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# Selection of Public Servants into Politics\*

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## Abstract

Countries differ substantially in how they deal with politicians that come from the public sector. Most constitutions include incompatibility and ineligibility rules due to concerns about conflicts of interest and the politicization of the public service. We study how these rules affect the attractiveness of parliamentary mandates for public servants and thus the selection into politics. We compile a novel dataset that captures the fraction of public servants in 71 national legislatures as well as the respective (in)compatibility regimes. On average, there are 7 percentage points fewer public servants in parliaments where a strict regime is in force. Supplementary evidence shows that the fraction of public servants in parliament is positively correlated with government consumption as well as the absence of corruption.

*Keywords:* Political selection, public servants, incompatibility, political representation, corruption, government consumption

*JEL classification:* D72, K39

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# 1 Introduction

The identity of politicians matters for the political process and good government. This seems to be self-evident as political control and the credibility of policy commitments in the democratic process are limited. A careful selection of representatives is thus important to bring the outcomes of the political process as closely as possible in line with citizens' preferences when delegating decision-making power. Obviously, the pool of people who consider pursuing a career in politics is very heterogeneous with regard to ideals and interests, as people differ in their gender, religious orientation, and education.

We focus on the identity of politicians in terms of their professional backgrounds. This is important, firstly, for determining the personal socio-economic conditions that influence an individual's decision to run for office. Secondly, it shapes their private economic interests influencing the behavior once elected. Some of these interests are mediated by links to professional interest or lobby groups. Thirdly, the specialist knowledge and expertise of certain professions are essential in the parliamentary process.

In this paper, we concentrate on the single largest professional group present in most national legislatures; i.e., the parliamentarians who are recruited from the public sector.<sup>1</sup> This group poses a major challenge when assessing political selection into national legislatures for two main reasons. First, the instatement of politicians from the public sector presents two important issues: interest representation and professional expertise. On the one hand, their double role as agents in public service and as principals that supervise the executive branch in parliament compromises the (personal) separation of powers. This generates a conflict of interest. On the other hand, politicians with a public service background embody independence from specific business interests. Furthermore they constitute a pool of people with first-hand information on public service issues and a revealed interest in these matters. Accordingly, where public servants in parliament are made accountable to the electorate, their valuable expertise may even serve as a check in the oversight process. Second, many countries have instituted specific rules for this professional group which aim to prevent inherent conflicts of interest. These rules either specify the incompatibility of a public sector position with a legislative mandate or even declare public servants ineligible for candidacy. We hypothesize that these rules systematically change the pool of available candidates and elected politicians.

We pursue three goals with our contribution. First, we aim to document the phenomenon of the strong representation of public servants in national legislatures. We present a newly compiled

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<sup>1</sup>In this group, we include all employees that receive public pay and have a work contract under public law; i.e., for example, educational professions such as teachers or university professors, public servants or employees in public administration or police officials.

data set on the composition of the first parliamentary chamber in 71 countries for the years 2000 to 2010. Interestingly, there are large differences in the fraction of members with a public sector background. In the UK, for example, the fraction is 22.76%, while it is 49.16% in Denmark. Second, we analyse the determinants of the variation in their representation. In particular, we study legal provisions that primarily aim to inhibit conflicts of interest; i.e., the different regimes that define and deal with the (in)compatibility of public service employment with a mandate in the legislature. Accordingly, data is collected on the (in)compatibility regimes for the same 71 countries. It is hypothesized that incompatibility provisions reduce the attractiveness of a political mandate and are thus related to a lower fraction of public servants in parliament. Third, an initial basis is provided to explore the consequences that a strong representation of public servants in national parliaments has on the political process. We explore the relationship between the political selection of public servants and corruption as well as the size of the government sector.

As main results, we find that the average fraction of politicians with a public sector background is 31.41% in our sample. With regard to incompatibility rules, we observe six countries with a compatibility regime, 23 countries with a soft incompatibility, and 37 countries with a strict incompatibility regime. Five countries apply an ineligibility rule. The application of stricter incompatibility rules (strict incompatibility or ineligibility), signifying higher opportunity costs of a political mandate, is statistically related to a smaller fraction of public servants in parliament by roughly seven percentage points. This difference is robust to a series of sensitivity checks for potentially correlated economic and institutional conditions. The difference is even larger if countries with a compatibility regime are compared to countries where ineligibility rules are in force. Regarding the supplementary evidence for political outcomes, we find that the fraction of public servants in parliament is statistically significantly correlated with a lower level of corruption and a higher level of government consumption. While we consider these correlations interesting as such, causal relationships may go either way. Two-stage estimations using the incompatibility regime as an instrument lead to coefficients for the political selection variable of similar size but with larger standard errors.

Our study contributes to and benefits from recent research on the economics of political selection (see Fearon 1999, Brennan and Hamlin 2000, Besley 2005 and Mansbridge 2009 for reviews of some general ideas).<sup>2</sup> In particular, we want to contribute to an improved understanding of the institutional determinants of the selection of people with different characteristics into politics.

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<sup>2</sup>There is flourishing literature on political selection in economics that gained prominence with the so-called citizen-candidate models of Besley and Coate (1997) and Osborne and Slivinski (1996). Recent contributions include; e.g., the selection effects of higher compensation for politicians (Caselli and Morelli 2004, Messner and Pohlborn 2004, Gagliarducci and Nannicini 2009, and Ferraz and Finan 2009), of parties that strategically allocate their candidates to contested districts (Galasso and Nannicini 2011), and of alternative electoral rules (Mattozzi and Merlo 2010).

Previous research is scarce and scattered. Research on the gender dimension highlights gender quotas (see, e.g., Chattopadhyay and Duflo 2004 on political reservations in India) or the different selection effects of alternative electoral rules (see Norris and Franklin 1997). Heterogeneity in the competence of politicians is often approximated by the level of formal education. More educated politicians are observed as leaders in democracies than in autocracies (Besley and Reynal-Querol 2009). Another closely related strand of literature deals with the professional background of politicians.<sup>3</sup> For instance, Gehlbach et al. (2010) find more businessmen as governors in Russian provinces and republics where there is low media freedom and government transparency. Rosenson (2006) observes that disclosure rules are associated with a lower representation of businessmen and lawyers in U.S. state houses. Van Aaken and Voigt (2009) find no such effect at the country level.<sup>4</sup>

With the focus on the institution of incompatibility as a fundamental facet of the separation of powers principle, our study is also related to work pioneered by Persson et al. (1997) and Persson and Tabellini (2005).

In an earlier study closely linked to the current analysis, Braendle and Stutzer (2010a) investigate the representation of public servants in German state parliaments. Using time-series cross-sectional analysis, they found that institutional restrictions in terms of incompatibility rules substantially reduce the selection of public servants into parliament and that institutionally granted privileges increase the fraction of public servants. We substantially extend this research to capture a wider variation in (in)compatibility regimes in a cross-country perspective.

Section 2 presents the rationale for (in)compatibility rules from a historical perspective and derives hypotheses regarding the representation of public servants in national parliaments. In Section 3, we, first, provide a detailed description of the compiled dataset. Second, we lay out our econometric analysis and show the partial correlations between the institutional factors and the political selection of public servants. Section 4 supplements the analysis with an explorative study on the consequences of the political selection of public servants for political outcomes; i.e., perceived corruption and government consumption. Section 5 offers concluding remarks.

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<sup>3</sup>In political science, the professional background of politicians is discussed in the literature on elite research and political recruitment (see, e.g., Norris 1997, Patzelt 1999, and Cotta and Best 2008).

<sup>4</sup>National leaders' professions are also statistically related to policy choices. In a study for 72 countries over 33 years, former entrepreneurs were found to be more likely to implement market-liberalizing reforms (Dreher et al. 2009).

