

Bureaucrats and Politicians: The Human Capabilities of the State

Ernesto Dal Bó
UC Berkeley

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Challenges to Democracy

FIGURE 8: AUTOCRATIZING VS. DEMOCRATIZING COUNTRIES, 1971-2021

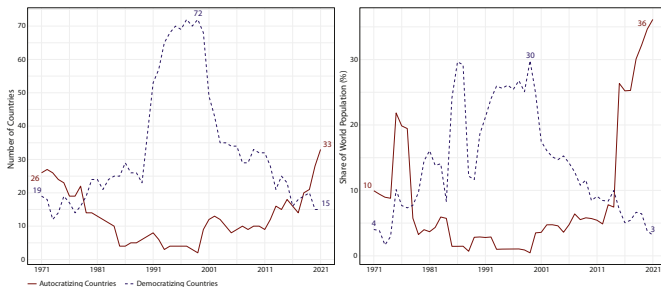


Figure 8 shows patterns of democratization and autocratization over the last 50 years. The left-hand panel displays the number of countries in each category and the right-hand panel shows the share of the world population living in autocratizing or democratizing countries.

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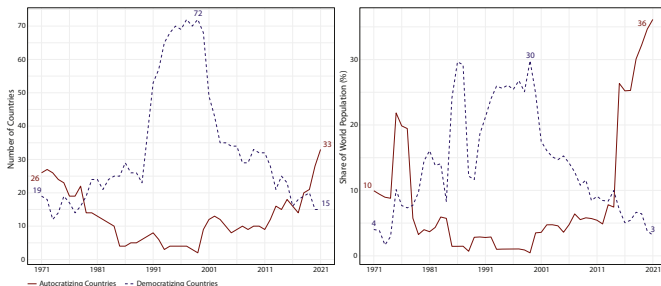


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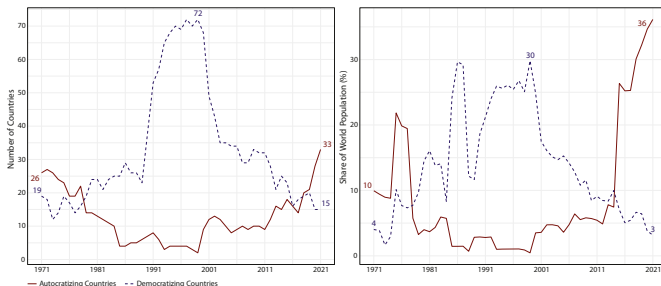


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 - Rising inequality and polarization
 - Often followed by populist shifts that erode democracy from within
 - “How democracies die” (Levitsky and Ziblatt 2018)

Democracy: Status Report

- Dissatisfaction with policy and implementation
- Two layers of state personnel
 - Decision personnel – political leaders
 - Implementation personnel – bureaucrats
- Bureaucrats are seen as incompetent beneficiaries of advantaged state jobs
- Political elites seen as as entrenched and “out of touch”

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- Political elites seen as as entrenched and “out of touch”
- Can we use the methods of economics to understand the selection and performance of bureaucrats and politicians?

Roadmap

	Selection	Performance
Bureaucrats	1. Financial incentives	2. IT and centralization
Politicians	4. Democratic leadership: quality and representation	3. Accountability vs stability

Six propositions

- ① Bureaucratic selection: Financial incentives attract better front-line personnel
- ② Bureaucratic performance: Technology helps monitoring front-line personnel and data facilitate scale optimization and centralization
- ③ Political control: there is a tradeoff between accountability and stability
- ④ Democracy has oligarchic tendencies
- ⑤ But democracy can deliver leadership that is both competent and representative by creating an inclusive meritocracy
- ⑥ Populism threatens inclusive meritocracy, but civil society can still respond and improve political selection

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Inside the creation of a new bureaucratic branch

Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service, Quarterly Journal of Economics 2013, with Fred Finan and Martín Rossi

- In August of 2011, Mexico launched the Regional Development Program (RDP) to enhance state presence in 167 municipalities
- The program built a network of 350 community development agents
 - Responsible for assessing community needs
 - Relaying needs to federal government
 - Monitoring delivery of solutions

