

The politics of economic adjustment: technocratic appointments and representation in economically advanced parliamentary democracies.¹

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During the current debt crisis in Europe a number of unelected ministers and even prime-ministers have been appointed to government to resolve the economic crisis. Commentators argue that such appointments hurt democracy and are unlikely to succeed. However, appointments of un-elected technocrats are not unique to the current economic crisis. Nonetheless to this day, we have very little understanding of the economic and political impact of unelected ministers and prime-ministers. Does it make a difference for representation whether ministers and governments are technocratic instead of partisan? With a couple of notable exceptions, the discipline lacks systematic knowledge on the causes and effects of unelected technocrat ministers. When are technocrats more likely to be appointed and how do their appointments affect the government's policy decision and, in turn, effective representation of the electorate? Using a new dataset on ministers in eighteen economically advanced democracies, I address this question by studying whether critical economic events predict technocratic appointments. The findings of this paper shed light to the complex interdependence of pre-electoral commitments, policy outputs and representation in parliamentary democracies.

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Introduction

In the midst of the financial crisis, the Greek prime-minister George Papandreou reshuffled his cabinet and appointed a party heavy-weight and party leadership contender as his finance minister, Evangelos Venizelos. According to the Financial Times, “George Papandreou yielded to pressure from his fractious Socialist party after threats by deputies to bring the government down over a new austerity package.” (Financial Times, June 17 2011, Greek PM gives rival finance portfolio). A year later, in June 2012 the newly elected prime-minister and leader of the Greek conservative party, Antonis Samaras, chose an economics professor and non-partisan minister as his finance minister, Ioannis Stournaras. Unlike Venizelos, Stournaras had no links or purchase on the party base or on the parliamentary group. This paper asks the following two questions: when do prime ministers appoint technocrat ministers- unelected ministers with policy expertise? Secondly, are technocrat ministers more or less able than partisan ministers to implement policy reforms?

The lack of attention given by the literature to the appointments of ministers whose policies have critical redistributive effects, such as ministers of finance, labor and social affairs, is surprising. The literature has studied neither the appointments nor the policy effects of ministers who handle economic and social policy. Instead, it has either tried to explain the appointments of non-partisan ministers, defined as those who have not been elected to the national parliament (Neto and Strom 2006; Yong and Hazel 2011) or the appointments of ‘technician’ ministers, defined as those who have training in economic policy, irrespective of whether they are elected or not (Hallerberg and Wehner 2013). To our knowledge, there is no literature on the policy effects of technocrats versus partisan ministers.

The literature provides two main reasons for the appointment of non-partisans: the lack of policy expertise within the party parliamentary group (Blondel 1991; Yong and Hazell 2011) and the lack of trust between coalition partners – specifically between prime ministers and presidents in semi-presidential systems- in the cabinet (Neto and Strom 2006). The limited pool of experts within the parliamentary group might explain why the ministry of finance and economics typically have a larger number of non-partisan, expert ministers than other ministries (Winter 1991). Nonetheless, the large majority of finance

and economics ministers in parliamentary democracies are partisans. Furthermore, there is a large variation in the appointment of non-partisan ministers across countries, across types of governments and across party families. What explains this variation? If non-partisan ministers bring in the cabinet policy expertise and are trusted by coalition parties, why not appoint more of them?

The most important conditioning factor for the appointment of non-partisans discussed in the literature is the position of the prime minister (Poguntke and Webb 2007) or the president (Neto and Samuels 2010) vis a vis his or her party or the legislature, respectively. Weak prime ministers should have a harder time appointing outside the parliament policy experts. This argument assumes that appointments of non-partisan expert ministers are politically controversial. This should be particularly true for the appointments of the ministers of finance, labour and social affairs, whose policies have important distributive and redistributive effects. On the other hand, Neto and Strom (2006) argue that non-partisan ministers are less controversial than partisan ministers and this is why they are often appointed in semi-presidential systems under conditions of divided government.

Interestingly, the literature has failed to theorize ministerial appointments of non-partisans on the basis of their expected policy effects and/or their ideological profile. The only exception is Blondel (1991), who briefly refers to a fundamental difference between partisan and non-partisan ministers. He argues that technocrats are concerned only marginally with the political implications of the tasks they perform...and are also more secure than partisans, as they can expect to return to their original professions when they leave the government (Blondel 1991). Building on this significant difference between partisan and technocrat ministers we predict that technocrat ministers, who have no intention of being elected, are more likely to implement politically controversial reforms than technocrats who have policy ambitions or than partisan ministers, who pursue a political career.

Secondly and a consequence of the political costs of policy reforms for partisan ministers, we argue that technocrats are more likely to be appointed when the cost of policy reforms for partisan ministers is too high. For example, technocrat finance ministers are more likely to be appointed when the government must reduce debt but a

significant number of party members are not committed to this policy reform. Thus, we argue, we cannot predict the appointment of partisan or technocrat ministers unless we take into account, firstly the ideological placement of technocrats vis a vis the political party that appoints them, and secondly intra-party politics. The logic of ministerial appointments is likely to differ dramatically in economically liberal parties than in Social democratic parties, where there might be less agreement between party members regarding policy reforms that go against traditional policy goals. In other words, policy factions within the party should matter for the appointment of technocrat ministers.

Unlike partisan ministers who are more likely to implement policies favored by the party base or by public opinion, non-partisan experts- defined as technocrats- have strong policy views in line with their professional training. The question is when does a prime minister appoint an expert who might diverge from the party median or who will completely ignore a party faction?