## 2 The rationale and some history behind (in)compatibility regimes

In a democracy, government functions are usually assigned to different bodies. This separation of powers is pursued in order to reduce conflicts of interest and prevent the abuse of sovereign authority. Interestingly, the separation of powers principle is implemented rather differently with regard to individual people being allowed to hold multiple offices. One major constitutional decision coping with the alleviation of inherent (intrapersonal) conflicts of interest is the degree of compatibility of employment in the public sector with election to legislative assemblies.<sup>5</sup>

### 2.1 A short recapitulation of (in)compatibility regimes

Rules that declare employment in the public service incompatible with parliamentary mandates have been justified for three main reasons.<sup>6</sup>

First, incompatibility rules should prevent legislative assemblies from being composed of persons who are subject to government control due to their ties to the state or their economic dependence on it. This rationale dates back to eighteenth-century Britain and has aimed at protecting the independence of parliament from the strong influence of the crown. In the United Kingdom, this concern is (still) reflected in the House of Commons Disqualification Act of 1975. The latter act constitutes the basis for the ineligibility rule that still holds today.<sup>7</sup> A second motivation for introducing incompatibility or even ineligibility provisions is the concern that the public service will become politicized by allowing public servants to assume seats in parliament; where the public service is supposed to be an institution above the political arena. The enactment of tight restrictions on the political activity of public servants in the United States, for example, is explained mainly by the desire to maintain the (party-)political neutrality of the public service. These restrictions date back to the 19<sup>th</sup> century and were defined in the Civil Service Act of

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<sup>5</sup>Besides this major incompatibility, there are also restrictions for holding different elected offices. For example, the logic of bicameralism implies the restriction of the simultaneous holding of a seat in the first and second chamber of a democracy. The same rationale applies to incompatibilities between different federal levels (i.e., a mandate in the national parliament and in a regional assembly). Some European countries impose the same rules to prohibit seats being held jointly in the European Parliament and the national assembly. Moreover, incompatibilities of a ministerial office and parliamentary duties are the general rule in presidential regimes and are a characteristic feature of them. They are, e.g., found in countries like Brazil, Portugal, the United States and Switzerland.

<sup>6</sup>For a detailed description of the historical evolution of incompatibility rules and for discussions from a comparative constitutional law perspective see Tsatsos (1970) and Sturm (1967).

<sup>7</sup>In some instances, the concern that parliamentarians may become beholden to a government that has appointed them to certain posts after their election has led to incompatibility rules which are extended beyond the period of serving as a parliamentarian. Thus, a similar argument applies as is the case with revolving door arrangements for regulators. In the United States, for example, no member of Congress may be appointed to an administrative office that has been created or for which the salary has been granted during his or her term of office. A similar incompatibility rule exists in the Philippines.

1883 for the first time. In the 20<sup>th</sup> century, a third reason arose: Rules of incompatibility should protect the independence of the parliament by preventing the legislature from being dominated by people with public sector backgrounds and thus public service interests. The latter rationale became the predominant argument underlying the constitutional design of the separation of powers relating to public servants elected to parliament.

Today, almost all democracies adhering to the principle of separation of powers stipulate some rules of incompatibility in their constitutional provisions.

In some countries, there is a movement to extend these rules of incompatibility to occupations beyond the public sector. In France and Italy, for example, holding a parliamentary mandate is incompatible with being a public contractor or a major supplier of public goods and services, or being the employee of a former public enterprise. Such rules mostly apply to management staff. Furthermore, in some countries incompatibility rules also restrict lawyers from continuously receiving mandates from public authorities, as is the case with Belgium. There are also countries that have legislation enforcing the incompatibility of a political mandate with employment in foreign enterprises or international organizations. This is the case in Egypt, for example. In general, however, the incompatibility rules that address types of private sector employment constitute exceptions.<sup>8</sup>

## 2.2 Selection effects of incompatibility rules

The conditions under which candidates with a public service background are allowed to take office in a legislature and the conditions they face as members of legislatures shape their incentives to run for a parliamentary mandate.<sup>9</sup> The relative attractiveness of such political mandates to public servants compared to private sector candidates is reflected in the fraction of public servants in parliament.<sup>10</sup>

The law may declare that parliamentary membership is incompatible with other public offices. This obliges candidates, once elected, to relinquish their public service office. If public servants face an ineligibility rule, they are obliged to resign prior to running for the political mandate and risk having neither a seat in the legislative assembly nor a position in the public service. This increases the opportunity cost of running for a political mandate.

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<sup>8</sup>For a general discussion of various legal aspects of a parliamentary mandate from a comparative perspective, see van der Hulst (2000).

<sup>9</sup>An overview of candidacy requirements for legislative elections in a set of countries is provided in Massicotte et al. (2004).

<sup>10</sup>There are numerous other reasons explaining why the incentives for self-selection into politics may differ between people from different sectors. For example, the compensation rules for a political mandate compared to public service pay or the organisational structure of parliament in terms of time requirements might systematically affect the composition of parliaments. Research in political economics has only recently started to analyse various aspects related to the remuneration of a political mandate, such as outside earnings (Gagliarducci et al. 2010) or post office returns (Diermeier et al. 2005, Eggers and Hainmueller 2009).



In contrast to ineligibility, rules of incompatibility constitute weaker restrictions. With strict incompatibility, all public servants have to hold their office in abeyance but may remain in office until they are elected for a mandate; they have guaranteed reemployment (in varying degrees) subsequent to the termination of their mandate.

With soft incompatibility, only some categories of public servants are restricted, whereas all other public servants can continue in their public service career, often with a guaranteed reduced workload. Some countries confine incompatibilities only to specific public offices, regardless of the rank in the hierarchy. In other countries, the ban affects only high-ranking public servants. While strict incompatibility increases the opportunity costs for all public servants, soft incompatibility increases costs only for some of them.

If a compatibility regime is applied, public servants elected to the legislature are free to juggle with their job in the public sector. In most cases, they face favorable conditions in terms of pay and time.

In sum, we expect that the stricter the incompatibility rule applied is, the higher will be the opportunity costs for public servants running for a political mandate. Accordingly, we expect to find the smallest fraction of citizens with a public sector background elected to parliaments in countries where ineligibility rules are in force.<sup>11</sup>

### 3 Empirical analysis for the political selection of public servants

#### 3.1 Data

The empirical analysis is based on a newly collected dataset. It captures the fraction of public servants in 71 national parliaments for recent elections between 2000 and 2010 and the rules of (in)compatibility applied in the respective countries.

##### *Occupational composition of national legislatures*

Primarily for single election periods, statistics are published by the Inter-Parliamentary Union (IPU) based on information supplied by parliamentary information services. The IPU tries to make the information comparable across countries. An example is provided for the case of the Algerian parliament in Table A.1a in the Appendix. Statistics published by the national parliamentary online services form another main data source. They ideally contain information about

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<sup>11</sup>In some countries, public servants facing incompatibility restrictions are compensated with specific privileges. Guaranteed reemployment is probably the most important one. Another privilege is the compensation for holding the public office in abeyance. Further specific privileges are discussed in Braendle and Stutzer (2010a) for the institutional context of the German subnational parliaments. In the current setting, we have to abstract from these institutions owing to information costs. However, in Braendle and Stutzer (2010a), the degree of incompatibility is the most important institutional determinant of the representation of public servants in parliament.

the occupational composition of the respective parliament. Short curricula vitae of the individual parliamentarians are the minimum requirement. They must include sufficient information about the occupations held prior to entering parliament. Based on the latter information, we were able to code occupations in a consistent manner and to determine the occupational composition.

