The Role of Political Ideology in the Structural Design of New Governance Agencies

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Abstract

This paper employs theories of structural politics and delegation to develop a set of theoretical propositions about legislative delegations of authority to quasigovernmental entities, operating more or less at arms length from political authorities. Legislators have the incentive to condition their choice of the structure of an organization they charge with implementing a policy on their own political attitudes toward “good government.” The quasi-independence of quangos provides credibility for legislators to commit to a process that takes policymaking out of their hands, while still creating a structure that increases the expected likelihood of achieving their policy goals. Theoretical implications are empirically examined using data on the financial autonomy of Dutch public bodies. The results support the theoretical argument that it is very important to consider politicians’ ideologies directly in governance studies as they form the key component of structural politics.
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Governance is an expansive concept, but one that is increasingly important in understanding the implementation of public policy. It refers to “regimes of laws, rules, judicial decisions, and administrative practices that constrain, prescribe, and enable the provision of publicly supported goods and services” (Lynn, Heinrich, and Hill 2000, 7).

With “provision” as their focus and outputs and outcomes as their data, many governance studies address important issues of policy implementation. But, governance, defined in such structural terms, relates directly to policy design. Relationships between political authority and administration generate incentives for the political choice of administrative entity. Hill (1997, 383) calls governance a “policy/implementation process in which the ‘top’ (and particularly the politicians) have sought to inculcate dramatic value shifts at the lower level through institutional changes particularly directed at changing incentive structures.” Note Peters and Pierre (2000, 22, emphasis original), “the assumption is that if you want to get governance ‘right’ you need to manipulate the structures within which it is presumed to be generated.”

Structural and organizational design present politicians with critical choices (e.g. Moe 1991; McCubbins, Noll, and Weingast 1987). Nowhere is this clearer than in the realm of quasigovernment, a collection of organizations also known somewhat pejoratively as “quangos”. These increasingly prevalent organizations lie along a continuum between hierarchical public bureaucracy and private sector contractees. Thus, the “politics of bureaucratic structure” (e.g., Moe 1991) has a natural analog in quasigovernment, and we should expect a theoretical connection as well. Indeed, Van Kersberger and Van Waarden (2004, 143-144) have noted that governance serves as “a bridge between [academic] disciplines” that encourages “comparisons between rather different phenomena, which, when
viewed under the more abstract perspective of governance, might be found to have something in common.”

This paper employs structural politics to develop a theory the legislative delegation of authority to quasigovernmental entities. It frames the structure question confronting the political branches of government with theory from political economics (e.g., Kydland and Prescott 1977; Persson and Svensson 1989; Tabellini and Alesina 1990; Huber and Shipan 2002). Though the political institutions in a given nation are important in understanding governance (e.g., Kettl 2000; 2002; Pollitt and Bouckaert 2000), legislators, as popular representatives with votes, share the incentive to condition their choice of the structure of an organization that they charge with implementing a policy on their own political attitudes toward “good government” and the strength of their own position—such as the strength of their party within a parliamentary government—within the political system at the time they make the choice. For example, if legislators consider administrative efficiency, a leading goal of the New Public Management (cf. Lynn 1998; Kaboolian 1998), when they choose an entity to implement a policy, we should expect to see a relationship between such ideology and institutional choice even though quangos often deal with routine administration.

The structural definition of governance is certainly not monolithic. Rhodes (1997, 47) notes six different definitions of the concept. On one view, governance has been related to “the use of markets and quasi-markets to deliver ‘public’ services” (Rhodes 1997, 47). In this particular sense, the new governance relates directly to the quango problem. Quasigovernmental organizations exist as hierarchies, within networks, and/or within the discipline of the market, a flexibility that relates to all three prongs of the “structure and process” conception of governance noted by Peters and Pierre (2000, 14) (See Hogwood
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(1995, 209-210 for a discussion of this difficulty in defining quangos in structure and process terms). But, governance can also be considered in a legalistic sense, as a structure of rules that constrain organizational activity (Rhodes 1997, 48). The ministerial authority retained over quangos analyzed in the empirical component of this paper relates directly to this sense of governance, and evidence exists that political attitudes are strongly correlated with the amount of authority retained over quangos by parent departments (Bertelli forthcoming 2006). The incentives and managerialism of New Public Management as well as notions of “good” or “efficient” government, are also part of how scholars conceive of governance (Rhodes 1997, 48-50), which is an important frame for the delegation incentives and political attitudes analyzed below.