Using a unique dataset, which distinguishes ministers of finance, labour and social affairs as partisans or technocrats, this paper allows us to test a theory of ministerial appointments and ministerial policy effectiveness. By doing so the paper contributes to the literature of economic governance by answering the following two questions: Are partisan ministers or technocrats better equipped to implement unpopular and politically costly reforms? Secondly, when and why do prime ministers appoint partisan ministers with limited policy expertise in critical economic portfolios and when and why do they appoint outside of the parliament policy experts?

The paper innovates by showing that appointments of technocrat ministers have important economic consequences and are politically sensitive. Preliminary empirical results show that technocrat ministers of finance are associated with lower debt, lower economic growth, and lower social spending. The appointment of technocrat ministers is particularly difficult for social democratic parties, which are committed to higher spending. Indeed, social democratic prime ministers choose partisan over technocrat finance ministers unless they are faced with a major financial crisis, like the current financial and banking crisis.

Literature review

Blondel (1988) argues that parliamentary governments that recruited at least some ministers from outside the parliament tend to function as well as or better than those that did not. Thus, chief executives concerned with the success of the policies and the competence of the ministers would consider appointing non-partisan/expert ministers who would have necessary technical skills required to implement successful policies.

Recruitment from inside the parliament restricts the talent base and results in the appointment of ministers with inadequate skills (Headey 1974). The size of the pool of ministrables in a given country largely depends on constitutional laws and the professionalization of politics in a political system. The focus on a parliamentary career forces politicians to focus on skills that are relevant for success in politics but not necessary for success in good government (Yong and Hazell 2011: 15). Thus, this perceived gap in skills and experience lead to a search outside the traditional pool of ministerial candidates, for instance in the UK in mid 2000's (Yong and Hazell 2011: 14).

Prime ministers have multiple and at times conflicting policy and political goals to meet when they assign ministerial posts. Policy priorities of the government, technical expertise, and political experience and competence are all important factors of the equation. Prime ministers want to appoint ministers who effectively draft bills, communicate with the rest of the cabinet and the media, and who, in other words, contribute to the cabinet's overall policy performance. At the same time, political competition within the party imposes different imperatives: which ministries should be under political heavyweights and political competitors? Which ministries will be acceptable to senior politicians? Which portfolios should be more active and which less active in terms of policy output (Dowding and Dumont 2009)?

In other words, ministerial, and non-partisan appointments particularly, create controversy and require strategic balancing (Dowding and Dumont, 2009: 10). Under these conditions, the prime minister's control over his/her party can be critical in ministerial appointments. For instance, Poguntke and Webb (2005) link the presence of non-partisan ministers with the degree of presidentialization of the parliamentary governments and the strength of prime ministers to act independently. Similarly, Neto and Samuels (2010) find that executives face strong incentives to appoint more partisan

ministers only when they depend on legislative confidence. In contrast, under the separation of powers, executives have stronger incentives to appoint non-partisans (Neto and Samuels, 2010: 10). Thus they find that the stronger the executive and the more voters have a direct role in the executive's investiture, the higher the proportion of non-partisan ministers in the government (Amorim Neto and Samuels, 2010: 14).

Similarly, Neto and Strom (2006) argue that semi-presidential systems should have a higher number of non-partisans compared to pure parliamentary systems. However, the authors argue that this is because non-partisans ministers constitute a political compromise between a president and his prime minister under a divided government. In this case, non-partisan ministers might strengthen a weaker prime minister (Neto and Strom 2006).

To recap, the literature provides insights regarding the institutional factors that affect the appointment of technocrats and partisan ministers. Nonetheless we know very little with respect to the political motives of appointments of technocrats and even less of their policy effects.

Ministerial appointments: dilemma between commitment, experience and expertise.

Dowding and Dumont (2009) convincingly argue that prime ministers cannot freely appoint their friends, and when they have done so, they often failed to control the backbenchers having to face regular riots and opposition. Instead, prime ministers seem to select among friends and foes trying to keep balance of power within the party. In other words, while according to the principle agent theory ideological factions within the party should increase the appointment of experts, power-balancing considerations might force prime ministers to appoint their political and policy rivals.

Revolt from party members, especially from the parliamentary group can sufficiently constrain the prime minister. Prime ministers' policy preferences cannot be too different from their party, since they are elected by their party. This certainly explains the appointment of Venizelos- a party heavy-weight- as finance minister and the de-selection of Papakonstantinou, a partisan, expert minister, by the Greek socialist prime minister in the midst of the debt crisis in Greece.

However, political parties are often divided into ideological factions. Prime ministers can have preferences that differ from a specific faction of the party. In the presence of ideological factions in the party, the appointment of a technocrat minister might be preferable by the prime minister’s faction, which does not want to bear the political cost of their preferred policy reform. For example, a policy expert might be the preferred choice of a Social-democrat prime minister or party leader who is in favor of reforms that another faction of the party dislikes. The prime minister or party leader might expect that this appointment will reduce internal party conflict.

On the other hand, the prime minister or party leader wants to choose a minister who will be effective, who will be able to implement the reform. While technocrats are more likely to proceed with their policy mandate since they should be less sensitive to the political costs of their policy decisions, they might be ‘forced’ out of their job if the party turns against them. Given their lack in political skill and political clout within the party, they rely solely on the prime minister for their survival. In contrast, partisan ministers and especially those with political experience should be more successful in mobilizing the party base and in achieving party discipline.