For sixty occupational statistics, we adopted the fraction of public servants in parliament from the IPU aggregate information on the composition of parliaments. For another eleven parliaments, we collected data from parliamentary online services. They either offered databases or systematic information about individual politicians' professions. Whenever more detailed information was available on the national parliamentary service web pages, we gave it preference over the information supplied by the IPU.<sup>12</sup> We consider the following occupational titles as public servants or employees of the public sector: teacher, professor, educational profession, researcher, scientist, civil or public servant and employee of the local, state or federal authority administration, judge, public prosecutor, employee of the judiciary, armed services or military, police official, social worker, and employee of a public enterprise (if indicated). For example, the occupational statistic of the 17<sup>th</sup> German parliament (*Bundestag*) indicates that 199 out of 622 members (i.e., a fraction of 31.99%), have a public sector background. Of these 199 members, 86 (43.21%) hold a position in the educational and research sector. The other 113 members hold the following functions: administration (62 members or 31.16%), judiciary (13 members or 6.53%), municipal public servants (13 members or 6.53%), medical professions (9 members or 4.52%), police (7 members or 3.52%), military service (3 members or 1.5%) and 3% execute other functions in the public service. The background of the remaining 423 representatives is described in detail in Appendix A.1b.<sup>13</sup>

On average, the fraction of public servants elected to the 71 national parliaments in our sample is 31.41%. This number takes into account that in many statistics there is a category of parliamentarians with unknown professional background. The adjusted fraction is expressed relative to those politicians whose occupation is specified. The unadjusted or raw fraction is 29.38% in the sample. The fraction is lowest in Singapore in 2001 with 6.49% (unadj. 5.95%) and highest in Djibouti in 2008 with 73.85%. A complete list of the data sources and the fraction of public servants for every country is provided in Table A.2 in the Appendix.

In collecting and compiling data on the fraction of public servants in parliament, we encountered several methodological challenges. First, existing statistics on the socio-economic composition

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<sup>12</sup>For the U.S., no systematic information on the occupational background of the members of congress is available. We therefore coded information retrieved from various sources; i.e., in particular, the homepages of individual parliamentarians and the site "votesmart.org".

<sup>13</sup>The IPU typically reports country-specific statistics for different occupations within the public service. We aggregate these subcategories. However, information on the subcategories in the individual countries is available on request.

of parliaments differ as to their intended purpose. In contrast to our study, which concentrates on the last occupation held before election to parliament, some national statistics focus more on educational background, or occupation learned.<sup>14, 15</sup> Second, if the statistics did not contain one coherent category for the public sector, we had to rearrange or to aggregate categories in order to gain comparable data. A frequent case is separate categories for members of parliament who are from the judicial branch, the administration, the education or the public security sector. For some of the countries, it is not clear which professions or functions belong to or are executed by the public service. Due to the variation in the degree of differentiation, we abstained from a refined data collection and generated aggregate data on the fraction of public servants. Countries for which the available information did not permit an expert judgment were excluded.

### *Institutional conditions*

Rules of incompatibility are either written down in the national constitution, the electoral law or in one of the various laws governing the parliament, the judiciary and the public service. We are not aware of any study that systematically compares (in)compatibility regimes across countries. For the present study, we mainly collected and coded information provided by the IPU. Where no information was available (or where the information was contradictory), we looked for national provisions as far as information was available in English, German, Italian, Spanish or French. We coded four different types of (in)compatibility or ineligibility regimes:

*Ineligibility* is given if all public servants have to resign from public service when they decide to become a candidate.

*Strict incompatibility* is given if all public servants have to hold their office in abeyance while in parliament.

*Soft incompatibility* is given if only some categories of public servants have to hold their office in abeyance while in parliament.

*Compatibility* is given if public servants elected to parliament may stay in their public service office.

In preparation of the empirical analysis, the four regimes are coded as dummy variables. Table A.3 in the Appendix gives an overview of the institutional conditions holding in each country as well as the data sources.

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<sup>14</sup>This is, e.g., the case for Canada, Bulgaria and Slovenia. In the case of Canada, we were able to retrieve the correct information based on the study of individual MPs' *curricula vitae*.

<sup>15</sup>When analyzing individual *curricula vitae*, we encountered unclear chronologies of apportionments or the holding of multiple jobs at the same time (especially for members of the US congress).

## 3.2 Results

(In)compatibility regimes are expected to modify the attractiveness of a political mandate for public servants and thus systematically affect the (self-)selection of citizens with different professional backgrounds into national parliaments. First, raw evidence is presented in Figure 1. It shows the fraction of public servants elected under different (in)compatibility regimes in the period 2000-2010. Consistent with the theoretical hypothesis, the stricter the incompatibility rule applied is, the lower is the fraction of public servants elected to parliament. For the compatibility regime, we observe a fraction of public servants in parliament of 38.85% on average in the full sample. With soft incompatibility, the respective fraction is 34.35%. With strict incompatibility or ineligibility, 28.7%, and 28.5% respectively, are observed on average. A similar picture emerges if we restrict the sample to at least partly free democracies (according to the Freedom House democracy rating).

[Figure 1 about here]

In order to deal with correlated and confounding factors that might drive the raw correlation, the remainder of the empirical analysis focuses on the partial correlations from multiple regressions between institutional conditions for public servants as members of parliament and their actual representation in them. We report the results for a series of estimation specifications in order to uncover as much information as possible about our data pool. In particular, we test the robustness of our results including and excluding various control variables for institutional and economic development. In addition, we take into account a refined categorization of (in)compatibility regimes and restrict the sample once to “at least partly free democracies” and once to “free democracies” (according to the democracy rating published by Freedom House).

The first set of results in Table 1 is based on the full sample of 71 countries. Panel I reports the results of a cross-sectional ordinary least squares estimation. In correspondence with Figure 1, a strict incompatibility or an ineligibility rule is related to a 6.6 percentage points smaller fraction of public servants in parliament (the reference regime being compatibility or soft incompatibility). Panel II adds the log of GDP per capita in 2005 as a control variable for economic development. Panel III includes the Freedom House democracy rating of 2000 to control for the development of democratic institutions in general. Both control variables show no clear correlation with the fraction of public servants in national parliaments. The partial correlation for the variable capturing the (in)compatibility regimes remains almost unchanged.

[Table 1 about here]

The robustness of the partial correlations is studied in Table 2. In panels II to IV, we analyse whether the (in)compatibility regimes are just place holders for other specific institutions (observed and unobserved), which are the actual drivers of occupation-specific political selection. Panel I repeats the baseline estimation. We concentrate on the voting system, disclosure rules and the legal origins. The variables are described in Table A.4 in the Appendix.

In a majority voting system, public servants who aspire to a political career might be in an advantageous position relative to competitors from the private sector. This is the case if they have already gained some prominence due to their position in the public service or if they benefit from flexible work conditions during their campaign. Accordingly, we might expect a larger fraction of public servants to be represented in national parliaments.<sup>16</sup> If the same countries apply majority voting and soft incompatibility, the observed correlation in Table 1 might be spurious. While a majority voting system is positively correlated with the fraction of public servants in national parliaments (though not statistically significantly), the partial correlation for the incompatibility variable remains robust in panel II.

If politicians have to disclose the sources of their outside income, a political mandate might become less attractive. This might, in particular, hold for public servants' competitors from the private sector; e.g., lawyers and businessmen. In order to control for this potentially correlated institutional feature of legislatures, we include a disclosure rule index for income sources (Djankov et al. 2010) in the regression estimation in panel III. Contrary to the reasoning above, we find no effect. The effect for the incompatibility variable is almost unchanged.

There are potentially many democratic institutions that affect the (self-)selection of public servants into national parliaments - institutions that might also be correlated with the (in)compatibility regimes. If these institutions are part of a bundle of institutions that follow a specific legal tradition, we can control for these unobserved factors by including legal origins as control variables (La Porta et al. 2008). Panel IV reports the results. Compared to countries with a French legal origin, countries with a Scandinavian legal origin have a sizeably larger fraction of public servants in national parliaments (though imprecisely measured). Legal origin, however, does not explain the negative partial correlation for strict incompatibility and inelegibility.

In the last two panels of Table 2, we control for additional indicators of socio-economic development. In panel V, we test whether a gender-specific selection into parliament systematically affects the professional composition. Concretely, women are often employed in various public sector branches, such as the educational sector, public health or the social services. Thus, the

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<sup>16</sup>However, if a candidacy in a majority voting system requires more resources because it is more focused on the individual candidates (relative to the parties), public servants might be at a disadvantage relative, e.g., to businessmen from the private sector.

selection of women into parliaments might systematically affect the representation of public servants. However, if we include the fraction of women elected into national parliaments in 2005, we find no corresponding empirical evidence.

