands of administrative corps- also returned to government. For example, through another government decree, 500 military officers were overnight promoted and turned into local government chief officials.¹⁵ Their function would be to interfere in the running of local governments in an attempt to assure their loyalty to the dictator (Jiménez-Asensio 1989: 271).

5.2. Second period of Primo de Rivera’s Dictatorship (1925-1930)

Scholars agree that in 1925 there was a major shift in the type of policies delivered by Primo de Rivera. That year was the beginning of an extensive state intervention, with a formidable expansion of public infrastructures (Carr 1982; Ben Ami 1983). There was a change in Primo de Rivera’s future discount rate. Especially during the first months of his rule, his future discount rate had been very high, given that he could follow the same fate as his predecessors in government (i.e. less than 6 months in office).

After two years in office Primo de Rivera’s discount rate diminished. The main reason was that the intense repression had

¹³ Royal Decree on October 2nd 1923 (*Boletín de la Revista General de Legislación y Jurisprudencia*, year 72, vol.185, Madrid, p.458).

¹⁴ Royal Decree on October 1st 1923 (*Boletín de la Revista General de Legislación y Jurisprudencia*, year 72, vol.185, Madrid, p.441).

¹⁵ Royal Decree on October 20th 1923 (*Boletín de la Revista General de Legislación y Jurisprudencia*, year 72, vol.185, Madrid, p.632).

being effective in deterring the conspiracies against the dictator. Above all, the repression divided the anarchist movement, which constituted the major short-term threat to the survival of the regime. Primo de Rivera had overcome the immediate menaces coming from ideologically distant opponents, but he was facing the medium- and long-term threat of keeping the support of his constituencies. Repressive policies seemed not to be enough to secure Primo de Rivera's rule at long-term. By the end of 1924 the glow of optimism which had greeted a dictator among the conservative had dissipated (Carr 1982: 575). He was expected not only to repress labour movements but also to provide a certain amount of public goods. In order to meet the claims of his conservative supporters, Primo de Rivera started a change in his policy priorities, giving more importance to the provision of the age-old demanded public policies.

For long, Primo de Rivera had considered himself as the strong leader who had been foreseen by many intellectuals during the first two decades of the 20th century. He liked to think of himself as the 'iron surgeon' who Joaquin Costa¹⁶ had asked for, the executor's of Maura's 'revolution from above' and the architect of a gigantic effort to advance Spain into the 20th century in a matter of years (Ben Ami 1983: 88, 252). But it would not be until 1925 when, following his 'regenerationists' mentors, Primo de Rivera started to show interest in the development of Spain's infrastructure and economy. The first signal of the shift in policy priorities was the fact that in 1925 Primo de Rivera moved from a government exclusively formed by generals –the Military Directory- to a government made by technocrats –known as the Civil Directory.

¹⁶ One of the main targets of the 'regenerationist' Joaquin Costa was precisely the civil servants who did not fulfil their duties in office. He was reported to have met a functionary and asked him 'what do you do?'; and, when he was answered 'I serve the State', Costa replied 'well, it seems to me that is the State the one who is serving you' (Nieto 1976: 568).

Primo de Rivera had contemplated the possibility of transforming the military rule into a civilian dictatorship from some time. However, it was in 1925 when he openly stated that he would set up his “first civilian government” and when he sent the technocrat Calvo Sotelo (his future minister of finance) an outline of the “programme of reconstruction” to be undertaken (Ben Ami 1983: 207). As he put it, his purpose was to start “the second stage” of his rule with a view of perpetuating it.¹⁷ The dictator had clearly in mind the necessity of, in his own words, “taking a step towards normal conditions” so as to carry on his rule.¹⁸ Primo de Rivera admitted that economic and administrative problems were the main reasons that brought him to propose a “government of a more stable character and with longer prospects of life than the Military Directory.”¹⁹

With the appointment of a civilian government in December 1925, it starts what Ben Ami (1983: 206) calls the “Constitutional Phase.”²⁰ There was a new orientation of the regime and “it was now clear that the dictator was ready to assume the task of a long-range, rather than ad hoc, restructuring of the state” (Ben Ami 1983: 206). During the “Constitutional Phase” there was an accentuation of the developmental traits of the regime aimed at inspiring confidence to the business community. Primo de Rivera’s new team, similar to the governments of the second period of Franco regime (1959-1975), included several ‘technocrats,’ such as Calvo Sotelo (finance) and the engineer Benjumea, who was put in charge of the most pretentious ministry of the regime: development.

As a result, it started the first coherent essay made in Spain by a military ruler to establish a developmental dictatorship (Ben Ami 1983: 209). In the first place, the public sector of the economy

¹⁷ *La Nación*, 8-8-1927.

¹⁸ *The Economist*, 2-1-1926.

¹⁹ *The Times*, 17-10-1925, quoted in Ben Ami (1983: 207).

²⁰ “The army is henceforth to abstain absolutely from taking part in politics”, Primo de Rivera decreed on the morrow of the designation of the new government (Ben Ami 1983: 208).

emerged with the founding of the petroleum sales monopoly (CAMPSA) in 1927 under the initiative of Calvo Sotelo. Secondly, a policy of administrative decentralization was instituted, with the creation of local bodies to regulate and administer harbours, water rights and irrigations, social welfare funds, and so on under the leadership, generally, of civil servants (Linz 1981: 381).

But, above all, the regime focused on the provision of infrastructures. In particular, there was an important expansion of roads, rural electrification and country's hydraulic system.²¹ There were constant criticisms by contemporaries that the roads built during those years were 'tourist' roads, not economic roads. Nonetheless, the roads were trunk roads and, anyway, Spain needed the foreign exchange brought by tourism (Carr 1982: 580). In general, the achievements of the dictator's technocrats –despite being frequently under-estimated- were remarkable by Spanish standards. At the end of his period, although one cannot agree with Primo de Rivera's statement that in Spain "the roads are the best of the world," there was a significant increase in road-building. 9,455 kilometres of new roads were built during the 7 years of dictatorship compared with 2,796 km. in the 5 years that preceded it (Ben Ami 1983: 254).

The most pompous undertaking of the new 1925 government was that concerning the development of the country's hydraulic system. For that purpose, the government set up early in 1926 special Hydrographic Confederations²² to "exploit in a coordinated and methodical way the country's hydraulic potentialities."²³ Those confederations grouped together various interests in an attempt to rationalize the uses of the main river

²¹ For Aunos (1942), the public works were conceived in an attempt to create an "effective well-being" that would "compensate" the people for "the loss of the chimerical political liberties."

²² The *Confederaciones Hidrográficas* are frequently compared to the Tennessee Valley Authority (TVA) in the United States (Linz 1981: 380).

²³ *Gaceta*, 6-3-1926.

systems (Carr 1982: 581; Linz 1981: 380). The confederations established a new irrigation network for 72,613 hectares and the improvement of another 109,136 hectares (Ben Ami 1983: 253). It is important to remark that dictator's aim was not to expand the infrastructure regardless of the cost. On the contrary, the efficiency of public works was taken seriously during those years. Lorenzo Pardo²⁴ pointed out that between 1906 and 1926 the state had spent 162 millions pesetas for the irrigation of 16,000 hectares. Yet between 1926 and 1931 the state spent 160 million for the irrigation of 175,000 hectares thanks to an increase in the efficiency of the public works (Pardo 1931).

Supporters of the regime were constantly stressing the developmental nature of the dictatorship in the press. One of them described the regime's achievements so far as public works were concerned, in the following terms: "Public works are gathering vigorous momentum in all the compasses of the nation. Gigantic plans for the construction of roads and railways, the reclamation of swamps, the building of canals, harbours, and urbanization are being carried out across the peninsula...It seems as if the collective spirit has awakened from a centenary dream and has set out to re-conquer swiftly its former glorious position in the world."²⁵ Although this ecstatic oratory of the regime was never really matched by its actual achievements, these flamboyant assertions nevertheless exemplify the paramount role that public works come to play in Primo de Rivera's new deal. Consequently, Primo de Rivera's rule would long be remembered in Spain as an 'era of cement and roads' (Jiménez-Asensio 1989: 275; Ben Ami 1983: 252).

In sum, the predominant policy idea that guided Primo de Rivera in his final years in office was that the state through its bureaucracy should play a growing role in the development of the

²⁴ Lorenzo Pardo was one of the main reformers of the country's hydraulic system and is defined by Carr (1982: 581) as typical of the Primo de Rivera's technocrats with ambitious schemes.

²⁵ Baratech Alfaro, an official of a Catalanian local government (quoted in Ben Ami 1983: 253).

country (Linz 1981: 381). This second period of Primo de Rivera provided thus the model of an active state with emphasis on public works, the so-called *Estado de Obras*, which would be later heralded by the ideologists of the developmental phase of the Franco dictatorship.

5.2.1. Increase of Bureaucratic Autonomy during the second period of Primo de Rivera

Scholars agree that, as soon as the regime started its ‘era of cement and roads,’ the administrative corps gained power and privileges (Jiménez-Asensio 1989: 275; Nieto 1967: 241). The theory developed here sheds light over the micro-foundations that led the dictator to grant more power and privileges to corps. The Negative Control Game was increasingly less important for a dictator whose survival was less dependent on preventing short-term revolutionary uprisings and more dependent on providing medium- and long-term public policies that could improve the country’s economic conditions.

In particular, the dictator and his new collaborators within the Civil Directory, the technocrats, had made a choice for the delivery of public works as the best strategy to develop the Spanish struggling economy. Unlike the previous repressive policies, ‘cement and roads’ required important asset-specific investments in human capital and, in general, efforts that could be subject to opportunistic defections. Time inconsistency problems - or, in other words, the Positive Control Game- became relevant for the dictator. Generally speaking, there was a perception within Primo de Rivera’s technocratic government that problems of political loyalty mattered less and concerns of economic efficiency had become the main priority.²⁶

²⁶As a high official of Primo’s Council of Economy wrote, “the great spirits, and many small ones, are primarily concerned with economics,

The problems of time inconsistency of a dictatorship like Primo de Rivera's were very high. It has been showed above that it was a political system with a high degree of decisiveness, with no third party enforcing formal or informal contracts between government and employees. In case the dictator had any legal dispute with a civil servant, Primo de Rivera could disregard the decision of the Tribunal of Administrative Disputes -a right that could be exercised retroactively. As Carr (1982: 582-583) points out, it was not merely that Primo de Rivera did not respect the old laws, he did not respect even his own decrees. To make credibility worse, dictator's decisions were also highly unpredictable and unstable. It is especially difficult for an employee to trust an employer like Primo de Rivera who openly recognizes that "all my life I have been changing my views, sometimes I reject today what I accepted only a week ago."²⁷ Primo de Rivera's policy diletantism was elevated by his followers into the philosophy of 'intuitionism', which represented the triumph of the man of sense and feeling over the intellectual (Carr 1982: 565). False intuitions were subject to 'rectification,' whereby the reactions of the man in the street were incorporated into policy. Primo de Rivera himself was proud of his own policy inconsistency: "rectification is our homage to the sovereignty of the people when it is guided by reason."²⁸

According to the Positive Control Game, given the high problems of time inconsistency produced by a very decisive and unpredictable ruler, the only solution for overcoming employees mistrust is to grant them bureaucratic autonomy. Administrative scholars agree that the growing dependence of the regime on the performance of certain civil servants is what forced the dictator to "pact" with several administrative corps (Nieto 1976: 254). The former would grant bureaucratic autonomy in exchange for an

increasingly forgetting politics" (José María Valverde in *La Nación*, 26-3-1927).

²⁷ Intervenciones en la Asamblea Nacional, Madrid, 1930, p.40.

²⁸ Quoted in Carr 1982: 565.

increasing collaboration of the latter in the provision of public policies. Primo de Rivera decided to tie his hands in the management of public employees in three aspects: tenure, selection, promotions and incentives.

In relation to **tenure**, most of the purges ended in 1925 and, as it was pointed out by the contemporary press, secure tenure was the rule for the rest of the period.²⁹ As far as **selection** is concerned, the suspension of competitive exams enacted in 1923 was progressively lifted for many corps. A few administrative bodies, like the Corps of Medical Doctors, were able to re-start their competitive system of entry already in 1924.³⁰ For most corps the ban for selecting new members was eliminated from 1925 onwards. That was the case for the Corps of Customs Experts, which obtained their autonomy in 1925;³¹ or for the Corps of Technical Lawyers of the Ministry of Justice, which got it in 1928.³²

In relation to **promotions**, Primo de Rivera had initially tried to substitute 'entirely New Men' for the long-standing civil servants who had been covering the highest-ranking offices in most ministries since the turn of the century. However, as a result of his change of approach towards civil service, Primo de Rivera increasingly delegated more promotion decisions to administrative corps. As Ben Ami (1983: 92) remarks, the dictatorship, if anything, ended up expanding the bureaucratic system of promotions inherited in 1923 instead of constraining it. The new Directors General and Heads of Department, especially in Ministries such as Public Instruction, Communication, Development, Labour and local Administration were not entirely

²⁹ *Folletín*, p.39, 745-9.

³⁰ See the Royal Decree on May 6th 1924 (*Boletín de la Revista General de Legislación y Jurisprudencia*, year 73, vol.189, Madrid, 1924, p.35).

³¹ Royal Decree on March 31st 1925 (*Alcubilla, Apéndice de 1925*, p.437).

³² Royal Decree on November 17th (*Boletín de la Revista General de Legislación y Jurisprudencia*, year 77, vol.216, Madrid, 1928, p.281).

'New Men' but 'old' civil servants. Besides, a decree in 1925 stated that the members of the executive would no longer be personally in charge of the staff policy of their ministerial department.³³ Those responsibilities would go to the civilian undersecretaries who had been suppressed by the first decree of the dictatorship.³⁴

With regards to **incentives**, it is precisely in this second period of Primo de Rivera's dictatorship when Spanish corps acquired one of the most characteristic features of their bureaucratic autonomy: a partial economic independence. Many corps started to enjoy their own sources of income –independent from the general budget and, therefore, independent from eventual time-inconsistency policies. That is, administrative bodies were allowed to manage their own economic incentives. They could keep a percentage of the fines imposed or collect fees from citizens in exchange for the services provided by the administration (Nieto 1967: 252). Therefore, they knew that, irrespective of arbitrary changes in the state budget, they could have resources enough to cover their wages. This system of economic autonomy was not totally invented by the dictatorship and some particular corps like civil engineers had been collecting their own fees for almost a century. However, during the dictatorship there was a generalization of this system to a greater number of corps and, above all, there was a systematization of the process (Nieto 1967: 253).

The income perceived by these non-budgetary means was pulled together in the so-called 'special cash desk' of each corps and ultimately distributed among its members (De la Oliva 1968: 56). The first special cash desks were created between 1925 and 1928. Although at the beginning they were quite modest, these independent sources of income increased at the end of Primo de

³³ Decree on December 21st 1925. This decree also unburdened the directory from the intense activity they had been doing so far: there would not be more daily meetings of the directory (*El Sol* 21-12-1923).

³⁴ Royal Decree on September 15th (*Boletín de la Revista General de Legislación y Jurisprudencia*, year 72, vol.185, Madrid, p.366).

Rivera's regime and were extended to many corps (Rodríguez Miguel 1958: 233-235).

The different bodies of engineers were the most benefited by the increasing levels of bureaucratic autonomy. They were absolutely necessary for implementing the ambitious plans of public works (Jiménez-Asensio 1989: 276). And they were formed by employees who had to undertake costly (many times asset-specific) investments in human capital.³⁵ The delegation of staff policy to the administrative bodies of engineers achieved its peak with the creation of several Engineers Councils -independent bodies responsible for taking all personnel decisions that would involve any member of a given corps (Nieto 1967: 251). The most known of these Councils is the Industrial Engineers Council, established in 1928. The selection, tenure, promotion, disciplinary regime and incentives of the members of the Industrial Engineers Corps would be since then, in the hands of the Council, without politicians' intrusions (Nieto 1967: 251).³⁶

To sum up, Primo de Rivera did not have a uniform approach during his rule to personnel management. Two periods may be distinguished. At the beginning, along with a rhetoric full of criticisms to the Corps' establishment, purges and other measures, Primo de Rivera reduced the level of bureaucratic autonomy existing in the Spanish administration. However, during the so-

³⁵ Due to the shortage of qualified technicians at the beginnings of the 'era of cement and roads,' Primo de Rivera government took temporary measures, such as allowing that all graduates of the Special School of Road Engineering became automatically paid civil servants (Royal Decree on May 13th 1927, *Boletín de la Revista General de Legislación y Jurisprudencia*, year 76, vol.208, Madrid, 1927, p.121).

³⁶ The Industrial Engineers Council issued as well a system of internal redistribution to prevent the extreme inequalities that could arise from the fact that some engineers were posted to places where many fees could be collected while others were confined to less lucrative destinations. It set that all engineers had to deliver a 22% of all the income they perceived from citizens to the Corps' special cash desk (Nieto 1967: 251).

called Constitutional Phase, Corps increased their autonomy to levels not achieved in the past –enjoying, for example, a broad economic independence from state budget. As a matter of fact, nowadays scholars agree that Primo de Rivera’s was the Spanish political regime where Spanish Corps increased their independence most quickly.³⁷ In other words, it was in this second period when Primo de Rivera could implement what is known to be his most preferred motto: “less politics and more administration” (Beltrán 2001).

5.3. The Second Republic (1931-1936)

Economic difficulties produced by the fall of the peseta in 1929 and an unsuccessful state interventionism in some sectors led Primo de Rivera to lose the support of his main constituencies: the businessmen, the army and the crown (Carr 1982: 590-591). Moreover, there was a growing opposition to the regime from intellectuals and students (Linz 1981: 378). Suffering health problems at the same time, Primo de Rivera finally decided to resign in January 1930 and retired to Paris where he died within a few months.

With the dictator gone, Alfonso XIII entrusted the task of returning to a Restoration-type constitutional monarchy first to General Berenguer, and then to Admiral Aznar. But neither Balaguer nor Aznar could gain the support of the conservative groups who had previously backed monarchs’ decisions. Many leading conservative figures had lost their confidence in the monarchical political regime. They could not forgive the King for

³⁷ Interview with Rafael Jimenez-Asensio on 15 April 2005, and with Francisco Villacorta on 19 April 2005. I interviewed 10 former officials between April and September 2005. The success rate was 100% since all interviewees accepted. There was no standard format. For details on the dates and names, see Oral Sources in the Bibliography. Interviewees were aware that the purpose of the interviews was to collect evidence for the hypotheses tested in this dissertation.

the treason of 1923 when he preferred a dictator to them (Carr 1981: 111). The defections of those monarchists made possible the electoral victory of the Republican-Socialist bloc in the larger towns in the municipal contest on 12 April 1931. Fearing a widespread Republican uprising and lacking the explicit support of many sections of the Army to repress it, Alfonso XIII had to leave for exile on 14 April 1931 and Spain became a Republic.³⁸

5.3.1. *The low decisiveness of Republican governments*

Compared to the Dictatorship, the Republican governments had three main restrictions to their decisiveness. In the first place, from the very beginning, governments were formed by coalitions of very different parties who were constantly vetoing each other. Carr (1980: 119) uses Marx's description of the provisional government of the 1848 French Republic to portray the Spanish executives of the Second Republic: a compromise between different classes which together had overturned the throne but whose interests were mutually antagonistic. The discrepancies inside coalition cabinets were so high that all but 2 of the 18 governments during the 1931-1936 period fell as a result of an internal crisis (Carr 1980: 123).³⁹

In addition, not only all policies had first to be agreed between the competing political parties in the cabinet, but then had to be forced on the various supporting groups in the *Cortes*. This

³⁸ It must be remarked here that neither Berenguer's nor Aznar's brief governments did change the status quo of high bureaucratic autonomy inherited from Primo de Rivera. In fact, the only regulation on civil service issued during the transition between the Dictatorship and the Second Republic was a Royal Decree on February 21st 1931 suppressing the politically appointed local officials established by Primo de Rivera (Jiménez-Asensio 1989: 293).

³⁹ Some of those crises were as well the consequence of unexpected interventions by the President of the Republic, who manipulated a series of political events (Carr 1980: 117).

process was hampered by the extreme party fragmentation: there were 26 parties in the constituent *Cortes* of 1931 and no single party achieved more than 115 seats in a Legislature of 470. Besides, parties were ill-disciplined, and divided from each other and within themselves (Carr 1980: 122). To make the task of legislating even more difficult, the opportunities for filibustering by the opposition were extensive.

In the third place, contrary to what had happened with Primo de Rivera, Republican governments were limited by the checks and balances of a constitutional system that guaranteed the rule of law and the independence of the judiciary. During the Republic, judges could repeal government's discretionary decisions in relation to public employees. There is evidence that some courts overturned governments' decisions on staff policy. For example, in the aftermath of the Republic many local governments seen as monarchists were dismissed, notably in the region of Catalonia. In 1934 several Catalan Courts repealed those decisions and forced the government to re-employ those civil servants (Jiménez-Asensio 1989: 324; Sarrión Gualda 1983: 289). In sum, as a consequence of these three main restrictions, it can be argued that Second Republic governments had a lower decisiveness than the previous monarchical ones.

5.3.2. The survival strategy of Republican governments

For the first time in history, the Spanish government contained mass parties with the promise of the delivery of public policies appealing to the electorate (Carr 1980: 117). All coalition parties of the 1931 provisional government, despite having different recipes for modernization, considered that it was the task of the new regime to bring Spain up to date. In principle, governments seemed to link their survival to the provision of public goods long-time demanded by a society which had always lived under autocratic regimes. However, the high governmental instability of the Second Republic would hinder that goal.

The political crises, produced by either parliamentary or coalition discrepancies, were so numerous that there were 18 governments in just over 5 years. In total, 72 ministers served in one or other of the cabinets (Thomas 1961: 89). The longest continuous tenures as prime minister were for Azaña (25 months) and Lerroux (16 months), who, nevertheless, had to re-shuffle their cabinets several times (Tuñón de Lara 1982: 119). As Jiménez-Asensio (1989: 295) notes, there was no time for decision-taking and implementation of any long-term policy.

In those circumstances, governments' survival could hardly depend on the provision of public goods, because there were no real chances for a continuous implementation. The main threat for the survival of incumbents were the so frequent political crisis, produced by the shifting coalitions and party alliances, and also the possibility that the recurrent social riots would end up in either a revolutionary uprising or in a military *pronunciamento*. There were continuous extra-parliamentary political attempts to undermine the Second Republic from both extremes of the ideological spectrum as well as from nationalist movements.

On the extreme left, the new leaders of the anarcho-syndicalist movement considered that Republican democracy was a farce and the *Cortes* 'a brothel.' Since 1932, they dragged the movement into several attempts at social revolution (Carr 1980: 127). Even the less extremist -and regular member of the cabinet- Socialist party had also revolutionary temptations. According to one of its leaders, Largo Caballero, the triumph of the right should be avoided "first in the ballot box, then in the streets" (Carr 1980: 129). So, once the conservative coalition won the 1933 elections, the Socialist party encouraged the Revolution of October 1934, where workers tried to set up a Socialist Republic defended by 'red army' militias.

On the extreme right, high-ranking military officials and different conservative groupings were conspiring since the beginning against a regime they considered as illegitimate. In their view, the government had ceased to represent the Spanish nation, whose unity it threatened to destroy by giving in to Catalan

'separatists.' They tried to revive the 19th century procedure of a military *pronunciamiento*, firstly with the failed attempt of General Sanjurjo in 1932; later on, with the uprising in July 1936 which would open the civil war. At the same time, the Catalan regional government, controlled by nationalist parties, frequently rebelled against the II Republic authorities. And it declared twice (in 1931 and 1934) for a Catalan state in a federal republic.

As a result of this highly unstable political environment, it was difficult for politicians to tackle important social reforms and ambitious programmes of long-term public works.⁴⁰ The most urgent task for governments was to preclude political crisis both within and outside the parliamentary arena. The structure of the budgets reflects those priorities. For example, one of the most long-standing social demands, the agrarian reform, was initially impelled through the enactment of the Agrarian Law of 1932. However, the government did not provide the cash enough to implement it and preferred to shift the money to more short-term needs. As a result, the budget of the newly created Institute of Agrarian Reform was less than half the expenditure on the *Guardia Civil* security forces (Carr 1980: 125-126).

Occasionally, governments were successful at preventing the expansion of social riots, like in the repression of outbreaks of rural violence which culminated in the 'massacre of Casas Viejas.' Often times, the lack of governments' decisiveness made many repressive policies difficult. For instance, the 1931 provisional government could not stop the church-burning that started in Madrid and spread all throughout the country. Miguel Maura,⁴¹ the conservative Minister of the Interior, demanded that the *Guardia*

⁴⁰ There were, nevertheless, several reform-minded ministers who launched determined policies, especially in public health and education. There was, therefore, a contradiction between the unstable political situation, on the one hand, and the high expectancies created by well-defined (although mostly not implemented) policies of many politicians on the other.

⁴¹ The son of Antonio Maura, the prime minister who enacted the Civil Service Act 1918.

Civil should repress it. But the rest of the government, fearful of their popularity should there be casualties, vetoed *Guardia Civil*'s intervention and many churches were burned (Carr 1980: 123).

In the light of these facts, which game could be argued that Republican governments were playing with public employees? The literature points out that, with the exception of some reform-minded politicians, incumbents, given their high instability, were scarcely interested in public employees delivering public policies (Nieto 1976: 568). In contrast, as the literature observes, governments were mostly interested in preventing employees from engaging in any kind of revolutionary or fascist uprising (Alba 1997, Nieto 1967, 1976).

5.3.3. *The high Bureaucratic Autonomy during the Second Republic*

As the hypothesis 3 of the theoretical model predicts, when rulers have low decisiveness and their survival in office depends on the loyalty of public employees, rulers will give bureaucratic autonomy to civil servants to 'buy' their loyalty. Since public employees already enjoyed a high degree of bureaucratic autonomy inherited from the second period of Primo de Rivera, Republic governments limited their civil service policy to keep the status quo.

Scholars agree that the II Republic governments, rather than reforming the bureaucratic autonomy developed under the dictatorship, preferred to preserve it in order to obtain the loyalty of public employees. At the beginning of the period, though, there were several governmental announcements that a deep reform of civil service would take place (Nieto 1967: 253; Jiménez-Asensio 1989: 293). However, as soon as incumbents realized of the importance public employees' loyalty had for their survival in office, they opted for keeping and even increasing the autonomy and privileges corps had enjoyed during the last years of Primo de Rivera regime (Nieto 1967: 254; Beltrán 2001). Authors

emphasize that the support of higher civil servants was acquired by politicians in exchange for maintaining their bureaucratic privileges (Alba 1997: 183). As a result, in the instable period of the II Republic with frequent riots and rebellions, there was, inside the public administration, what has been known as a “God’s Truce” with civil servants remaining loyal thanks to the preservation of their autonomy and privileges (Nieto 1976: 567). If we analyze the different components of bureaucratic autonomy –tenure, promotion and incentives- regulated under the Second Republic, we can see that there were no significant changes in the Civil Service in relation to the previous authoritarian regime.