More generally, ministerial appointments are best described by the following dilemma between commitment and expertise versus experience. This is a dilemma between partisans, who are experienced but not necessarily committed to the prime minister’s policy agenda because of expected political costs, and might also lack policy expertise, and technocrats, who have policy expertise, are more committed to delivering a reform to the extent that they are directly appointed by the prime minister and have little political or personal cost but lack experience. In other words, in contrast to the literature, which questions the loyalty of non-partisan ministers, we question the commitment to policy reform of partisan ministers. This dilemma best summarized in the table below.

Table 1

	Partisan	Technocrat
Commitment	?	√
Experience	√	X
Expertise	X	√

Intra-party politics is likely to be a significant determinant of the prime minister's decision to appoint partisan and technocrat ministers. The trade-off between commitment, expertise and experience is likely to be more acute when there are competing ideological factions in a party. The presence of ideological factions in a political party both increase the likelihood of appointing non-partisan expert ministers, or else technocrats, but at the same time, they also increase the likelihood of failure for the technocrat minister if the party faction mobilizes the party against the minister and his policy agenda.

The shift in economic thought from Neo-Keynesian economics to Neo-Classical economics in the eighties, has meant that technocrats, especially those who come from the banking and finance sector are further to the right in their ideological placement than the average Social-democrat. For example, the OECD has been calling for labor-market liberalization and lower income tax for the last three decades (OECD 2010). Thus, it is expected that technocrat finance and labor ministers have been primarily appointed by prime ministers whose parties had a hard time implementing neoliberal reforms due to disagreement between different ideological factions in the party. In contrast, we do not expect to find that over time the appointment of technocrats has increased as substantially by conservative and liberal party leaders.

Political parties are often assumed unified actors for reasons of tractability and simplicity, even though they are often divided between factions (Benoit and Laver 2006). This is particularly true for social-democratic parties in the last thirty years, during which social-democratic parties had to respond to the economic consequences of de-industrialization and globalization. The resignation of the German finance minister Lafontaine under the first Schroeder government is a good illustration of ideological rifts and disagreement within social-democratic parties.

Oskar Lafontaine was a traditional Social-democrat, positioned at the left of SPD, who was ideologically closer to the trade-unions on issues of labour market reform than to his prime-minister, Schroeder². He clashed with Chancellor Schroeder and other cabinet ministers over economic policy and particularly over taxing more heavily the

² "Left Party in Germany loses Leader and Driving Force", NYT, January 2010.

energy industry³. Trittin, the minister of Environment in the first Schroeder cabinet and member of the Green party, expressed publicly his desperation over Lafontaine's resignation for losing a political ally in the Red-Green cabinet against the pro-business Schroeder⁴.

At the other end of the ideological spectrum within SPD stands Schroeder, one of the architects of 'third-way' social democracy. Schroeder has been attacked for his neoliberal policies regarding taxation and the labour market reforms known as Agenda 2010. Schroeder's interpretation of best practices for fighting unemployment were closer to the views of liberals and the business associations than those of the unions. He was the first Social-democrat prime minister to appoint a technocrat minister of economics with background in business and finance, Werner Muller. In his second cabinet he merged the ministries of economics and employment and appointed Wolfgang Clement -an elected SPD member but with strong neoliberal views who was later expelled by SPD and joined FDP- to head the ministry (Wiesendahl 2007). Schroeder's and Clement's reforms were highly unpopular within the Social-democratic party and eventually led to the withdrawal of Schroeder from the party chairmanship (Britanica Academic Edition: Germany, 2004).

Similarly, although perhaps in a less dramatic way, the Dutch Christian Democrat prime minister, Balkenende appointed a technocrat in his cabinet for the post of the minister of social affairs and employment, Aart Jan de Geus. De Geus was neither a party member nor a member of parliament, and this is why he was selected for this job, according to him (personal interview, June 2011). He was explicitly asked by the prime minister to deliver reforms that were not favored by the "old generation of Christian democrats in the party". He needed someone who had a background in the social partners- De Geus was the vice-president of the Christian trade union, CNV- and who would be determined to reform the disability system. According to De Geus the reason he succeeded in his reforms is because although his personal reputation was attacked by the unions, he 'could understand that kind of pressure because he could understand the rules

³ "Resignation rocks German Government", BBC, March 1999.

⁴ "German Reds and Greens get the Blues", NYT, March 1999.

of the game'. In addition, he added that "if you start from outside there are no obligations, no open bills to other people. You start with a blank notebook".

These examples are illustrative of the potential role and the motives of the political appointment of technocrat ministers. *Technocrat ministers who deal with economic and social policies are more likely to be appointed in the presence of intra-party ideological conflict (H1). Unlike partisan ministers who fear the political and electoral costs of unpopular policies, technocrats bear no political or personal cost and are thus more likely to deliver policy reforms (H2).*

Who are the technocrats?

In this paper technocrats are defined as ministers who, firstly, are not members of parliament during their ministerial appointment and secondly, have policy expertise. The primary attribute of technocrats is the fact that they do not pursue a political career. They are professionals who are asked to join the cabinet to contribute to policy formation due to their policy expertise and do not seek election to the parliament. However, being an outside of the parliament member does not automatically qualify a minister as a technocrat. Ministers who are not members of parliament but are employed by a political party or are elected at the regional or local level cannot qualify as technocrats. The second dimension of technocrats is their policy expertise which they acquire through their professional career. To sum up, technocrats are defined as those professionals whose primary employment is outside politics and are appointed to deliver policies relevant to their policy expertise.