The ex ante choice of quasigovernmental structure is important to governance in that the chosen structure effects the organization and operation of networks, which are often associated with the new governance (Rhodes 1997, 51-52). The choice itself allows the legislature to reflect its attitudes in an intuitive way (e.g., Majone 2001). The quasi-independence of quangos provides the credibility for legislators to commit to a process that takes policymaking out of their hands, while still creating a structure that increases the expected likelihood of achieving their policy goals. The credible commitment perspective is an important theoretical tool for understanding quasigovernmental delegations (Gilardi 2002; Elgie and McMenamin 2004).

Locating the provision of public services within a sophisticated view of the political system in a democratic society is central to understanding governance, i.e., in a “socio-cybernetic” sense (Rhodes 1997, 50-51). Public management reforms in the new governance, write Pollitt and Bouckaert (2000, 17) amount to “deliberate changes to the
structures and processes of public sector organizations with the objective of getting them (in some sense) to perform better.” What is “better” is defined by the legislators’ attitudes toward administration, i.e., administration that is more efficient is better. This attitudinal model—the term is borrowed from the work of Segal and Spaeth (1993) on the ideology of U.S. Supreme Court justices and its influence on decision outcomes—is quite distinguishable from a leading perspective on delegations to quasigovernment attributable to Van Thiel (2004, 183, emphasis original): “The benefits of reduced ministerial responsibility and patronage will appeal to all politicians, irrespective of their ideological preferences.” The attitudinal perspective suggests that those governments who have specific ideologies on administrative efficiency and corruption will make structural choices about quasigovernmental institutions conditional on their attitudes. Thus, the theory presented here moves beyond generic left-right notions of ideology toward specific attitudes of relevance to the new governance.

Theoretical implications are empirically examined using data drawn from a study of an important class of quangos, public bodies, published in 1995 by the Netherlands Court of Audit (Algemene Rekenkamer 1995) as well as manifestos (i.e., party programs or platforms) data on government policy preferences (Budge, et al. 2001). The structures examined relate to the public financing of a quasigovernmental entity, and results suggest significant relationships between financing regimes and legislative attitudes toward administrative efficiency. The results support the theoretical argument that it is very important to consider politicians’ ideologies directly in governance studies as those attitudes form the key component of structural politics.
This article proceeds as follows. First, an introductory discussion of quangos is provided. An attitudinal model of quasigovernmental design is then developed from the political economics of delegation and testable hypotheses are constructed. Descriptions of the data and statistical methods are then presented, followed by a discussion of the empirical results. The paper concludes with some brief remarks.

**Defining the Quango**

Quasigovernment is comprised of a set of “organizations which as their main task, are charged with the implementation of one or more public policies, and which are funded publicly but operate at arm’s length from the central government, without an immediate hierarchical relationship existing with a minister or a parent department” (Van Thiel 2001, 5). An important form of quasigovernmental authority is known as the public body. These organizations, of which British Non-Departmental Public Bodies (NDPBs) and Dutch zelfstandige bestuursorganen or independent governing organs (ZBO) are examples, are not legally a part of the government. Nonetheless, they are publicly funded through budgetary allocations, taxes, or fees. In the Netherlands, for example, public bodies can be financed through government payments or by levied tariffs, the latter of which can be set by the state or the public body (Van Thiel 2001, 25).