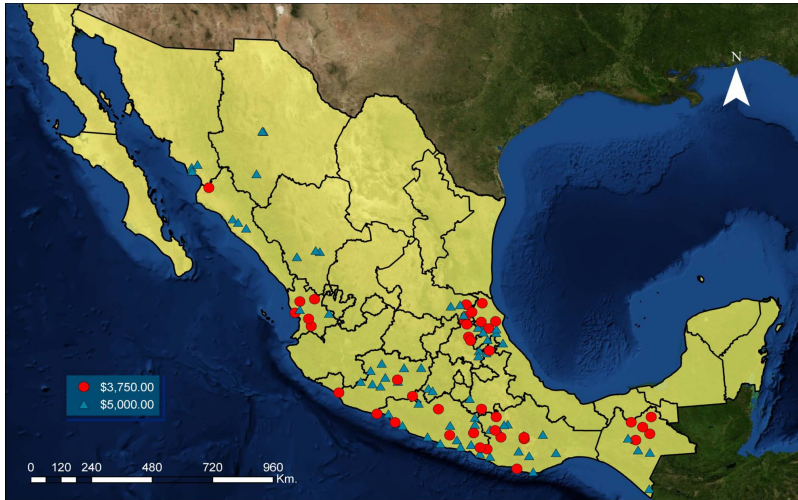
Mexico's Regional Development Program (RDP): challenges

- Internal discussions among program leaders
 - About how much to pay
 - Whether higher pay would help fill vacancies in difficult areas
- Theory
 - Higher wages should attract more qualified candidates
 - But could attract greedy types without true public service motivation (PSM) –this depends on underlying correlation between qualifications and PSM– ultimately an empirical question

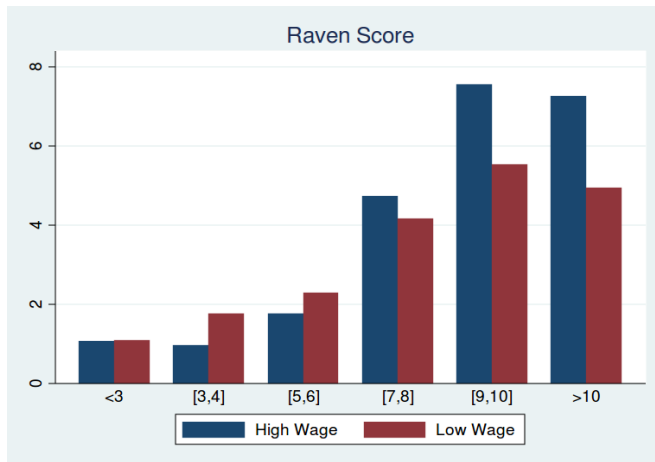
Experimental approach

- To hire these agents, the program conducted a recruitment drive
- ① Announced two different wages **randomly** across recruitment sites
- ② Conducted a 3-hour screening session designed to measure cognitive and non-cognitive traits of the applicants
 - Intelligence, Big 5 personality, Perry index of Public Service Motivation
- ③ **Randomly** allocated job offers among eligible candidates