In panel VI, the sectoral structure of an economy is taken into account. It might be hypothesized that an economy with a large service sector requires more state coordination. Correspondingly, more candidates from the public sector might be recruited for a political mandate. In our robustness test, we find a positive (though not statistically significant) partial correlation between the fraction of employment in the service sector and the fraction of public servants in parliament. The partial correlation for the incompatibility variable remains robust.

[Table 2 about here]

Table 3 reports some further robustness checks. First, we disaggregate the incompatibility indicator into the categories soft incompatibility, strict incompatibility and ineligibility. Panel II reports the finding next to the result of the baseline estimation in panel I. The reference category is now a compatibility rule. In comparison, soft incompatibility is related to a 4.8 percentage points smaller fraction of public servants in parliament. For strict incompatibility the coefficient is -10.9 percentage points, and for ineligibility the coefficient is -11.2 percentage points, respectively. The effects for the refined categorization, however, are statistically precisely measured only in the case of strict incompatibility.

Second, we twice assess the robustness of our results: Once we restrict our sample to “at least partly free democracies” (panels III and IV) and once to “free democracies” (panels V and VI) according to the Freedom House democracy rating. We expect a stronger adherence to the rule of law in more democratic regimes. Correspondingly, the enforcement of political institutions in general, and of incompatibility rules in particular, is expected to be more stringent in the restricted sample of countries. The estimations confirm the negative partial correlations between the strictness of the incompatibility rule and the representation of public servants. In particular, we find statistically significant negative partial correlations with larger effect sizes if the sample is restricted to free democracies.

[Table 3 about here]

In sum, the different (in)compatibility regimes are correlated with the fraction of public servants in a statistically robust way. The findings indicate that stricter incompatibility rules increase

the opportunity costs of a political mandate for public servants and thus systematically affect political selection into national parliaments.

## 4 Consequences for political outcomes

### 4.1 The trade-off between conflicts of interest and competence

We differentiate between two channels through which rules of incompatibility affect political outcomes. First, incompatibility rules explicitly prohibit the simultaneous execution of an executive function and a legislative mandate. This constraint reduces intrapersonal conflicts of interest for public servants assuming a parliamentary seat. The incompatibility rule can thus be considered an (ex ante) sanctioning device. Second, the same rules reduce conflicts of interest through their effect on political selection. As argued above, the stricter the rules in force are, the higher will be the opportunity costs of becoming a politician for candidates with a public sector background. If the arguments are restricted to conflicts of interest, we expect a more efficient provision of public goods and services with strict incompatibility either owing to its sanctioning effect, its effect on political selection, or both.

However, a trade-off emerges when we take into account the aspect of expertise in political selection. Public servants form a pool of people with first-hand information about public service issues and a revealed interest in these matters. If this competence pool is partly excluded from the parliamentary process, we alternatively can expect a less efficient government sector. We briefly develop these countervailing arguments related to political selection in more detail and derive specific testable hypotheses.

The concern for conflicts of interest rests on the personal union and affiliations between the legislative and executive body as well as the perk of guaranteed reemployment. In particular, the private interests of public servants might lead to slack that is less forcefully counteracted by committees that are largely composed of public servants. A case in point is their involvement in drafting and revising civil service law. Moreover, public servants are likely to have an information advantage with regard to legislative procedures. This allows for more leeway to manoeuvre, especially in areas they are professionally acquainted with such as administration, security, public finance or education.<sup>17</sup> As proponents and representatives of the public service, they

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<sup>17</sup>This is not to say, that other members of parliament would not also pursue their own goals (and thus experience conflicts of interest). However, the authority of the legislature with regard to the duties of the public sector and the conditions governing public service are more concrete and immediate than for the private sector. Many aspects are more explicitly and more comprehensively regulated than in any other regulated market. While there are specific ordinances, e.g., regulating the business of pharmacies or the fees of attorneys, there are a multitude of laws and ordinances regulating the public service such as its internal training, pay, pension scheme and legal status.

may also favor policy choices that grant more competencies to the state and provide more services through the public sector, resulting in a larger government sector. In sum, a strong representation of public servants in parliament is expected to result in a large government sector and fewer countermeasures against misbehavior in the public service; e.g., in terms of corruption.

The competence argument emphasizes that politics is not simply a platform for the exchange of private interests. The expert knowledge possessed by public servants rather contributes to productive policy choices in parliament. Public servants in parliament might also affect political outcomes simply due to their ties with the state. The vocation of a career in the public service might reflect particular loyalty to an organization set up to provide public services. Given that public servants enjoy institutional privileges, such as reemployment guarantees and often favorable terms for leave of absence, they might be considered relatively independent of outside pressure and free to dedicate themselves to parliamentary duties until the end of their mandate. These aspects of the representation of public servants in parliament are particularly attractive if the information asymmetry between the executive and the legislative branch is severe (as stressed by Niskanen 1971). Electing insiders to parliament who become accountable to the electorate might consequently help to align interests between principals and agents. One effect might be stricter parliamentary oversight, since public servants face lower control costs due to their experience and information advantage (for a detailed discussion see Braendle and Stutzer 2010b). The increased oversight activity induces the government and its subordinate public service to provide public goods and services more efficiently. According to this line of reasoning, public servants as legislators have a positive impact on the execution of sovereign authority, which also includes the reduction of its abuse by means of parliamentary control. A stronger representation of public servants in parliament is thus expected to reduce corruption and also the waste of public funds.

Overall, the net effect of incompatibility rules and the actual representation of public servants in legislative assemblies on political outcomes is theoretically undetermined and invites an empirical investigation.

## 4.2 Empirical analysis

Following the theoretical reasoning, we analyse the statistical relationship between the representation of public servants in parliament and two broad measures of political outcomes: perceived corruption and government consumption. The indicators are described in Table A.4 in the Appendix. We present different estimation specifications for both outcome measures, including two which are based on an instrumental variable approach.

In Table 4, we look at the partial correlations between the political selection of public servants as



well as the incompatibility rule and the absence of corruption based on an index from Kaufmann et al. (2008). This index synthesizes a rich base of data capturing the phenomenon of corruption. In panel I, we study the partial correlation between a strict incompatibility regime and absence of corruption, controlling for the log of GDP per capita and the Freedom House democracy rating. While no statistically significant correlation for the incompatibility variable is observed, economic development and democracy are related to less perceived corruption.

Panel II emphasizes the partial correlation between the representation of public servants in parliament and the absence of corruption. We find that a larger fraction is related to less corruption. A 10 percentage-points higher fraction of public servants is statistically significantly related to a 0.09 point increase in the index for absence of corruption.

In order to test the robustness of the partial correlation, the estimation in panel III includes the legal origin of a country's legal system and the sum of exports and imports as a percentage of GDP. The latter variable serves as a proxy for the extent of openness to foreign competition. In addition to income per capita and democracy, the legal origins as well as the openness to trade are important predictors in previous work on corruption (see, e.g., La Porta et al. 2008, Treisman 2007, Persson and Tabellini 2005, and Serra 2006). We find that the fraction of public servants in parliament remains statistically significantly associated with less perceived corruption. The coefficients of the control variables are consistent with prior results in empirical research. Together, the factors account for 86.6% of the variation in the dependent variable.

While we consider this latter correlation interesting as such, it might well be the result of a causal relationship running from perceived corruption to political selection rather than the direction analysed in the theoretical part. In particular, candidates from the public sector might get more electoral support in a relatively less corrupt political system. In this constellation, a two-stage estimation approach is recommended in order to further explore the relationship between political selection and corruption. However, we are not aware of an adequate instrument with which to perform our preferred analysis separating the selection from the accountability channel discussed in Section 4.1. Instead, based on the observation that there is no independent correlation between the incompatibility rule and perceived corruption, we take the variable covering a strict incompatibility or an inelegibility regime as an instrument. We do this assuming that there is no direct institutional effect on corruption. The effect is rather indirect. As analysed in the Sections 2 and 3, the incompatibility regime is theoretically and empirically a strong predictor of the representation of public servants in parliament. In addition, in most countries, the incompatibility of a public service office with a parliamentary mandate is included in the earliest constitutional provisions and can thus be considered a long-standing institution that is basically unrelated to current political outcomes. Panels IV and V report the results of the second stage of the two-stage least squares estimation. If we

only exploit the variation in the representation of public servants that is due to the strict incompatibility or the ineligibility regime, we still observe a positive correlation with the absence of corruption with a point estimate of similar magnitude. However, based on the IV-estimation, it cannot be rejected that there is no effect of the representation of public servants on corruption.