Therefore, we define *technocrats as those ministers who have never been elected members of parliament prior to their ministerial appointment*. In addition, we identify a second type of technocrats, *those ministers who are not elected members of parliament prior to their ministerial appointment, but became MPs later*. The first category of technocrats, who were never members of the parliament nor were they party members, either before or after their ministerial appointment are defined as '*strictly technocrat ministers*'. The second category, who were not members of the parliament when they were first appointed but who were later elected in the parliament, are defined as '*partisan technocrat ministers*'. We make this distinction because we perceive partisanship and

technocracy as a continuum. A strictly technocrat minister is placed on the one end of the continuum, while a partisan minister is on the other end, with partisan technocrats occupying a middle ground between the two ends.

Partisan technocrats are different from strict-technocrats in that they have or develop political ambitions to seek election in the parliament, which could compromise their commitment to policy reform. They are also different from partisan ministers to the extent that they bring in their policy expertise and professional background. We expect their appointment to be qualitatively different from the appointment of strict technocrats, who have no political ambitions and no connections to the political establishment. We expect strictly-technocrats to bear no political costs since they are appointed with a single policy mandate. On the other hand, partisan technocrats, who have political ambitions, are likely to be constrained by their political ambition and link to the party to the extent that their parliamentary career depends on their success in the cabinet. In turn their commitment to their policy mandate might be compromised.

The technocrats we identify in this paper are outside of the parliament professionals whose primary profession is outside politics – they do not work for a political party or have not been elected at the local or regional level. In addition, we exclude technocrats who have been trade union officials because we assume they will have strong partisan links to social-democratic parties. By doing that, we assume that technocrats are, on average, to the right of social-democratic parties when it comes to economic and social reform. However, we do not explicitly code them on the basis of their profession, like Hallerberg and Wehner (2013) who code technocrats or rather ‘technicians’ as they call them, politicians who have more specialized training or occupational experience irrespective of their political career. They operationalize technical competence as economic policy makers with PhD degrees in economics (specialized training) and as people with professional experience in economics⁵.

⁵ They are only interested in economic-policy makers such as Prime Ministers/Presidents, Finance Ministers and Head of Central Banks.

Descriptive Analysis: the educational and professional background of technocrat ministers

Our dataset includes a total of 2,010 ministerial appointments for the ministries of finance, labor and social affairs. 671 of these appointments are finance ministers, 659 are labor and 680 are social affairs ministers. The total number of technocratic appointments is 272 out of the total of 2,010. 179 of these are coded as strictly technocrat ministers and 107 are coded as partisan technocrats. Table 2 gives the general distribution of technocrats across the countries in our dataset. Norway, Portugal and France have the most number of strictly technocrats. They are followed by Austria, Greece and Finland. While France, Austria and Greece have similar numbers of partisan technocrats, there is a dramatic decrease in the number of partisan technocrats when compared to strictly technocrats in Norway and Portugal. In total, France clearly is at the top of the technocrats list with 61. Norway, Portugal, Greece and Austria follow.

There is an important cross-country variation across Europe regarding the appointment of technocrat ministers. Relative lack of technocrats in Ireland and UK is worth mentioning. Lack of technocrats in Ireland is due to its constitutional provisions that require the cabinet members to be selected from those who have been elected to the parliament. Although there is no such provision in UK, relative lack of technocrats can be explained by the specific pathway to ministerial power in this country. It is the general trend in the UK that the members of the executive are chosen exclusively from the legislature, mainly from the elected MPs or to a lesser extent from the House of Lords. One exception to this general trend has been the technocratic appointments by Gordon Brown in 2007⁶.

[Table 2 about here]

Table 3 captures the overall trend of the technocratic ministerial appointments. Clearly, there is a gradual increase in the number of all technocratic appointments over time until the 2000s, although the increase is steeper for strictly technocrats.

[Table 3 about here]

⁶ As a result Ireland is excluded from the sample of countries use for the statistical analysis.

In terms of the party families, Social Democrats have the highest number of strictly technocrat appointments, followed by Conservatives and Christian Democrats. Liberals and Communists have considerably lower number of strictly technocratic appointments. Regarding partisan technocratic appointments, Social Democrats again lead but now the Liberals follow, leaving Conservatives and Christian Democrats behind them.

With respect to the education level of technocrats, nearly half of the strictly technocrats have a Phd degree while the other half have either a college or a graduate degree. For partisan technocrats, the number of ministers with PhD degrees falls to 1/3 of the total. The majority of partisan technocrats have a graduate degree followed by ministers with a college degree. In terms of their training, 72 of the strictly technocrats have training in economics/business, 43 of them have training in law, 15 of them have training in medicine and 14 of them have military training. There are a few strictly technocrats with training in engineering (9) and natural sciences (2). For partisan technocrats, there is a different picture. While there are 46 ministers with economics/business training (nearly half of the total), there are 23 with social sciences and 21 with natural sciences training. While there are 6 ministers with military training, there is one engineer and no minister with medical background.

Finally, with respect to their occupational background, there are 33 professors, 28 lawyers, 20 civil servants, 15 medical doctors, 14 economists, 13 with finance/banking background and 13 executives for the strictly technocrats. For the partisans, 30 of them are civil servants (nearly 1/3 of them) and 21 of them are professors. Other notable occupations are lawyers (9), economists (7) and doctors (6).