In relation to **tenure**, civil servants’ immobility was guaranteed at constitutional level. In particular, the article 41 of the 1931 Constitution assured secure tenure for all civil servants (Pérez Serrano 1932: 172; Royo Villanova 1934: 107).⁴² It is necessary to remark that, prior to the enactment of the constitution, the provisional government who seized power after the departure of the king issued the Act for the Defense of the Republic, where secure tenure was partially suppressed to those civil servants who showed “lack of zeal and negligence.”⁴³ The Act was deliberately ambiguous to give wide margin of manoeuvre to politicians to judge on case-by-case bases (Jiménez-Asensio 1989: 312). As several scholars have underlined, since there are no written records of dismissals, there is no evidence on whether this Act was really implemented (Ballvé 1983: 329; Jiménez-Asensio 1989: 312). After the constitution, there was a second governmental attempt to alter secure tenure. In 1932, the Cortes passed the ‘Act of dismissal of public employees by actions against the Republic,’ whose article 1 allowed the government to fire any civil or military servant who “had committed any hostile or disrespectful action against the Republic.”⁴⁴ Again, as Olias

⁴² In addition, the article 49 urged for keeping the existing status quo and considered that, as far as civil service is concerned, governments “should uphold the previous (from the autocratic regime) regulation.”

⁴³ Article 1, *Ley de Defensa de la República*.

⁴⁴ Aranzadi, 1932, Ref.1023.

(1977: 76) observes, there is no data to contrast up to which extent these threats of opportunistic political dismissals were carried out by the government. Despite these two failed attempts of firing non-loyal civil servants, the scholarship agrees that the Second Republic was “a quiet pond” for civil servants (Nieto 1976: 567) where no extensive purges were undertaken (Jiménez-Asensio 1989: 300). The Minister Miguel Maura considered that the democratic governments had respected the existing administration and they “did not choose to dismiss the servants of the fallen regime... [and to appoint instead] the unconditionally loyal to the Republic” (Maura 1968: 204).

One example of the ultimate respect for the inherited bureaucratic autonomy is what happened during the first months of the Republic in many local administrations. The municipal elections on 12 April, which had triggered the establishment of the new regime, had been won by several radical pro-Republican parties in most of the larger cities and towns. As a result, while Republic was being established at the central government level, many newly elected local corporations started depurations of the civil servants who were seen as closer to the previous regime (Jiménez-Asensio 1989: 321). Nonetheless, once the provisional government of the Republic took over in Madrid, it tried to counter-balance such measures with a regulation that forced local authorities to re-admit the fired employees.⁴⁵

In regulating **promotions**, Second Republic governments tried to preserve –and eventually increase– the autonomy of corps. For instance, during the previous dictatorship, some positions at the top of the Army or the Department of Public Works had been covered through discretionary appointments made by the government. During the early months of the Second Republic, the control over the promotions to those positions was returned to

⁴⁵ Order of 28 April 1931 (Aranzadi, 1931, Ref.86).

different Army corps and to the Corps of Road Engineers through a series of regulations (Jiménez-Asensio 1989: 303).⁴⁶

As far as **incentives** are concerned, Republic governments issued several regulations that granted autonomy to some corps for managing their own income. For instance, the Directive of the Corps of Industrial Engineers⁴⁷ conceded to this corps the capacity to maintain a 10% of the fees collected by the services they provided.⁴⁸ With regards to incentives, there was, as well, an attempt of regulation that tried to limit the autonomy of corps –the Restrictions Act of 1934, proposed by the Finance Minister Chapaprieta. However, contrary to the rest of regulations over incentives, the Restrictions Act was not implemented (Suay 1987: 518; Nieto 1976: 567). Like in previous moments of the Spanish history, the political entrepreneur of the reform was minister who was not fully backed by his own party.⁴⁹

In sum, the bottom line of the period is that the autonomy of corps was not affected by the establishment of the Republican institutions (Nieto 1967: 254). Thus, rulers did not create the most efficient administration possible –one without a so costly bureaucratic autonomy- and kept an administration plenty of privileges for many corps. As Nieto (1976: 567) summarizes, “during the Second Republic the administration was, obviously, quite inefficient, but also hardly disturbing.” And that is what politicians valued most: a non-disturbing administration.

⁴⁶ See Order of 20 April 1931 (Aranzadi, 1931, Ref.25), Order of 17 June 1931 (Aranzadi, 1931, Ref.523) or the Decree of 4 May 1931 (Aranzadi, 1931, Ref.138).

⁴⁷ Enacted on 17 November 1931 (in Nieto 1967: 260).

⁴⁸ Out of that 10%, a 10% should be for the engineer who delivers the service and the other 90% would go the Corps’ ‘special cash desk’ (Nieto 1967: 260).

⁴⁹ As it had happened with the administration reformers of the 19th century, Chapaprieta did not feel comfortable with the existing party system. Jiménez-Asensio (1989: 314) defines him as an honest politician with a neutral view on public administration, and who had a well-known reputation as an expert on the field.

5.4. First period of Franco's Dictatorship (1936-1959)

Franco became the ruler of Spain after winning the Spanish Civil War (1936-1939). The causes of the civil war are complex and, according to most of the literature, no single social cleavage can adequately account for its outbreak.⁵⁰ For Gunther (1980: 5), the Spanish civil war may be regarded as partly a struggle between religious Spaniards and anti-clericals; between "haves" and "have-nots"; between centralizing Spanish nationalists and peripheral nationalists; between those committed to the preservation of tradition, law and order, and those preferring rapid social and economic change. Consequently, neither side in the Civil War was homogeneous in its social bases of support.⁵¹

As it has been pointed out above, most conservative groups had long contemplated the idea of a counter-revolution of violence based on an army rising against the Republic authorities. They were a motley assortment of social group who lacked any other clear unity of interest apart from opposing the Popular Front Government of the Republic (Gunther 1980: 5). The so-called Nationalists were formed by monarchists (supporters of Alfonso XIII, exiled in 1931), fervent Catholics, Spanish nationalists, political conservatives and social-revolutionary members of the fascist party *Falange*, plus the majority of the members of the Army and the Church.

Alongside with professionals and intellectuals, many high-ranking civil servants were also in favour of the rebellion against the Republic (Carr 1980: 133-140). In relation to the bulk majority of civil servants, it is difficult to ascertain their allegiances. Mann (1993: 14-16) argues that while in Germany, Austria, Rumania,

⁵⁰ The bibliography on the causes of the Spanish Civil War is very extensive. See, for example, Preston (1994) *The coming of the Spanish Civil War*; Thomas (1977) *The Spanish Civil War*, Carr (1971) *The Republic and the Civil War in Spain* or Brenan (1943) *The Spanish labyrinth*.

⁵¹ This is one of the reasons why the Civil War would end up separating and splitting families (Carr 1980: 136).

Hungary and Italy civil servants appear to have been substantially over-represented among the fascist, in Spain, on the contrary, civil servants seem to have supported parties right across the political spectrum. However, the lack of quantitative analysis in the Spanish case forces us to take this assertion over the peculiarity of Spain with a grain of salt.⁵²

After the electoral victory of a coalition of left-parties – Popular Front- in February 1936, social riots intensified in the entire country. Clashes between socialist and anarchist workers, between fascists and leftists, between police and peasants, were daily occurrences (Jackson 1965: 218). The decisive military revolt broke out in Morocco on 17 July and began to spread to the garrison towns of Spain on the following day, dividing the country in two parts that would fight each other for three years. The rebels created a conventional regular army around the core of the African Army headed by General Franco. In 1939, they were finally able to defeat the Republicans, who never fully overcame their internal discrepancies (Carr 1980: 149-150).

5.4.1. Franco's high decisiveness

At the very beginning of the Civil War several military juntas formed by peer officers were leading the Nationalist side. Soon afterwards Franco took over all major responsibilities until he achieved unlimited powers (Esteban and López Guerra 1977:

⁵² Mann (1993: 14) recognizes that it is difficult to be absolutely sure even over the European countries that present quantitative records, due to the possibility of data biases. Several post-war states prohibited civil servants from joining such parties and much membership remained clandestine. Thus, all estimations are mostly based on subjective perceptions. In fact, Linz (1976: 56) comes exactly to the opposite conclusion: in Europe civil servants were under-represented among fascists.

72).⁵³ But Franco was not an undisputed leader from the start. He was seen with suspicion by many of his fellow generals since he had adopted a noncommittal attitude during the conspiracy meetings before the military uprising (Jackson 1965: 224). It had basically been Franco's command over the most prepared troops (those established in the African colonies) what made him one of the most visible figures of the rebellion. Conscious of the need for a single command to win the war, the main rebel generals ultimately elected Franco as Commander-in-Chief.

In September 1936, he was appointed as "Head of Government of the Spanish State," who will "assume all the powers of the New State." The political regime recognised explicitly that its informing principle was the 'unity of power,' whose locus was in the Council of Ministers (Carr 1982: 706). Franco himself presided the Council of Ministers, and for the entire period he retained the actual power to appoint and dismiss ministers. Formally, Franco was simultaneously Head of State and Prime Minister until the very last years of the Regime, when Franco's health problems led to the appointment of Carrero Blanco as Prime Minister in June 1973. Scholars emphasize that the bottom line of the 'Francoism' as a political system was that the ultimate political authority was concentrated in the hands of one man (Gunther 1980: 42).

Who was in charge of the day-to-day policy-making? Despite the formal existence of a legislature –elected by non-democratic means⁵⁴–, policies were taken in the executive. In particular, the most striking conclusion in relation to the policy-making during the 'Francoism' is that the ability to set and implement concrete policies was highly concentrated in the hands of a single individual: the minister of each respective department (Gunther

⁵³ Article 17 of the 30-1-1938 Act of the Administration of the State: the head of the State has "the supreme authority to issue general legislation."

⁵⁴ The *Cortes* were set up in 1942 and were supposed to represent the 'great interests of society' rather than the 'selfish interests of individual voters' (Fernández-Miranda 1969: 30; Carr 1982: 705).

1980: 142). Once they had been appointed, and while their decisions fell within what Franco treated as a 'zone of indifference' (in other words, if decisions did not alter the basic character of the regime, a concept that remained deliberately vague), ministers had leeway to set government policies (Gunther 1980: 73). Thus, since they enjoyed discretion but their ministerial lives were constantly subject to the "finger of Franco," ministers were, as one of them was reported to have said, "kings in their own bailiwicks" (Carr 1982: 709).

Not only did the government (Franco and his ministers) concentrate all legislative and executive powers, but it also had an extensive control over the judiciary. It enjoyed a very high decisiveness in its relationships with public employees. One example is the possibility of prosecuting civil servants without any well-defined cause. The Article 222 of the Criminal Code established that "the functionaries and employees in charge of delivering public services who cause disturbances or, in any way, alter the regularity of the public service" would be charged with sedition. In practice, this article prevented public employees from organizing any kind of collective complaint on labour conditions (Crespo Montes 2003: 354). In addition, even when a legal provision was theoretically protecting the rights of civil servants, it could not be really enforced because of the extensive government's control over judges' behaviour.⁵⁵

Unlike Primo de Rivera's regime, which might be defined as a traditional authoritarian regime, Mann (1993: 17) classifies Franco's as a corporate state. The main difference would be that Franco went further, with further violence, to flirt with fascist ideas and mobilizing organizations. Initially, Franco established an "organic democracy," based on the "natural groupings of society: family, municipality, and union." No democratic unions were

⁵⁵ For instance, the Article 11 of the 'Fuero de los Españoles' stated that "all Spanish are entitled to access to public offices according to their merit and capacity." However, this article 11 was an "empty norm" (Jiménez-Asensio 1989: 345) on which nobody could file a claim in court (Solé Tura 1972).

allowed, and the state-led unions, which were organized on the same principles as the *corporazioni* of fascist Italy, controlled the working class (Maravall 1978: 5). Yet Franco regime, like Metaxas' one in Greece (1936-1940), was not a proper fascist state, because its fascism was more opportunistic than principled, and much traditionalism remained (Mann 1993: 7). Some Spanish fascists saw in the civil war the opportunity to organize the popular classes in a national-syndicalist structure and create a fascist state, but the most important constituencies behind Franco (the army and the conservatives) did not favour those attempts (Linz 1981: 387).

5.4.2. *Franco's initial survival strategy*

Several scholars have pointed out the existence of a change in what is called here ruler's survival strategy throughout the Franco regime. They date this shift at the end of the 1950s, when many of the most characteristic Franco's developmental long-term policies were put in place. De Miguel (1975) divides up Franco's policy-making priorities into two main periods: the "Blue Era" (1936-1957) and the "Technocratic Era" (1957-1973). In the "Blue Era" (in reference to the colour of the shirts of the ministers who were members of the Fascist party), economic policies did not seem to represent the main concern. The common feature of the governments during this period was the pervasiveness of military officials in civilian ministries. The cabinets gave preponderance to political repression and to suppress the remaining armed opposition, such as the one of the *Maquis* guerrilla in the Pyrenees. On the contrary, during the "Technocratic Era," economic policy-making became the main priority, and several developmental plans were implemented. The presence of military ministers was considerably reduced and most ministers were highly educated technocrats -essentially economists and lawyers (De Miguel 1975: 35).

These arguments are in line with Aguilar's (1996) categorization of the types of legitimacies used by Franco. In opinion of Aguilar, during his first years in power, Franco tried to search social support for his regime resorting to ideological reasons. Franco used what Aguilar calls *legitimidad de origen*: we have been chosen by God to eliminate the previous corrupted Republican regime. During a second period, Franco and his closest collaborators would rather try to gather support by emphasizing the quality of their policies. Aguilar defines it as *legitimidad de ejercicio*: we are the ones who can provide the most efficient public policies. There was thus a change from underlining the *civil war* as justification for the authoritarian regime to stressing the *peace* under autocratic rule and the prosperity that it could bring to Spain. Similarly, Pérez Díaz (1983: 83) contends that, especially from the 1950s, Franco started to emphasize a "substantive" legitimacy based on the state capacity to solve problems.

During the Civil War (1936-1939) and what Carr (1982: 715) calls the 'years of crisis' (1939-1957), Franco's rule was threatened by the possibility of direct military actions and political conspiracies against him. In the first place, there were several attempts of Republican and Communist rebellions during WWII. In the aftermath of the Civil War, proletarian parties had left in Spain guerrilla groups. At the end of the WWII, many Republican exiles, who had helped in the liberation of Paris, joined those guerrillas. In addition, the possibility that the victorious Allies would act in order to restore democracy became an added threat (Maravall 1978: 7). As Carr (1982: 715-716) observes, those hopes proved illusory, but these years nevertheless constituted a period when the survival of 'Francoism,' an authoritarian right regime isolated in a hostile Europe divided between democracy and communism, seemed in doubt.

At the same time, Franco was threatened by internal opposition within its own core constituencies. Convinced monarchists, who were supporters of a Borbon restoration in the person of Don Juan, had never accepted Franco's rule as a permanent solution (Carr 1982: 716). Given that they had the

explicit support of several generals, monarchists could plot in Madrid at any point. Furthermore, there were many other short-term threats which, regardless of not being empirically well-grounded, kept informing repressive policies. For instance, Franco used to talk about the pervasiveness of an inexistent “Masonic leftist conspiracy” aimed at overthrowing him.⁵⁶

The two most loyal organizations to Franco were the military forces and the *Falange*— the regime’s single legal political party.⁵⁷ Franco relied heavily on them to choose the members of his first governments.⁵⁸ One characteristic of those governments, according to economic historians, was that “there were too many military men in the economic departments” (García Delgado 2000: 120). The paradigmatic example would be Suanzes, a personal friend of Franco who was the founder of the National Institute of Industry (INI).⁵⁹

The first Franco governments were chosen more according to the political allegiances of the minister than to their technical expertise. Franco tried to distribute the ministries more or less equally among the so-called “four political families” that had supported him: the monarchists, the traditionalists, the Catholics

⁵⁶ As Carr (1982: 697) recalls, one of the first time Franco met World Bank officials, the latter were astonished by a lecture on the evils of Freemasonry. Moreover, Franco’s paranoid suspicious extended even to the Lions Club.

⁵⁷ The *Falange* was renamed as *Movimiento Nacional* after 1958.

⁵⁸ From 1936 to 1945, military officials occupied 45.9% of all ministries while Falange members enjoyed 37.9% of all portfolios (Jerez 1982: 230).

⁵⁹ The model that inspired the INI was the Italian *Istituto per la Ricostruzione Industriale* (IRI) founded by Mussolini in 1933. Suanzes was a strong supporter of self-sufficiency at all costs (Tortella 2000: 317). Under his rule, no economic feasibility plan was required to apply for public funds. INI financed those projects which were considered as strategic, without finding whether these resources could not have been more profitably used in other ventures (García Delgado 2000: 136; Tortella 2000: 318). For instance, one of those awarded projects aimed at producing petroleum from bituminous slate (García Delgado 2000: 136).

and the Falangists (Linz 1981: 387). As a means of maintaining the continued support of those groups, Franco usually recruited his ministers from a pool of 'ministrables' representing each faction (Gunther 1980: 33). Through this policy of 'ticket-balancing,' representatives of the four families were co-opted by the regime. This pluralism in elite recruitment process is interpreted by Gunther (1980: 34) as a policy of divide and conquer. As long as the government was divided among numerous factions, no single group could become powerful enough as to challenge the Caudillo.

Which type of policies did these ministers take? In the first place, they focused on a pervasive repression of all political opposition. Especially during the 1936-1945 period, Franco regime was characterised by a policy of extermination of those people and organizations which could be linked to liberalism, republicanism, federalism, masonry, communism, socialism or anarchism (Julia 1998). As a result, between 1939 and 1950 thousands of Spaniards were executed.

In relation to the economy, during the 1940s Franco followed a policy of strict autarchy. Economic development could hardly be achieved with a total isolation from the rest of the world. But the main purpose of Franco was preventing any contact with the exterior because it could encourage internal rebellions against the regime (Payne 1987: 480). For Franco and his close collaborator Carrero Blanco, there were two main dangers that could come from outside in case borders would be opened: from the East the communism and from the West the international Masonry's conspiracy. Along these lines, several studies have remarked the existence of a premeditated political will to force the Spanish economic isolation (Sudrià 1988, 1991).

Right after the end of the civil war, Franco announced that Spain should be organized under the principles of economic self-sufficiency or autarchy given that his doctrine was, in his own words, "at odds with the old liberal theories."⁶⁰ Scholarship agrees

⁶⁰ Franco speech on 5 June 1939, (*Palabras del Caudillo* 135-145).

that, obsessed with other policy priorities, Franco deliberately sabotaged many economic reforms (Payne 1987: 264). In the most paradigmatic example, the Finance Minister Larraz proposed a modest reform to put in order taxation in 1940. But Franco vetoed it and Larraz resigned at the beginnings of 1941.⁶¹ The survival strategy of the newly created autocratic regime did not give the first priority to the stimulation of the depressed economy. Even in the difficult circumstances of 1939-40, it could have been possible to obtain more foreign credits and investments. Yet the orientation of the regime was distrusting those opportunities -and only accepting them in the most favourable conditions-, thus depriving a struggling economy of the necessary support for expansion and job creation (Payne 1987: 265). In addition, the state dedicated proportionately less resources to the maintenance, repair and construction of new infrastructure after the Civil War than before it (Carreras 1989: 21). All in all, the first period of Franco was clearly a lost opportunity to stimulate growth of basic industry (Tortella 2000: 316).

As a consequence, there was a worsening of the Spanish economy. From the very beginning the autarchic policy presented some inconsistencies that produced distortions to a precarious economy, such as a non-realistic and arbitrary centralized price-setting (Payne 1987: 265). Import quotas, direct and physical controls, and other distorting instruments of state interventionism generated bottle-necks, corruption and the emergence of a huge black market (Carr 1982: 740).

Franco regime tried to justify the poor economic performance of those years underlining the devastating effects of the Civil War (Molinero and Ysas 1992: 37; Tortella 2000: 315). The war had produced damages in the infrastructures (especially roads and bridges) and the loss of more than 150 tons of gold on military expenses in both sides. Yet the costs were not as high as to explain the slow economic recovery during the post-war period, which

⁶¹ Larraz became –for more than two decades- the only minister who dared to abandon Franco (Payne 1987: 264).

should be causally linked to the social and economic policy of Franco regime (Molinero and Ysas 1992: 38). For Tortella (2000: 315), with an industrial capacity that had survived the civil war almost intact, and with a remarkable endowment of mineral and energy resources (coal and hydroelectricity), Spain ought to have been able to achieve some benefit from a situation that was sad but inevitable, to stimulate exports and help industrial recovery. But this was not to be: for ideological reasons, or compelled by circumstances, Franco regime instituted a policy that did very little to foster industrial production.

The result of the combination between very repressive policies and an inefficient and strict autarky was that, on the one hand, Franco was able to sort out the short-term threats he faced. No opposition within or outside his rank-and-files was able to successfully plot against him. On the other hand, the living conditions in Spain fell below any known level. The Spanish economic growth had been very similar to that of Italy during the first decades of the 20th century. However, in the 1940s, Spain lost ground to Italy. Economic historians agree that the Spain's fall behind Italy was the price exacted for the political autarky and interventionism of the early Franco years (Tortella 2000: 230). Consequently, the decades of the 1940s and the 1950s were years of intense suffering for most Spaniards.⁶²

5.4.3. Franco's initial decrease of Bureaucratic Autonomy

According to hypothesis 4, when rulers' survival in office depends on the loyalty of public employees, rulers will keep discretion in the management of personnel affairs if rulers have high decisiveness. Similar to what had happened during the first period of Primo de Rivera's rule, Franco's initial phase was

⁶² Those were the years of food queues, of patched-up clothes, of sales of second-hand tooth-brushes, and when inadequate diet made tuberculosis soaring all throughout the country.

characterized by a sharp reduction of bureaucratic autonomy. This section analyzes that decrease in three aspects: the elimination of tenure by extensive purges, the alteration of the autonomous processes of selection, and politicians' discretionary decisions on promotions.

In relation to **tenure**, like in the early years of Primo de Rivera, the spoils system was readopted during the beginnings of Franco's rule by purges (Parrado 2000: 254). The commencement of the Civil War implied strong depurations in the administrations under the control of both sides (Beltrán 2001: 197). However, the depurations were more intense in Franco's side (Jiménez-Asensio 1989: 335). In the rebels' faction, the purges of the administration began immediately after the outbreak of the civil war (Beltrán 2001: 197). A decree in 1936 established that "public functionaries might be corrected, suspended or dismissed because of anti-patriotic –or contrary to the national movement-activities."⁶³ Another decree one month later added that "these resolutions (purges) might not be contested before Courts."⁶⁴ The removal of public employees in the Spanish zone under Franco's control –increasingly larger as the war advanced- was so intense that it would be criticized even by his closest collaborators (Beltrán 1996).⁶⁵ The evidence points out that this was the highest clearing out in the history of the Spanish public administration (Jiménez-Asensio 1989: 347).⁶⁶

⁶³ Article 4 of the Decree of the *Junta de Defensa Nacional* on 13 September 1936.

⁶⁴ Decree on 5 October 1936. In addition, another regulation in November 1936 demanded civil servants "an unequivocal show of unshakeable adhesion."

⁶⁵ In his memoirs, Serrano Suñer, Franco's brother-in-law and a very prominent figure in the early years of the dictatorship, regarded the purges of the public administration as a "mistake," a "disaster" and, besides, a "reverse justice," because the actual rebels had considered the formal public officials as rebels.

⁶⁶ A Decree on Purges enacted shortly before the end of the war in April 1939 established the criteria for determining the removal of civil

Purges were especially intense in the department of education at all levels, since it had been traditionally populated by anti-fascist civil servants (Jiménez-Asensio 1989).⁶⁷ On the contrary, removals were less intense in several Special Corps because many high-ranking civil servants had soon embraced Franco's National Uprising (Gunther 1980; Jiménez-Asensio 1989: 371).

With regards to **selection**, the autonomous mechanisms of corps were totally replaced by selection according to political loyalty. As a result of the purges, a great number of vacancies had been occurred in the public administration from the early months of the Civil War. In order to cover those positions, a 1937 Decree stated that the members of the Falange should participate in the state administration "to stamp their mark on it."⁶⁸ Soon afterwards, an executive order urged the administrations of municipalities and regions in hands of loyal troops to fill the numerous vacancies produced by political repression "with people not only loyal to the National Movement, but people who feel the National Movement so deep inside themselves that they are ready to contribute to its goals with all the intensity it requires."⁶⁹ So, the decisive factor for entering the Civil Service was "a passive loyalty and blind obedience understood as inability to rebel against the regime" (Nieto 1976: 571). Most posts were covered through what was known as "patriotic entrance examinations" (García de Enterría 1974; Jiménez-Asensio 1989). The only thing one needed to pass them was to be dressed in the fascist uniform, to sign the nationalistic motto *Arriba España* and to prove her political

servants (Beltrán 2001: 197; Parrado 2000: 254). All public officials had 8 days to present an affidavit with their political record which would be overseen by politically appointed instructors who, in turn, would enjoy total discretion in their decisions (Nieto 1976:570; Beltrán 2001: 197).

⁶⁷ "The teaching at all levels has been monopolized by dissolving ideologies and institutions" (preamble of the Decree on 8 November 1956).

⁶⁸ Decree of Unification issued on April 19th 1937.

⁶⁹ Executive order issued on 30 October 1937.

loyalty (Chueca 1983: 254).⁷⁰ In sum, the Civil Service during the 'Blue Era' would be basically formed by very loyal functionaries who lacked the preparation required to do their jobs (Crespo Montes 2003: 334).

Several authors emphasize that the politicization during the First 'Francoism' also affected the system of **promotions** within the administration (Garrido Falla 1964: 16, 1985: 46; Jiménez-Asensio 1989: 368). The general regulations of the 1918 Civil Service Act –which established a common framework for administrative careers inside corps- were changed for more discretionary procedures made on ministerial basis. Instead of merit-based promotions by open competition, ministers tended to use a 'free election' procedure to sort out internal promotions. The minister –as a *king in his own bailiwick*- regained an almost total control over all appointments within his department.

The consequence of this extremely politicization was a very inefficient administration. Jiménez-Asensio (1989: 347) finds a high degree of administrative inactivity during those years because most of the new employees had just changed rifles for paperwork. The only activity of many of these newly appointed officials was to remain loyal to the new regime and to cash the monthly cheque (Jiménez-Asensio 1989: 362).⁷¹

5.5. Second period of Franco's rule (1959-1975)

At the beginnings of the 1950s, the short-term threats for the survival of Franco seemed to fade away. In the first place, the

⁷⁰ Along these lines, Crespo Montes (2003: 331) explains the following anecdote: some candidates used to put their gun in a visible place on the selection committee's table just before starting their oral examination so as to show their ideological commitment with fascism.