Targeted localities

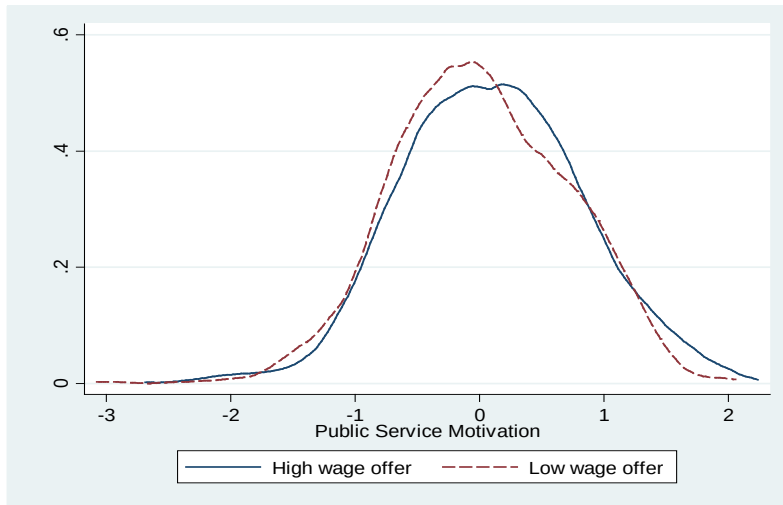


Higher wages attract smarter applicants

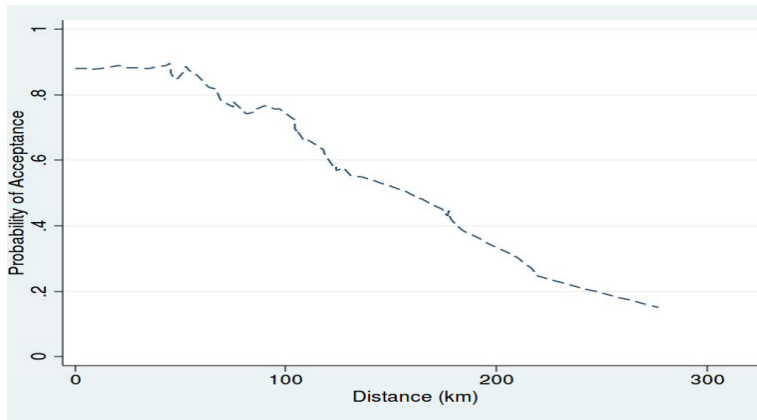


Panel A. Number of Applicants per Site by Raven's Score and Treatment Assignment

Higher wages do not crowd out Public Service Motivation

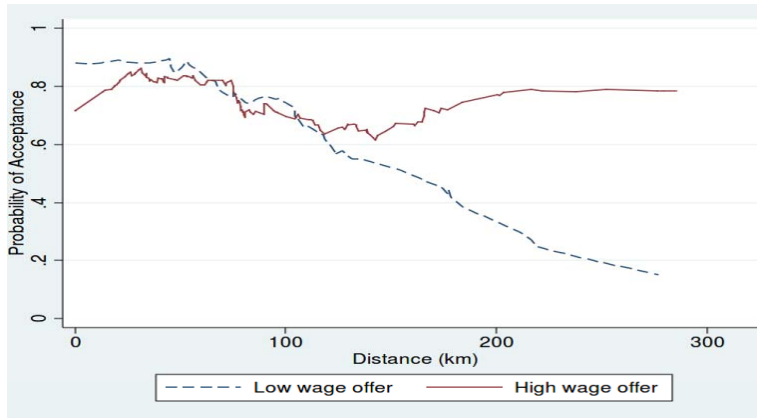


Distance lowers the ability of the state to fill vacancies



- Job offer acceptance decreases with distance to work

Unless wages are high



- Similar pattern with level of municipal development and violence
- Particularly relevant for state-building initiatives

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Inside the roll-out of a new technology for bureaucratic control

Information Technology and Government Decentralization: Experimental Evidence from Paraguay,
Econometrica 2021, with Fred Finan, Nicholas Li, and Laura Schechter

- As part of anti-poverty efforts, Agricultural Extension Agents (AEAs) in Paraguay are tasked with visiting farmers and providing assistance
- But AEAs must cover large areas at their own cost, inducing shirking
- To reduce AEA shirking, in 2014, the Paraguayan government issued GPS-enabled cellphones to Agricultural Extension Agents (AEAs) and their Supervisors

Questions

- Q1: Can a simple technology improve AEA performance?
- Q2: Government did not have phones for all AEAs. Assign at random or ask Supervisors which AEAs to “treat”?
 - Delegation tradeoff: Supervisors may have superior info, but may also be biased
- Q3: Can centralization ever prevail?

Design of Intervention

- Model of technology effects and how Supervisors would target phones based on observable and unobservable AEA characteristics
- Detailed AEA survey
- Prior to randomization, we asked Supervisors which 50% of their AEAs should receive the phones

	Control Group	100% Coverage	50% Coverage
Selected	A	B	E
Not Selected	C	D	F

- Impact: $(B + D) - (A + C)$
- Value of supervisor's information: $(B - A) - (D - C)$

Results

- ① Cell phones increased farm visits by 6.6 pp, and farmer satisfaction by 0.13 of a SD
- ② This effect was driven by the AEAs the Supervisors would select
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- ③ Supervisor info advantage partly due to unobservables
- ④ But Supervisors do not use info on observables optimally –bias or cognitive imperfection
- ⑤ Is there a chance for centralization?
 - Yes – Principal with our survey and machine learning of treatment response strongly outperforms Supervisor and optimizes roll-out at 68%
 - **Conclusion:** IT improves bureaucratic control, data allow to optimize scale and centralize, avoiding delegation tradeoffs

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A fundamental constitutional tradeoff: continuity vs accountability

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- Two natural experiments in Argentine legislature
 - Democratic transition in 1983, and constitutional reform in 1994 required giving some legislators longer terms in random or quasi-random fashion

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- **Broader implication:** Continuity in politics is valuable

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- Direct tradeoff between **competence** and (descriptive) **representation**
- And how about regular democracy – oligarchic or representative? Positive or negative selection??