Technocrat Ministers of Finance

There are 673 ministerial appointments for the ministry of finance in the 14 European countries in our dataset. While 89 of these finance ministers are strictly technocrats, 56 of these ministers are partisan technocrats. France is at the top of the list

for both strictly (19) and partisan technocrats (12)⁷. Austria respectively has 16 and 11. While Portugal has 19 strict technocrats of finance, she has only 3 partisans. The UK and Ireland do not have any technocrat finance ministers. The complete list can found in Table 4.

[Table 4 about here]

The distribution of finance technocrat ministers over time is quite different for strictly and partisan technocrats. The increase in strictly technocrats has been rather dramatic in the nineties and two-thousands and has significantly exceeded the numbers of partisan technocrats.

[Table 5 about here]

The distribution of strictly finance technocrats across party families is rather even with Social Democrats having 23, Christian Democrats, 18 and Conservatives 16. Interestingly, only 6 strictly technocrat finance ministers have been appointed by Liberals. In contrast, the vast majority of partisan technocrat finance ministers have been appointed by Social Democrats (29) while all Christian Democrats, Liberals, and Conservatives have appointed 7 or fewer.

Nearly 60% of the strictly technocrats have PhD degrees and the rest have either graduate or undergraduate degrees. In contrast, only 35% of the partisans have PhD degrees and 30% of them have a graduate degree. In terms of their training, the majority of the strictly technocrat ministers of finance have training in either economics/business (67%) or finance/banking (24%). There are only a few ministers with training in social sciences and engineering. For the partisans, 55% of them have economics/business, 15% of them have finance/banking and 21% of them have training in social sciences.

Lastly, regarding the professional background of strictly technocrat ministers the main categories: professors (26%), economists (16%), bankers (15%), civil servants (12%) and lawyers (11%). There are also a few executives, full time employee organization directors, journalists and policy advisors. For the partisans, the main

⁷ This is largely explained by the semi-presidential political regime in France (see Neto and Strom 2006).

categories are: Professors (27%), civil servants (23%) and economists (13%). There are also a few executives, lawyers and people with background in supranational institutions.

Empirical Analysis: Data and Statistical Models

The hypotheses are tested using a novel dataset, which codes ministers' political, and professional background as well as the party families of the prime ministers that appointed in office. One minister is assigned in each cabinet as the minister of finance, labour and social affairs. Reshuffles have been coded to the extent that the information is in the public domain. Junior ministers are not coded.

The dataset includes a sample of thirteen European countries, Austria, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, UK⁸. These are all parliamentary democracies, with the exception of France, which is semi-presidential. The dataset spans from 1945 for all the countries but Finland, Greece, Spain and Portugal, for which observations start in the seventies, and runs until 2010.

As already discussed, technocrats are defined as ministers who were never elected in the parliament –strictly technocrats- or ministers who were not elected in the parliament before their appointment but were elected later – partisan technocrats. To make sure that these ministers had no career in other levels of government, we excluded all technocrats who had a political career in the local or regional government or who had worked for a political party. In addition, we excluded all the technocrats who had been trade-union officials. The main reason for excluding former trade unionists is that we assume technocrats are placed to the right of social democratic parties due mostly due to their training and professional career. In the regressions, we test the hypotheses using both definitions of technocrats.

In addition, we test our two hypotheses using two other measures of policy expertise. This is a measure of expertise for both strictly technocrats and partisans. Experts are coded as those ministers who were economists, professors, bankers, executives, lawyers or civil servants.

To remind the reader, the first hypothesis states that technocrats are more likely to be appointed during periods of intra-party conflict. To test this hypothesis, we regress

⁸ Ireland has been excluded since it does not have any technocrats

technocrats on social democratic parties before and after critical time periods, namely before and after the mid-eighties when neoliberal economics became more dominant within the economics profession, and before and after the 2008 banking crisis. The second hypothesis states that technocrats and especially strictly technocrats are expected to be able to implement more unpopular reform than partisans. To test this hypothesis, we test the impact of technocrats and expert partisan finance ministers on four policy outcomes: changes in debt, unemployment, growth and social spending.

The dependent variables for Hypothesis 1 are: *strictly technocrat ministers of finance, labour or social affairs, partisan ministers of finance, labour or social affairs, strictly expert technocrat ministers of finance, labour or social affairs or expert partisan ministers of finance, labour or social affairs.*

The main explanatory variables for Hypothesis 1 are *Social Democratic party* and critical historical junctures in the global economy, namely *the time after 1985* and *the banking and financial crisis of 2008.*

We concentrate on social democratic parties is because we expect ideological disagreement between party factions to be the largest within social democrats than within any other party family. 1985 is assumed to be a breakpoint after which neoliberal ideas have consolidated in the economics profession and which caused the increase in ideological disagreement within Social-democratic parties. We expect that after 1985 technocratic appointments increased dramatically for Social democrats, mostly due to disagreements in policy within party factions. Similarly, the 2008 banking and financial crisis are expected to have been a catalyst for appointing more technocrat ministers. We also include the control variables, *market economy*, which measures the political saliency of market oriented policy reforms, based on the manifesto data project and *multiparty government* which has been previously used in the literature as an explanatory variable for technocratic appointments (Neto and Strom 2006).