⁷¹ From 1936 to 1956 the administration remained also very clientelistic (Beltrán 1996). Every citizen needed, for everything –from the most important paperwork to the most trivial issue-, a 'contact' inside the administration –known popularly as *enchufe* ('plug').

widespread expectations that the collapse of the regime was likely after the victory of the Allies in WWII were frustrated. Secondly, the guerrilla activity in the north of Spain fell down by 1950. And thirdly, the intense purges after the civil war had left the opposition forces very weak all over the country (Maravall 1978: 7).⁷²

Nonetheless, at the beginnings of the 1950s, the costs of autarchic policies started to create a threat for the survival of the regime. Between March and May 1951 there were strikes and demonstrations in Barcelona, Basque country and Madrid, which indicated a modest but increasing discontentment with the general socio-economic conditions in Spain (García Delgado 2000: 137; Carr 1982: 718; Fanés 1977). The development of the economy became, for the first time, a systematic concern for the Francoist authorities. The institution dealing with labour issues -the National Congress of the Official Syndicates- openly recognized the situation and agreed that “processes of transformation in the socio-economic system” should be studied.⁷³ What is more relevant here, even members of the government explicitly argued along the same lines. That was the case of the Foreign Minister Martin Artajo who suggested that “the moment is appropriate for opening a new stage.”⁷⁴ Facing the potential threats derived of a struggling economy, the regime seemed ready to start a shift in its survival strategy.

⁷² The labour movement had practically been destroyed. Between 1940 and 1947, 17 members of the executive committee of the anarcho-syndicalist *Confederación Nacional del Trabajo* (CNT) and 7 of the *Unión General de Trabajadores* (UGT) were arrested between 1939 and 1954 (Maravall 1987: 42).

⁷³ Quoted in Carr (1982: 718).

⁷⁴ Quoted in Tusell and in García Delgado (2000: 142).

5.5.1. *Franco's change of survival strategy in the late 1950s*

As Carr (1982: 743) points out, Franco faced a dilemma in the 1950s: either he had to meet a drastic fall in living standards by a tightening of political repression or he had to abandon his 'fear of market' and risk opening the economy to the outside world. In other words, either he had to keep his initial survival strategy based on political repression, (effective at short-term, but with medium- and long-term risks when a deterioration of socio-economic conditions could produce a collapse of the regime) or he had to move towards a different survival strategy based on developing the Spanish economy (effective at medium-, long-term; but with short-term risks, since the opening of borders could enhance opposition forces). In the 1950s Franco slowly shifted his survival strategy towards the latter option. The existing policies of economic self-sufficiency were progressively being replaced by a new development strategy for survival (Maravall and Santamaría 1986: 74).

Especially since the appointment of the sixth Franco government in 1957, the 'Blues' lost many portfolios and the 'Technocrats' became dominant in Franco's cabinets (Fusi 1985: 74; Jiménez-Asensio 1989: 376).⁷⁵ The economic development became explicitly the main goal of the Franco regime. The new policies were directed towards rapid industrialization and modernization of the economy (Maravall and Santamaría 1986: 74).

It is important to stress that the economic development was a deliberate choice to secure Franco's survival in office, as several authorities of the regime plainly pointed out. An improvement of the Spanish economy would, its progenitors hoped, produce a stable, satisfied society (Carr 1980: 159). One of the leading 'technocrats' and the main reformer of the public administration

⁷⁵ Technocrats were also called *Opus Dei's* ministers because many of them belonged to *Opus Dei*, which could be defined as an elitist Catholic lay organization (Gunther 1980: xiii).

during the Franco regime, López Rodó, stated that with a per capita income of \$2,000 social and political tensions would disappear. And Franco himself believed that with decent clothes, football matches and TV, the working class would have no cause for complaint (Carr 1982: 725). According to Fernández de la Mora, the ideologue of the regime in its later stages, the satisfactions of a consumer society would induce apathy, a desirable condition of political health (Carr 1980: 160).

Economic historians consider that in the late 1950s there was what they see as a massive shift in economic policy (Anderson 1970), a Copernican about-face (Tortella 2000: 451), or a turn of 180 degrees from an almost total autarchy to neo-liberalism (García Delgado 2000: 148). Prior to those changes, the regime tried to establish international links. In 1953 several agreements were signed with the US, including a Marshall-like recovery plan, and in 1958 Spain joined OECD, BIRD (World Bank) and IMF. These steps on the road to international respectability are seen to represent a transitional stage in Francoism (Carr 1982: 721).

The substantial reordering of public expenditure priorities which occurred since the end of the 1950s illustrates the new priorities of the regime (Gunther 1980: 50). Table 5.1 shows the evolution of state expenditures in four key functions, two of them linked to repressive policies and two of them more related to developmental goals. One can see how policy priorities evolved from 1953 to the end of the dictatorship in 1975.

First, there is a relative decrease in the money spent on those functions aimed at preventing short-term threats against the regime: the percentage of Defence appropriations dropped from 30.4% in 1953 to 13.8% in 1975, while the percentage for Justice and Police decreased from 9.1% to 7.5%. At the same time, there is a notable increase in the budget appropriations for those functions devoted to the medium and long-term socio-economic prosperity. The percentage for Education rose from 8.2% to 17.8% and Social Assistance moved from 3.8% to 8.7%.

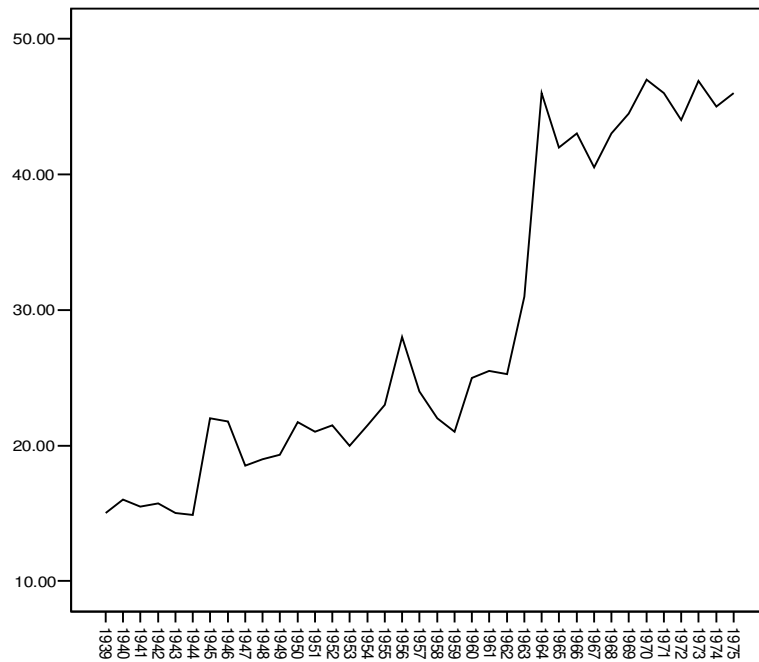
Table 5.1. Change in Spanish Spending Priorities

Function	1953	1958	1963	1968	1973	1975
Defence	30.4	20.9	19.3	14.7	13.2	13.8
Justice and police	9.1	7.9	6.8	7.1	6.6	7.5
Education	8.2	8.0	9.6	12.2	17.7	17.8
Social Assistance	3.8	1.8	5.3	5.3	7.4	8.7

Spending on each function as percentage of total budget.

Source: Gunther (1980: 50).

Figure 5.1. Expenditure of the economic ministries as a percentage of total government expenditure, 1939-1975



Source: Tortella (2000).

Economic historians tend to analyse the growth and proliferation of the 'economic ministries' or the 'ministers of development' (Education, Public Works, Industry, Agriculture, Labour, Health, Transportation, Culture) as the best indicator of the economically proactive policies that characterize nation states in the 20th century (Tortella 2000: 419). These ministries provide long-term public goods which are, by definition, subject to time inconsistency problems. In figure 5.1 we may observe the evolution of the size of economic ministries as a percentage of the total government expenditure. The growth of those ministries is far from uniform during the Franco regime. In 1939, the ministries of development barely represented a 15% of the budget, while the 'non-developmental' ones (Justice, Defence, Interior, and Treasury, plus pensions) consumed the remaining 85%. On the contrary, at the end of the Franco regime, the ministries of development added up almost half of total government expenditures.

The main example of the changing priorities in economic policy is the Stabilization Plan of 1959. It was aimed at increasing national savings, achieving deflation and, overall, liberalizing the economy. The dictator initially opposed the Plan, because he had always considered that economic liberalism would go hand in hand with (a more threatening) cultural and political liberalism. Yet the Finance Minister Navarro Rubio finally convinced Franco that the best strategy for the survival of the regime was liberalizing the economy (Payne 1987: 485). Based on orthodox economics, the Plan was a drastic remedy for inflation and a severe deficit in the balance of (Carr 1980: 156).⁷⁶ At the end of the 1959 18 state price-control agencies had been already abolished and the peseta had devaluated a 50% in relation to the dollar.

⁷⁶ In spite of the notable liberalizing measures, the Spanish economy, akin to the other Southern European dictatorships (Greece and Portugal), should be correctly defined as 'assisted' rather than 'competitive' capitalism, because state and public enterprises played a central role as promoters of economic development (Maravall 1995: 79).

The Stabilization Plan exemplifies the change in Franco's time horizon: a preference for policies with medium-long term benefits over short-term ones. Because the immediate effect of the plan was a powerful recession which lasted a whole year, from mid 1959 to mid 1960. However, from the second half of 1960 until the 1973 international crisis, the economy enjoyed a period of growth completely without precedent in Spain (Tortella 2000: 327).⁷⁷ It thus can be argued that "if there is one decade that can be identified that of the Spanish Industrial Revolution it is certainly the 1960s" (Tortella 2000: 327).

5.5.2. *Franco's increase of Bureaucratic Autonomy in the late 1950s*

Similar to what had happened in the second period of Primo de Rivera's rule, once Franco opted for more long-term policies, the level of bureaucratic autonomy was raised. Nieto (1976: 574) establishes the impasse between the administration of the First and the Second Francoism in 1957. From 1939 to 1957 the administration had been mostly composed by civil servants who were, above all, loyal to the new political regime and who, in general, had not been selected according to their abilities. The extremely politicized civil servants during the first phase gave way to more autonomous technocrats, especially since the late 1950s.⁷⁸ Finally, at the end of the Franco regime, administrative corps would acquire the highest level of autonomy of Spanish administrative history (De la Oliva 1968: 62).

⁷⁷ The annual rate of GNP growth between 1960 and 1965 was 9.2%, and for over the following decade it kept an annual average of 7% (Maravall 1978: 25).

⁷⁸ Generally speaking, the functionaries of the 'Technocratic Era' possessed higher technical capabilities than the civil servants of the previous 'Blue Era' (Crespo Montes 2003: 335). For example, many of them were well acquainted with modern management methods and Keynesian economics (Carr 1982: 708).

In line with the hypothesis 1 of the theory (a very decisive government obtains medium levels of effort from employees in exchange for granting them bureaucratic autonomy), most scholars of the Francoist civil service refer to the existence of a tacit 'pact' between Franco and the Special Corps. The latter guaranteed a basic functioning of the administration and Franco provided them with a great level of autonomy -for selecting, firing, promoting, fixing incentives and even settling punishments to employees (Nieto 1967, 1985, 1976; Alba 1997; Crespo Montes 2003; Jimenez Asensio 1989; Suay 1987: 518).

The pact between some *Cuerpos* and the government of Franco was a second-best solution for the regime. Franco knew he could not obtain the maximum level of effort from the Engineers or the Architects of the State, but he knew they would devote at least half of their working day -generally the morning- to build public works.⁷⁹ During the rest of the day, members of the *Cuerpos* were known to be either at home or working for private sector companies. As a result of this 'pact', Corps achieved an extraordinary level of bureaucratic autonomy. It included self-governing capacity for protecting their interests, and in many cases self-financing capacity -through special taxes they charged to citizens for the services they provided (Parrado 2000: 255).

All actors were conscious of the time inconsistency problems that a political system with such degree of decisiveness could create. In the first place, the political nerve of Franco was known to be unshakeable. He could dismiss a minister abruptly, without a word of gratitude (Carr 1982: 697). Secondly, and more important here, civil servants were conscious of the high decisiveness of ministers ('kings in their own bailiwicks') who could change the content of a given policy overnight.

One classical piece of scholarship, written by two high-ranking civil servants during the Franco regime, explains the trend

⁷⁹ Interviews with two former civil servants during Franco regime: Joan Prats (20 May 2005) and Eduardo García de Enterría (21 April 2005).

towards *Cuerpos*' autonomy and self-management precisely as a consequence of "the inexperience or innovative zeal of politicians, always seen with the mistrust that a 'stranger' provokes" (De la Oliva and Gutiérrez Reñón 1968: 63). For these authors, "corps' appropriation of the administrative organization has been the only possible guarantee against the excessive arbitrariness of political managers;" because, "in their relations with the Government, Corps try to absorb the decisions that affect their members, protecting them from the 'danger' of politicians' discretion" (De la Oliva and Gutiérrez Reñón 1968: 63). They added that, contrary to what occurs when staff policy decisions are in hands of all-powerful and discretionary ministers, working environment is more credible when the person in charge for taking those decisions belongs to your own corps: "there is the security that the chief is a colleague, that the hierarchical relationship will be softened or eventually replaced with comradeship spirit" (De la Oliva and Gutiérrez Reñón 1968: 54). In sum, "the occupation of an administrative sector guarantees more satisfactory working conditions" (De la Oliva and Gutiérrez Reñón 1968: 54).

Before analysing how corps acquired bureaucratic autonomy, it is important to remark that there were several general reforms in the Spanish public administration during the 1950s conducted by the technocrat López Rodó. The reforms were considered by the government as an indispensable previous condition in order any other policy to be effective (Payne 1987: 481). López Rodó considered that a "more open, more conscious and more linked" Spanish population had "logically increased their sensibility" and "the development of other countries is its point of reference." Since "comparisons are inevitable...people demand more concrete policies" and "ask for higher living standards" (López Rodó 1963: 41).

The administrative reforms also affected the Civil Service, rising substantially the degree of bureaucratic autonomy in six dimensions: selection, tenure, promotions, disciplinary regime, incentives, and working conditions. In general, there was a movement from the spoils system used in the post-civil war period

to an increasingly professionalized administration (Villoria 1999: 102).⁸⁰

In relation to **selection**, the most important step in the transition between an almost exclusive emphasis on loyalty to a higher stress on competence as the main selection criteria would be the Decree on Competitive Examinations enacted in 1957 (Crespo Montes 2001: 83). It established standardized administrative procedures and forced selection committees to publicize the notification of the competitive examinations. Thanks to this reform, politicians' interventions were minimized and corps started to autonomously organize the recruitment of their officials and determine their special conditions, such as age-limits or academic qualifications (Gutiérrez Reñón 1968: 137). They could freely choose the periodicity of the entrance examinations, the number of vacancies to cover and the composition of the Selection Committee (Crespo Montes 2003: 350). Unlike the First Francoism, where most entries were reserved to loyal supporters with political connections, the regular entry in the civil service during the Second Francoism was the open competition controlled by corps (Jimenez-Asensio 1989).

At the same time, purges ended and **tenure** became secure. Except for those people who had explicitly expressed political opinions against the dictatorship, the degree of security in office was very high for all civil servants. Several testimonies by former civil servants emphasize that "your *Cuerpo* always protected you. You could even spend half day in the office studying for a college degree or preparing exams for a promotion, instead of doing the work you were supposed to do, and the only thing they said was "you seem a clever guy."⁸¹

⁸⁰ For Admiral Carrero Blanco, the closest collaborator of Franco, "civil service constitutes maybe the most important aspect of the administrative reforms" (Carrero Blanco 1974: 74). He stated that the purpose of the civil service reform was "a modern and operational administration, ready to transform the goals set at the political level into reality" (Carrero Blanco 1974: 74).

⁸¹ Interview with Joan Prats, 20 May 2005.

In relation to **promotions**, most authors agree that the highest price Franco had to pay Corps in order to obtain their cooperation was to concede them the control over a wide range of positions within a given departmental hierarchy. This is defined by some scholars as the 'colonization' of certain sectors of the administration (Nieto 1997: 72). For Crespo Montes (2003: 348), that colonization of the administration was the key component of Corps' self-government. In the first place, Corps decided on all promotions for middle and low managerial positions. That was possible thanks to the formal autonomy granted to corps by specific regulations, similar to what had happened under Primo de Rivera's rule.

Secondly, scholars agree that, in theory, there was discretion for the Minister to appoint the top managerial positions in the department (such as Director-Generals and Undersecretaries). But, in practice, administrative corps restricted minister's discretion and reserved certain posts for their members (Gunther 1980: 140; Medhurst 1973). The mechanism worked as follows. Each Corps had a formal or informal ruling committee whose decisions on staff policy were transferred to the person –normally the Director General– with the organizational responsibilities to implement them (De la Oliva 1968: 54; Crespo Montes 2003: 248). The Director General, most of the time a member of the Corps himself, tended to follow the committee's instructions (Crespo Montes 2001: 65). If there were several corps within the department, the representatives of each corps had meetings to decide how to share the top positions in the ministerial hierarchy (Albaladejo Campoy 1980: 52; Jimenez-Asensio 1989: 409).

As a result, the great majority of the theoretically politically appointed positions –such as Director-Generals, Undersecretaries, Ambassadors or Civil Governors– were fulfilled with functionaries (Gutiérrez Reñón 1987: 52). For Gutiérrez Reñón, more than defining it as a 'formal' administrative professional career for highest-ranking positions determined by statutes, one could define the top civil service career during the Second Francoism as a 'de facto' very stable career for civil servants. For Nieto (1976: 573)

that was an important section of the 'pact' between the Dictator and administrative corps: high-ranking offices inside ministries would be, in principle, filled with political appointments but, in practice, they would be covered by members of the corps who controlled that particular administrative area.⁸²

Scholars have identified an important change in the composition of the Administration's managerial elite from the First to the Second Francoism: while in the 1940s the members of the elite were basically Civil War veterans, in the 1950s technocratic civil servants occupied the main managerial positions (Nieto 1976; Crespo Montes 2003: 335). The most direct way to test up to which extent corps were able to control the promotions within their departments would be to look at the number of members of each corps in the highest-ranking posts in their departments. However, since that data is unavailable a good proxy may be to observe the presence of personnel from outside the department in those posts. The assumption is that the less 'outsiders' there are, the more controlled by corps promotions might be in a particular department.

Table 5.2 shows the incidence of military men in several top administrative positions in civil departments –in particular, Undersecretaries in all departments and Director-Generals in the department of Presidency and the department of Trade and Industry. Military men were outsiders in the sense that, since they could not belong to any of the corps of a civil department, their promotion to those positions could only be the result of a discretionary decision by the minister. One can see how in all three cases the percentage of military in the highest-ranking posts

⁸² When Ministers tried to bypass that informal rule, they often found themselves with a frontal opposition of an administrative corps. That was the case in 1971 within the Ministry of Presidency. A large representation of the Civil Administration Technicians (TAC) corps claimed their right to fill the vacancy of Technical General Under-Secretary, who had been initially offered to an 'outsider.' Finally, the minister rectified his initial decision and the TAC corps could put its man in the vacancy (Interview with Crespo Montes, 26 September 2005).

of the civil departments steadily declines from the first governments of Franco to his latest executives. For example, in 1938-1939, one third of all Undersecretaries were military, while at the beginnings of the 1970s all Undersecretaries were in hands of the corps of each civil department. Similarly, there was a sharp decrease in the number of military Director-Generals in the department of Presidency (from 100% to 33.3%) and in Trade and Industry (from 35.9% to 12.5%).

Table 5.2. Percentage of military in highest-ranking posts of civil departments

	1.Gob 1938- 1939	2.Gob 1939- 1945	3.Gob 1945- 1951	4.Gob 1951- 1957	5.Gob 1957- 1962	6.Gob 1962- 1969	7.Gob 1969- 1973	8.Gob 1973- 1974	9.Gob 1974- 1975
Military Undersecretaries in all Civil departments	31.6	17.6	12.5	12.3	8.9	5.1	0	0	0
Military Director-Generals in Dept. of Presidency	100	100	100	72.4	56.0	0	31.1	33.3	33.3
Military Director-Generals in Dept. of Trade and Industry	-	35.9	25.0	24.4	28.3	12.5	14.9	12.5	12.5

Source: Álvarez (1984).

Not only did Corps occupy the top administrative offices, but their colonization was also extended to those positions commonly known 'political' (De la Oliva *et al.* 1968: 59). In the first place, the policy-advice cabinets of each Ministry tended to be mainly formed by civil servants, especially during the last years of the regime. Secondly, civil servants filled the core positions reserved to politicians: Ministries. That was possible thanks to the juridical figure called 'leave of absence' through which civil servants could be relieved from their functions to serve in political positions (Alba 1997). Functionaries became thus a Franco's reserve of

recruitment for political positions and they ended up occupying 80.3% (64.4% if we only take into account civil servants and we exclude military) of all Ministries.

As far as **disciplinary regime** is concerned, bureaucratic autonomy during the Second 'Francoism' was also very high. According to several authors, official disciplinary mechanisms were mostly inefficient during the last years of Franco regime. Since the institutions responsible for imposing sanctions to a given civil servant were formed by members of the same corps, they were always too close to the defendant; and only for the most serious charges disciplinary measures were taken (Munoz Machado 1981: 118). Many corps enjoyed its own 'Honour Court', entitled to deal with disciplinary proceedings affecting its members. Irrespective of the existence of an Honour Court, the general rule was that any preliminary investigation of a civil servant would be headed by a member of the same corps as the civil servant's (De la Oliva 1968: 58).⁸³ Consequently, as a high civil servant and public administration scholar pointed out in 1968, "a public servant has the right to remain in the service of the Administration until his superannuation or retirement. He may only be temporarily or permanently separated from the service as a result of a penalty imposed on account of a fault duly proved in proceedings, carried out in accordance with a minutely regulated procedure, which affords the accused an opportunity to defend himself" (Gutiérrez Reñón 1968: 142).⁸⁴

⁸³ Corps were, as well, the primary source of information in relation to any disciplinary issue. As the National School of Public administration's ENAP-DATA Survey 1967 shows, the answers to the question 'when there are important problems that may affect you, through which channel do you normally are informed?' were 'corps colleagues' (53%), 'hierarchical superior' (30%), 'other functionaries' (6%), 'people outside the administration or mass media' (10%) (quoted in De la Oliva *et al.* 1968).

⁸⁴ There are no official statistics of the disciplinary actions taken against civil servants during the Second Francoism, but while Crespo Montes was in the Superior Commission of Personnel from 1955 to

In relation to **incentives**, several authors consider that one of the essential elements of Corps' self-government during the dictatorship was their autonomy for managing their own income (Crespo Montes (2003: 351; Gutiérrez Reñón 1968: 138). Many Corps enjoyed their own sources of revenue –independent from the general budget. Similar to what had been happening under Primo de Rivera's rule, various Corps were allowed to collect fees from citizens in exchange for the services provided by the state, like issuing academic records (Suay 1987: 518; Crespo Montes 2003: 351).

As far as **working conditions** is concerned, corps enjoyed a high degree of autonomy. It has been pointed out above that part-time work outside the public sector was frequently allowed. The compatibility between a job in the public administration and another job in the private sector –or even in the same public sector- was guaranteed by several statutes. Franco regime's legislation authorized the civil servant to combine his administrative work with private activities, provided that they do not “prevent or impair the scrupulous performance of his duties” - and public officials made an extensive use of that legal permission (Gutiérrez Reñón 1968: 140).

The generous system of leaves allowed members of the most prestigious corps to depart from the administration for long periods of time to private-sector jobs, and, afterwards, to come back whenever they wanted to –and they did not have to wait for a new position to be open. That was a common practice especially among the different corps of Engineers. According to data collected by De la Oliva *et al.* (1968), the Civil Engineers Corps was formed by 1.671 members, but only 700 engineers were actually on the payroll in 1968. In the Mining Engineers Corps the relation was of 220 members actually working in the

1975, there were less than 100 disciplinary proceedings which ended up with the dismissal of a civil servant. For Crespo Montes, most of the dismissals were due to two causes: postmen who had stolen money orders and homosexual teachers (Interview with Crespo Montes, 26 September 2005).

administration out of a total of 504; and in the Industrial Engineers Corps, the ratio was of 251 active members out of a total of 366.

As a result, especially highest-ranking civil servants held a variety of positions in both public and private enterprises (Baena 1977, Parrado 2000: 254). Among the officials belonging to special corps interviewed in a National School of Public Administration's survey conducted in 1967, 46 per cent of the respondents stated that they carried on professional activities outside the administration.⁸⁵ It was also common knowledge that there was no important company which did not have some members of the most prestigious corps in their board of directors (Ortega 1992: 8).

5.5.3. An overview of the Bureaucratic Autonomy under Franco

For Nieto (1997: 71), the history of public administration during the Francoism could be summarized as a movement from 'politicization' to 'technification.' Once Franco became interested in inducing public employees to exert more effort in the implementation of policies, he offered corps an extensive bureaucratic autonomy. As a result of that 'pact' between Franco and the main administrative corps, the latter obtained "the broadest possible autonomy in personnel affairs, such as, for example, decisions or reports on promotions, disciplinary dossiers, incentives system, or the enactment of organizational regulations" (De la Oliva *et al.* 1968: 54).

For many scholars, the second period of Franco regime would be the closest to the *bureaucratic ideal* in the history of the Spanish administration, because it was fundamentally a government of bureaucrats (Nieto 1976: 574; Crespo Montes 2003: 335). For Parrado (2000), the *Francoist* State was basically a bureaucratic state. According to Villoria (2000: 103), the Weberian prophecy was fulfilled completely under a regime of

⁸⁵ ENAP-DATA Survey 1967, quoted in Gutiérrez Reñón 1968: 140.

law without democracy, in which the acts –buried with administrative procedures- were mostly written by bureaucrats themselves. French corps have also traditionally enjoyed a great autonomy, but the degree of independence attained by the Spanish corps during Franco regime was much higher (Beltrán 1996: 609). First, while in France recruitment was centralized through the ENA, in Spain it was decentralized and firmly in hands of the corps. And, second, unlike the French ones, the Spanish corps enjoyed self-financing capacities.

In contrast, many authors emphasize that the Spanish administration under Franco resembled not the Weberian bureaucratic ideal, but its opposite: the *patrimonial ideal*. Once in her post, the civil servant achieved such a degree of immobility (only broken by voluntary upwards mobility) that the legal term created in Spain for meaning a permanent position was “a plaza en propiedad” (literally, “a place of your property”) (Roman *et al.* 2004). Many scholars stress that the autonomy of Corps was so high that they transformed entire sections of the public administration into private properties (De la Oliva *et al.* 1967, 1968; Beltrán 1977: 50; Baena 1999, Crespo Montes 2001: 115, Alvarez 1987; Suay 1987: 526). Corps treated the administration as a part of their own patrimony (Parrado 2000: 255); and the Spanish public sector acquired traits of a “feudal state society” (De la Oliva *et al.* 1968: 18). The administration could be well considered as a “confederation of corps,” which enjoyed autonomous independence from each other and from politicians (De la Oliva *et al.* 1968: 146).⁸⁶

Thus, the possibility of classifying Franco’s (and Primo de Rivera’s) administrations as an example of both bureaucratic and patrimonial ideal-types shows the limits of the Weberian typology.