Theoretical Expectations

- Modern view, present in much modern theoretical work on political selection (Dal Bó and Finan 2018, **Progress and Perspectives in the Study of Political Selection** *Annual Review of Economics*)
 - Low ability individuals have an advantage to enter politics, since they have lower opportunity costs
 - It takes generous compensation to also attract the talented
- Since compensation in politics is typically low, expect negative selection
- Less advantaged will be well represented

But even advanced democracy has oligarchic tendencies

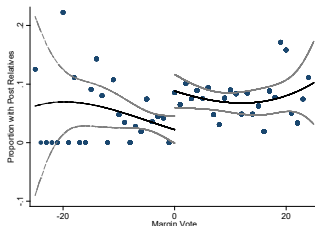
Political Dynasties (2009, *Review of Economic Studies*, with Pedro Dal Bó and Jason Snyder)

- Study of family ties in Congress of the United States
- **Key identification idea:** Close winners of reelection (a chance event) go on to have longer Congressional careers and amass more power – a power “treatment”

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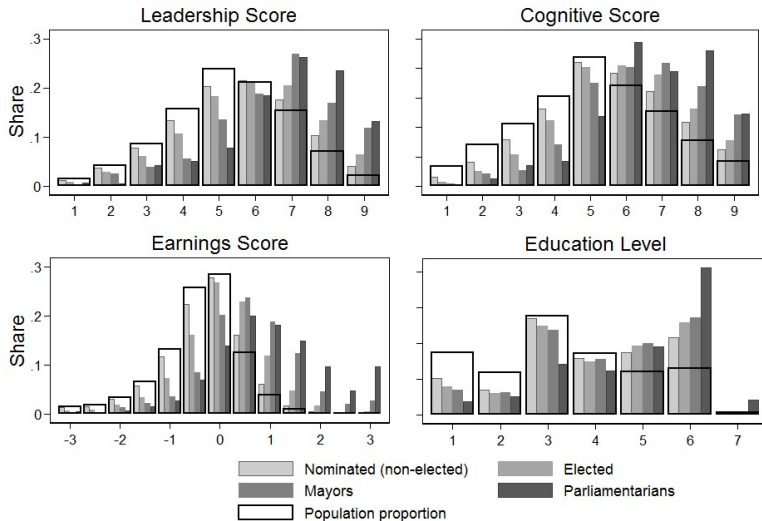
- **Key finding:** the power-treated are more likely to start a political dynasty
- **Broader implication:** Even in democracy, power is inheritable and political elites are self-perpetuating (the “iron law of oligarchy”)

Are oligarchic tendencies (and negative selection) unavoidable?

Who becomes a politician? (2017, *Quarterly Journal of Economics*, with F. Finan, O. Folke, T. Persson and J. Rickne)

- Had access to rich data on the universe of the Swedish population, including politicians elected in 1998-2010
 - Education, occupation, earnings, parental background, for universe of population, as well as intelligence and leadership scores from (mostly male) conscription examination
 - Earning capacity – residual ability measure based on Besley, Folke, Persson, and Rickne (2013)

Findings: Strong positive political selection



The magnitude of positive selection

- All four measures tell the same story: strong positive selection
- Magnitudes are large; e.g., Mayors: higher IQ by 2/3ds of a population standard deviation
- Similar-sized differences for residual ability, larger for leadership
- Mayors as competent as other elite professions
 - As smart as CEOs of firms of up to 250 employees
 - Almost as smart as lawyers, judges, academic economists – but better leaders than economists

Positive selection: what does it mean?