Hypothesis 2 tests the policy impact of technocrat finance ministers on four policy outcomes: debt, economic growth, unemployment and social spending. All of the economic variables come from the Comparative Political Data Set 2010 that includes variables from a wide range of sources. These economic variables except the social spending rely on the OECD Economic Outlooks Database. Debt measures the gross

government debt (financial liabilities) as a percentage of GDP. Economic growth measures the growth of GDP (percentage changes from previous year). Unemployment measures the unemployment rate as a percentage of civilian labour force. Lastly, social spending measures the total public and mandatory private social expenditure as a percentage of GDP and comes from the OECD Social Expenditure Statistics. The main explanatory variables are *strictly finance technocrat ministers* and *social democrat strictly finance ministers*, *partisan finance technocrat ministers* and *social democrat partisan finance ministers*, and *expert partisan finance ministers* and *social democrat expert partisan finance ministers*.

There are also economic control variables in the models. Openness of the economy, which is measured as total trade (sum of import and export) as a percentage of GDP (in current prices) is taken from the Comparative Political Data Set 2010 and comes from Penn World Tables. Social transfers variable, which is measured as the social security transfers as a percentage of GDP, is taken from the Comparative Political Data Set 2010 and comes from the OECD National Accounts Statistics. Lastly, all the models include a dummy for France in order to control for the effect of its semi-presidential regime on technocratic appointments.

Hypothesis 1 is tested using a logit model with standard robust errors clustered by country, while Hypothesis 2 is tested using OLS regression with country dummies and robust standard errors. The dependent variables in all policy equations are in changes instead of levels due to the trend the variables exhibit.

Discussion

Tables 6 through to 0 provide the results of the multivariate analysis.

[Table 6 about here]

[Table 7 about here]

Our first hypothesis states that technocrats are more likely to be appointed in the presence of intra-party ideological conflict. We expect the ideological conflict to be the most severe for Social Democratic parties. Tables 6 and 7 test the first hypothesis and provide the results for appointments over time and under different economic conditions.

The results support our expectations, although they also reveal some interesting variation between expert technocrats and expert partisans. Overall, Social Democratic parties are less likely to appoint partisan experts than non-Social Democratic parties. This is particularly clear in Table 7 which reports the simple, non-interactive models and which controls for macroeconomic conditions, such as debt, unemployment and economic growth. However, Social Democrats have a positive and significant effect on expert partisan appointments after 1985. Nonetheless, even with this effect, the overall interactive effect of Social Democratic parties on expert partisans remains negative and statistically significant⁹. Moreover, Social Democratic prime ministers seem to prefer technocrats and especially strictly technocrats over partisan experts when faced with a major banking and financial crisis like the current one. This finding is inline with our expectations: in the face of major economic adjustments, prime ministers prefer outside of the parliament experts over partisans, who would bear a too high cost for economic adjustment. Against our expectations, the appointments of technocrats by Social Democrats did not increase after 1985.

More specifically, according to Table 6, the interaction between Social Democrats and the banking crisis is positive and significant for both strictly technocrats and strictly expert technocrats. Social democrat prime ministers are more likely to appoint strictly and expert technocrat ministers during periods of financial crisis. However, and against our expectations, the interactive term of Social Democrats with the period after 1985 is not positive and statistically significant. Lastly, Table 7 reports the effect of macroeconomic conditions on technocratic appointments. Economic conditions in general do not play a robustly significant role in predicting technocratic appointments. The combined results of Tables 6 and 7 reveal that although Social Democrats seem to prefer expert technocrats over expert partisans, this results is conditional on the presence of the banking crisis.

Tables 8 through to 10 test our arguments about the policy effectiveness of strictly technocrats, partisan technocrats and expert partisan ministers, respectively. Controlling

⁹ The conditional effect of social democracy and the 1985 break on expert partisans is -.61, with a z of -1.93

for underlying economic conditions, strictly technocrat finance ministers result in significant reduction in GDP growth levels, have no significant effect on changes on debt levels and decrease the level of social spending. These first and preliminary statistical results provide support to our hypothesis and indicate that technocrat ministers, free from political agendas and party pressures, are more capable of adopting unpopular policies, such as decreasing social spending. This further supports the argument that they are appointed to deliver results in controversial policy reforms such as social spending. Another important finding in Table 8 is the different policy effects of strictly technocrats vis a vis Social Democratic strictly technocrats. Social Democrat technocrats are only associated with lower social spending but not with lower economic growth, which clearly indicates that they are appointed specifically to go against the party's traditional agenda. In contrast, non-Social Democrat technocrats have a strong and negative effect on economic growth.

[Table 8 about here]

[Table 9 about here]

The effect of Social Democrat strictly technocrats on social spending becomes even stronger by the results reported in Table 9. Table 9 provides the policy effect of partisan technocrats. While non-socialists partisan technocrats of finance result in significant reduction in social spending, Social democrat partisan technocrats result in significant increase in social spending. There is no significant relationship between partisan technocrats and debt, GDP growth and unemployment levels.

Lastly, the importance of out of parliament ministers on social spending is further supported by the results in Table 10, which reports the policy effects of expert partisan ministers. Social Democrat expert partisans have no effect on any policy and they have a positive, although not statistically significant effect on social spending. The only policy effect in Table 10 is that non-socialists expert finance partisan ministers have a significantly positive effect on the GDP growth levels.

[Table 10 about here]

To recap, our preliminary empirical results show that technocrat ministers of finance are associated with lower debt, lower economic growth, and lower social spending, although their partisan affiliation is also an important predictor.