⁸⁶ This opinion was so widespread during the Franco regime that the scholar García de Enterría denounced openly in a public conference the high level of bureaucratic autonomy. He compared the Spanish public administration with a feudal system where the Corps enjoyed almost complete autonomy to rule over a defined portion of it (García de Enterría 1964).

As it has been argued in chapter 1, the Weberian definition, contrary to the one presented here, does not offer mutually exclusive categories. If the same administration may be defined as both an illustration of patrimonial and bureaucratic administration at the same time, then, there is a problem with that taxonomy.

Most explanations of the great power and autonomy enjoyed by Corps during Franco's regime is that Corps simply filled the 'emptiness' around Franco because of the lack of organized political parties (Alvarez 1984: 116, Crespo Montes 2001: 89; Suay 1987: 525). Franco needed people and they were the only available ones. However, as the cases of Mobutu' Zaire and Trujillo's Dominican Republic show, the absence of organized parties does not necessarily lead to the empowerment of administrative Corps. Franco could have relied on relatives and loyalists coming either from the large group of Civil War veterans or from other constituencies. What is more, Franco could have relied on members of the *Cuerpos* –given their higher expertise in comparison to the ranks-and-files of the fascist party or to Civil War veterans-, but without granting them such degree of autonomy. Why did he delegate a broad autonomy to civil servants if his purpose was simply to fill an 'emptiness' of personnel?

Another traditional argument is that corps, in particular the so-called special ones, enjoyed "situations of power incompatibles with a rational administration" because of the "lack of controls by the Franco's regime" (Beltrán 2001: 199). What it has been argued here is that the lack of controls was a deliberate decision taken by Franco. In fact, at the beginning of his rule, as it has been shown above, Franco exerted an intense control over the entire administration. It is not that he could not control, but, precisely because he was able to control too much –as it was obvious during the extraordinary purges during the post-civil war period-, Franco decided to tie his hands –and the hands of his closest collaborators- in the management of public employees. The resulting administration was not the most efficient one, because, as it has been seen in the theoretical chapter, bureaucratic autonomy is just a second-best solution. Nonetheless, it was a rational

administration, the most rational one given the circumstances of an extraordinarily high government decisiveness.

In sum, this chapter has mostly focused on the administrative structures designed by very decisive rulers (i.e. Primo de Rivera and Franco). At the beginning of their dictatorships, when their rule was more insecure, both dictators emphasized the loyalty of employees (i.e. the Negative Control Game) over other concerns. The result was a very discretionary staff policy in the civil service. Nevertheless, both dictators changed their survival strategies after a few years to become handbook examples of 'developmental dictators.' Given their lack of credibility, dictators had to delegate a great deal of staff policy to administrative autonomous bodies in order to overcome the minimum effort equilibrium predicted in the Positive Control Game. That is, in order to convince would-be civil servants to undertake costly asset-specific investments such as studying civil engineering. The result was a very high level of bureaucratic autonomy in an extensive range of personnel issues, such as selection, promotion, disciplinary regime, and incentives.

CHAPTER 6. THE SPANISH ADMINISTRATION FROM 1975 TO 1996: THE IMPACT OF DEMOCRACY ON CIVIL SERVICE

While in 1975 Spain was under Franco's authoritarian regime in the 1980s Spain had a democratic regime with several characteristics of regime stability. There was a constitutional and politically responsible government, military coups seemed increasingly unlikely, quite a few elections had taken place, the protection of human and political rights was guaranteed, and a competitive party system existed (Maravall and Santamaría 1986: 71). This regime change had an impact on the Spanish civil service and this is the subject of analysis of this chapter. It was not a uniform impact, but two different periods may be distinguished in terms of policies towards civil servants: one from 1975 to 1982, which covers the dismantling of Francoist institutions and the Union of Democratic Centre (UCD) governments, and another from 1982 to 1996, which entails the Social Democrat party (PSOE) governments.

The chapter is organized as follows. Section 6.1 summarizes the main political events of the Spanish transition from authoritarian to democratic rule. Section 6.2 describes the low level of decisiveness democratic governments have enjoyed in Spain in comparison with the previous Franco's executives. Democratic governments face constitutional limits, free press, independent judges, trade unions, and parliamentary controls that

preclude them from opportunistic defections in their relationships with civil servants. Low decisiveness has effects for both the Negative Control Game and the Positive Control one. The Negative Control Game would be the game mostly played during the 1975-1982 period, which could be called the transitional years due to the general climate of political violence and military unrest with democratic institutions. The Positive Control Game would be the most important interaction between governments and civil servants from 1982 onwards, when the military threats to democracy seemed to decrease notably.

Section 6.3 analyses civil service policies during the transitional years to democracy (1975-1982). Under the centre-right government of UCD, the loyalty of civil servants became essential for the survival in office of a transitional government which faced short-term threats. The bottom line of that period is that executives, more worried about preventing employees' shirking than about inducing them to undertake costly investments, kept the high level of bureaucratic autonomy inherited from Franco regime. Section 6.4 addresses the reforms taken by the centre-left PSOE government since 1982. The democratic regime was more consolidated then and the main governmental priority was to implement long-term policies. As it has been shown in the theoretical chapter, when the survival strategy increasingly depends on the Positive Control Game, governments with low decisiveness may achieve a better outcome with a discretionary approach to civil service (maximum effort) than with a bureaucratic autonomy (medium effort). In section 6.4 it is shown how PSOE governments realized that the existing very high level of bureaucratic autonomy was not necessary and moved to replace it for a more discretionary approach to staff policy. Although the section embraces the entire period of PSOE rule (1982-1996), it is predominantly focused on the first PSOE term in office (1982-1986), where the most important civil service reforms were undertaken.

6.1. From Franco's death to the consolidation of Democracy

The transition from autocracy to democracy in Spain was the product of a series of pacts and negotiations among different political actors, from almost all the ideological spectrum, which started in the aftermath of Franco's death by natural causes on 20 November 1975. The transition was neither a radical break with the authoritarian regime nor a process of self-transformation by the regime itself. It could be better defined as an 'agreed break' in which there was a lack of continuity between the mechanisms of selection of the rulers (from authoritarian to free elections), but in which there was a legal continuity through which the change was put into practice (Maravall and Santamaría 1986: 73). On the whole, it was a dismantling of the regime from above (Linz 1981: 396).

Paradoxically, the relative success of the developmental policies during the last decades of Francoism created problems for the continuity of the authoritarian regime once its creator had died (Maravall and Santamaría 1986: 76). In the first place, there were increasing internal unbalances within the Francoist core constituencies. Economic achievements allowed Opus Dei technocrat ministers to gradually occupy other government positions traditionally in hands of Falangist groups and, as a result, the old coalitional equilibrium was broken. Secondly, many priests had adopted a critical view on the dictatorship. Finally, the Catholic Church as a whole ended up distancing itself from the regime. In 1971 it even published a document acknowledging its error in taking Franco's side in the Civil War (Maravall and Santamaría 1986: 78). In the third place, the economic development led working-class movements to grow more organized. The overall working-class pressure increased from 1.5 million hours lost through strikes in 1966 to 8.7 in 1970 and to 14.5 in 1975 (Maravall 1978).

The survival of the regime after Franco had been connected to Admiral Carrero Blanco, who was assumed to play the role of temporary guarantor of continuity. But his assassination by ETA

in December 1973 frustrated this plan. In spite of this, Franco thought that he would leave Spain “tied-up and well tied-up” (Gunther 1980: 285-286). His testament established a regime which would concentrate all authority in the hands of a single individual: King Juan Carlos de Borbon.

Nevertheless, when Franco died in November 1975, scholars agree that the political pillars of the regime were crumbling (Maravall and Santamaría 1986: 80). Surveys showed a mounting support for democracy and indicated that the backing for Francoist institutions was virtually nonexistent. In addition, many businessmen had concluded that a continuity of the regime would be an impediment to the Spanish integration into the European Common Market. In this context, the economic elite, traditional allies of Franco, started to exert some pressure in favour of a step-by-step democratic transition. They considered that a serious political crisis, with catastrophic consequences for them, could be the effect of a strong incumbents’ resistance to change the regime. As a result, informal pressure groups launched proposals for democratic reform based on legal continuity (Maravall and Santamaría 1986: 80). Thus, the bottom line at the end of 1975 was that the complex institutional structure Franco had created was in crisis but no one knew how a new democratic regime could be instituted (Lin 1981: 396).

The new ruler King Juan Carlos had been hand-picked by Franco from among several potential contenders for the throne, and carefully tutored since childhood. According to Franco’s will, Juan Carlos would enjoy great powers but he would be momentarily under the tutelage of several institutions where radical Franco followers would remain embedded. In the aftermath of Franco’s death, events unfurled in a manner consistent with his plan, but Juan Carlos would end up not fulfilling Franco’s expectations.

The Spanish transition to democracy may be divided up into three stages (Colomer 1998). During the first phase, which covers from November 1975 to July 1976, Juan Carlos kept Franco’s last Prime Minister –Arias Navarro- in power. Arias government tried

to impose a 'limited democracy.' He included some reformist figures in his cabinet and enlarged the margins of tolerance of opposition groups. Nevertheless, these measures were not accepted by the opposition forces, which, as a response, put into practice a strategy of 'pressure from below.' As a result of this, the number of working hours lost through strikes increased from 14.5 million in 1975 to 150 million in 1976 (Maravall and Santamaría 1986: 80). Worried about the consequences of these socio-political movements, King Juan Carlos expressed his discomfort with Arias' policy before the US Congress. Soon afterwards, Arias Navarro resigned.

The second stage of the transition would start in July 1976 when Juan Carlos appointed Adolfo Suárez -a non-relevant political figure so far- as Prime Minister. From the beginning, Suárez government moved to dismantle the Francoist regime. Initially, Suárez bargained with several opposition groups and achieved their tacit support for a regime change. Subsequently, Suárez's strategy was directed towards negotiating with the Francoist core constituencies (Maravall and Santamaría 1986: 83).

Firstly, he obtained the support of the economic elite while guaranteeing them the continuity of the capitalist system. Secondly, Suárez acquired the backing of the military and civil servants by assuring that the structures of the Army and public administration would remain untouched. And, thirdly, he gained the agreement of the representatives who sat in the Francoist *Cortes* by offering them an electoral system designed to maximize the possibilities of the electoral success of the conservative forces. As a result of these negotiations, a Law of Political Reform which included the celebration of general elections was approved by the Francoist *Cortes*. The project was later ratified by the Spaniards through a referendum with a turnout of 78 percent and an overwhelming 94 percent of Yes votes. The successful outcome of the referendum on the Law of Political Reform strengthened Suárez, who put together a coalition of moderate parties creating the party Union of Democratic Centre (UCD).

The third and last phase of the transition would begin with the general elections of 15 June 1977, in which UCD gained 35 percent of the votes and 47 percent of the seats in Congress. The newly elected *Cortes* elaborated the 1978 Constitution, which would be later sanctioned by a referendum. After its relative victory in both the 1977 and 1979 general elections, UCD formed a minority party government which would be alternatively backed by Right and Left depending on the issue. Although it suffered from internal crisis and several cabinet reshufflings towards the end –including, among other changes, the substitution of Calvo Sotelo for Suárez as Prime Minister- UCD would remain in power until 1982.

6.2. The low decisiveness of Democratic governments

During Franco regime governments did not have any constraint to their policy decisions. As it has been shown, the judiciary system was not independent and, therefore it was not a real counterbalancing power. In contrast, the level of government decisiveness was reduced during the transition to democracy. In the first place, the 1978 Spanish Constitution established the rule of law and guarantees of judicial independence. As a result, governments could not rely on the control of the ‘third party,’ as they used to enjoy previously. The possibility of government’s opportunistic defections would be further limited by the arousal of a free press. In this sense, civil servants could eventually denounce in the press the misbehaviour of a government who was now subject to electoral accountability.

Furthermore, the democracy introduced one more relevant actor with a word in the management of public employees: unions (Cádiz Deleito 1987). The first step towards the official recognition of unions within the Civil Service was, as well, the product of ‘pressure from below.’ Facing increasing demands from public employees, Suárez government approved a decree which recognized the right of civil servants to create professional

associations and join trade unions in June 1977 (Crespo Montes 2003: 313). This right was further guaranteed by the 1978 Constitution.¹ The possibility of membership in trade unions for public employees reduced government's decisiveness. Since then, before taking any arbitrary decision with regards to public employees, politicians should envisage, up to a certain point at least, unions' reactions.

According to hypotheses 2 and 3 of the theoretical model, this low government's decisiveness means that, in case of playing the Negative Control Game, governments will tend to grant bureaucratic autonomy to civil servants. And, in case of playing the Positive Control Game, they will prefer to keep a discretionary approach to staff policy. That is what happened during the two periods which will be analysed in sections 6.3 and 6.4.

6.3. The Civil Service in the Transition to Democracy (1975-1982)

6.3.1. The survival strategy of UCD governments

Which game were UCD governments predominantly playing with civil servants? It is argued here that those transitional governments were principally worried about the short-term menaces produced by a high level of political violence. In particular, the new democracy was permanently threatened by the possibility of a military coup.²

Democrats were particularly afraid of the loyalty of the army and the civil service. A large part of their members had been

¹ The recognition of unions is considered by some authors as the principal novelty that the Constitution brought to the Spanish civil service (Ortega 1992: 10).

² As some authors argue, in retrospect, the logic of the transition to democracy may seem straightforward, but there were many difficulties in the process and it did not automatically impose itself (Maravall and Santamaría 1986: 81).

recruited during the Civil War and many of them were suspicious of democracy and loyal to Franco's memory (Maravall and Santamaría 1986: 80). The resentment within the armed forces was further increased by the concessions of Suárez government to Basque and Catalanian nationalists, who had been claiming for the devolution of governing powers. Franco's supporters within the armed forces, in their role as guardians of territorial unity, were incapable of distinguishing between 'regional devolution' and 'separatism' and they firmly opposed these policies (Maravall and Santamaría 1986: 87). As a result, armed forces acceptance of the new regime was at best conditional and several incidents demonstrated the persistence of hostile military sectors.

In addition, there was a constant threat of terrorism from both the extreme Left and the extreme Right. The Basque separatist ETA produced 345 deaths from 1976 to 1982, including 30 high-ranking military officers. Alternatively, extreme right-wing groups murdered 40 people (Maravall and Santamaría 1986: 92).

At the same time, as it had happened during the failed democratic experience in the 1930s, the beginning of democracy in the 1970s coincided with an international economic crisis. All three Southern European transitions to democracy in the 1970s - Greece, Portugal and Spain- suffered severe economic crisis at the opening of the political change. Table 6.1 provides evidence about the deterioration of their economies as the transitions were about to start. As one may see, the worsening in their rates of growth and inflation from 1970 to the initial year of transition were particularly intense.

The Spanish economy recovered slightly from the first oil crisis during the years 1977-1978, but the second energy shock in 1979 produced a more serious economic stagnation and a sharp increase of both inflation and unemployment. The annual rate of growth was no longer close to 8%, but it fell to 1.3% on average between 1975 and 1982 (Maravall 1993: 89). The public opinion was conscious of the state of the economy and only 2 percent of the population judged the situation to be good in 1980 as opposed to the 66 percent that considered it bad. Although most of the

population still thought democratic elections were the best method for selecting government, political pessimism escalated from 1979 onwards. And surveys showed that only 10 percent of the Spanish trusted the government as a good administrator of public money (Maravall and Santamaría 1986: 93).

Table 6.1 The economy at the time of the transition to democracy

		<i>Greece</i>	<i>Portugal</i>	<i>Spain</i>
Rate of GDP growth	1970	8.0	7.6	4.1
	Initial year of transition*	-3.6	1.1	0.5
Rate of unemployment	1970	4.2	2.6	2.6
	Initial year of transition*	2.1	1.7	4.5
Rate of inflation	1970	3.9	3.4	6.8
	Initial year of transition*	20.9	18.9	16.8

*Portugal and Greece: 1974; Spain: 1975

Source: Maravall (1993: 82).

Closely linked with these factors, other symptoms of political disaffection were detected from 1979 on, such as a reduction of party affiliation and a sharp rise in the rates of electoral abstention.³ At the same time, there was an augment in governmental instability. After the 1979 elections, the ruling UCD started suffering from its own ideological heterogeneity. Since it contained fractions of Christian Democrats, liberals, Social Democrats and independent reformists with a Francoist past, UCD

³ Political frustration and disenchantment also increased over the first years of democracy in Greece and Portugal (Maravall 1993: 92).

was thus embracing what in some European countries would have been the entire political spectrum (Bar 1984: 128; Maravall and Santamaría 1986: 94). Internal discrepancies produced several cabinet reshufflings, the departure of many party members to join political forces closer to their ideologies, and finally Suárez's resignation in 1981. Governmental instability prevented the cabinet from addressing effectively the two most important issues on the agenda: the economic crisis and the (Basque and Catalan) nationalist problem (Maravall and Santamaría 1986: 101).

In this situation of political pessimism with the firstly elected governments, antidemocratic groups increased their harassment of the regime (Maravall and Santamaría 1986: 93). Since 1978, radical Francoists intensified a series of conspiracies with the hardliners within the Army and *Guardia Civil* aimed at restoring the authoritarian regime through a military revolt (Villoria 1999: 104). Some of them organized the military coup occurred on 23 February 1981. The coup did not succeed because the King, who was mostly respected among military officials because of his role as Commander-in-chief and successor of Franco, intervened in favour of the democratic institutions.

Under these conditions, it could be plausibly argued that UCD governments were primarily playing the Negative Control Game with public employees. Like most transitional governments in Southern Europe, they had short-term time horizons and they tended to renounce to provide long-term public goods. As Maravall (1993) has pointed out, in the new Southern European democracies, governments faced the dilemma of either taking their country on a long and painful road to economic efficiency and long-term growth, postponing the rewards that many people expected from democracy, or attempting to respond to more immediate political and social needs, delaying the implementation of economic reforms. In Greece, the first democratic government had not introduced the necessary deep economic reforms. And, in Spain, Suárez believed that his new and fragile democracy was not ready to undertake serious economic reforms either. He considered

that his careful knitting of the fabric of democracy could be undone at any time (Maravall 1993: 89).

UCD governments were more concerned about preventing employees' shirking than about inducing them to efficiently implement public policies. Since the beginnings of the transition, scholars denounced that "rulers are ready to pay any kind of price in exchange for civil servants to support them" plus "government's activities are stopped immediately after any problem arises: public works or industry projects are not implemented and all initiatives in town-planning are paralysed (Nieto 1976: 582). The main UCD responsible for public employees –the Undersecretary of Civil Service Crespo Montes– admits that the strategy of Suárez's transitional governments towards civil servants was more "negative" than "positive." The goal was not to increase civil servants' performance but not to disturb them. Crespo Montes received explicit instructions in that sense from the two UCD ministers to whom he served: Martín-Retortillo and Rodríguez Inciarte.⁴ The former constantly reminded Crespo Montes that the main aim of the department was not efficiency reforms, but to avoid direct confrontations with civil servants. And that was the prevalent political instruction until the very end of Crespo Montes' tenure. In August 1982, two months before PSOE's electoral victory, the then Minister of Administration Rodríguez Inciarte explicitly asked Crespo Montes to calm down civil servants.⁵

⁴ Interview with Crespo Montes, 26 September 2005.

⁵ One of the consequences of that political instruction is the fact that Crespo Montes would launch a pioneering process of negotiation on wage increases with public sector unions.

6.3.2. *The high level of Bureaucratic Autonomy under UCD governments*

Most opposition groups asked for major changes in the Civil Service during the transition to democracy. As the PSOE Senator Villar Arregui pointed out in 1978, the problem was that “those who were servants of the ‘Lord’ are now servants of the people, and frankly there should be a profound modification of the civil service’s status quo.”⁶ However, Suárez chose a strategy of appeasement in relation to civil servants. He thought that keeping the high levels of bureaucratic autonomy would guarantee him the support of civil servants during a fragile transition to democracy. The non-reform of the administration during the transition years was the price that was paid in exchange for political consensus (Alba 1997: 185). In addition, several policies were designed in order to assure the acceptance of the new democratic regime by civil servants (Crespo Montes 2001: 54).

In September 1976, two months after seizing power, Suárez, with the backing of the King, managed to obtain the support of high-ranking officials in the army and the civil service. To do so, Suárez assured that there would not be removals in the armed forces or the civil administration (Maravall and Santamaría 1986: 83). Later on, and few weeks before the first democratic elections in 41 years were announced in April 1977, Suárez government issued a regulation⁷ aimed at guaranteeing civil servants’ loyalty to the new political regime. As stated in its preamble, the main purpose of the new regulation would be to increase wages in the public sector “in order to adjust them to the new social and professional conditions of civil servants.” Scholars agree that the conciliation of civil servants was also the motivation behind the creation of several autonomous Corps in different departments before the first democratic elections (Crespo Montes 2001: 55).

⁶ *Diario de Sesiones del Senado* 30 May 1978.

⁷ Royal Decree 22/1977 on Civil Service.

Suárez's strategy turned out to be successful: the Civil Service contributed to the success of the transition to democracy and, instead of confronting the government, civil servants acted with discipline (Villoria 1999: 121). Non-UCD politicians agree with this point, but emphasize the trade-off in terms of low efficiency this strategy entailed. In words of the first director of the Spanish School of Public Administration (INAP) in the post-UCD period, Joan Prats, "not only has the Civil Service not obstructed the political transition, but it has helped the transition. Nevertheless, maybe the price for it has been a permanent delay of administrative reforms and an aggravation of administrative imbalances" (Prats 1984).

Facing pressures for reforming public administration from opposition parties, UCD government presented a bill on Government, Administration and Civil Service. However, it only contained four articles that affected civil service. Explaining the bill to the press, the Minister of Presidency Pérez Llorca defended government's reluctance to radical reforms of Civil Service, emphasizing that his main goal was not to increase the overall administrative efficiency. He stated that "this Act is a strategy of peace in order Civil Service reform to be rhythmic and serious and not to disturb psychologically the administrative world."⁸

During this first democratic period there were no administrative purges (Alba 1997: 184; Villoria 1999: 109; Beltrán 2001: 201). Not only were there no removals, but some public employees who had not been granted with bureaucratic autonomy during Franco's regime achieved it during the transition. That was the case of two fascist organizations which had survived since the civil war.

Fascist entities had been one of the problems Suárez government had had from the beginning: what to do with two legacies of the fascist origin of Franco's regime such as the Vertical Unions' organization and the National Movement institution? (Cádiz Deleito 1984: 472; Crespo Montes 2001: 57).

⁸ *El País* 12-01-1980.

These para-state fascist institutions did not ever possess the predominant role that their counterparts had enjoyed in the Italian and Nazi regimes, but they contained thousands of employees. Suárez government finally decided to integrate both organizations within the regular structure of the public administration. As a result, a total of 32,000 employees were incorporated in the regular civil service (Alba 1997: 184; Villoria 1999: 109).

The economic costs of transforming 32,000 employees into permanent civil servants were very high, especially if we take into account that their future functions were not clear (Prats 1984: 97; Crespo Montes 2001: 57). Furthermore, decreasing levels of motivation were detected in the newly created bureaucratic institutions (Alba 1997: 185). However, the economic efficiency was not the reason for this transformation. Economically, it had been a costly decision, but, politically, it had its positive payoffs, since the loyalty of the vast majority of the 32,000 employees was assured.

To sum up, the main purpose of the personnel policies conducted by the UCD governments was basically to keep the status quo of corps' high bureaucratic autonomy. UCD governments were conscious of the improvements that a reform of civil service –with a reduction of corps' autonomy– could have had for the efficiency of public policies. In terms of the Positive Control Game, UCD governments could have obtained a higher employees' effort with a more discretionary approach to civil service than the 'medium effort' they were achieving with the existing high bureaucratic autonomy. The UCD Minister of Presidency –responsible as well for Public Administration– recognized in a speech before *Cortes* that “the administration is slow, ineffective, irresponsible, inhuman, cynical, arrogant and undisciplined.”⁹ In addition, scholars agree that there was a general lack of motivation in the administration during the democratic transition (Nieto 1984: 9).

⁹ Quoted in González-Haba 1984: 209.

However, UCD governments considered that it was not the right moment for a radical reform of the civil service, but the priority was to prevent an involution to an authoritarian regime. As the UCD Minister of Education Ortega Diaz-Ambrona pointed out, “it does not seem opportune, in this moment, to tackle the issue of civil service, because it is very difficult to issue an entire Civil Service Act before some aspects of the administration have been reassured.”¹⁰ Another UCD Minister summarized the difficulty of addressing a Civil Service reform in the middle of a complex political transition with the following statement: “no more bulls in the ring and especially not one so dangerous as the civil servants and their organizations.”¹¹

6.4. Civil Service in the Consolidated Democracy (1982-1996)

6.4.1. The survival strategy of PSOE governments

After several years of internal crisis, UCD was defeated in the 1982 general elections and the Social Democrat PSOE –headed by Felipe González- obtained a parliamentary absolute majority in both chambers of the Legislature. As it has been mentioned above, the new democracy had been weakened between 1979 and 1982 because of several factors. In contrast, democracy became much more stable from 1982 onwards (Maravall and Santamaría 1986: 101). In the first place, the increase in electoral turnout in 1982 (80 percent as opposed to 68 percent in 1979) showed a renewed popular support for the new political regime. This situation was further confirmed by several public opinion studies. In 1983, 75 percent of the population considered that democracy was more stable than a year before and 90 percent judged it more positively than previously. (Maravall and Santamaría 1986: 101). At the same time, the 1982 elections meant the end of cabinet instability,

¹⁰ Quoted in González Haba 1984: 197.

¹¹ Quoted in Alba (1997: 191).

since PSOE came to power with an overwhelming majority support in the Congress –having 202 seats out of a total 350- and under the consolidated leadership of Felipe González.

Not only had the Negative Control Game lost significance with the decrease of short-term menaces such as military coups, but the Positive Control Game became particularly important in the interactions between public employees and PSOE government. PSOE was determined to implement an ambitious program for the economic, political and cultural modernization of Spain. The main thrust of the reforms that González government launched in 1982 was catching up with Western Europe –that is, competing effectively with European economies, and reaching their levels of satisfaction in social rights (Maravall 1995: 94).¹²

Firstly, with the purpose of fixing the economic crisis, González's policies were tough from the beginning. The government devalued the currency, undertook an extensive policy of industrial restructuring and reformed the labour and capital markets (Gomà and Subirats 1998). Over the following three years the Spanish economy went through a deep adjustment whose aim was to create the conditions for future sustained growth. These measures started to show positive effects towards the end of 1985 and, especially since 1986, when Spain joined the European Community (EC). In the second half of the 1980s, the GDP growth doubled the EC average, the difference in inflation rates between Spain and the EC dropped from 5 to 1.5 and the public deficit was reduced to 1.9% of the GDP (Maravall 1995).