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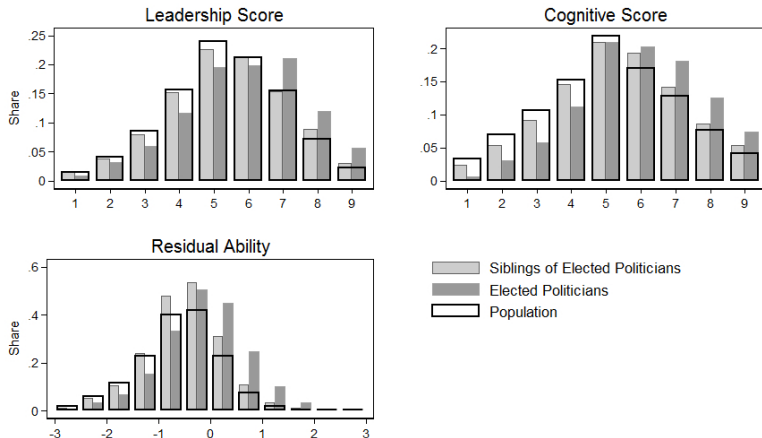
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- ③ **Inclusive meritocracy:** Politics selects on competence, but still represents broad social sectors even if elites have a competence advantage

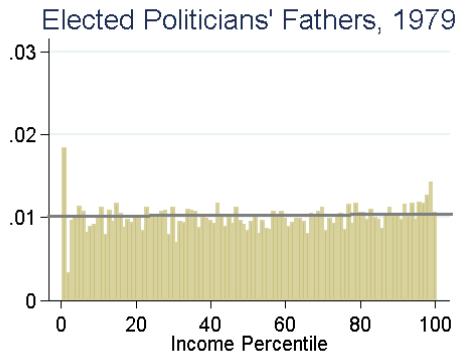
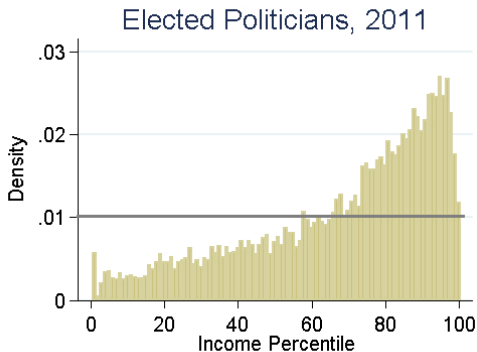
Positive political selection: it is not elitism



- Politicians are positively selected *within* the family – meritocracy!

Meritocracy at work, but what kind? Inclusive!

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- Politicians' parental background a replica of the whole society
- Higher earnings of politicians reflect ability, not privileged parental background

How is Inclusive Meritocracy possible?

- Positive correlation between ability and social class, but:
- Every social class has a deep bench of talent
- And politics selects the best and brightest from within each social class
- Under these conditions, **democracy can deliver leadership that is both competent and representative**
 - Against Old Oligarch's fears, there is no competence-representation tradeoff (in Sweden)

System shake up: the rise of the populist right

- Sweden Democrat party has (now disavowed) neo-Nazi roots, nationalist, social-conservative, populist
- First gained parliamentary representation in 2010, doubled its votes in 2014, grew to second largest party in 2020
- SD voters and politicians share strong anti-immigrant views

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 - What fueled the rise of the SD?
 - How did the SD affect political selection?

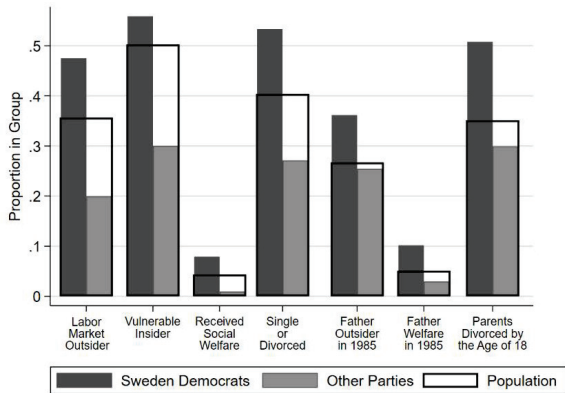
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- We provide answers in **Economic and Social Outsiders but Political Insiders: Sweden's Populist Radical Right** (2023, *Review of Economic Studies*, with F. Finan, O. Folke, T. Persson and J. Rickne)