[Table 4 about here]

Table 5 reports the results for general government final consumption as a share of GDP. Current theories of the size of government concentrate on factors affecting the long-run equilibrium of the supply and demand for public goods and services. We take the average over the years 2000 to 2008 in order to smooth out short-run shocks to the supply and demand for public goods. We proceed as before and take some major determinants of government consumption into account. Panel I includes a dummy for strict incompatibility or ineligibility in addition to the log of GDP per capita and the democracy rating. The institutional restriction is negatively correlated with government consumption. Panel II adds the adjusted fraction of public servants. This variable is strongly and statistically significantly positively correlated with government consumption. In countries with a 10 percentage points higher representation of public servants, government consumption is roughly 2 percentage points higher. This correlation holds in panel III if we include four further predictors of the size of government: openness to trade, two demographic variables capturing the fraction of the population under 15 and over 65 years of age, and an indicator of ethnic fractionalization. The four variables have been identified as basic variables in empirical research on government size (see, e.g., Shelton 2007).

Obviously, a larger government also offers a larger pool of political candidates and more voters potentially favoring candidates with a public service background. The partial correlation for the fraction of public servants might thus reflect effects in both directions. Here, we again apply an instrumental variable approach in order to explore the effects of the representation of public servants in parliament. In panels IV and V, we exploit the variation that is due to the variable covering a strict incompatibility or an ineligibility regime. A positive effect is estimated. However, the standard error for the point estimation is too large to draw firm statistical conclusions.

In sum, the phenomenon of a strong representation of public servants in parliament is correlated with the absence of corruption and more government consumption in a statistically robust way. However, instrumental variable estimations do not so far allow us to identify causal effects in either direction between the variables.

[Table 5 about here]

## 5 Concluding remarks

In this paper, we adopt a more person-centered view of the political process. We argue that the individual characteristics of politicians matter for public policy choices and government outcomes. This contrasts with the reasoning of many political philosophers and political economists that good governance is (solely) the result of institutions which allow that politicians are held accountable for their behavior. According to this latter view, it is useless to call for more competent and honest politicians in order to remedy malfunctions such as corrupt behavior.

Obviously, the two views are not mutually exclusive. As political control and the credibility of policy commitments are always limited, a careful selection of representatives is important to bring the outcomes of the political process closer in line with citizens' preferences when delegating decision-making power. We think that a comparative institutional analysis of political selection bridges the two views and emphasizes questions that have been neglected so far in political economics. First, which are the institutions systematically affecting political selection; i.e., the composition of the pool of politicians with regard to identity or quality characteristics? Second, are there consequences for political outcomes stemming from institutions that are primarily set up with the intention of holding politicians accountable? On the one hand, institutions which focus on reducing agency problems might not only tame the potential misbehavior of politicians in office, but also deter some citizens from entering politics in the first place; for instance, those citizens who seek to abuse their political power for private interests. Some outcome observations from the political process that are attributed to accountability mechanisms might thus, in fact, be due to political selection. On the other hand, an emphasis on control mechanisms could also backfire if it systematically changes the pool of candidates for the worse.

The incompatibility of a public sector position with a political mandate is one such institution. It is introduced in various forms to prevent conflicts of interest and thus to reduce agency problems. We have argued that this institution might also systematically change the pool of available candidates and elected politicians because a strict incompatibility regime increases the opportunity costs incurred by public servants when pursuing political mandates. Our main analysis is consistent with this hypothesis. We find in a cross-country analysis based on a novel dataset that, on average, there are 7 percentage points fewer public servants in parliaments in which a strict incompatibility or an ineligibility regime is applied.

In an explorative study on the consequences for political outcomes, the fraction of public servants in parliament was found to be positively related to government consumption and the absence of corruption.

Future research will have to show whether these relationships can be interpreted as causal and identify any other consequences for politics that the selection of public servants into politics

may have. These complementary insights are indispensable for a comprehensive understanding of (in)compatibility rules and will provide evidence supporting constitutional decisions on how to develop and implement legislation on the separation of powers.

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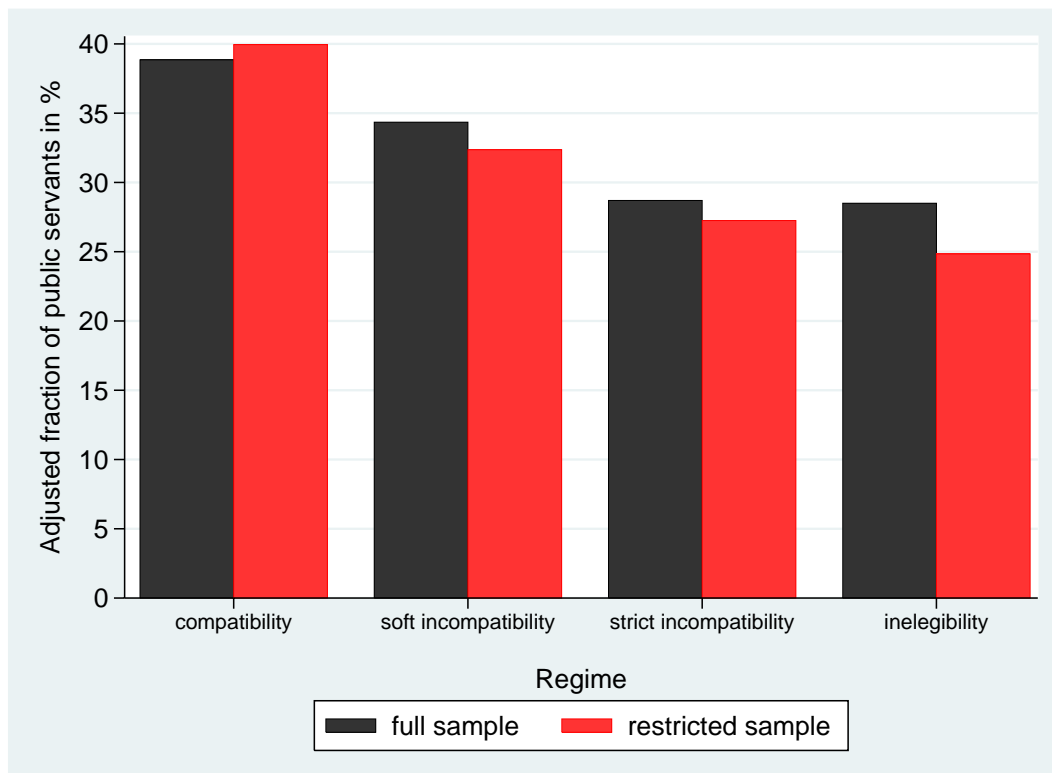
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## Figures and Tables

Figure 1: (In)compatibility regimes and the fraction of public servants in national parliaments



*Notes:* Information for 71 countries within the period 2000-2010 is included for the full sample. 59 countries are included in the sample restricted to “at least partly free democracies” according to the Freedom House democracy rating.

*Sources:* Own calculations based on IPU and national parliamentary data services.



Table 1: Determinants of the representation of public servants in national parliaments

Dependent variable: Adjusted fraction of public servants (%)			
	I	II	III
Strict incompatibility or inelegibility	-6.607** (3.18)	-7.293** (3.13)	-7.136** (3.15)
Ln(GDP per capita)		-1.801** (0.88)	-1.166 (1.25)
Democracy rating			-0.881 (1.22)
No. of obs.	71	71	71
$R^2$	.059	.113	.120
$Prob. > F$	0.041	0.017	0.035

*Notes:* OLS estimations. Standard errors in parentheses. Adjustment of the dependent variable due to the category “unknown professions”.

Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\* $p < .01$ .

*Sources:* See Tables A.2-A.4.

Table 2: Robustness analysis for alternative institutional and economic determinants of political selection

	Dependent variable: Adjusted fraction of public servants (%)					
	I	II	III	IV	V	VI
Strict incompatibility or inelegibility	-7.136** (3.15)	-6.810** (3.14)	-6.787** (3.37)	-6.856* (3.48)	-6.642** (3.25)	-8.406** (3.24)
Ln(GDP per capita)	-1.166 (1.25)	-1.164 (1.24)	-0.386 (1.33)	-0.875 (1.35)	-1.347 (1.30)	-2.386 (2.56)
Democracy rating	-0.881 (1.22)	-0.465 (1.25)	0.107 (1.44)	-0.870 (1.33)	-1.260 (1.28)	-0.523 (1.24)
Majority voting system		4.827 (3.50)				
Disclosure rule index			-9.950 (7.13)			
UK legal origin				-0.965 (4.20)		
German legal origin				-2.500 (4.96)		
Scandinavian legal origin				9.726 (8.81)		
Fraction of women in parliament					0.213 (0.19)	
Fraction of employment in services sector						0.360 (0.24)
No. of obs.	71	71	65	67	69	53
$R^2$	.120	.145	.132	.138	.126	.181
$Prob. > F$	0.035	0.033	0.070	0.162	0.069	0.044

*Notes:* OLS estimations. Standard errors in parentheses. The dependent variable is adjusted for the category “unknown professions” in national statistics. The reference category in panel II is a proportional or a mixed-member electoral system. In panel IV, the reference category is French legal origin.

Significance levels: \* .05 <  $p$  < .1, \*\* .01 <  $p$  < .05, \*\*\*  $p$  < .01.

*Sources:* See Tables A.2-A.4.

Table 3: Robustness analysis for a disaggregated (in)compatibility indicator and sample restrictions

	Dependent variable: Adjusted fraction of public servants (%)					
	I	II	III	IV	V	VI
Strict incompatibility or inelegibility	-7.136** (3.15)		-7.360** (3.55)		-6.219* (3.63)	
Soft incompatibility		-4.607 (6.05)		-7.584 (6.74)		-14.786** (6.18)
Strict incompatibility		-10.732* (5.76)		-13.345** (6.48)		-17.204*** (5.90)
Inelegibility		-10.907 (7.98)		-13.539 (9.90)		-19.104** (8.32)
Ln(GDP per capita)	-1.166 (1.25)	-1.036 (1.28)	-1.241 (1.04)	-1.233 (1.08)	-0.201 (1.37)	0.115 (1.33)
Democracy rating	-0.881 (1.22)	-1.014 (1.25)				
No. of obs.	71	71	59	59	40	40
$R^2$	.120	.128	.085	.106	.073	.205
$Prob. > F$	0.035	0.106	0.082	0.186	0.244	0.083

*Notes:* OLS estimations. Standard errors in parentheses. The dependent variable is adjusted for the category “unknown professions” in national statistics. The reference category in panels II, IV and VI is a compatibility regime. Panel III and IV (V and VI) restrict the sample to “at least partly free democracies” (“free democracies”) according to the Freedom House democracy rating.

Significance levels: \* .05 <  $p$  < .1, \*\* .01 <  $p$  < .05, \*\*\*  $p$  < .01.

*Sources:* See Tables A.2-A.4.

Table 4: Representation of public servants and absence of corruption

	Dependent variable: Kaufmann corruption index				
	I	II	III	IV	V
Strict incompatibility or inelegibility	-0.074 (0.12)	-0.006 (0.12)	0.010 (0.12)		
Adjusted fraction of public servants		0.009** (0.4e <sup>-3</sup> )	0.008* (0.4e <sup>-3</sup> )	0.010 (0.01)	0.006 (0.02)
Ln(GDP per capita)	0.445*** (0.05)	0.452*** (0.05)	0.414*** (0.05)	0.453*** (0.05)	0.413*** (0.05)
Democracy rating	0.164*** (0.04)	0.173*** (0.04)	0.169*** (0.05)	0.174*** (0.05)	0.168*** (0.05)
UK legal origin			0.318** (0.14)		0.316** (0.14)
German legal origin			0.120 (0.17)		0.116 (0.17)
Scandinavian legal origin			0.688** (0.29)		0.703* (0.37)
Trade (% of GDP)			0.002* (0.00)		0.002 (0.00)
No. of obs.	70	70	66	70	66
$R^2$	.823	.833	.866	.833	.866
$Prob. > F$	0.000	0.000	0.000	0.000	0.000

*Notes:* Panels I to III are OLS estimations. Panels IV and V are TSLS estimations. Standard errors in parentheses. The fraction of public servants is instrumented by the variable capturing a strict incompatibility or an inelegibility regime. The dependent variable is the average score of the Kaufmann corruption index for the years 2003, 2005 and 2007. The reference category in the panels III and IV is “French legal origin”.

Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $p < .01$ .

*Sources:* See Tables A.2-A.4.

Table 5: Representation of public servants and government size

Dependent variable: Government final consumption expenditure (% of GDP)					
	I	II	III	IV	V
Strict incompatibility or inelegibility	-1.428 (1.27)	0.231 (1.11)	0.404 (1.13)		
Adjusted fraction of public servants		0.215*** (0.04)	0.230*** (0.04)	0.185 (0.14)	0.176 (0.15)
Ln(GDP per capita)	0.477 (0.51)	0.608 (0.42)	0.160 (0.56)	0.590 (0.42)	0.257 (0.64)
Democracy Rating	0.453 (0.49)	0.657 (0.41)	0.280 (0.45)	0.629 (0.43)	0.255 (0.47)
Trade (% of GDP)			-0.000 (0.01)		-0.001 (0.01)
Population under 15 years (%)			0.069 (0.13)		0.105 (0.16)
Population over 65 years (%)			0.461* (0.24)		0.469* (0.24)
Ethnic fractionalization			-0.158 (2.57)		-0.278 (2.55)
No. of obs.	65	65	62	65	62
$R^2$	.100	.384	.453	.378	.437
$Prob. > F/Chi^2$	0.091	0.000	0.000	0.027	0.051

*Notes:* Panels I to III are OLS estimations. Panels IV and V are TSLS estimations. Standard errors in parentheses. The fraction of public servants is instrumented by the variable capturing a strict incompatibility or an inelegibility regime. The dependent variable is the average of the government final consumption expenditure for the years 2000 to 2008.

Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $p < .01$ .

*Sources:* See Tables A.2-A.4.

## Appendix

Table A.1a: Occupational composition of the Algerian Parliament in 2007

	#	Fraction
<b>Public sector</b>		
Public servants and public administrators	131	0.3368
Educators	56	0.1440
Military and police officers	3	0.0077
Scientists and researchers	1	0.0026
<b>Total</b>	191	0.4910
<b>Other sectors</b>		
Legal professions	30	0.0771
Medical professions (doctors, dentists, nurses)	20	0.0514
Liberal professions (including artists, authors) and sport professionals	37	0.0951
Consultants (including real estate agents)	13	0.0334
Business, trade, and industry employees, including executives	12	0.0308
Bankers (including investment bankers) and accountants	7	0.0180
Media-related professions (journalists and publishers)	2	0.0051
Farmers and agricultural workers (including wine growers)	2	0.0051
Economists	1	0.0026
<b>Total</b>	124	0.3188
<b>Others</b>		
Retired	31	0.0797
Unemployed	2	0.0051
<b>Total</b>	33	0.0848
<b>Unknown</b>	41	0.1054
<b>Total</b>	389	1

*Notes:* The category “public servants” and “public administrators” includes social and development workers.

*Source:* Inter-Parliamentary Union (2007).