In the second place, budget priorities shifted towards the provision of long-term public goods. For example, while there had

¹² Maravall (1993: 94) compares the differences in the survival strategies of Suárez and González governments in the following terms: “whereas Suárez was concerned about the capacity of democracy to face the costs of serious economic reforms, González believed that, as it had happened in past episodes of the Spanish history and in many other cases of democratic experiments, a prolonged economic crisis posed a serious threat to political stability (...); the objective was to increase the international competitiveness of the economy.”

been an 8.3% increase in health expenditures between 1974 and 1982, in the period 1982-1989 health expenditures rose by 30.6% thanks to the introduction of universal protection (Maravall 1995: 101). Something similar happened in education, where González government approved several laws that democratised the educational system, expanded technical education, and made education compulsory up to the age of 16. In addition, expenditures in basic infrastructures –especially highways, railways, ports and airports- escalated to reach the 5.6% of the GDP, doubling the European average (Boix 1997, Villoria 1999: 107).

As a consequence of these policy priorities, PSOE government became interested in trying to induce public employees to make their best in the implementation of policies. And that was the instruction Felipe González gave to his first two Ministers in charge for public administration: Javier Moscoso (1982-1986) and Joaquín Almunia (1986-1989). Javier Moscoso was asked to “modernize the public administration to make it more efficient for the delivery of an ambitious program of public policies.”¹³ And Felipe González solicited Almunia to “deepen the administrative reform in order to achieve an efficient administration.”¹⁴

6.4.2. The reduction of Bureaucratic Autonomy during the 1982-1986 PSOE government

According to hypothesis 2 of the theoretical model developed here, rulers will keep discretion in the management of personnel affairs if they have low decisiveness. Public employees will exert ‘maximum’ efforts because they know that low decisive governments [those with $d > (B - C)$] will tend to honour trust, due to the fact that they face too many constraints if they want to

¹³ Interview with Javier Moscoso, 20 May 2005.

¹⁴ Almunia (2001: 205-206) and interview with Joaquín Almunia, 18 October 2005.

violate trust. There are several examples of how those constraints (represented by letter 'd' in the theoretical model) have prevented Spanish democratic governments from violating trust.

A first paradigmatic case would be in 1982 when the UCD government established an informal mechanism with civil servants' representatives to distribute a 1 percent of the total budget's salary allocation according to productivity incentives. The government signed an agreement with the three most relevant unions among low-ranking civil servants: the Union of Independent Functionaries (CSIF) and the civil service's branches of the unions linked to the PSOE (UGT) and to the Communist party (CCOO). It was the first formal agreement ever signed between the Spanish government and civil servants' unions (Crespo Montes 2003: 360).

At the same time, the government attained informal agreements with numerous Superior Corps' unions which represented high-ranking civil servants (Crespo Montes 2003: 362). In order to make the negotiations with government easier for next year, unions from 24 Superior Corps created a joint association: the *Federación de Asociaciones de Cuerpos Superiores de la Administración del Estado* (FEDECA). It was precisely the government the one who encouraged the Superior Corps unions to form a coordinating body. The government promised them that they would be integrated in the formal agreements with the rest of unions for next year's negotiations on incentives (Crespo Montes 2003: 362).

Therefore, in 1983, once the new socialist government seized power, CSIF, UGT, CCOO and FEDECA were all expecting the bargaining rounds (on how to distribute monetary incentives within public sector) to resume. However, only the first three unions were called to talks with the Minister of Presidency and Public Administrations Javier Moscoso. FEDECA was excluded on the basis that it had not been formally called in 1982.¹⁵ Neither

¹⁵ In words of Javier Moscoso before the Parliament, the reason was that during the previous UCD government "the representation of

FEDECA nor any of its 24 components were required for formal or informal negotiations. For some authors, the reason for this exclusion was that the newly elected PSOE government –in particular, the Vice-President Alfonso Guerra- was ideologically closer to the three regular unions –especially to UGT, which was the union branch of the PSOE- than to the representatives of the Superior Corps (Crespo Montes 2003: 362). For the PSOE Ministers at the time Javier Moscoso and José María Maravall, the cause lies in the fact that the PSOE had opted for bargaining just with the strongest employees' representatives, in order to induce the concentration of unions.¹⁶

In terms of the theoretical framework, it could be argued that in period t , UCD government promised to include FEDECA in future negotiations,¹⁷ and the subsequent PSOE government tried to renege on that promise in $t + 1$. If this violation of trust would have happened under the preceding very decisive authoritarian regime, there would have not been any margin of manoeuvre for the civil servants affected. Nevertheless, in democratic regimes, governments may pay some cost in case they want to violate trust.

The right to strike for civil servants –guaranteed in the 1978 Constitution- allowed FEDECA to call all its members on February 1983 to protest against government's attitude. The strike disrupted the activities in many ministries.¹⁸ In theory, there was

functionaries had been assumed just by three organizations: CSIF, UGT, and CCOO" (*Diario de Sesiones del Congreso de los Diputados*, 25 February 1983).

¹⁶ Interviews with Javier Moscoso (21 September 2005) and José María Maravall (24 January 2006).

¹⁷ The responsible for those negotiations, the UCD General Secretary of Civil Service Crespo Montes takes for granted that FEDECA would have been included in the 1983 bargaining rounds should have UCD won the 1982 electoral contest (Interview with Crespo Montes, 21 September 2005).

¹⁸ The data on the success of the strike varies widely in function of the sources. According to the government's spokesman Eduardo Sotillos only 23% of the 12.900 functionaries who had been called to strike

no official change in the governmental position during the strike, and the Minister of Presidency did not offer FEDECA to enter wage negotiations. In practice, however, given the costs of the strike, departmental ministers started to bargain over how to share productivity premiums individually with the Superior Corps of their own ministries. In other words, the socialist government could not finally renege on the promise given by the precedent government to Superior Corps because its 'd' (constraints to decisiveness) were high enough.

A second example may be offered with other actors. The Civil Service Act of 1987 allowed for the first time formal negotiations over wage increases between government and union representatives – who would be elected through contests within the public administration. Following this legal permission, in 1994 the PSOE government signed an agreement on the annual wage increases for the period 1994-1997 with several civil service representatives. In 1996, the Minister of Public Administration of the newly elected Partido Popular (PP), Mariano Rajoy, violated the terms of the agreement and cancelled any wage increase. However, some civil service unions reacted against this violation of trust. They appealed to the Supreme Court and it finally overruled Rajoy's decision (Crespo Montes 2003: 325). This case illustrates how courts can act as constraints to a democratic executive's attempt to violate trust.

In general, these two examples involving the three different Spanish democratic governments –the centre-right UCD, the socialist PSOE and the conservative PP- show how, because of the lack of what here has been defined as decisiveness, democratic governments seem to be compelled to honour trust. In other words, contrary to what had occurred under Franco regime, bureaucratic autonomy was not so necessary for solving the Positive Control Game –basically, because the problem of time inconsistency is much more limited in democratic settings.

actually went on it. On the other hand, FEDECA stated that the real percentage was 70% (Crespo Montes 2001: 139).

Using the simplifying terminology of the theory, instead of the Franco regime's 'medium effort' levels, Spanish democratic governments could now obtain 'maximum effort' levels. The first PSOE government understood that the bureaucratized civil service system inherited from the Franco regime caused a relative lack of motivation. Its aim was to change it for a more flexible civil service system. In other words, the government wanted to play 'discretion' instead of 'bureaucratic autonomy' in the first node.

González, in his first speech before the Congress on 30 November 1982, claimed for a change in the relationship between government and administrative corps. For González, the enactment of a new Civil Service Act (and not the dismissal of civil servants) was one of the main purposes of the socialist government, because "the defects that might seem human are not caused by personal failures, but by the lack of motivation produced because the functionary is forced to act within a defective system."¹⁹ Joan Prats, who had been the responsible for the section on civil service within the 1982 PSOE electoral manifesto, also stated that the new government's aim would not be the removal of civil servants but the reform of the civil service system so as to achieve more efficiency.²⁰ Scholars of the administrative reforms under the first socialist government (1982-1986) underline as well that PSOE goal was to undertake a profound reform of the Civil Service (Suay 1987: 515; Crespo Montes 2003: 319).

The new staff policy would be based on the evaluation of candidates' real aptitudes for the job offered, the measurement of outputs, full-time work for the administration, and a powerful incentive system which rewarded outstanding performance. All those principles required a sharp reduction of the autonomy traditionally enjoyed by corps (Ortega 1992: 11). Hence, PSOE tried what previous governments never dared: to challenge the autonomy of elite Corps (Parrado 2000: 255; Villoria 1999: 116;

¹⁹ *Diario de sesiones del Congreso de Diputados*, 30-11-1982.

²⁰ *Journal MUFACE*, November 1982.

Alba 1997: 187). The PSOE reforms sought to achieve “a softening of the structure, through the attribution to the Power [government] of the greatest discretionary capacities” (Suay 1987: 525).

PSOE government explicitly declared that its objective was to reduce what it considered an excessive corps autonomy. To begin with, the 1981 PSOE electoral manifesto had asserted in its chapter on administrative reforms that “the State belongs by constitutional mandate to the citizens. It does not belong to any civil or military bureaucracy” (PSOE 1981). In words of the first PSOE Minister of Presidency and Public Administration, Javier Moscoso, the general purpose of the socialist government was “to transform an administration that has been traditionally working in a Corps and patrimonial way, serving the interests of the communities that compound it, (...) into a public administration which can be managed by the political power and can serve the general interests of the state.”²¹

The three main officials in charge with the civil service reform during the 1982-1986 PSOE government -the Minister Javier Moscoso, the Secretary of State for Public Administration Francisco Ramos and his closest adviser Francisco Velázquez- all agree that the goal of the reform was gaining discretion on staff policy at corps' expense. For Moscoso, “the government should recover key functions that had been traditionally in hands of corps;”²² for Ramos, “the purpose was to decrease the extraordinary levels of autonomy enjoyed by corps;”²³ and for Velázquez “it was essential to reduce the independence of corps to increase efficiency, because bureaucratic autonomy was not so necessary in a stable democracy as it had been under an authoritarian rule.”²⁴

²¹ CLAD and INAP 1986: 71-72; quoted in Crespo Montes (2001: 193).

²² Interview with Javier Moscoso on 21 September 2005.

²³ Interview with Francisco Ramos on 20 September 2005.

²⁴ Interview with Francisco Velázquez on 22 September 2005.

Few weeks after the formation of the first PSOE government, the cabinet approved a "First General Instruction to Under-Secretaries" which established the new general approach towards staff policy. The Instruction stated that: "the Undersecretaries must think and, if it were necessary, convince the Minister that personnel affairs must not be only the responsibility of the Major Officer [the Corps' representative], but also the responsibility of the Minister, who will have to spend part of her time dealing with those affairs" (Crespo Montes 2001: 125).

The most important initiative on civil service undertaken by the first PSOE government was the 1984 'Measures for the Reform of Civil service' Act –or 1984 Civil Service Act. It is frequently considered as the most important reform in the history of the Spanish Civil Service (Suay 1987: 512; Parada 1986). Scholars emphasize that the general aim of the Act was to diminish Corps' autonomy and privileges (Villoria 1999: 109; Crespo Montes 2001: 170; Beltrán 2001: 202; Jimenez-Asensio 1998: 110). In words of Suay (1987: 522), "if there is a single feature that characterizes this Act is the enormous discretion it gives to political superiors." To do so, the Act established an open system based upon posts over the closed system defined through an administrative career that had been dominated by corps (Parrado 2000: 255). The result would be the partial substitution of a new structure based on a job system for the long lasting structure based on corps (Alba 1997: 191; Ortega 1992: 11; Suay 1987: 512).

The 1984 Act transferred key organizational functions from corps to government (Alvarez 1987:87; Suay 1987: 525). For example, unlike what had been the preceding 'de facto' situation when corps self-governed themselves, the Article 26 established that: "the government will have the authority to (...) 3. to unify Corps when they have substantially similar functions (...) 4. to declare the extinction of some Corps when the general process of rationalization demands it." At the same time, it prohibited the corps to exert those functions: "Corps of functionaries will not be entitled to competences which are the domain of administrative

[for political] bodies.” The main association of Corps, the Spanish Association of Public Administration (AEAP), criticised this article, arguing that government’s discretion for creating and eliminating Corps was an attack towards the professionalism of civil servants.²⁵ The 1984 Civil Service Act, along with other regulations issued by the first PSOE government, diminished bureaucratic autonomy in five key points –tenure, selection, promotions, incentives and working conditions.

In the first place, as far as **tenure** is concerned, the 1984 Civil Service Act increased the number of civil servants with private sector-type labour contracts (called *laborales*) at the expense of regular civil service contracts with life tenure (called *funcionarios*) in many parts of the administration (Suay 1987: 521; Férez 1987: 71; Villoria 1999: 110). The Article 15.1 established that, by default, the standard contract within the Spanish public administration would be the private sector-like labour contract. Alternatively, the article issued that the Ministry of the Presidency “should specify which positions, because of their nature, are reserved to *funcionarios*.” The Article 15.1 found fierce opposition among some civil servants. The AEAP argued that it was unconstitutional because the 1978 Constitution –in its article 103.3-²⁶ had stated that jobs in public administration should be, by default, reserved to functionaries with life tenure.²⁷

²⁵ Some scholars also censured the article 26 because it allowed government “to do anything with administrative corps” (Suay 1987: 523; Garrido Falla 1985). Following a similar argument, the Constitutional Court in its 1987 sentence reduced the extent of the article, considering that it should be the Legislature, instead of the Executive, the institution entitled to create and eliminate Corps.

²⁶ Article 103.3 establishes that “the law will regulate (...) the access to the civil service according to the principles of merit and capacity.” For AEPA, “merit and capacity” implied that the normal access to administration should be through the corps-controlled competitive examinations. For the Social Democrat Joan Prats, this interpretation was unrealistic and, if it finally prevailed in the eyes of the Constitutional Court, was because of the corps-like mentality of the Constitutional

Relying on these arguments, 54 MPs of the conservative party *Coalición Popular* brought the 1984 Civil Service Act to the Constitutional Court (Crespo Montes 2001: 175). The Constitutional Court understood that the Article 15.1 should be repealed because of the “indeterminate power that the Act bestows on the Minister of Presidency.”²⁸ As a result, a modification of the Article was included in the reform of the 1984 Civil Service Act which was passed in 1988. According to the reviewed article, only those posts placed at the lowest levels of the hierarchy could be covered with labour contracts and the rest should be granted to regular functionaries (Parrado 2000: 255). In particular, the 1988 Civil Service Act restricted the use of labour contracts to periodic needs, watchfulness activities and other ‘instrumental’ tasks such as the maintenance of buildings or civil protection. Despite the limits established by the Constitutional Court, the PSOE government achieved its purpose of expanding labour contracts and during its first 10 years in office, they increased from 78,452 in 1983 to 152,663 in 1993.²⁹

In relation to **selection**, the 1984 Act also tried to bring together contracts in public realm with those in the more flexible private sector. The Act legalized the use of selection mechanisms for public posts similar to those employed in the private sector – such as interviews and aptitude tests (Ferez 1987: 71). Those devices would allow a more ad hoc selection of candidates – according to government’s punctual needs- instead of the highly formal competitive exams –designed, most of the time, according

Court members (interview with Joan Prats, 21 May 2005). As a matter of fact, anticipating a future Constitutional Court reaction against PSOE civil service reforms, the PSOE had unsuccessfully tried to veto the Article 103.3 during the debate on the constitutional draft in 1978 (Seage 1997: 76).

²⁷ *Boletín de la AEPA*, July 1984.

²⁸ Sentence of the *Tribunal Constitucional* 99/1987.

²⁹ In opinion of some contemporary critics, civil servants seem to be losing the battle against the ‘labouralization’ of public administration (Del Saz 1995: 133).

corps' needs. The 1984 Act also issued that there could not be a majority of members of a Corps within the committee which was selecting candidates for entering it (Ortega 1992: 13; Crespo Montes 2003: 350).

Several measures were also taken for increasing government's discretion over **promotions** within the administration. In fact, the very first decision taken by the opening PSOE cabinet meeting in December 1982 was the publication of a decree on personnel matters (Alba 1997: 186). By this decree on 'Urgent Measures of Administrative Reform' the government regained control over appointments at the top of the administrative hierarchy. As a result, there was an increase in ministers' margin of manoeuvre over nominations at the highest positions of their departments –a phenomenon which has been defined by many scholars as a politicisation of appointments (Beltrán 1994: 563, Jiménez-Asensio 1989). In a few months, there was a change in the 80 percent of the administrative elite (Parrado 1995: 226).

Later on, the 1983 Organic Law³⁰ on the Central Administration of the State (LOACE) formalized the ministerial discretion over promotions. It established a "structural politicisation" for the four decisional levels below the minister (Jiménez-Asensio 1989). All of them would be filled by political appointments. From top-down, those levels are: Secretary of State, Undersecretary, General Secretary and Director General. Both the selection and dismissal of these officials would depend on "exclusively political criteria" (Jiménez-Asensio 1998).³¹

For the four hierarchical layers below Director General (Under-Director General, Delegate, Provincial Director and

³⁰ Organic Laws are the highest-ranking Spanish laws, with status midway between the Constitution and ordinary laws.

³¹ Moreover, those posts under the control of ministers expanded in all departments. For example, there was a sharp rise in the number of Director-Generals. While in 1973 there were 76 Director-Generals, the first PSOE government appointed up to 179. And the rise continued during the following years: in 1991 there were 227 and in 1996, at the end of the socialist period, 316 (Villoria 1999: 111).

Service Chief), the normal selection procedure would be the so-called 'free designation'. The Minister (or a selection committee appointed by her) would enjoy a high degree of discretion but, in this case, the selected candidate should be a civil servant.³² The 1984 Act issued that the 'free designation' procedure could also be used for all "those positions established in the lists of posts."³³ Given the fact that these 'lists of posts' are made by the Ministry of Presidency, the consequence is that governments are able to use the almost unrestricted free designation procedure for as many posts as they want in all the administrative hierarchy (Suay 1987: 521). A formal competition is open for each vacancy covered by free designation, but the bulk majority of those positions are covered at Minister's discretion (Jiménez-Asensio 1998: 214).

The result is that the highest-ranking positions within each ministry, which had been controlled by autonomous corps during the Franco regime and the first years of the democratic transition, were transferred to ministers' control (Villoria 1999: 111). Many of the candidates chosen for those positions were -like they had been in the past- members of corps.³⁴ The difference was that - contrary to what had been happening in the past- the decision on who to promote was now in hands of politicians.

The explanation offered by the government for the expansion of the free designation mechanism across the Administration was that "trying that public managers manage organizations without managing personnel is renouncing to an essential tool of management" (Lorenzo de Mendieta 2004: 534). For the critics of the 'free designation' procedure, its main inconvenient was that it did not guarantee automatic promotions for civil servants. In their opinion, it is a regressive measure that sets back the public

³² The limits of the administrative career are thus in the Under-Director General level, which is very similar to the boundaries established in other democratic European countries like France or Germany (Álvarez 1987: 94).

³³ Article 20b, 'Measures for the Reform of Civil Service' Act.

³⁴ For a comprehensive analysis of the composition of the administrative elites during the 1982-1991 period, see Parrado (1997).

administration to the 19th century (Suay 1987: 522). Nevertheless, free designation may also be seen as an institutional device that brings nearer contracts in public realm to those in the private sector. If free designation increases uncertainty in the sense that automatic promotions cannot be taken for granted, it is because it works like a private firm, where promotions are not automatically based on seniority, but are dependent on what the CEO understand as an efficient performance. If free designation increases uncertainty it is because it links promotions not to seniority –or other corps self-defined rules- but to what government understands as an efficient performance.

At the same time, when PSOE seized power in 1982, the **incentive** system of civil servants was partially controlled by Corps (Crespo Montes 2001: 193). The aim of Minister Javier Moscoso was to introduce a new system in which the civil servant would not be rewarded by what she ‘is’ (i.e. which Corps she belongs to) but by what she ‘does’ (i.e. which job she does and which her productivity is).³⁵ As the explanatory statement accompanying the 1984 Civil Service Act suggested, the objective of the new payment system would be to “link salaries to the job position”. In order to know what a civil servant effectively ‘does’, government commissioned a general job evaluation of the Spanish central administration from a private consultancy firm. As a result, 1,120 jobs -which had been considered as representatives of the main tasks undertaken in the administration- were evaluated.

In addition, through the Articles 23 and 24 of the 1984 Civil Service Act, the government substituted two new types of wage supplement (the specific and the productivity supplements) for the old Corps-linked supplements (Cádiz Deleito 1987). The specific supplement would reward “the particular conditions of some jobs

³⁵ Speech of Javier Moscoso in October 1984 before the workshop ‘The Public Administration in Times of Crisis,’ organized by the Centro Latinoamericano de Administración para el Desarrollo (CLAD and INAP 1986: 71) (interview with Javier Moscoso, 20 May 2005). For further remarks by Moscoso, see Suay (1987: 523) and Crespo Montes (2001: 197).

such as technical difficulty, dedication, responsibility, incompatibility, hazard rating or arduousness” (Article 23.3.b). And the productivity supplement was devoted to reward an outstanding performance, an extraordinary activity, as well as the functionary’s level of initiative” (Article 23.3.c).

The implementation of this new system of rewards started in 1985 and 1986. There is no consensus within the literature on its real effects.³⁶ On the one hand, most authors agree that the Corps managed to compensate –at least partially- the loss of their old corps-linked supplement. For Crespo Montes (2001: 212), the new specific supplement simply substituted for the old Corps-linked supplement. On the other hand, scholars point out that the productivity supplement has been used more discretionarily by politicians (Crespo Montes 2001: 219).³⁷ In opinion of the main political entrepreneurs of the incentives reform, the Secretary of State of Public Administration Francisco Ramos and Francisco Velázquez, the main achievement of the PSOE government was not the introduction of the new supplements per se, but the disappearance of the corps-controlled ‘corps pockets’ and ‘special cash desks’ which the reform repealed.³⁸

In general, the system of incentives designed by the PSOE government found opposition from some Superior Corps.³⁹

³⁶ Gutiérrez Reñón *et al.* (1988) is one of the few exhaustive studies on the issue and, although it describes accurately its main features and failures, it does not provide conclusive evidence.

³⁷ It is precisely this “discretionary” power in hands of elected politicians what has been more extensively criticized by scholars –most of them civil servants affected by those reforms. They considered that the new reward system was opaque and that granting discretion to politicians over the Civil Service’s incentive system was inherently pernicious because it would imply the resurrection of corrupt practices (Crespo Montes 2001: 219).

³⁸ Interview with Francisco Ramos, 20 September 2005, and interview with Francisco Velázquez, 22 September 2005.

³⁹ For a summary of some civil servants’ complaints see ‘*Wages. The Functionaries Strike Back*’ in the newspaper *ABC* (27-09-1984).

Nevertheless, when interviewed about the reform, most members of those corps agreed with its main principles and preferred to be paid according to the post they held than to the corps they belonged to (Parrado 2000: 256). Finally, the reform of incentives was implemented. The main effect was that corps would no longer be relevant for salaries, which would be in the future primarily related to the job done (Parrado 2000: 255; Crespo Montes 2001: 210).

The first PSOE government also tried to increase its discretion on civil servants' **working conditions**. Traditionally, many corps had enjoyed autonomy to choose the number of working hours per week and its distribution. Governments had not customarily controlled the number of hours. And, as it has been pointed out before, it was common knowledge that many members of corps worked part-time in the private sector. In order to reduce Corps' autonomy in working timetables, in 1983 the socialist cabinet approved a regulation⁴⁰ which established a standardized timetable for the entire administration. In addition, the regulation forced all departments to use time clocks.⁴¹

The main measure on working conditions was the 1984 Incompatibilities Act. Before seizing power, PSOE had aimed at reducing one of the most known privileges enjoyed by Corps: the possibility of having simultaneously one (or several) jobs within the public sector and other (or others) in private firms. The socialist MP Francisco Ramos declared before PSOE seized power

⁴⁰ 'Acuerdo sobre el horario en las oficinas publicas dependientes de la Administración Central del Estado, Organismo Autonomos y Seguridad Social' (*Boletín Oficial del Estado*, 19 January 1983).

⁴¹ As the increase in the number of working hours was not immediately paired off with a rise in the required workload, it was not always clear what functionaries should do during those extra hours. Joaquin Almunia, Minister of Labour at the time, remembers the following illustrative anecdote: crossword books were sold out in the news-stand of the Department of Labour during the first days after the introduction of time clocks (Interview with Joaquin Almunia, 18 November 2005).

that “civil servants should have only one wage from the public sector and (...) should not deliver private services from public institutions”.⁴² Consequently, the 1982 PSOE electoral manifesto included the proposal of a precise regime of incompatibilities through more strict regulations (Crespo Montes 2001: 145).

The 1984 Act issued that civil servants could not hold more than one public job and significant limitations were also placed on holding posts in the private sector (Parrado 2000: 260). It mainly affected to members of the superior corps who had traditionally enjoyed the highest level of autonomy –in particular, Engineers, Architects, Doctors and Lawyers of the State (Crespo Montes 2001: 153). Many of them openly opposed the Act.⁴³

The bottom line of the reforms undertaken during the 1982-1986 period⁴⁴ is that, since then, it would be the political class who would exert the power over the Spanish bureaucracy, becoming “the heir of elite Corps” (Suay 1987: 523). However, for the promoters of the civil service reform, the 1982-1986 changes had not been enough. Many members of the PSOE government believed that civil service was not still sufficiently accountable to elected politicians and further reforms were necessary.⁴⁵ Taking stock of his first term as Prime Minister, Felipe González stated in June 1986 that “the administrative reform has been the unresolved matter of this government.”⁴⁶

⁴² *Diario de Sesiones Plenarias del Congreso de los Diputados*, 24 March 1982.

⁴³ There were some dramatic anecdotes, like a famous gynaecologist of the Hospital San Carlos in Madrid who committed suicide the same day he was forced to resign as doctor in the private sector (Crespo Montes 2003: 321).

⁴⁴ The first PSOE term in office is defined by Crespo Montes (2001: 217) as “the four years that shook the world of civil service.”

⁴⁵ As Felipe González is reported to have said, “here one actually governs less than what people think; you order a ship to be built, and nobody builds it” (Interview with Francisco Velázquez, 22 September 2005).

⁴⁶ Quoted in Crespo Montes 2001: 217.

After winning the 1986 elections, the PSOE government continued with its administrative reforms. In order to give more impetus to the restructuring, González created in 1986, for the first time in the Spanish history, a specific Ministry of Public Administrations (MAP). Moreover, it would be headed by one of his closest collaborators: Joaquin Almunia. Unlike the previous responsible for public administration, Almunia was not a civil servant, but he had a private-sector background. In addition, he had been the member of the 1982-1986 cabinet who had defended more actively the expansion of private-sector-like labour contracts at the expense of the traditional bureaucratic ones.⁴⁷

In his first meeting with González, Almunia received the instruction of making the public administration as efficient as possible in order to meet two major challenges –that is, the entry in the European Communities (EC) and the decentralization of the state.⁴⁸ Spain entered the EC on 1 January 1986, and González understood that an efficient civil service to deal with Brussels institutions was a priority. At the same time, the PSOE governments (1982-1996) were the years when most decentralization of policies to local -and especially to regional-administrations took place. Following the devolution process, a great bulk of civil servants was slowly being transferred to the regional level (Parrado 2000: 256). As one may see in table 6.2, there has been an increase of both local and regional employees in relation to central administration ones during the PSOE governments.