Rise of the Sweden Democrats - due to shocks

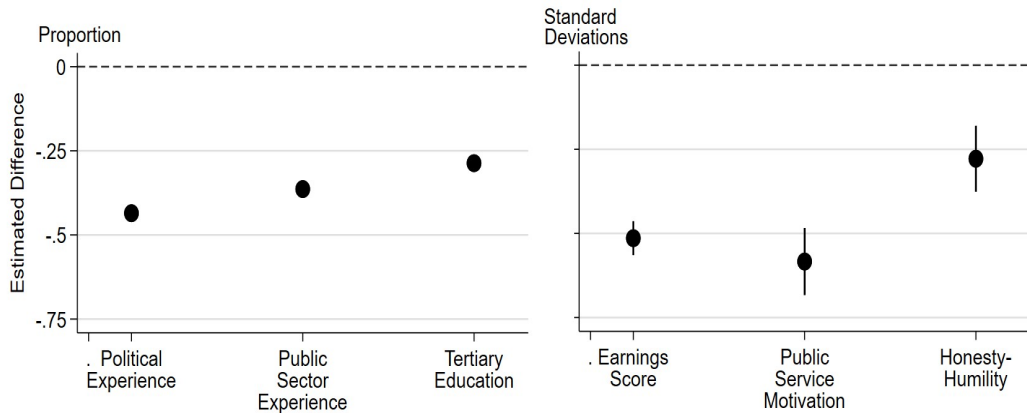
- Two ways to be an outsider
 - Labor-market outsider: weak attachment to labor market – unemployed, sick leave, etc.
 - Vulnerable insider: works in activities with high routinization index, vulnerable to replacement by automation
- Center-right “Make work pay” reform (2006) and financial crisis (2008) amplified insider-outsider gaps
- More Sweden Democrat votes in municipalities with higher share of outsiders

Sweden Democrats filled a descriptive representation gap



- Sweden Democrat politicians over-represent outsiders and vulnerable insiders, other parties under-represent them

Sweden Democrats dilute positive selection



- Among politicians, SD affiliation associated with lower scores across quality dimensions

Societal responses to new representation demands

- ① Via political parties
 - Existing parties do not respond
 - New parties may improve descriptive representation but worsen competence
- ② Through non-partisan initiatives

Non-partisan responses by civil society

- Training programs for becoming a politician are common
 - Non-partisan initiatives may overcome distrust of established parties, mitigate populist response and democratic backsliding
 - Exist in several countries (Emerging Leaders Foundation (Kenya), Indian School of Democracy (India), Academie des Futurs Leaders (France), Emily's List (US), Run for Something (US), **RenovaBR** (Brazil))
- These programs have never been evaluated

New project

When Democracy Refuses to Die: Evaluating a Training Program for New Politicians, (2024, with C. Ferraz, F. Finan and P. Pessoa)

- We partner with RenovaBR, a “school for politicians” funded in 2017 with the objective of lowering barriers to political entry
- Largest non-profit, privately funded, non-partisan organization working to **select and train citizens to become politicians in Brazil**

'School for politicians' gets a taste of power

By Daniel Gallas
South America Business correspondent

© 17 October 2018



Only 133 out of 4,000 candidates were selected for the latest RenovaBR courses

Selection and training processes

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- Selected students undergo approximately 100 hours of training, both in person and remote
 - Public policy
 - Communication skills
 - Leadership
- Training in Aug-Dec 2019, Elections in November 2020

Methodological Challenges

- ① Admission into the program not random; screening was deliberate, making treatment endogenous
- ② Some outcomes of interest –e.g., being elected– are conditional on candidate self-selection
- ③ Goal: Integral evaluation of training program
 - Not enough to “control away” selection – we want to estimate treatment effects, but also contribution of screening

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- 4 Our approach: combine **unprecedentedly rich data on aspirants**, **structure of selection process**, and a **model of political entry**

- ① *RenovaBR* increased likelihood of running for office by 18 pp (over 100% increase)
- ② *RenovaBR* candidates were more likely to be female, competent, and pro-democracy
 - Due to *RenovaBR* selection, not heterogeneous treatment
- ③ *RenovaBR* candidates raised more private funds and got more votes
 - Vote share higher by over a quarter, election rates up roughly from 8 to 12%
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- ⑤ Tradeoffs in political selection
 - Supply side: selecting on competence lowered descriptive representation of lower income
 - Demand side: features preferred by *RenovaBR* not rewarded by voters at the polls

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- We relied on official administrative data – investments on data on state personnel and population at large yield significant returns
 - Even higher when complemented with experimentation
- Countries should keep high quality statistics, including a detailed registry of politicians and state personnel
- Without measurement and rigorous analysis, discussions on politics and bureaucracy remain ideology-rich but evidence-poor