Table A.1b: Occupational composition of the 17<sup>th</sup> German Parliament (*Bundestag*) elected in 2008

	#	Fraction
1. Employed		
<b>1.1 Public service</b> (public servants and employees in the public service)		
Public administration	62	0.0997
Police	7	0.0113
Judiciary	13	0.0209
Military	3	0.0048
Municipal public servants	13	0.0209
Educational professions and researchers	86	0.1383
Medical professions	9	0.0145
Others	6	0.0096
<b>Total</b>	199	0.3199
<b>1.2 Professions related to political activities</b>		
Employees of parties	36	0.0579
Employees of trade unions	24	0.0386
Former employees of parliamentarians	14	0.0225
Others	16	0.0257
<b>Total</b>	90	0.1447
<b>1.3 Private sector employees including employees of professional associations</b>		
Employees in artisanry, manufacturing, industry, sales and services	54	0.0868
Agricultural workers	1	0.0016
Employees in financial sector	6	0.0096
Insurance employees	2	0.0032
Media employees	14	0.0225
Others	20	0.0322
<b>Total</b>	97	0.1559
2. Self-employed		
<b>2.1 Liberal professions</b>		
Legal professions	102	0.1640
Medical professions	4	0.0064
Media-related professions	21	0.0338
Liberal technical professions	4	0.0064
Other liberal professions	7	0.0113
<b>Total</b>	138	0.2219

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Table A.1b – continued

<b>2.2 Other self-employed</b>		
Self-employed in artisanry, manufacturing, industry, sales and services	32	0.0514
Farmers	11	0.0177
Insurance broker	3	0.0048
Others	3	0.0048
<b>Total</b>	49	0.0788
<hr/>		
3. Others		
Housewives	2	0.0032
Students or in apprenticeship	8	0.0129
Clerical professions	6	0.0096
<b>Total</b>	16	0.0257
<hr/>		
4. Unknown	33	0.0531
<hr/>		
<b>Total</b>	622	1
<hr/>		

*Source:* German parliamentary online service.



Table A.2: Data sources and descriptive statistics for the fraction of public servants in national parliaments

Country	Year of election	Fraction of public servants in %	
		Adjusted	Unadjusted
Own coding based on national parliamentary statistics			
Albania	2001	24.42	22.14
Austria	2008	33.88	33.88
Germany	2009	33.78	31.99
Italy	2008	19.97	19.97
United Kingdom	2005	22.76	22.76
Own coding based on the national parliamentary online data bases containing detailed and systematic individual information			
Canada	2006	19.87	19.87
Finland	2008	46.49	43.00
Ireland	2007	31.55	31.55
Netherlands	2010	32.39	30.67
Own coding based on the individual MP's webpage (without systematic information)			
United States of America	2008	33.10	32.65
Own coding based on Inter-Parliamentary Union statistics for national parliaments			
Algeria	2007	54.88	49.10
Andorra	2005	19.23	17.86
Argentina	2007	18.69	16.86
Armenia	2007	17.56	17.56
Australia	2004	18.00	18.00
Azerbaijan	2005	27.44	26.96
Belgium	2007	25.18	24.00
Bosnia and Herzegovina	2002	9.52	9.52
Bulgaria	2005	20.26	18.08
Burkina Faso	2002	45.05	45.05
Burundi	2005	48.31	48.31
Central African Republic	2005	44.66	43.81
Chile	2009	20.83	20.83
Cyprus	2006	21.82	21.43
Denmark	2007	53.99	49.16
Djibouti	2008	73.85	73.85
Dominica	2005	28.58	25.81
Egypt, Arab Rep.	2007	26.16	24.61
Estonia	2007	41.23	39.60
France	2007	34.34	29.64
Gambia	2002	48.08	47.17
Greece	2007	18.67	18.67

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Table A.2 – continued

Haiti	2006	31.03	27.55
Hungary	2006	26.63	25.39
Indonesia	2004	9.58	9.27
Latvia	2006	45.00	45.00
Lebanon	2009	34.38	34.38
Liechtenstein	2005	20.00	20.00
Luxembourg	2004	43.33	43.33
Macedonia, FYR	2008	26.41	23.33
Mali	2007	42.23	38.78
Republic of Moldova	2005	25.00	23.76
Monaco	2008	15.00	12.50
Mongolia	2008	21.33	21.33
New Zealand	2008	41.66	40.98
Niger	2004	29.20	29.20
Norway	2005	26.74	24.08
Peru	2001	16.66	15.83
Philippines	2001	16.04	15.89
Poland	2007	38.91	38.91
Portugal	2005	39.11	38.26
Romania	2008	14.97	14.97
Samoa	2006	20.41	20.41
Senegal	2001	31.67	31.67
Serbia	2007	24.89	22.00
Singapore	2001	6.49	5.95
Slovak Republic	2006	29.58	28.00
Solomon Islands	2006	58.00	58.00
Suriname	2005	60.41	56.86
Switzerland	2007	22.16	20.50
Syrian Arab Republic	2007	35.54	34.40
Tajikistan	2005	33.33	33.33
Thailand	2007	12.76	11.88
Tunisia	2009	52.34	52.34
Turkey	2007	30.42	27.27
Uganda	2006	36.97	31.63

*Notes:* For Belarus, we report the professional composition for the 80 newly elected parliamentarians (out of 110 parliamentarians).

In Dominica, 9 out of 31 members of parliament are directly appointed by the head of state.

Table A.3 Incompatibility regimes in nations in 2010

Country	Regime	Source
Albania	Compatibility	Inter-Parliamentary Union
Algeria	Soft incompatibility	Inter-Parliamentary Union
Andorra	Strict incompatibility	Inter-Parliamentary Union
Argentina	Strict incompatibility	Inter-Parliamentary Union
Armenia	Soft incompatibility	Inter-Parliamentary Union
Australia	Strict incompatibility	Inter-Parliamentary Union
Austria	Soft incompatibility	Austrian Constitution Article 59
Azerbaijan	Strict incompatibility	Inter-Parliamentary Union
Belarus	Soft incompatibility	Inter-Parliamentary Union
Belgium	Strict incompatibility	Inter-Parliamentary Union
Bosnia and Herzegovina	Soft incompatibility	Inter-Parliamentary Union
Bulgaria	Strict incompatibility	Inter-Parliamentary Union
Burkina Faso	Strict incompatibility	Inter-Parliamentary Union
Burundi	Strict incompatibility	Inter-Parliamentary Union
Canada	Soft incompatibility	Inter-Parliamentary Union
Central African Republic	Soft incompatibility	Inter-Parliamentary Union
Chile	Soft incompatibility	Inter-Parliamentary Union
Congo, Rep.	Soft incompatibility	Inter-Parliamentary Union
Cyprus	Strict incompatibility	Inter-Parliamentary Union
Denmark	Compatibility	Inter-Parliamentary Union
Djibouti	Soft incompatibility	Inter-Parliamentary Union
Dominica	Compatibility	Inter-Parliamentary Union
Egypt, Arab Republic	Strict incompatibility	Inter-Parliamentary Union
Estonia	Strict incompatibility	Inter-Parliamentary Union
Finland	Soft incompatibility	Inter-Parliamentary Union
France	Strict incompatibility	Inter-Parliamentary Union
Gambia	Soft incompatibility	Inter-Parliamentary Union
Germany	Strict incompatibility	German Constitution Article 137 and the Law for the members of the German parliament
Greece	Ineligibility	Hellenic Constitution Articles 55-57
Haiti	Ineligibility	Inter-Parliamentary Union
Hungary	Soft incompatibility	Inter-Parliamentary Union
Indonesia	Strict incompatibility	Inter-Parliamentary Union
Ireland	Strict incompatibility	Inter-Parliamentary Union
Israel	Soft incompatibility	Inter-Parliamentary Union
Italy	Strict incompatibility	Electoral Law Article 88