Conclusion

Do technocrat ministers matter for policy? Why and when do prime ministers appoint technocrats instead of partisan ministers who handle social and economic policy? This paper is a first attempt to answer these important for policy and political representation questions. By using a novel dataset that codes the political and professional experience of ministers of finance, labour and social affairs, we test two hypotheses regarding technocratic appointments and their policy effects. We find support for both hypotheses. Differentiating between strictly technocrats, partisan technocrats and expert partisans, we find that strictly technocrats have the largest policy effect on policy. However, these effects are conditional on partisanship: Social Democrat technocrats have policy effects on social policy but not on growth or unemployment. In addition, we find that the distinction between strictly and partisan technocrats is crucial, as only strictly Social Democratic technocrats have the expected negative effect on social spending. Regarding technocratic appointments we find that the current financial and banking crisis is the most significant predictor of strictly technocratic appointments but only for Social Democratic parties. This finding confirms our prediction that technocratic appointments are particularly controversial for Social Democrats and it takes a large economic crisis for their appointments to be justified.

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Table 2: Distribution of Technocrat Ministers¹⁰ Across 14 European countries

	Strictly Technocrats	Partisan Technocrats	All technocrats
Austria	16	12	28
Denmark	3	9	11
Finland	14	2	12
France	31	30	61
Germany	1	4	5
Greece	16	13	29
Ireland	0	0	0
Italy	10	8	13
Netherlands	5	6	11
Norway	36	8	41
Portugal	37	5	42
Spain	4	6	10
Sweden	5	4	8
United Kingdom	1	0	1
Total	179	107	272

¹⁰ To remind the reader, these technocratic appointments refer only to the ministries of finance, labour and social affairs.

Table 3: Distribution of Technocrats Over Time

	fifties	sixties	seventies	eighties	nineties	Two-thousands
Strictly Technocrats	19	18	41	46	50	39
Partisan Technocrats	6	16	24	27	32	10
All Technocrats	25	33	64	65	78	45

Table 4: Distribution of Technocratic Finance Ministers in 14 European Countries

	Strict Techs.	Partisan Techs	All Techs.
Austria	16	11	27
Denmark	1	2	2
Finland	4	2	5
France	19	12	31
Germany	1	3	4
Greece	5	7	12
Ireland	0	0	0
Italy	9	6	10
Netherlands	1	5	6
Norway	8	1	9
Portugal	19	3	22
Spain	1	2	3
Sweden	5	2	6
United Kingdom	0	0	0
Total	89	56	137

Table 5: Distribution of Technocrat Ministers of Finance Over Time

	fifties	sixties	seventies	eighties	nineties	thousands
Strictly	12	11	12	19	33	24
Partisan	5	8	14	15	12	3
All	17	19	25	30	42	24

Table 6: Predicting Technocratic Appointments over Time

Dep. Variables	(1) Strictly technocrats	(3) Partisan technocrats	(4) Expert technocrats	(5) Expert partisans
Multiparty	0.0285 (0.5335)	0.0689 (0.5442)	0.5471 (0.4341)	-0.2537 (0.3275)
Social Democratic Party	0.0638 (0.4525)	0.2778 (0.5506)	0.1864 (0.5010)	-0.9638*** (0.2223)
Market Economy	0.0439 (0.0350)	-0.0113 (0.0214)	0.0535 (0.0349)	-0.0386 (0.0276)
Break-1985	-0.6391 (0.4499)	-0.6078 (0.4354)	-0.3984 (0.5723)	-0.0659 (0.2511)
Banking Crisis	-0.1170 (0.6949)	0.2123 (0.6570)	-0.7064 (1.0109)	-0.8610* (0.5055)
Social Democracy* Break-1985	-0.4591 (0.6234)	0.7408 (0.6910)	-0.8627 (0.8300)	0.4738* (0.2836)
Social Democracy *Crisis	2.2721** (1.0872)	-0.4004 (1.2922)	2.8558* (1.5097)	0.6137 (0.7045)
France	0.4807 (0.4374)	1.8545*** (0.3034)	0.8936* (0.4635)	-0.7439*** (0.2402)
Constant	-2.4464*** (0.5483)	-3.0632*** (0.6139)	-3.4525*** (0.4692)	0.4868* (0.2658)
Observations	1551	1551	1551	1551

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7: Predicting Technocratic Appointments under different economic conditions

Dep. Variables	(1) Strictly technocrats	(2) Partisan technocrats	(3) Expert technocrats	(4) Expert partisans
Multiparty	-0.1319 (0.5123)	0.6871 (0.5215)	0.1855 (0.7458)	-0.4572 (0.3132)
Social Democratic Party	-0.2433 (0.4303)	0.0024 (0.5844)	0.8630** (0.4136)	-0.8103*** (0.1892)
Market Economy	-0.0304 (0.0511)	-0.0206 (0.0550)	-0.0133 (0.0279)	-0.0359 (0.0317)
Break-1985	-0.3967 (0.4030)	-0.6320 (0.5440)	-0.2410 (0.3360)	-0.1305 (0.3170)
Banking Crisis	0.3095 (1.0751)	0.0000 (0.0000)	0.8599 (0.5803)	-0.6425 (0.5551)
France	0.6589** (0.2857)	1.1659*** (0.3105)	2.1575*** (0.2576)	-0.5115** (0.2237)
Debt	-0.0154** (0.0068)	-0.0014 (0.0086)	0.0077 (0.0075)	0.0043 (0.0070)
Unemployment	-0.0595 (0.0854)	-0.0627 (0.0879)	-0.1067* (0.0586)	0.0461 (0.0631)
GDP Growth	-0.0479 (0.0486)	-0.0504 (0.0822)	-0.1703*** (0.0478)	0.0087 (0.0320)
Constant	-1.0438 (0.7910)	-2.8446** (1.1425)	-2.7057*** (0.5589)	0.1600 (0.4149)
Observations	1002	987	1002	1002