As Minister of the MAP, Almunia launched policies to move public administration from a culture of legalism to a new organizational culture based on management and inspired by private sector experiences (Alba 1997: 188; Almunia 2000: 206). At the beginning, Almunia tried to design a powerful system of incentives controlled by the MAP. Internal cabinet disputes between him and the Minister of Finance (Solchaga) made

⁴⁷ Interview with Francisco Ramos, 20 September 2005.

⁴⁸ Interview with Joaquín Almunia, 18 November 2005.

impossible its implementation. Later on, Almunia created a group of advisers which included consultants from private sector.⁴⁹ As a result, the ministry produced in 1989 a report on *Reflections on Modernizing the State Administration* (MAP 1989). In the report, 15 proposals out of a total number of 30 regarded with civil service. They were aimed at deepening civil servants' incentives to efficiently deliver public policies (Almunia 2000: 210). Although some of the proposals were not fully implemented, there was a reinforcement of the principles of efficacy and efficiency in the provision of public services in several departments (Alba 1997; Villoria 1999: 117; Almunia 2000: 213).

Table 6.2. Evolution of Spanish national civil service (1982-1998)

	1982	1998
Central level	895,731 57.0%	806,574 33.0%
Regional Administrations	44,475 2.8%	671,467 28.0%
Local Administrations	167,045 10.7%	460,054 19.0%
Other (Justice, Universities and Public Enterprises)	439,924 28.0%	300,123 17.0%
Total	1,547,175 100%	2,338,118 100%

Source: Villoria (1999).

⁴⁹ As well as some public sector academics like Michael Barzelay and Joan Subirats.

To sum up socialist reforms of civil service from 1982 on, it can be argued that the *cuerpos* lost autonomy and elected politicians regained control over them. It is important to remark that administrative Corps have not disappeared. They still retain some elements of bureaucratic autonomy, such as the control over selection through competitive exams or some Corps-based incentives (Villoria 1999: 119; Parrado 2000: 271). Scholars have pointed out that the result of PSOE governments' civil service policy should be seen as a mixed system with elements of both an open civil service and a closed one (Álvarez 1987). In other words, the PSOE reforms have moved the Spanish civil service from the extreme end of a closed civil service –with exceptionally autonomous corps- to a final mixed system. According to Parrado (2000), who uses the dichotomy created by Aberbach and Rockman (1988), in Spain there was a movement from a greater emphasis on the *administrative rationality* during Franco regime to an increase of the *political rationality* during the socialist government. During the PSOE governments an *excess of politics* was substituted for the previous *excess of technocracy*.⁵⁰

In general, the increase of politicians' discretion over civil servants reduced the previous bureaucratic predictability and created uncertainty among civil servants over their future careers (Cádiz Deleito 1987: 113). For those who opposed socialist reforms, this uncertainty was not seen as an opportunity for faster promotions linked to your performance, but as if “the Sword of Damocles started hovering above the heads of civil servants” (Crespo Montes 2001: 184). In moving the Spanish civil service to a more open civil service, PSOE tried to copy the US system. The American model was considered by the critics of PSOE reforms as “the worst model of all the known ones” because it was “exclusively based on a utilitarian conception of job” (Parada 1987: 16). For them, the closed career system obeys to a more

⁵⁰ For some authors, there was an excess of politicisation at the top of the civil service hierarchy and “being *one of us* became the rule” (Alba 2001: 103).

sophisticated conception of civil service 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). For these authors, the relative success of Japanese firms in the 1980s –in comparison to American ones- would be explained because, contrary to the more flexible American ones, Japanese companies were based on some sort of a closed career system, with low lateral entries and highly predictable promotions. The identification of a Japanese worker with her company would be similar to the emotional attachment that a civil servant in a closed career system feels for its administration.⁵¹ Therefore, a closed civil service should be the civil service of the future (Parada 1987: 21).

Nevertheless, according to the theory developed here (the Positive Control Game), a movement from a more autonomous bureaucracy (closed civil service) to a more discretionary approach to staff policy (open civil service) should lead to an increase in the overall levels of productivity within an administration. The reason is that public employees would choose a ‘maximum effort’ instead of the ‘medium effort’ they are supposed to exert under bureaucratic autonomy. Can one observe such increase in the productivity of the Spanish public administration after PSOE reforms?

In summarizing the main empirical findings, Villoria (1999: 118) points out that there is evidence of a rise in the overall degree of satisfaction of administration users during the 1990s. There are also important improvements in the individual evaluation of most services. For instance, the degree of satisfaction with the national health service has escalated from -28 to +11 between 1992 and 1997. In the same period of time, the evaluation of the Post Office service rose from -18 to +45, of the pension system management from -13 to +13, of the unemployment service from -33 to -4, and

⁵¹ For Parada (1987: 21), the definition that the chairman of Sony, Morita, gave of his firm would be very similar to what autonomous administrative Corps are: “*a single body with a shared fate.*”

of the general administration offices from -26 to -3 (CIS 1997; Villoria 1999: 118). Hence, similar to what happens to American private sector workers' productivity when actually compared with their Japanese counterparts,⁵² it seems that, despite lacking nowadays the traditional identification –or emotional attachment– they had with the Spanish administration, civil servants seem to perform better under a more discretionary and flexible system. Sometimes, incentives thus seem a good substitute for emotional identification.

In sum, this chapter has analysed the impact of democratic rulers on the Spanish civil service policies. That is, the impact of non-decisive rulers (subject to more limits than authoritarian ones) over civil service. During the instable transitional years to democracy (1975-1982), rulers would be specially interested in the Negative Control Game. UCD governments were more worried about preventing employees' shirking than about inducing them to undertake costly investments and they found that bureaucratic autonomy was a second-best solution to keep employees loyal. As a result, they maintained the high levels of bureaucratic autonomy inherited from Franco regime. During the PSOE rule, with a consolidated democratic regime in Spain, governments' priority shifted to implement long-term policies. In other words, the Positive Control Game gained importance. As shown in the theoretical chapter, governments with low decisiveness may achieve a better outcome with a discretionary approach to civil service (maximum effort) than with a bureaucratic autonomy (medium effort). Here it has been shown how PSOE governments understood that the existing extremely high level of bureaucratic autonomy was not so necessary and started to replace it for a more discretionary approach to staff policy.

⁵² For a summary of the empirical evidence on the higher American productivity, see Baily and Solow (2001) and Comanor and Miyao (1985).

CHAPTER 7. A TALE OF TWO CITIES: BUREAUCRATIC AUTONOMY IN US MAYOR-COUNCIL AND COUNCIL- MANAGER MUNICIPALITIES

7.1. Introduction

In this final empirical chapter of the dissertation a rather different test of the hypotheses is presented. Like in the previous chapters on the Spanish case, here I control for the existence of country-specific variables through analysing within-country variations in bureaucratic autonomy. Nevertheless, unlike chapters 4-6, here the within-country variation is not cross-time, but cross-space. In particular, chapter 7 is aimed at explaining why the organization of some US local administrations resembles the organization of private hierarchies while in others the 'chief executives' have created autonomous bureaucracies in the sense that they have delegated the powers to hire, fire, and promote public employees to autonomous bodies.

In particular, one may observe variations in the level of bureaucratic autonomy across US local governments. Firstly, there are municipalities which have a Civil Service Commission (CSC) and municipalities which lack it. And, more importantly, there are municipalities where the CSC plays a minor role in the management of public employees and municipalities where staff policies are mostly controlled by CSCs. In other words, there are municipalities whose employees are selected, promoted and

dismissed by the administration ‘chief executives’ (either council members, mayors or city-managers); and, on the contrary, there are local governments where those functions are partially or totally delegated to CSCs –which remain isolated from the main organizational line of command that flows from elected politicians to public employees (Tolbert and Zucker 1983, Frant 1993, Ruhil 2003).

An empirical test based on data from the survey ‘Local Government Human Resources Functions 2000’ by the International City-Manager Association (ICMA) is deployed in this chapter. The results seem to confirm the relationship between concentration of powers and bureaucratic autonomy predicted by hypotheses 1 and 2 of the theory.¹ Municipal governments with more concentration of powers (known as *Mayor-Council* municipalities) exhibit higher levels of bureaucratic autonomy (more numerous and more active CSCs) than municipalities with more separation of powers (known as *Council-Manager* municipalities). The chapter is organized as follows. Section 7.2 briefly summarizes the main existing accounts for the bureaucratisation of US municipalities. Section 7.3 applies the theoretical model of this dissertation –and, in particular, its Positive Control Game- to the case of US local governments and generates the theoretical predictions which will be subsequently tested in section 7.4. Section 7.5 concludes.

7.2. Existing explanations of Bureaucratisation in US municipalities

The conventional explanation of the extension of bureaucratisation across US municipalities relies on cultural

¹ The underlying assumption is that local elected officials are mostly interested in playing the Positive Control Game, which seems plausible given the context of democratic stability of US local governments. A further justification of why local incumbents are interested in the Positive Control Game is provided in section 7.3.

reasons and sees it as the victory of 'good government' forces led by Progressive Era reformers (Hoogenboom 1961; Schultz and Maranto 1998). A first flaw of these explanations is that the reformist sentiment alone cannot explain why some cities established CSCs in 1880s while other municipalities followed suit more than half a century later when the Progressive Movement was not already active (Ruhil 2003: 159). A second problem of these accounts is that the link between CSCs –which established autonomous merit systems- and the level administrative efficiency is not straightforward. They do not explain why the merit system was chosen to replace patronage. That is, "why restrictions on local politicians' ability to hire and fire employees are so central to the efficient delivery of goods such as roads, parks and schools?" (Horn 1995: 100).² Furthermore, the 'good government' explanation argues that the introduction of CSCs was hand in hand with the expansion of other municipal reforms such as the expansion of city-managers. However, as it will be shown in section 7.4, that assertion does not stand empirical scrutiny and the contrary seems to be true: municipalities with city-manager are less prone to have CSCs.

Several authors have developed political explanations to fill the gaps of the conventional cultural views. For Frant (1993), the existence of a popular election of the chief executive is what explains the introduction of civil service arrangements replacing a patronage system. If the key purpose of civil service were preventing nepotism or corruption, as some theories suggest, we would expect to see it in private companies, since corporate managers certainly might engage in nepotism at shareholders' expense (Frant 1993: 996). Corruption is not specific to public organizations. The essential feature that distinguishes public from private corporations is the existence in the former of executives that are popularly elected. In the public service, patronage systems

² Private firms have an incentive to hire competent employees but few would take the example of the Pendleton Act and hire simply on the basis of the ranking on examination scores (Horn 1995: 104).

can be used for electoral malfeasance, a problem that does not arise in corporations. In absence of a politically independent civil service, the control over hiring and firing gives to the elected CEO (the mayor) access to public funds with which to reward supporters. The mayor and her party obtain an unfair electoral advantage in relation to other candidates thanks to mayor's control of patronage. This is the reason why in directly-elected-mayor cities (i.e. Mayor-Council cities), where the elected mayor supervises public employees, there is more pressure to limit mayor's appointment powers through the establishment of civil service commissions. In a Council-Manager municipality, on the contrary, the executive authority is vested in a city-manager who is appointed by a board made up of elected councils. Thus a Council-Manager city looks like a private corporation, where managers are appointed by a small board and, thus, the use of patronage for electoral malfeasance is not a problem, because it is useless for the city-manager to retain office. For the city-manager there is no point in distributing patronage posts to citizens, since the latter do not elect her. As a result, independent civil service commissions would be less necessary in council-manager cities.

Although the theory is appealing, Frant does not give us the *micro-foundations* of the politicians' decisions which substituted merit-based systems for patronage ones in elected mayor cities. If the person who may take the decision of holding back patronage is the same who obtains benefits from patronage in terms of electoral malfeasance, why does he prefer an autonomous civil service? Frant offers two non convincing answers: the citizens would persuade politicians to choose a bureaucratic civil service, what seems quite unlikely; or the councillors of opposition parties would try to limit the patronage scope of the elected mayor, what seems more likely -but Frant does not offer empirical support of this latter mechanism.

Another political explanation on the adoption of bureaucratic autonomy in US cities is the one which argues that there was an increase in the 'patronage pressure' -that is, a reduction in the number of available patronage jobs or an increase in the number of

potential applicants per job. The establishment of CSCs turned into a feasible alternative to patronage because it allowed politicians to shirk patronage demands when such demands were becoming increasingly difficult to fulfil (Ruhil 2003: 161).

The main flaw of this argument is its empirical intractability: how can one measure 'patronage pressure'? On the demand of patronage posts, authors use rough proxies such as the percentage of certain foreign populations (notably Irish and Italian) and the results they obtain are contradictory. For Tolbert *et al.* (1983), the higher the percentage of foreign-born population a city has (for the period 1890-1930), the more the middle-class Anglo-Saxon inhabitants of the city are going to react and try to defend their interest by imposing CSCs. The underlying assumption is that the political machines of patronage are immigrant-dominated. Exactly the contrary is true for Ruhil (2003): since immigrants have a strong preference for patronage, they will try to veto any kind of merit reform. Therefore, the more foreign-born population, the less likely the establishment of a CSC in a given city is. Surprisingly, both Tolbert *et al.*'s and Ruhil's predictions, despite being contradictory, seem to be corroborated empirically in their respective studies.³

A second problem of these theories is that they only focus on the growth of the patronage demands and do not take into account the "supply side." It is reasonable to think that, at least during the first decades of the 20th century, the sharp augments in patronage demands –which these authors underline- were coupled by increases in the size of local administrations. There were more people asking for a local post in, for example, 1920 than in 1890. Yet there was a remarkable expansion of local services during that span of time. The political explanations have not incorporated this

³ An explanation for these clashing results could lie on the fact that Ruhil does not control for education, as Tolbert does, and, therefore, in Ruhil's analysis the variable foreign-born could be capturing the significant effects of education over the adoption of merit systems.

change in the “supply side” of patronage, assuming that a city in 1890 offered the same number of positions than a city in 1920.

A final political explanation which deserves mention is the pioneering work of Maser (1998) who applies transaction costs economics to the design of municipal institutions. Maser studies several transaction costs which may affect the relationship between citizens and local politicians to clarify several procedural safeguards existing in municipal institutions. This dissertation uses a transaction-costs approach, but, unlike him, I focus on one particular dependent variable –bureaucratic autonomy- and I use a different transaction cost –the time inconsistency problem inherent to the relation between local incumbents and public employees depicted in the Positive Control Game.

7.3. A Tale of Two American Cities

Once upon a time in the US there were two main types of cities: mayor-council cities (MC) and council-manager ones (CM).⁴ Both types of cities were full of rats. A pied piper with magic powers must decide which type of city he would like to work for. Would he choose a mayor-council or a council-manager city? In this chapter it is argued that in order to take this decision, the pied piper (alas, any employee of the local government) should analyse which the results of the Positive Control Game for each type of city are. Let’s see how the Positive Control Game could be adapted to those two types of US municipalities.

⁴ As Adrian and Press (1970; 152) remark, there are probably no two cities in the US that have *exactly* the same structure of govern, given that there are within-CM and within-MC variations. Nevertheless, they are minor differences. I analyse MC and CM because they are the two overwhelmingly prevalent categories of city government nowadays. The other types –Commission, Town Meeting and Representative Town Meeting- are limited to particular regions or have dwindled a lot during the last decades (Hayes and Chang 1990).

Who are the 'principals' in **mayor-council (MC) cities**? As a general rule, it can be stated that in MC cities the council acts as the legislature and the mayor fulfils the role of the executive. Which is principals' degree of decisiveness in MC cities? In theory, the MC form of government is the form that most closely parallels the American federal government, with an elected legislature and a separately elected executive. It is important to note here as well that the literature further distinguishes two kinds of MC cities –the *weak mayor-council* plan and the *strong mayor-council* plan- in function of the relative power seized by the mayor (Adrian and Press 1970, Svava 1990). One should expect low decisiveness in a city government consciously designed as a separation-of-powers system (Stone *et al.* 1940; 6). Nevertheless, if we analyse the actual relationship between incumbents and public employees, one can see how both weak MC and strong MC cities are polities with high concentration of powers (low "d" in the Positive Control Game). Powerful politicians are the direct superiors of public employees in both subtypes of MC local government.

In a weak MC city, the council has more powers than the mayor. The mayor plays a minor role both in legislative and executive activities and the council members take all policy decisions and control their implementation. It has been contended that this MC type is a product of Jacksonian democracy and it reflects the spirit of frontier, when people were afraid to give powers to a single executive (Adrian and Press 1977; 153). As a matter of fact, weak MC cities may be defined as governments by amateurs acting without coordinated leadership.⁵

With regards to the relationship between incumbents and public employees, instead of a situation of multiple players controlling each other and vetoing the measures that could give short-term gains to elected official, the local government in weak

⁵ Once local services grew all the way through the 19th century, this organizational scarcity produced unintended consequences such a generalized use of the spoils system (Adrian and Press 1977; 157).

MC cities is divided into small sectors. Each one is run either by a small board or, most of the times, by a single councilman. Consequently, a council-member (called aldermen if they represent wards) tends to personally direct the policy implementation and enjoy a considerable control over the management of her area's employees. Instead of having multiple veto players as principals, public employees in each area are frequently at the mercy of one single all-powerful elected politician who may remove employees on political basis at any moment. In other words, the value of d in the Positive Control Game is very low.

Furthermore, since many of these areas (e.g. park boards) are a law unto themselves and they are not answerable to either the mayor or the rest of the council, not only may the council-member in charge replace employees at her entire discretion, but she may also move the policy in the direction she like most –that is, for example, reducing the budget devoted to the pied pipers. That makes any employee's asset-specific investment even riskier. For the literature, the bottom line of this personalistic trend is that the weak MC municipality becomes a series of many little governments –and within each one a boss legislates and executes policy with very few restrictions (Adrian and Press 1977; 1958). As a result, “the weak-mayor plan is the most easily corrupted and bossed because of the confusing pattern on organization” (Adrian and Press 1977; 157). In other words, with regards to the relationship principals-agents, the weak MC plan would resemble more a fiefdom –where several lords impose their will in their particular fiefs– than a copy of the American federal government.

Partly to solve the lack of administrative coordination of weak MC municipalities, the strong MC city plan emerged in the last decades of the 19th century. The role of the mayor was empowered with this plan in many American cities and, while the policy-making remained a joint function of the mayor and the council, the administrative control was concentrated in the hands of the mayor. As far as staff policy is concerned, the strong mayor becomes the only ruler in town. She appoints and dismisses employees, often

without council approval (Adrian and Press 1977; 159). This mayor's 'high decisiveness' is further increased by the fact that, in practice, most mayors have an almost total control over policy-making, raising the level of uncertainty of public employees. The council hardly counterbalances mayor's prerogatives in a strong MC city and normally "the mayor's recommendations, backed as they are by the greater focus of public attention, by constant oversight of the city administration, and by the [mayor's] veto power, will be dutifully enacted by the council, perhaps after insignificant changes or after a symbolic show of independence" (Adrian and Press 1977; 160). Although the council's opposition is inherent to the system, the strong mayor is usually in a position to keep the council in a subordinate role. Subsequently, the strong MC is the clearest example of mixing politics with administration in the same hands (Adrian and Press 1977; 161). That is, using the terminology of the Positive Control Game, this means a very high level of decisiveness –which, in turn, is potentially threatening for public employees.

To sum up, both subtypes of Mayor-Council government imply a high level of concentration of powers. That does not entail that local incumbents are eager to 'violate trust' in the game, but certainly they are capable to do so without many costs. For instance, if elections are approaching, 'principals' (individual council members in weak MC cities and mayors in strong MC cities) can easily replace non-partisan qualified employees –like the pied piper- for partisan non-qualified ones who will help the incumbent in the upcoming campaign. Moreover, principals in MC cities may try to pursue short-term electoral benefits through opportunistically shifting local budgets from long-term to more myopic policies. In this sense, any kind of employee who makes an extra effort under the promise of a promotion -or who invests in an asset-specific training or develops an innovative way of implementing policy is in a weak position. As a consequence, she will tend to choose 'minimum effort' in the Positive Control Game.

Then, the only available way for principals in MC cities to induce employees to work above the minimum-effort level, is delegating staff policy to an external body outside the line of command of the administrative hierarchy –that is, a Civil Service Commission. In other words, those principals in MC cities who are interested in implementing long-term public policies, will tend to grant bureaucratic autonomy to their administrations.

If we move to the other type of municipality, the question would be: who are the principals in **council-manager (CM) cities**? The literature agrees that in CM cities, the council provides legislative direction while a manager -appointed by the council- is responsible for day-to-day administrative operation of the city based on council's recommendations. This governance system (and not the MC type) is thus much like that of a corporation: executive authority is vested in a manager who is appointed by a board made up of elected officials (Frant 1993; 996). The 'principals' are, in the first place, the elected officials (council members) and, in the second place, the appointed manager that acts as a Chief Executive Officer. The first town which officially acquired a CM city plan was Staunton, Virginia, in 1908⁶ and since then it spread with great speed all around the US, becoming in a few years the most successful form of government among middle-size cities (Adrian and Press 1977; 169).

Which is principals' degree of decisiveness in CM cities? The literature disagrees in relation to which roles council and manager actually play. Some argue that there is a strict dichotomy: the city

⁶ Although the origin of the CM plan is not known with certainty and the claim for having the first CM city is sometimes disputed between Staunton and Sumter, South Carolina (Adrian and Press, 1977; 169). Where there is no disagreement is on naming CM plan's founding father: Richard S. Childs, a business man who was at that time the secretary of the National Short Ballot Association and who later was to become president of the National Municipal League. Childs wrote of "the resemblance of the plan to the private business corporation with its well-demonstrated capacity for efficiency" (quoted in Frant (1993; 996). For further details on the origin of the CM plan, see East (1965).

council does not get involved in the administration and the city-manager has no involvement in shaping policies (Montjoy and Watson 1995; 231). On the contrary, for other authors, such dichotomy does not exist and they remark that there is much more interdependence between councils and managers. Councils and managers interfere with each other's responsibilities: the former perform (and oversee) some executive tasks and managers perform (and oversee) legislative duties.⁷ As a matter of fact, the writings of the political entrepreneurs of the CM form of government recognized the interdependence of council's and city-manager's roles. They stressed the importance of a council government with broad authority for elected officials including administrative oversight and, at the same time, they also clearly accepted the policy role of the city-manager (Svara 1998; 52). Following a similar argument, some recent works emphasize that the boundary line between the council and the city-manager has changed over the last decades and nowadays it would be increasingly blurred and shifting to include more administration and management in the council's sphere and more mission formulation in the city-manager's (Svara 1999; 44).

Irrespective of which point of view one embraces, what is relevant for the purpose of this paper is the relatively 'low decisiveness' that principals in CM cities have in their relationships with public employees. As it is shown in the following paragraphs, if one of the principals (council or city-manager) has temptations to renege on the promise given to employees (in other words, if she has incentives to 'violate trust' in the Positive Control Game), the other principal will veto it.

The first question one could ask is: what happens if the city-manager has temptations to violate trust? The main reflection in this sense is that this is an infrequent situation, because, as the literature on local government points out, city-managers tend to be

⁷ Svara makes a devastating critic to the dichotomy model in *The Politics-Administration Dichotomy as Aberration* (Svara 1998).

more focused on long-term policies than elected officials.⁸ While elected officials face electoral contests on regular basis, managers tend to stay longer in office.⁹

There are several studies providing evidence on how city-managers are perceived by employees as less keen on violating trust. For example, Stone *et al.*, after analysing the relations between principals and agents in those cities which moved from a MC plan to a CM one, conclude that the attitude of workers towards their jobs changed. Compared to the previous MC plan, under the CM plan employees believed that “the tenure of their job and the opportunity for advancement depended upon the quality of their work rather upon the outcome of the next election” (1940; 93). Stone *et al.* (1940; 109) accurately describe how the first city-manager of Austin, Texas, built morale among local employees: “the fire chief of Austin told of an audible sigh of relief that arose when, at a meeting of all city employees, the first city-manager announced that no one who did his work well would be discharged. After the change in the form of government, which brought in an entirely new council, the employees fully expected to be thrown out of their jobs. Realizing their fear, the manager immediately started to build up an atmosphere of stability that would permit employees to put their energies into work instead of into worry. When this manager turned the position over to his

⁸ One of the main city-managers’ complains is the different time horizon they perceive there is between their priorities and the elected council members. For example, Svara finds that seven in ten city-managers consider that the council focuses too much on short-term problems and gives too little attention to long-term concerns (Svara 1996).

⁹ The available data is not conclusive, although Stone *et al.* (1940; 61-66) offer some results that seem consistent with that statement. In any case, what is relevant here is that the manager does not have a pre-established time horizon. The agreement within the literature is that the normal way for managers to stay in office is developing a reputation as efficient professionals who weight short-term and long-term policy benefits on technical grounds.

successor six years later, Austin had a hard-working, loyal force of employees.”

Not only city-managers do seem to be less keen on violating trust, but they also have traditionally shown a tendency towards developing trust among employees. As Stone *et al.* suggest, “most managers inspired confidence in their employees. The door to the office of the majority of managers was open to an employee who wanted to unburden himself of a difficulty or to make suggestions for the improvement of city services. Managers were sincerely concerned about the welfare of their employees, and they showed their interest by recognizing and rewarding good work, by encouraging professional growth, by giving attention to hours and conditions of employment and to the employees’ health and safety, and by establishing equitable rates of compensation” (1940; 113).

It could be argued that, although they probably constitute a small proportion, it might also be possible to find city-managers who decide to violate employees’ trust. There may be managers not interested at all in developing a reputation as fair professional managers.¹⁰ If, at some point for whatever reason, a manager is keen on violating employees’ trust, she would face the opposition of the council who can dismiss the manager at pleasure. Like in the modern American corporation -where the board of directors is able to counterbalance manager’s temptation of cheating on employees through its capacity to dismiss her (Miller and Falaschetti, 2001)- in a CM city the council (the equivalent of the board of directors) may remove managers who cheat on employees. However, it is important to remark here that most literature considers that managers overwhelmingly tend to build

¹⁰ The reputation is valuable for working as a city-manager, but it is not a necessary condition such as occurs with other professions. Unlike what happens with the American Medical Association or the American Bar Association, you do not have to be a member of the International City-Manager’s Association to work as a city-manager (Stillman 1977; 664). Thus, your work as city-manager *may* –but not *must*- be subject to peer review.

up reputations of good professionals, mainly through observing International City-managers Association's (ICMA) Code of Ethics (Adrian and Press 1977, Stone *et al.* 1940). Consequently, given that it seems that the city-manager would tend to 'honour trust' in the Positive Control Game, the relevant question one should ask is: what happens if the council –or any of its members- has temptations to violate trust and the city-manager opposes it?