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Table A.3 – continued

Kuwait	Soft incompatibility	Inter-Parliamentary Union
Latvia	Soft incompatibility	Inter-Parliamentary Union
Lebanon	Soft incompatibility	Inter-Parliamentary Union
Liechtenstein	Soft incompatibility	Inter-Parliamentary Union
Luxembourg	Strict incompatibility	Inter-Parliamentary Union
Macedonia, FYR	Strict incompatibility	Inter-Parliamentary Union
Mali	Soft incompatibility	Inter-Parliamentary Union
Moldova	Strict incompatibility	Inter-Parliamentary Union
Monaco	Soft incompatibility	Inter-Parliamentary Union
Mongolia	Strict incompatibility	Inter-Parliamentary Union
Netherlands	Compatibility	Inter-Parliamentary Union
New Zealand	Strict incompatibility	Inter-Parliamentary Union
Niger	Strict incompatibility	Inter-Parliamentary Union
Nigeria	Strict incompatibility	Inter-Parliamentary Union
Norway	Soft incompatibility	Inter-Parliamentary Union
Peru	Strict incompatibility	Inter-Parliamentary Union
Philippines	Strict incompatibility	Inter-Parliamentary Union
Poland	Strict incompatibility	Inter-Parliamentary Union
Portugal	Strict incompatibility	Inter-Parliamentary Union
Romania	Strict incompatibility	Inter-Parliamentary Union
Samoa	Strict incompatibility	Inter-Parliamentary Union
Senegal	Strict incompatibility	Inter-Parliamentary Union
Serbia	Strict incompatibility	Inter-Parliamentary Union
Singapore	Strict incompatibility	Inter-Parliamentary Union
Slovak Republic	Soft incompatibility	Inter-Parliamentary Union
Solomon Islands	Strict incompatibility	Inter-Parliamentary Union
Suriname	Compatibility	Inter-Parliamentary Union
Switzerland	Soft incompatibility	Law for the National Parliament Article 14
Syrian Arab Republic	Strict incompatibility	Inter-Parliamentary Union
Tajikistan	Compatibility	Inter-Parliamentary Union
Thailand	Strict incompatibility	Inter-Parliamentary Union
Tunisia	Strict incompatibility	Inter-Parliamentary Union
Turkey	Strict incompatibility	Inter-Parliamentary Union
Uganda	Ineligibility	Uganda Constitution Articles 77-82
United Kingdom	Ineligibility	House of Commons Disqualification Act
United States	Ineligibility	Inter-Parliamentary Union

*Notes:* Some countries apply specific incompatibility rules that complement the general rules considered in the coding which go beyond the public sector.

Persons holding posts for foreign states or for international organizations are incompatible with

a parliamentary mandate. This is the case in Burundi, Egypt, Moldova, Niger and Serbia. Government contractors are incompatible with a parliamentary mandate in Chile, Haiti, Philippines and Thailand.

Australia: Persons with any financial interest in an agreement with the government are declared incompatible unless the responsible parliamentary commission declares the position to be compatible.

Austria: Executives of joint stock companies, banking, commercial, transport and industrial private limited companies, provincial credit institutes and mutual insurance companies are incompatible with a parliamentary mandate unless the responsible parliamentary commission declares the position to be compatible.

Belgium: Lawyers continuously receiving mandates from public authorities are incompatible with a parliamentary mandate.

Dominica: Certain government contractors are incompatible with a parliamentary mandate.

France: Further incompatible offices are 1) posts attributed and remunerated by a foreign state or an international organization and with some exceptions 2) managers or directors of firms i) benefitting from state or local government administration subsidies ii) working principally for or under the control of the state iii) entitled to public savings and iv) involved in real estate.

Greece: The ineligibility rule does not apply to university professors. Furthermore, incompatible with a parliamentary mandate are members of a board of directors, general managers, their alternates, or employees of commercial companies or enterprises enjoying special privileges or subsidies by the state.

Italy: The highest ranked senior officials in various branches of the public sector and mayors of towns with more than 20,000 inhabitants face ineligibility rules, whereas all other public servants face strict incompatibility. Moreover, government contractors are incompatible with a parliamentary mandate.

Netherlands: Employees of the national parliament as well as public servants of the national public audit institution face an incompatibility rule.

Portugal: Persons holding posts for foreign states or international organizations as well as members of the board of directors of companies in which the state is the majority shareholder are incompatible with a parliamentary mandate.

Senegal: Persons holding posts for international organizations as well as government contractors are incompatible with a parliamentary mandate.

Syrian Arab Republic: Government commissioners and police officers can be elected in another constituency than the one where they are working (after obtaining an authorization).

Tunisia: Persons holding posts for international organizations are incompatible with a parliamentary mandate.

Uganda: Traditional and cultural leaders also face ineligibility.

Unites Kingdom: Educational professions are excluded from the general ineligibility rule applied.

Table A.4: Description of variables

Variable	Description
<i>Control variables</i>	
Ln(GDP per capita)	Natural logarithm of GDP per capita in 2005 converted to international dollars using purchasing power parity rates. <i>Source: World Development Indicators (World Bank).</i>
Trade (% of GDP)	Sum of exports and imports of goods and services measured as a share of gross domestic product in 2005. <i>Source: World Development Indicators (World Bank).</i>
Employment in services sector (%)	Services sector expressed as a percentage of total employment within the period 2003-2006. The sectors of economic activity are defined according to the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 2 (1968) and Revision 3 (1990). <i>Source: International Labor Organization.</i>
Democracy rating	The Freedom House democracy rating summarizes the current state of political rights and civil liberties. On a scale from 1 to 7, a rating of 1 indicates the highest degree of freedom and 7 the lowest level of freedom. We inverted the rating for the year 2000 in order to allow an intuitive interpretation of the results. Moreover, each pair of political rights and civil liberties ratings in 2000 is averaged to determine an overall status of “free”, “partly free” or “not free”. Countries with averages between 1.0 and 2.5 are considered free, between 3.0 and 5.0 partly free, and between 5.5 and 7.0 not free. <i>Source: www.freedomhouse.org.</i>
Disclosure rule index	The variable for disclosure is based on the index of sources publicly available out of the disclosure rule indexes constructed by Djankov et al. (2010). The index measures the ratio of all the source items contained in the country’s disclosure form available to the public over all the source items potentially disclosed in the artificial universal form. It measures how many conceivable disclosures of source items are publicly available in practice. The range of the variable is between 0 (no disclosure) and 1 (full disclosure). <i>Source: Djankov et al. (2010).</i>

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Legal origin	Legal origin of the company law or commercial law of each country. Each dummy variable is equal to 1 if the origin of the law of the country is French, German, English, or Scandinavian, respectively, and zero otherwise. <i>Source: La Porta et al. (2008).</i>
Majority voting system	The dummy variable for majority voting systems equals 1 if all the members of the lower house are elected under plurality rule, 0 otherwise. <i>Source: Norris (2009).</i>
Women in parliament (%)	The fraction of seats in national legislatures going to women in 2005. <i>Source: Inter-Parliamentary Union.</i>
Population over 65 years (%)	People aged 65 years and older as a percentage of the total population in 2005. <i>Source: World Development Indicators (World Bank).</i>
Population under 15 years (%)	People aged 15 years and younger as a percentage of the total population in 2005. <i>Source: World Development Indicators (World Bank).</i>
Ethnic fractionalization	The index of ethnolinguistic fractionalization, approximates the absence of ethnic and linguistic cohesion within a country, ranging from 0 (homogeneous) to 1 (strongly fractionalized) and averaging 5 different indexes. <i>Source: Alesina et al. (2003).</i>

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*Outcome variables*

Government final consumption expenditure (% of GDP)	Average value for the years 2000-2008. General government final consumption expenditure (formerly general government consumption) includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation. <i>Source: World Development Indicators (World Bank).</i>
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Kaufmann corruption index	Average score of the Kaufmann corruption index for the years 2003, 2005 and 2007. Perceived control of corruption captures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The index is one of the composite measures of governance generated by the UCM. It is in units of a standard normal distribution with mean zero, a standard deviation of one, and running from approximately -2.5 to 2.5, with higher values corresponding to better governance; i.e., less corruption. <i>Source: Kaufmann et al. (2008).</i>
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