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 8: The policy effects of Strictly Technocrats

Dep. Variables	(1) D. Debt	(2) D. GDP Growth	(3) D. Unemployment	(4) D. Social Spending
Social Democrat- Finance	-0.2936 (0.4607)	-0.0220 (0.0741)	0.0028 (0.0551)	0.1134 (0.0923)
Strict Technocrats Finance	-0.0356 (0.8355)	-0.6235*** (0.1229)	-0.0067 (0.0487)	0.0662 (0.0864)
SD. Strict Technocrats	-1.1726 (1.1455)	0.4295 (0.4339)	0.1329 (0.2120)	-0.6242** (0.2512)
Multiparty	1.6265 (1.4341)	-0.6397* (0.2981)	-0.3258** (0.1242)	-0.1093 (0.2483)
Economic Growth	-0.2139 (0.1614)	-0.9610*** (0.0665)	-0.1895*** (0.0401)	-0.0692 (0.0610)
Trade Openness	0.0508** (0.0211)	-0.0715*** (0.0160)	-0.0134** (0.0047)	-0.0094 (0.0087)
D. Social Transfers	0.3674 (0.2905)	-0.6202** (0.2567)	0.2137** (0.0974)	
D. Unemployment	1.6254*** (0.2183)	-0.9540*** (0.1918)		
Debt	-0.0494*** (0.0083)			
D. Debt		-0.0496** (0.0209)	0.0627** (0.0221)	0.0468** (0.0192)
Unemployment			-0.0743*** (0.0204)	
Social Spending				-0.1205*** (0.0177)
Constant	-0.3011 (1.6919)	8.1965*** (1.2807)	2.0177*** (0.4405)	4.4494*** (0.9570)
Observations	2331	2263	2331	1562
R-squared	0.287	0.615	0.478	0.271

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9: The policy effects of Partisan Technocrats

Dep. Variables	(1) D. Debt	(2) D. GDP Growth	(3) D. Unemployment	(4) D. Social Spending
Social Democrat Finance	-0.4658 (0.4221)	0.0294 (0.0753)	0.0135 (0.0591)	0.0479 (0.1090)
Partisan Technocrats Finance	0.1660 (1.7397)	0.4396 (0.6750)	0.0448 (0.1926)	-0.4238** (0.1705)
SD. Partisan Technocrats	0.6586 (2.0586)	-0.9103 (0.7892)	-0.0665 (0.1697)	0.6439** (0.2905)
Multiparty	1.6260 (1.4316)	-0.6586** (0.2966)	-0.3260** (0.1240)	-0.1151 (0.2405)
Economic Growth	-0.2113 (0.1602)	-0.9601*** (0.0657)	-0.1896*** (0.0398)	-0.0678 (0.0605)
Trade Openness	0.0506** (0.0211)	-0.0718*** (0.0160)	-0.0134** (0.0047)	-0.0094 (0.0088)
D. Social Transfers	0.3680 (0.2922)	-0.6176** (0.2573)	0.2140** (0.0967)	
D. Unemployment	1.6247*** (0.2175)	-0.9550*** (0.1920)		
Debt	-0.0492*** (0.0083)			
D. Debt		-0.0492** (0.0211)	0.0626** (0.0221)	0.0469** (0.0192)
Unemployment			-0.0743*** (0.0202)	
Social Spending				-0.1180*** (0.0175)
Constant	-0.3486 (1.6841)	8.2454*** (1.2922)	2.0170*** (0.4425)	4.3752*** (0.9718)
Observations	2331	2263	2331	1562
R-squared	0.287	0.614	0.478	0.270
Robust standard errors in parentheses				
*** p<0.01, ** p<0.05, * p<0.1				

Table 10: The policy effects of expert partisans

Dep. Variables	D. Debt	D. GDP Growth	D. Unemployment	D. Social Spending
Left Finance	-0.3469 (0.2163)	-0.1641 (0.1243)	-0.0612 (0.0572)	0.0099 (0.0688)
Expert Partisan Finance	0.4961 (0.6392)	0.2235* (0.1040)	-0.0808 (0.0820)	-0.0558 (0.1124)
Left Expert Partisan Finance	-0.4960 (1.4805)	0.0731 (0.2265)	0.1684 (0.1679)	0.1727 (0.1903)
Multiparty	1.6111 (1.4238)	-0.6679** (0.2947)	-0.2383** (0.1017)	-0.1148 (0.2516)
Economic Growth	-0.2122 (0.1605)	-0.9602*** (0.0667)	-0.2177*** (0.0566)	-0.0684 (0.0611)
Trade Openness	0.0504** (0.0211)	-0.0718*** (0.0160)	-0.0129** (0.0044)	-0.0092 (0.0088)
D. Social Transfers	0.3671 (0.2878)	-0.6205** (0.2571)	0.2856** (0.1247)	
D. Unemployment	1.6277*** (0.2183)	-0.9542*** (0.1922)		
Debt	-0.0491*** (0.0082)		-0.0035 (0.0034)	
D. Debt		-0.0500** (0.0210)		0.0470** (0.0192)
Unemployment			-0.0559*** (0.0122)	
Social Spending				-0.1191*** (0.0176)
Constant	-0.2826 (1.6956)	8.2303*** (1.2809)	2.2232*** (0.4743)	4.3977*** (0.9508)
Observations	2331	2263	2331	1562
R-squared	0.287	0.615	0.409	0.270

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1