There are several studies that demonstrate the high level of resistance city-managers can exert to prevent incumbents' opportunistic actions against public employees. In fact, council's attempts to interfere with manager's decisions on hiring, firing and promoting employees are normally pointless. As Svava remarks, "if the council is displeased with a staff member (e.g. they would like to have the police chief removed), the council can only attempt to persuade the manager to make the change and, if unsuccessful, either accept the situation or fire the manager" (1990; 52).

The city-manager is not intended to be merely a clerk to the council. Since the beginning of the city-manager movement, the manager has meant to exercise broad discretion in the administration of policies (Stone *et al.* 1940; 17). Indeed, several cities included in their charters provisions forbidding the council as a whole, as well as individual members thereof, to interfere with appointments of the city-manager. These provisions included penalties of fine, removal from office and even imprisonment for the council members who tried to influence a city-manager. For example, the provision of St. Augustine, adopted in June 1915, read as follows: "Neither the council nor any of its committees or members shall dictate the appointment of any person to office or employment by the city-manager, or in any manner to interfere with the city-manager or prevent him from exercising his own judgement in the appointment of officers and employees in the administrative service."¹¹ At the same time, the ICMA embodied

¹¹ (quoted in Stone *et al.* 1940; 20). Besides, in order to further insulate staff from political interference, some cities have prohibited

in its Code of Ethics –adopted in 1924- that a city-manager should resign rather than to permit councils to interfere with their administrative functions (Stone *et al.* 1940; 21).

Some authors state that, because of the close city-manager's dependency on the council, managers may develop a rational interest in 'violating trust' and thus please council members. There might be managers so accountable to the body that elects them that they become mere executors of council's will. In words of Norton Long, managers should be viewed as "politicians for hire" (Long 1965; 119), selected to fulfil council's desires. Long's image of the manager –as well as Bosworth's (1958; 216)- is strikingly different from the more widespread view of managers as autonomous professionals subject to an independent code of ethics, peer group review, and their own standards of expertise (Stillman 1977; 658).

Obviously, one cannot reject the existence of some politicians-for-hire managers. As a matter of fact, in some cities it has been observed that, when a party (or faction) comes to power, it dismisses the manager hired by the opposition and finds one loyal to itself. However, that is the exception rather than the norm. Empirical studies show that councils usually appoint managers without partisan or factional affiliations, and tenure for the manager is, in most cases, not interrupted by considerations other than administrative competence (Stone *et al.* 1940: 70; Adrian and Press 1977: 177). Generally speaking, there is no empirical support for the hypothesis that managers are politicians for hire and, on the contrary, managers' preferences seem to consist of building up reputations as autonomous professionals subject to independent standards of expertise. They seem to be mostly worried on long-term policies and they give a lot of attention to create confidence or trust with employees.

Evidently, as it has been pointed out above, the city-manager is appointed by the council, so if the former does not fulfils the

direct communication between council and staff members (Svara 1990; 52).

latter's preferences, she can be dismissed.¹² Yet, dismissing a city-manager is quite costly for the council. In the first place, the council member interested in city-manager's removal needs to overcome the collective action problem of getting enough support from the rest of the council. In general, they need either the unanimity of the council (a number that normally ranges from 5 to 9) or a very wide majority. In the second place, the council member needs to accomplish a costly dismissal procedure—for example, many city charters include provisions guaranteeing the city-manager a public hearing on written charges before dismissal. And, third, it is rather difficult to find—among the available pool of potential candidates to become the new city-manager—professionals ready to accept council members' interference in appointments. As it has been mentioned before, although the affiliation to ICMA is voluntary, its Code of Ethics is widely respected by most city-managers and it is not straightforward to recruit a city-manager willing to risk her reputation as an independent administrative manager.¹³ There are exceptions to the general rule of appointing non-partisan city-managers, but even in those exceptions, once in office, managers usually drop their political affiliations and strive to become non-partisan administrators (Stone *et al.* 1940; 70).

According to the arguments deployed here, the level of decisiveness remains very low for principals in CM cities. This observation matches the main conclusion in the literature: despite being often times depicted as a system of unification of powers

¹² As Howard L. McBain wrote in 1917, "you cannot write into a law a precise division of functions between two authorities where the tenure of one is absolutely at the mercy of the other."

¹³ As has been also argued before, city-managers lack the professional cohesion existing in other profession like medicine or law. However, from the earliest years of the city-manager plan, managers thought of themselves as professional people and they regarded the ICMA as their professional organization. In practice, no manager was admitted to full membership unless his professional conduct conformed to the code of ethics of the association (Stone *et al.* 1940).

(because it centralizes previously dispersed administrative units), actually “the CM form carries the separation of powers a step further” in relation to the MC form (Banfield and Wilson 1963; 81). In fact, the Progressive Era reformers who created the city-manager structure sought the efficiencies of business in a model of separation of powers between the owners and the managers which would be later formalized by Fama and Jensen in 1983 (Maser 1998: 550). Elected officials in CM cities, in general, cannot overcome manager’s opposition to elected official’s attempt to violate trust. And managers very infrequently wish to violate employees’ trust.¹⁴

Contrary to the MC form where all organizational principals share the same political nature and incentives, the CM plan presents a mixed structure of principals –some elected and some professionals- with different incentives. This fact increases the possibility of one counterbalancing the other. As a result, in a CM city the pied piper –or any kind of employee- will tend to choose ‘maximum effort.’ Or, at least, she will choose ‘maximum effort’ more frequently than if she was employed in a MC city, where the degree of principals’ decisiveness is much higher. Hence, bureaucratic autonomy (i.e. delegation to an autonomous Civil Service Commission) is not necessary in CM municipalities.

The prediction developed in this chapter can thus be stated as follows: *because there are more problems of credible commitment –in the relationship between principals and agents- under the mayor-council plan than under the council-manager plan, one should observe more bureaucratic autonomy in mayor-council cities than in council-manager cities.*

Consistent with this prediction, the case of Hamilton, Ohio, would not be -as Stone *et al.* (1940; 101) state- an exception difficult to understand but a rational strategy. Right after adopting

¹⁴ It has been shown that managers very rarely risk their reputations as good professionals by violating employees’ trust at politicians’ request. However, there is another possibility that has not been explored here.

the CM plan, Hamilton abolished the CSC which had existed under the previous mayor-council government. For the conventional view on the adoption of merit systems across US municipalities -which stresses the role of the cultural movement of the Progressive Era in the establishment of both city-managers and CSCs- it is complicated to explain why the installation of city-managers did not go 'hand in hand' with the enactment of CSCs. In the light of this dissertation, Hamilton's seems to be a perfectly even-handed change: a movement from a less credible government (MC) to a more credible one (CM) makes bureaucratic autonomy (CSC) less necessary.¹⁵

7.4. Empirical Evidence

In this section an empirical contrast of the theoretical prediction is offered. The data come from the survey 'Local Government Human Resources Functions 2000' by the International City-Manager Association. The survey was sent to 2885 municipalities across the US and the response rate was 45.5% (1312).¹⁶ The survey contains information of the two

¹⁵ The movement observed in Hamilton may constitute an exception, because, once in work, bureaucratic rules are difficult to remove. Soon after their enactment, bureaucratic rules tend to create vested interests. For example, the employees who enjoy secure tenure develop an interest in keeping them. Similarly, governments which have tried -under the label of New Public Management reforms- to undermine bureaucratic rules, and replace life tenure contracts for more private-like ones, have faced fierce opposition by public employees (Guy Peters 1995). If one observes less *Hamiltons* in real life is probably due to these corporatist resistances. Nevertheless, the main prediction of this dissertation is not that we should see *de-bureaucratization* processes where there has been a change from a less to a more credible polity, but that we should observe more bureaucratization processes in less credible polities than in more credible ones.

¹⁶ Similar to Frant's (1993) analysis of another ICMA survey, one must conclude that, at first sight, there is no obvious selection bias in

relevant variables: the independent variable -the governance structure of the local administration (MC versus CM)- and the dependent variable -the degree of bureaucratic autonomy (the powers of the CSC) of the local administration.

Which are the proxies for the level of bureaucratic autonomy available in the data? Similar to Frant (1993; 998), I have estimated logit equations using responses to different questionnaire items as indicators of the local civil service status (see Table 7.1). These responses capture the delegation of several aspects of staff policy from the 'principals' of the local government to autonomous CSCs. The first dependent variable analyzed is simply the existence (or not) of a Civil Service Commission (CSC: one if there is a CSC; zero otherwise).¹⁷ The second dependent variable captures if a key issue in staff policy –

these surveys. CM cities are somewhat overrepresented (65% in Frant's and 70% in this work), probably because the survey was conducted by the ICMA, but, as Frant (1993; 998) remarks, that in itself should not bias the results.

¹⁷ The dummy variable has been built up from this question in the ICMA survey: Which of the following forms of human resources administration most closely resembles that used by your local government?

- a. Human resources department/director with no separate commission or board.
- b. No one official body is responsible for human resources administration; human resources functions are decentralized among individual line departments.
- c. Human resources department/director with an independent commission or board acting as an advisory body.
- d. Human resources department/director with an independent commission or board performing specific functions (e.g., appeals, approval of rules) but without general advisory authority.
- e. Independent civil service commission, human resources board, or similar body (without a separate human resources department/director).
- f. Other.

I coded as 1 (CSC) the categories c, d, e; and as 0 (No CSC) the categories a, b, f.

the adjudication of appeals and grievances- is a competence of the CSC (**Appeals**: one if CSC adjudicates appeals and grievances; zero otherwise). The third dependent variable collects whether CSC has the power to modify -or overrule- disciplinary actions made by administration principals or not (**Overrules**: one if CSC modifies or overrules disciplinary actions; zero otherwise). The fourth dependent variable captures the CSC's capability for reinstating employees (**Reinstates**: one if CSC reinstates employees; zero otherwise).

The explanatory variables are: the independent variable according to the theory (**Council-Manager**: a dummy variable with value one if the form of government is a CM; zero if it is a MC) and some control variables that have been found as relevant in the literature on the adoption of civil service systems (**Population size**¹⁸, **Region**¹⁹, and **Metro Status**²⁰).

¹⁸ Population size is a variable with the following categories: 9 = Over 1,000,000; 8 = 500,000 - 1,000,000; 7 = 250,000 - 499,999; 6 = 100,000 - 249,999; 5 = 50,000 - 99,999; 4 = 25,000 - 49,999; 3 = 10,000 - 24,999; 2 = 5,000 - 9,999; 1 = 2,500 - 4,999; 0 = Under 2,500.

¹⁹ Region contains the standard categories defined by the U.S. Census Bureau and used in studies on the bureaucratization of local governments: *Northeast* (New England and Mid-Atlantic); *North Central* (East North-Central and West North-Central); *South* (South Atlantic, East South-Central, and West South-Central); and *West* (Mountain and Pacific Coast).

²⁰ Metro Status indicates whether the municipality is located within an MSA (Metropolitan Statistical Area) as defined/designated by the U.S. Office of Management & Budget (OMB). The categories are the following: *Core City* (if the municipality is a city centre), *Suburban*, and *Independent* (if it is not located in a MSA).

Table 7.1. Bureaucratization of US Local Governments

	CSC		Appeals		Overrules		Reinstates	
	Coef (S.E.)	Odds ratio	Coef (S.E.)	Odds ratio	Coef (S.E.)	Odds ratio	Coef (S.E.)	Odds ratio
Population size	.361*** (.081)	1.434	.310*** (.082)	1.363	.441*** (.080)	1.554	.352*** (.080)	1.422
Region¹								
Northeast	-.287 (.270)	.750	-.967*** (.300)	.380	-.736** (.282)	.479	-.118 (.270)	.889
North Central	.031 (.215)	1.031	-.122 (.211)	0.885	.148 (.204)	1.159	.407 (.216)	1.502
South	-.283 (.211)	1.327	.089 (.204)	1.093	.238 (.200)	1.268	.488* (.212)	1.629
Metro Status²								
Core City	.483 (.274)	1.621	-.370 (.300)	.691	-.594 (.282)	.552	-.030 (.280)	.970
Suburban	.348 (.211)	1.146	.255 (.204)	1.290	.020 (.191)	1.02	-.030 (.201)	.970
Council-Manager³	-.523** (.171)	.593	-.752*** (.169)	.471	-.804*** (.161)	.447	-.907*** (.160)	.464
Constant	1.105* (.506)		.606 (.507)		1.507** (.490)		.625 (.494)	
Pseudo-R2	.098		.062		.085		.086	
Observations	1258		1258		1258		1258	

*Significant at .05 ** Significant at .01 ***Significant at .001.

Standard error between parenthesis.

Reference category:

1 West.

2 Independent (City Not Located in Metropolitan Statistical Area).

3 Mayor-Council.

Source: 'Local Management 'Local Government Human Resources Functions 2000' by the International City-Manager Association (ICMA).

In principle, studies of different types of administrative reforms have found population size to have a varying and non-consistent impact on the adoption of administrative reforms (Keswell 1962, Schnore and Alford 1963). However, as Tolbert and Zucker (1983) point out, works that have specifically examined civil service reforms have found a neat positive relation between city size and CSC adoption (Wolfinger and Field 1966, Tolbert and Zucker 1983). Ruhil (2003; 166) shows that population size exerts a direct effect on the adoption of municipal civil service reform for the period 1900-1940. The reason is that the larger a city is, the more costly for the elected politicians is to control the patronage machinery and, therefore, the higher the relative benefits of moving to a merit system and installing a CSC. Very similarly, I find that the more population, the higher the probability of having a CSC, the higher the probability that the CSC adjudicates appeals and grievances, that the CSC modifies or overrules disciplinary actions and that the CSC reinstates employees. The population size coefficients are highly significant in the four logit regressions. The standard prediction within the literature seems to be confirmed here: the larger a city is, the greater incentives politicians have to install a CSC and to give it important competences in staff policy.

On the contrary, the explanatory power of regional location over the adoptions of CSC is a long-standing cause of disagreement among scholars of urban politics.²¹ The results in this paper do not shed much light into the debate, since the impact of the region over the different dependent variables analysed here is far from being conclusive. CSCs existing in North-eastern municipalities seem to be less powerful in some aspects (with less capacity for adjudicating appeals and overruling disciplinary actions), but in the other two aspects there seems to be no relevant effect of being in the Northeast. These findings are similar to Frant's (1993; 1004) who also finds that Northeast cities delegate

²¹ For a summary of the debate, see Ruhil (2003: 163).

a little bit less functions to CSC.²² No other relevant result is found for the other regions.

Another demographic variable that may have an effect on the bureaucratisation of a local administration is the metropolitan status; in other words whether the municipality belongs to a metropolitan area (and within this category, whether it is the core city or a suburb) or not (an independent municipality). One might expect that the kind of local public services and the sort of relations between elected politicians and public employees –which may be specific to each of these three different types of municipalities- could affect the degree of delegation to the CSCs. Nonetheless, no significant effect of the metropolitan status is found here.

In relation to the independent variable predicted by the theoretical model, the data indicates a strong relationship between the form of local government (council-manager vs. mayor-council) and the degree of bureaucratic autonomy. In first place, council-manager governments have significantly less CSCs; and, secondly, under a council-manager government, the CSC significantly tends to be less involved in the adjudication of appeals, the modification or overruling of disciplinary actions and the reinstatement of public employees. The odds ratio of these four coefficients are clearly below 1 (.593, .471, .447, .464), thus indicating that, compared with Mayor-Council cities, Council-Manager ones are less likely to have autonomous and powerful CSCs.

This strong correlation does not indicate *on its own* the existence of a causal relation and, eventually, the direction of such causal relation. This is the main critic that Ruhil (2003; 160) makes to Frant's (1993) discovery of a similar kind of relation as the one shown here. From a cluster of variables collected at the same time, it cannot be argued that city-manager causes the

²² One reason for the relative weakness of CSCs in the Northeast may be the historical pervasiveness and endurance of strong party machineries in that region (Shefter 1983: 459; Ruhil 2003: 163).

disappearance/weakening of CSCs, or that the existence of a mayor-council type is the driving force behind the establishment and empowerment of CSCs. In order to show the existence of a causal relation –and its direction- one needs to provide a theory with the micro-foundations that link those macro variables (government form and degree of bureaucratic autonomy). And that is the main advantage of this analysis in comparison to Frant's. The theoretical model developed in chapter 2 has offered such mechanisms: *compared with mayor-council ones, council-manager cities have less problems of credible commitment in their relations with public employees and, therefore, they do not need to grant bureaucratic autonomy.* And Section 7.3 of this chapter, using accounts from different studies on urban politics, has provided examples of those mechanisms: the council-manager plan –with its structure of checks and balances between elected and non-elected principals- seems to prevent elected officials from violating employees' trust.

7.5. Conclusions

This chapter has provided further evidence for the main prediction of this dissertation: that when incumbents are interested in the organizational efficiency of their administrations (i.e. when the provision of public policies is at stake), the more 'decisive' they are, the more they will tend to delegate the management of public employees to autonomous bureaucracies. If previous chapters have shown the existence of a relation between a political system's degree of concentration of powers and its administrative structure for central governments, this chapter has found similar results for sub-national units like local governments. Because, although at a different level, local administrations are also subject to what Moe (1990: 225) calls the neglected side of the political economy approaches to public organizations –that is, the inherent unpredictability of public authority. As a matter of fact, the non-

credible Hamelin's government of the tale was a local government.

Unlike cross-country comparisons shown in chapter 3, where the probability of omission of relevant variables is higher, the politics analysed in this chapter -US municipalities- share a common denominator in cultural and historical terms. Therefore, one can control for more cultural and historical country-specific factors than in a cross-nation study. In comparison with the chapters on the Spanish civil service, which mostly offered *internal validity* to the theory of this dissertation, this chapter provides *external validity* as well thanks to the use of a large-N quantitative analysis.

The conventional view on US local governments' reforms is that the introduction of the city-manager type of government went hand in hand with the reform of public administration (i.e. the establishment of CSCs). This chapter has shown that, instead of being complementary, these reforms seem to be substitutes for each other. When the political system is more credible (i.e. council-manager government), one does not need a bureaucratized administration (i.e. powerful CSCs). Traditionally, the explanations on the adoption of bureaucratic autonomy in US municipalities have relied on 'American' factors, whether cultural (the "good government" forces led by Progressive Era reformers) or political (the specificity of US local democracy). This chapter reveals that, although American specific factors may play an important role (e.g. the location of the government within a particular region),²³ administrative reforms in the US may also be understood as an example of a broader universal phenomenon. In the Hamelin of the tale as well as in Hamel, Illinois, there is always some sort of pied piper interacting with some sort of Mayor who is tempted to make some sort of ex post opportunistic defection.

²³ Nevertheless, in many cases the role of American factors can hardly be falsified due to their empirical intractability (e.g. the existence of a culture of good government among urban middle classes).

CHAPTER 8. CONCLUSIONS: TOWARDS A POLITICAL SCIENCE THEORY OF ORGANIZATIONS

Moe (1991: 106) considers that there is a certain paradox in the political science study of organizations. Political scientists spend much of their time analysing organizations (such as public administrations, governments or legislatures). Yet, while there is a sociology of organizations, a psychology of organizations or an economics of organizations, there is no political science of organizations. Political scientists are more borrowers than contributors. This dissertation has been an attempt to fill that gap; that is, an advance towards a political science theory of organizations.

In particular, the aim of this dissertation has been to explain why the organization of some public administrations resembles the organization of private-sector *hierarchies* -that is, the 'principal' (government) is free to choose its 'agents' (public employees)- while other public administrations could be defined as *bureaucracies* since they have autonomous civil service systems which limit the capacity of the government for choosing the public employees that are working for it. This dissertation has explicated the position of different public administrations in the continuum that would go from the ideal-type *hierarchy* (that is, governments/principals are totally free to hire, fire and promote the public employees/agents who work for them) to the ideal-type

bureaucracy (that is, government/principals are totally limited in staff policy).

Methodologically, this dissertation has been structured into three distinctive parts: a formal theory, a statistical analysis of the hypotheses, and a qualitative analysis which has provided the narratives designed to illustrate the workings of the theory. The two main characteristics of the theoretical model is that it is formal and, at the same time, it is simple and parsimonious. The formalization has allowed me to address one of the main problems of the “political” approaches to bureaucracies (e.g. comparative public administration or administrative history): the absence of testable theoretical propositions. The simplicity has allowed me to address one of the main problems of the “economic” approaches (e.g. political economy or positive theories of public administration): their sophisticated models tend to be too complicated, and their implications threaten to be so hedged about by qualifications and conditions that they are either trivial or difficult to interpret or apply (Moe 1997: 478).

8.1. What we did not know and we know now. Contributions of the dissertation

The field of administrative history has a long history. Raadschelders’ (1998: 45) review of administrative historians includes authors like Herodotus, Aristotle or Ibn Khaldun. Furthermore, many early modern social science pioneers like Lowell (1896), Hintze [1911] (1962) or Herman Finer (1932) also studied public administration from a comparative cross-national and historical perspective. Yet the field is commonly regarded as something of a laggard when compared to other areas of political science such as the study of elections and parties (Page 2003: 421). One of the reasons for this situation is that, traditionally, comparative public administrativists have not defined clearly their particular objects of study. They have tended to explicitly state or imply that bureaucracies fit nearly into ‘families’ sharing broad

characteristics (e.g. Page 1995). This lack of definition of a single and operationalizable dependent variable has made it very difficult to develop theories with testable propositions.

However, as Lodge (2003: 460) argues, there are concrete features of public administrations which can be and have been fruitfully compared. What we need is a more discriminating comparison of the discrete components of national politico-administrative systems (Page 2003: 422). This has been the goal of this dissertation: the analysis of a particular –although relevant– feature of public bureaucracies. The starting point is Williamson's (1999) statement on the existence of three main modes of governance: market, hierarchy and bureaus. Authors within Transaction-Costs Economics (TCE) have habitually focused on comparing markets with hierarchies. They have aimed to answer the *Coasian* question: *Why Do Hierarchies Exist*, given the fact that markets –according to neoclassical economy– should work efficiently? (Coase 1937). TCE scholars have shown the rationale behind the existence of hierarchical relations among individuals instead of market exchanges. This dissertation has moved the Coasian question from the dichotomy market vs. hierarchy to the dichotomy hierarchy vs. bureaucracy: *Why Do Bureaucracies Exist* if hierarchies should work efficiently, since, according to basic incentive theory, a principal's discretion to choose its agents is essential to address the problems of adverse selection and moral hazard?

The main contribution of this dissertation is theoretical. Neither in Economics nor in Political Science there are convincing explanations of cross-country or within-country variations in the level of bureaucratic autonomy. Economists have not offered general rational-choice-based theories to explain why the principals of an organization (politicians) renounce to the use of instruments –such as firing, hiring and promoting– that are very important to solve the problems of adverse selection and moral hazard caused by the agents (public employees). Economists have only provided partial explanations for particular contexts –mostly advanced democracies– based on efficiency arguments. From

Political Science several general explanations have been argued, but they rely mainly on non-rational motivations such as cultural and historical differences, and most of them have not followed Przeworski and Teune's (1970: 25) recommendation of replacing proper names (of countries) by explanatory variables. Political scientists have only provided compelling accounts for particular settings based on loyalty arguments (e.g. bureaucratic autonomy is a way to obtain loyalty from public employees). The aim of this dissertation has been to employ insights from these two literatures that hardly speak to each other (that is, I use efficiency as well as loyalty arguments) in a parsimonious theoretical framework in an attempt to explain cross-country and within-country differences in the structure of public administrations.

The theoretical model focuses on understanding the nature of the relationship between politicians and public employees. Chapter 2 has developed a New Political Economy theory to explain under which circumstances self-interested politicians will grant bureaucratic autonomy to their administrations. It entails two games. The first one addresses the problem of *positive control*: politicians, like private-sector executives, must create incentives that inspire public employees to go beyond the required minimum levels of effort. And the second one addresses the problem of *negative control* in the relation between politicians and public employees: politicians must design incentives and sanctions to avoid public employees pursuing their own purposes.

The games are heuristic devices to deal with the double problem of trust which affects the relationships between rulers and public employees. On the one hand, there is the possibility of moral hazard by principals. Rulers face a basic problem of credibility in their relationships with public employees because rulers cannot credibly commit themselves to reward employees properly. The more powerful -or decisive- a ruler is, the higher her problem of credibility. Bureaucratic autonomy appears in the game as a second-best solution for rulers when their problems of credibility are high enough. The Positive Control Game shows how, when rulers are interested in inducing employees to

undertake costly efforts (i.e. when they want an efficient provision of public goods) they will have to grant bureaucratic autonomy to their administrations.

On the other hand, the Negative Control Game addresses the second problem of trust, which is the standard problem of moral hazard in principal-agent relationships. Rulers do not trust public employees because the latter may shirk or pursue opposite interests to politicians.' The Negative Control Game follows the main predictions of conventional principal-agent theory: agents are more capable of shirking when they face two or more principals, because they can play off one principal against the other. At the same time, the more principals, the longer it takes to undertake a sanctioning decision. Unlike the Positive Control Game, here the political systems with more concentration of powers are better equipped to prevent agent's shirking, because politicians can easily sanction agents' misbehaviour. What can non-decisive rulers do to prevent agents' shirking? The Negative Control Game contends that bureaucratic autonomy represents a second-best solution to the problems of shirking when rulers are not decisive enough. Bureaucratic autonomy is understood as a tool to achieve public employees' loyalty. With bureaucratic autonomy, public employees lose the incentives they could have to engage in any kind of subversive activity against the government. The costs of shirking against the incumbent with bureaucratic autonomy (i.e. losing a secure tenure) are higher than without it. That is, with bureaucratic autonomy, the government 'buys' public employees' loyalty.

Bureaucratic autonomy is, thus, the second-best solution to the two main problems faced by rulers in their relations with public employees: the provision of public goods and employees' loyalty. Rulers resort to granting bureaucratic autonomy when they are not well-equipped to solve the problem directly. The bottom line of the theoretical model depicted in chapter 2 is that the level of government decisiveness has a dual effect on the degree of bureaucratic autonomy of a public administration: it has a positive impact when rulers' main survival strategy is an efficient

provision of public policies and it has a negative effect when rulers' survival in office largely depends on public employees' loyalty.

Another contribution of the dissertation is the diversity of its empirical evidence, which includes cross-sectional and cross-time as well as cross-country and within-country data. Chapter 3 has shown a general map of the relations among the variables. It provides a cross-country quantitative analysis of the theoretical hypotheses with two datasets –one for developing countries and another for OECD ones. The statistical correlations found in chapter 3 follow the predictions of the theory: there is a negative relation between the separation of powers of a polity and its level of bureaucratic autonomy for most of the countries analysed (i.e. when one may assume that rulers are mostly interested in providing public policies) and there is a positive relationship between the variables in those countries which have recently experienced civil wars (which is used here as a proxy for rulers' concerns about employees' loyalty). Chapter 3 also offers, using material from secondary sources, two observational implications of the theoretical predictions for historical cases.

The first observational implication focuses on some systems with very high concentration of powers (i.e. authoritarian regimes). That is, it keeps constant the variable 'governmental decisiveness.' In other words, the polities under analysis should present a very high level of bureaucratic autonomy when rulers are interested in the Positive Control Game and a very low bureaucratic autonomy if rulers are mostly concerned by the Negative Control Game. This section compares the public administrations developed by Early Modern European Absolutist monarchs with those created in most post-WWII African states, because, following the literature, their rulers, despite sharing all of them almost absolute powers, show opposite survival strategies to remain in office (Bates 2001: 102).

The survival strategy of the former group of rulers depended to a larger extent on the relatively efficient provision of public goods while most post-WWII African rulers have tended to be

more concerned with the loyalty of public employees. Early Modern European Absolutists were more interested in playing the Positive Control Game with their employees. The frequent inter-state wars during Modern Europe put Absolutist rulers under constant military threat and that was an incentive to provide public goods which could foster economic growth and then the taxes needed to pay the military expenses.

While Early Modern Absolutisms contributed with active public policies to the economic development of their societies, many post-WWII African states have not demonstrated much interest in providing public goods. The lack of external military threats and, more importantly, the fact that they have enjoyed huge foreign sources of capital has provoked that their governments have been less likely to view their economies as a strategic resource. The main threats for rulers' survival in offices have not come as a result of economic downturns, but as a consequence of rebellions, most of the times within their own ranks and files. That is, post-WWII African rulers have been more interested in the Negative Control Game (i.e. preventing employees' shirking) than in the Positive one (i.e. inducing employees to exert costly efforts). Consequently, while Early Modern European Absolutist monarchs tended to create autonomous bureaucracies (e.g. independent administrative *corps* in Louis XIV's France), many post-WWII African states have preferred much more dependent administrations (e.g. patronage-based administration in Mobutu's Zaire) since credibility issues were not so important for them.

The second observational implication analyses administrative differences among Early Modern European countries. It may be stated that those countries shared a similar survival strategy since, in general, they saw the development of their economies as an asset for their permanence in office. All rulers were concerned about inducing employees (at least, those employees who had to undertake costly asset-specific investments, such as military or civil engineers or state lawyers) to make important efforts in the provision of public policies. That is, they were playing the Positive Control Game. Nevertheless, not all of them played the

game in the same conditions. As the literature has remarked, some Early Modern European rulers enjoyed a great concentration of powers (e.g. in France, Prussia or Spain) while others were more 'limited' monarchs (e.g. in Britain, Holland or Sweden).

The theory of this dissertation would predict that in the former group of countries, due to the existence of a higher problem of credible commitment, one should observe more bureaucratic autonomy than in the latter. And that seems to be the case when one analyses the historical development of European administrations. The monarchs of France, Spain or Prussia 'tied their hands' in the management of certain public employees through the establishment of independent autonomous bodies known as administrative *corps*. For example, in all three countries civil engineers or state architects achieved a high degree of autonomy from discretionary intrusions by the Crown. On the contrary, in limited monarchies like Britain or Sweden rulers and, more specifically their immediate subordinates, played a role more similar to that of private-sector chief executives, keeping a higher degree of discretion in the management of public employees. In other words, while the public administrations of Absolutist monarchies moved towards the ideal-type *bureaucracy*, the more limited monarchs maintained their administrations closer to the ideal-type *hierarchy*.

Yet, are the correlations among the variables shown in chapter 3 both for contemporary countries and historical cases enough to test the theoretical predictions of this dissertation? Several reasons could be argued against. In the first place, both the historical and the contemporary cross-country comparisons are small-N analyses and, thus, any inference from them should be taken with a grain of salt. In addition, those comparisons have not offered evidence of the 'mechanisms' -that is, the micro-decisions which connect one macro-variable (e.g. the level of concentration of powers) with another macro-variable (e.g. the adoption of autonomous bureaucracies). Did France's Louis XIV or Prussia's Frederick William I create independent administrative bodies because they considered that they had a problem of credibility? The relations

among the variables found in chapter 3 could be spurious, which is a reasonable accusation especially for cross-country comparisons, where many variables (e.g. particular national historical developments) remain uncontrolled.

In order to control for the different national factors which could lie behind the establishment of autonomous bureaucracies and so as to see if the mechanisms depicted by the theoretical games (e.g. problems of credibility) have really had a say in the administrative decisions taken by politicians, this dissertation shifts its focus to the analysis of within-country differences. It takes two countries: Spain for examining *cross-time within-country* differences and the US for analysing *cross-sectional within-country* differences (in this case, at a sub-national governmental level).

Chapters 4 to 6 offer an in-depth qualitative study of the Spanish Civil Service history since 1800. The narratives of the Spanish case supply the causal mechanisms or micro-foundations that link the different variables of the theory: what motivated rulers' decisions to tie or untie their hands in the management of civil servants? Due to its qualitative nature, the Spanish case has reinforced the *internal validity* of this dissertation's theory –that is, whether the causal processes described in the model are really operating. The abundant examples extracted from a survey of 200 years of administrative history show how both the problem of rulers' credibility and the concern with employees' loyalty have played an important role in the major administrative reforms in Spain.

Chapter 7 provides a large-N quantitative analysis with data for over 800 US municipalities. US local governments provide an appropriate setting for testing the theory. Firstly, proxies for the degree of bureaucratic autonomy can be built for US local governments, because there are municipalities which have a Civil Service Commission (CSC) and municipalities which lack it. More crucially here, there are municipalities where the CSC plays a minor role in the selection, firing and promotion of employees, and municipalities where staff policies are more extensively

delegated to a CSC. Furthermore, the number of observations is larger than in cross-country comparisons, thus allowing a more rigorous quantitative analysis. In addition, unlike cross-country comparisons, where the probability of omission of relevant variables is higher, US municipalities share a common denominator in cultural and historical terms. The empirical contrast confirms the predicted relationship between concentration of powers and bureaucratic autonomy when politicians' survival in office mainly depends on the Positive Control Game -as it may be plausibly assumed in consolidated democratic settings as American local governments. Municipalities with more concentration of powers (Mayor-Council cities) show higher levels of bureaucratization (more numerous and more active Civil Service Commissions) than municipalities with more separation of powers (Council-Manager cities). Due to its quantitative nature, the analysis of US municipalities reinforces the *external validity* of this dissertation's theory -that is, whether we can generalize the results from the cases studied to others.

8.2. What we still do not know. Inherent problems of this dissertation and guidelines for future research

In general, there is an intrinsic problem in making inferences from comparative studies. Unless two countries are utterly identical, information will by definition be lost with every generalization made. Nevertheless, information is also lost when we do not make the links when they clearly do exist between broadly similar settings in different countries. The basic assumption of this dissertation is that the latter loss of information is higher than the former one, but it is difficult to prove that that is the case.

The general problem of inference from comparative studies is aggravated in comparative public administration studies due to several reasons. In the first place, the subject matter is on the whole complex. Even if there is a basic agreement on the nature of

the dependent variables (which is not frequently the case), they are not easily researched in a comparative perspective (Brans 2003: 426). It is not always straightforward to find functional equivalents and concepts which travel well across space (Pierre 1995: 6).

In the specific case of this dissertation, how can we find the functional equivalents of our 'd' (limits to the decisiveness of rulers)? Is Tsebelis' (1995, 2002) concept of veto players the best way to capture it? Or should we look at the existence of independent courts as well? Or both? Or should we instead focus on the dichotomy democracy versus dictatorship? Given the extreme difficulty of building a comprehensive indicator of 'decisiveness' which could travel perfectly across time and space (or, more accurately, waiting for the creation of such an indicator), the strategy that this dissertation has followed is to compare similar political settings which differ only in one measurable proxy for decisiveness. For example, in the case of US local governments, the municipalities analysed here are very alike except for their governance structure -one group of municipalities (the MC cities) has more concentration of powers than the other (the CM cities). Something similar happens with the comparison among Early Modern European countries or with the study of the Spanish civil service history, where a detailed qualitative analysis has allowed us to detect single changes in the relevant variables (e.g. how a shift from dictatorship to democracy reduces the degree of 'decisiveness' of a particular government). Nonetheless, future research should aim at building more inclusive indicators of decisiveness which were comparable across a wide range of polities, both at a historical and a contemporary level.

In relation as well to the problem of finding functional equivalents, this dissertation has not been able to control for all variables which, according to different theories, could have a say in the development of public administrations. For example, what if what explained the adoption of bureaucratic autonomy during the early 20th century was, say, the level of corruption, or the level of social trust as some authors argue? The unavailability of good

comparative historical data sets on those factors prevents us from testing them.¹ Given the scarcity of data for falsifying other competing explanations, this dissertation must be basically understood as an attempt to test the *impact of some political variables* (e.g. concentration of powers and rulers' survival strategy) *over the type of public administration, and not as a comprehensive study of all factors which lead to bureaucratic autonomy*. It seems reasonable to think that many different factors may have had a say in the arousal of each specific autonomous bureaucracy in each country and at each particular historical period. Yet the limited scope of this dissertation does not allow us testing them all.

Another inbuilt problem of comparative public administration studies which this dissertation also shares is that administrative systems are not easily characterised in a general fashion, given that there is much sub-system variability (Aberbach and Rockman 1987: 477). For some features of public administrations, within-country variance may be greater than between-country variance (Brans 2003: 426). Although this dissertation has addressed this problem with the studies of the Spanish and the US cases, the within-country analyses shown here merely compare one public administration (e.g. one period of the Spanish administrative history or one US local government) with another, overlooking the within-administrations differences between, let's say, two departments or two type of public employees (e.g. high-ranking versus low-ranking officials within the same departmental area). In addition, administrative arrangements are in a constant flux, and concepts in comparative public administration should thus also be able to travel over time. In this sense, this dissertation only provides evidence of those fluxes for the Spanish civil service, ignoring historical changes for the rest of the countries.

¹ In other cases, such as in the analysis of US municipalities, data on the main factors underlined by the literature exist and, as a result, I have included them as control variables.

These issues are complicated by further problems of data collection. The availability and reliability of data is indeed a sore point in the development of comparative public administration (Brans 2003: 426). Data are both scarce and also vulnerable to manipulation, as they are often the constructs of actors and agencies involved. There are relatively few independent data sets, particularly when compared to mainstream comparative politics. For that reason, comparative administrative researchers are generally more eclectic in their use of data, which has the advantage of corroborating from multiple sources of evidence (Brans 2003: 426). This dissertation is not an exception and its empirical evidence could perfectly be defined as eclectic –with the disadvantages and advantages that it implies- given that it uses a very broad range of data sources.

Despite these difficulties, this dissertation makes a comparative analysis of public administrations because comparison has long since been acknowledged as the ‘very essence of the scientific method’ in political science in general and public administration in particular (Almond and Powell 1966: 878, Pierre 1995: 4, Brans 2003: 424). With the inclusion of cross-country comparisons, together with more in-depth within-country analyses, this dissertation also follows Dahl’s classical (1947: 6) recommendation that the construction of a true science of administration depends upon the success in establishing propositions which transcend national boundaries.

I explain the emergence of autonomous bureaucracies, but not their survival. I do not analyse the factors which account for the permanence of bureaucratic structures. And these factors may be very different from the factors which explain the arousal of autonomous bureaucracies. As Moe (1990: 144) remarks, once a bureaucratic agency is created, the political world becomes a different place because civil servants are now political actors in their own right. For instance, civil servants have powerful resources –such as expertise and delegated authority- that might be employed towards the achievement of their interests. In this dissertation, as in any game-theoretic institutional analysis, we

face the choice of analysing either the emergence of institutions as equilibriums among actors or analysing what happens once institutions are set up. This dissertation focuses on the first issue and, thus, it does not capture the *post-bureaucratic* actions. Future research should address the puzzle of the survival of autonomous bureaucracies once their initial political conditions have changed.

Related to this, I have not taken into account the dynamics of path dependence in which different national administrations may have entered either. Path dependence has been a central notion in administrative history since its inception (Raadschelders 1998).² It has been argued that inherited politico-administrative structures, processes, constraints and patterns shape national reactions to common issues and stimuli (Page 2003: 423). However, following Lodge (2003: 460), it is contended here that the fact that path dependence may play a role in the development of public administration, it should not involve relinquishing comparison since, if we specify the paths carefully enough, they may be comparable.³ This dissertation defends that path dependence is not itself a theoretical rut. For example, it was conventional at the beginning of the 20th century to argue that the German politico-administrative system developed along a monarchical path and in this deviated from much of the rest of Europe. Therefore, the policy prescriptions appropriate to states with more liberal paths of development were not appropriate there (Hintze [1911] 1962). Nevertheless, as Page notes, the fact that “Germany’s administrative system has for nearly 60 years been entirely integrated in the literature on public administrations as another democratic system indicates that developmental paths are not straight lines –they cross, merge and in some cases radically change directions” (2003: 422).

² This is mostly path dependence in the informal sense, not the formal social choice sense as it is defined by Mueller (2003: 587-588).

³ In fact, one can go further and suggest that we only know what a distinctive path is if we compare it with others (2003: 422).

This dissertation, through an in-depth analysis of the history of the Spanish civil service system, has shown how, when studied carefully, the characteristics of the Spanish administration are less 'path dependent' and more 'institutional dependent' than what could be expected at first sight. Its developmental paths have frequently crossed, merged and many times have changed directions as a consequence of rulers' strategies to survive in office. If *inherited structures have shaped the Spanish national reaction to common issues and stimuli*, it seems to have happened only when the inherited structures have met rulers' most urgent needs.

8.3. Tentative normative implications of the dissertation

After reading this dissertation, if you were an advisor to Hamelin's government interested in attracting pied pipers, you would probably recommend it either to change the constitution (creating a system of checks and balances to reduce Mayor's high decisiveness) or to establish an autonomous bureaucratic body of pied pipers. But which are, if any, the normative consequences of this dissertation for real-world political systems? In this section two tentative and very preliminary normative consequences - which should be subject to future research to fully contrast their validity- are drawn. The first normative consequence regards to the question of *which political systems produce more 'bureaucratic' administrations*; and the second to the question of *which the consequences of bureaucratic autonomy are for the efficiency of a public administration*.

As far as the first question is concerned, this dissertation has provided evidence which, to say the least, questions one of the main statements by New Political Economy (NPE) approaches to public administrations: that the *more divided* the government is, the *more autonomous* and insulated the civil servants will be (Moe 1990, Moe and Caldwell 1994, Horn 1995, Lewis 2003). A recurrent argument within this literature has been to blame the

American system of separation of powers for what they see as an excessive degree of bureaucratic autonomy in the US. American civil servants would be almost unaccountable because they exploit the differences among their multiple principals. The normative statement which would follow from this insight is thus very clear: a system with more concentration of powers solves the problems of bureaucratic autonomy. In words of Lewis, “it reinforces our belief in a strong and independent executive who brings about both a unique perspective and formidable powers to negotiation over the design of the administrative state.” (2003: 18) The normative statement from this dissertation would be exactly the contrary: *formidable powers* would end up producing formidable problems of credibility. And to resolve them, sooner or later, more bureaucratic autonomy will be necessary.⁴

The conflict between rulers’ self-interest and social efficiency is one of the most inclusive and compelling generalizations to be made (North 1981, Miller and Hammond 1994). Yet there are two parts of this problem -and only one has been considered as vital for the well-functioning of political systems. On one side, there is the *policy-making conflict* between ruler’s interest and social interest: the ruler will take advantage of her privileged situation to

⁴ A minor point deserves mentioning here. Many political economy authors (e.g. Moe and Caldwell 1994) explicitly deal with the same dependent variable as the one used in this dissertation (that is, by bureaucratic autonomy they mean, or they also mean, personnel autonomy). In other words, their predictions are sharply opposite to mine. Nevertheless, there is one way of fitting this dissertation’s evidence with the particular evidence analysed by Lewis (2003). As it has been noted in Chapter 3, one reason why the results here are opposite to Lewis’ is that my evidence is on autonomy in hiring and firing –that is, in *personnel autonomy*. Lewis’ evidence suggests that with more conflict of interest among the separations-of-powers institutions, the legislation creating new bureaucratic structure implies more *policy autonomy* for independent agencies. As a matter of fact, the employees of the independent (in terms of policy) agencies like the FED are not covered by civil service, so that is consistent with this dissertation’s claims about separation of powers and personnel autonomy.

enact those policy decisions that best serve her interests and social efficiency might not be achieved. The main actors of this conflict would be thus rulers and citizens. On the other side, there is the *policy-implementation conflict* between ruler's interest and organizational interest: the ruler may also take advantage of her privileged position and organizational efficiency in the administration might not be achieved. Here, the main actors would be rulers and public employees. A lot of attention has been given to the analysis of the policy-making conflict (the relationship between rulers and citizens) while the relationship between rulers and public employees remains vastly overlooked.

One example of study of the policy-making conflict is Miller and Hammond's (1994) application of the Groves theorem to policy-making. They conclude that the irony is clear: the implementation of a mechanism that gives incentives to citizens for investing in public goods, at the same time, would, unavoidably, require the decision-maker itself to withstand a constant temptation to lie and make inefficient decisions (Miller and Hammond 1994: 20). The ruler will inevitably have the chance of asking for more taxes than the ones strictly necessary to provide the public goods at stake. A partial solution to this policy-making problem would be to create plural decision-makers with *known* different interests (Miller and Hammond (1994; 22). This answer has been explored in this dissertation, although not for the policy-making conflict but for the policy-implementation one -that is, for the relation between politicians and employees within a public administration. Plural decision-makers with *known* different interests (e.g. several veto players in central governments or council vis-à-vis city-managers in US municipalities) may reduce the conflict between politicians' interest and organizational efficiency of a public administration. In absence of plural decision-makers with known different interests, this dissertation states that politicians will have to 'tie their hands': enacting civil-service laws and delegating staff policy to a body which remains outside the line of command of the government. Costly bureaucratic rules will be necessary when a known separation of

powers among the principals does not exist. In other words, one of the normative statements of this dissertation is that, within an organization, if you do not have a *government by men* with different interests, you will have to *govern by (bureaucratic) rules*.

It is a common place in political economy to point out the existence of the following trade-off: the more you protect the people (through a system of separation of powers), the more you disable the government to act because governments become less decisive (Przeworski 1997, Tsebelis 2002). As it has been shown here, the decisiveness of a government may be essential to control public employees (to prevent them from shirking), yet government's decisiveness is not an asset but a liability for enabling the administration to work. As a matter of fact, when rulers are interested in providing public policies, one may arrive to opposite conclusions to those prevailing among many political economists: the *more you protect people from government*, the *more you enable the government to act*, because through a separation-of-powers system the government makes a credible commitment with regards to public bureaucrats.

That would help explain why the catastrophic predictions over the administrative outcomes in separation-of-powers systems have not found empirical support. Scholars conclude that American agencies, *in spite of* having multiple principals (Congress and President), exhibit quite high levels of efficiency both in the past (Skowronek 1982) and in more recent times (Weingast and Moran 1983, Wood 1988). My interpretation is that the efficiency is not produced in spite of, but, *because of* the existence of a system of separation of powers that generates credible commitment for public employees. Many authors have pointed out the importance of having a system of separation of powers within firms to achieve organizational efficiency (Miller 1992, Williamson 1983, Fama and Jensen 1983, Chandler 1966, Simon 1962). Other scholars have emphasized the importance of separation of powers in the public realm to protect citizens from governments' opportunistic actions (North 1981, Miller and Hammond 1994). This dissertation demonstrates that the political separation of powers

may also have some organizational advantages for the public administration of a country, similar (or even higher since the problems of credibility can actually be more acute when Mobutu, instead of Bill Gates, is the chief executive) to the ones stressed for firms.

In relation to the second question –which the effects of bureaucratic autonomy over the efficiency of a public administration are- this dissertation has made some tentative predictions. Public employees will exert a ‘minimum effort’ when they are potentially subject to the opportunistic defections by a very decisive ruler; they will opt for a ‘medium effort’ under bureaucratic autonomy; and, finally, they will make ‘maximum efforts’ when confronted with a more credible ruler with low decisiveness. That is, in contexts of high decisiveness (e.g. dictatorships) the adoption of bureaucratic autonomy should increase the overall performance of public employees (who would move from ‘minimum’ to ‘medium’ efforts) while in contexts of low decisiveness (e.g. democracies) bureaucratic autonomy should decrease it (employees would move from ‘maximum’ to ‘medium’ efforts). This dissertation has not provided evidence enough to falsify this due to the difficulties to find proxies for the levels of effort made by public employees.

Future research should, though, address this issue -especially because, as it has been shown in chapter 3, using a rough proxy (i.e. scientists’ productivity), it seems that there is a case for arguing that the existence of bureaucratic contracts could have a relevant say in the overall performance of public administrations. The chapter has analysed a particular group of public employees whose productivity levels are relatively comparable at cross-country level such as public scientists. The analysis points out that in contexts of high decisiveness such as dictatorships the existence of bureaucratic autonomy increases the productivity of public employees -who seem to move from minimum to medium efforts. In contrast, in contexts of low decisiveness such as democracies bureaucratic autonomy decreases scientists’ productivity –that is, employees seem to move from maximum to medium efforts. The

explanation, following the Positive Control Game, would be that in non-decisive or 'reliable' governments (e.g. democracies) bureaucratic contracts of scientists (e.g. secure tenure) are not optimal since they have low-powered incentives (in contrast to the high-powered private sector-type of contracts), and run against scientists' responsiveness to governmental demands. However, under decisive or non-reliable governments (e.g. dictatorships), bureaucratic contracts are second-best solutions because they protect scientists against the possibility of governments' misbehaviour (i.e. ex post opportunistic defections, such as cancelling research programmes overnight). Thus, the normative statement which would emerge from these results is that bureaucratic autonomy will *enhance scientific productivity* with non-reliable governments (dictatorships), but will *hamper scientific productivity* with reliable governments (democracies).

The kind of comparative study on the impact of political characteristics over the type of administration which has been undertaken in this dissertation is essential from a positive point of view. It allows us to build and test theories which predict structures and performances of public administration. Yet, at the same time, comparison is also important for normative purposes, because it helps identify what constitutes best practices (Brans 2003: 424). For example, several authors in the 1960s and 1970s warned against the limits of institutional transfers, mostly associated with the export of administrative technology to the newly decolonised worlds. Their warnings remain valid nowadays, for the last decade there has been a new impetus of institutional transfers, supported by big business and major international organizations such as the OECD, the WB and the IMF. Some scholars have recently underlined that before considering administrative institutional transfers, the priority should not be to elaborate a list of best practices, but to undertake comparative studies (Brans 2003: 425). What constitutes an administrative best practice may fundamentally depend on the institutional framework where it emerged. In relation to this, an important normative consequence of this dissertation is that 'bureaucratic autonomy'

should not be identified either as a best or worst practice in vacuum. Its 'goodness' is dependent upon other factors such as the degree of concentration of powers existing in the polity.

8.4. Towards a Political Science Theory of Organizations

"A political theory that really does the job is unlikely to emerge from further efforts by political scientists to borrow, apply, or modify theories that were really designed to do something else. A role shift is in order. Political scientists need to take the initiative in creating organization theory of their own –theories that are about politics at least as much as they are about organization, theories that are designed for the explicit purpose of mapping out and exploring the political foundations of public bureaucracies. They need to become organizational theorists again."

Terry Moe (1990: 149)

Decades ago, public administration and organization theory developed in tandem and they often shared their leading figures (Shafritz *et al.* 2004). Yet their paths started to diverge and, while organization theory became far more scientific, public administration faltered as a theoretical enterprise (Moe 1990: 149). Mainstream political scientists have not done better than public administration scholars. While the literature on political control over bureaucracy is well developed, the study of bureaucratic organization is relatively uncharted territory for political science. Meier and Krause (2003: 297) argue for taking organizational theory more seriously within mainstream political science. They consider that the next theoretical challenge is the one tackled in this dissertation: to link the structural characteristics of both political and administrative institutions to the ways in which they interact with one another.

If neither public administration scholars nor political scientists have been able to do the job properly, the question would be: why a standard organization theory, such as organizational economics, is not enough for understanding public administrations? Why do

not we just borrow economists' theoretical developments? The main reason is that organizational economics has not been able to explain, to start with, what it was aimed at explaining –that is, firms. As Stiglitz (1987) and Miller (1992) have pointed out, none of the predictions of the orthodox organizational economics (e.g. Alchian and Demsetz 1972, Jensen and Meckling 1976) conform what actually observed in private-sector organizations. As it has been argued in chapters 2 and 3, economic approaches have even more problems when addressing public sector organizations.

We should probably then consider the possibility of advancing towards the development of a sort of Political Science Theory of Organizations. What should such a theory of organizations contain? This dissertation contends that, on the one hand, such a theory should include insights from the new stream within organizational economics which is emerging around the idea of the importance of trust within firms, and which has been reviewed in chapter 2. If we aim to understand the functioning of organizations subject to all-powerful principals such as public administrations, we should deal with what Wintrobe (1998: 39) calls the general problem of accumulating trust between two parties (e.g. government and civil servants) when their assets (being them wealth, beauty, fame, or power) are very unequal. A political science theory of organizations should take into account the capacity that the level of trust/mistrust in the superiors of organizations has to foster/hinder any incentive system. We should take Miller's remark as a salutary recommendation before tackling organizational puzzles from the point of view of designing the proper incentives: "the problem in any social organization is not finding an efficient incentive system; the problem is finding an efficient system that members believe will not be subverted by the owner of the residual" (2000: 6).

But, on the other hand, a good political science theory of organizations should take into account that public organizations are not firms. The sole concept of efficiency is different in the private and in the public realms. The economic way of thinking about institutions, including as well the new stream within

organizational economics mentioned above, has been mostly in terms of voluntary exchange.⁵ Yet voluntary exchanges can only tell part of the story in the public sector (Moe and Caldwell 1994: 173). In the public realm politicians are not worried by losing benefits, but by losing office (and sometimes even their heads). It is not a question (or, more accurately, it is not only a question) of inducing employees to undertake maximum efforts and achieve a standard organizational efficiency, but sometimes it may be as important (or more) preventing employees from taking sabotaging actions against their principals' interests. Therefore, together with Miller's and other new organizational economists' insights on the necessity of principal's credible commitment (i.e. the 'virtues' of the separation of powers), an appropriate political science theory of organizations should include the claims by mainstream political economists, such as Ferejohn and Shipan (1990) or Hammond and Knott (1996), on the problems of controlling agents' shirking in contexts of separation of powers (i.e. the 'vices' of the separation of powers).

An appropriate political science theory of organizations should thus deal with the organizational consequences of the following trade-off: a principal with high concentration of powers is a more efficient producer of monitoring services, but it is incapable of credibly committing against opportunistic behaviour. Following Falaschetti and Miller (2001), the question one should answer is: are the benefits of diffusing authority (e.g. credibility against opportunism) as great as the costs (e.g. limited active control)? If "even the best organized firms confront the effects of this trade-off" (Besanko *et al.* 2000: 170), it has been contended here that this trade-off may also be important in the public sector. And it should constitute a cornerstone in the future development of a political science theory of organizations.

⁵ Clear examples could be Williamson (1985) and Milgrom and Roberts (1992).

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