Public bodies reveal the flexibility of policy design in the organizational “grey zone” between markets and hierarchies (Greve 1999). Legislators are not constrained to the choice of one bureau or another or some combination to be their agents. They may design agencies for a single policy task, even if it means committing assets to the quango that are “non-recurrent and task-specific” (Van Thiel 2001, 46). Quasigovernmental organizations permit “control and regulation by new bodies of experts or appointed individuals who worked with
an element of independence from traditional politics and therefore were [*sic*] not tainted . . .”
in the eyes of an increasingly distrustful public (Flinders 1999, 30). Comparative public
policy scholars have provided evidence that, consistent with the political economic theories
of delegation, quasigovernmental delegations represent a credible legislative commitment to
specific policies (Gilardi 2002; Elgie and McMenamin 2004). Important among policy
commitments in the New Public Management is the efficiency of administration and service
provision.

Administrative independence, however, has serious consequences for accountability.
Quasigovernmental delegations “place public money and government functions in the hands
of unelected persons whose links to the elected bodies that supervise government are tenuous
at best” (Hirst 1995, 341). Much has been written on the corruption and patronage
opportunities available in quasigovernment (e.g. Jolley 1983; André 1985; Payne and
Skelcher 1997; Skelcher 1998). In the Dutch context, Van Thiel (2001, 45) notes as an
example that “interest groups can be charged with policy implementation and thus become a
quango (‘hiving in’) or they can be appointed members of a quango board.” Though interest
groups can influence bureaucracies, they cannot receive this type of patronage. “By
increasing the participation of (groups of) voters in the implementation of policies, their
commitment—and hence their electoral support—to politicians will increase” (Van Thiel
2001, 45). Overcoming this problem has been an issue in delegations to administration for
many years.² One often used tool for increasing diversity of representation on public
boards—to reduce patronage—is the inclusion of a requirement that members of the board be
paid for their service. Remuneration makes it possible for a wider range of individuals to
afford service in the public bodies.³
Governance and Policy Design

In the common conception of democratic government, the polity grants political authority to a legislature to make laws on its behalf. An accountability check is retained through the “electoral connection” which creates for legislators certain incentives when congealing the preferences of represented constituencies into legislation. In the United States, for example, members of the House of Representatives are elected by plurality in single-member districts. Individually, they may seek prestige, influence, and the accomplishment of particular policy objectives (Fenno 1973), but the electoral connection focuses his or her attention chiefly on reelection (Mayhew 1974). Responding to the reelection incentive leads legislators to publicly take policy positions and to claim credit for policy accomplishments supported by their constituencies. Communicating achievements leads constituents to trust their representatives, and this trust, manifest through security in office, allows legislators to build influence among their colleagues (Fenno 1978). The localization of electoral incentives is also known to students of quasigovernment: “[T]he local preoccupations and priorities of the politicians and private actors” figure prominently in the reforms at the heart of the New Public Management (Pollitt and Bouckaert 2000, 18). As credit-claimer and complaint-resolver, the legislator has the incentive to be keenly interested in governance structures and processes as they effect his or her technology for the accumulation of political capital.

Parliamentary systems likewise have an electoral connection, though it operates quite differently. The Netherlands, for example, is a closed list, proportional representation system, and since the entire country is a single constituency it is one of the world’s most proportional electoral regimes (Farrell 2001, 89). But, this drives it away from regional
accountability linkages that characterize seats in the U.S. House (Gladdish 1991, 100-101). Nonetheless, the closed list does induce a connection to a party’s issue niche. Party elites have the ability to order the lists in any way they choose, and since parties represent “by extension the ideological groups for which they stand” (Katz 1980, 121), voters gain substantive representation by issue, rather than geography. Thus, party pressure to avoid losing one’s place on a list through voting against party ideology creates incentives that hew MPs to their ideological brands. Collegial trust comes from support of the party’s issue niche in legislative behavior, which builds security in office.

But, the new governance, with its “hollowing” of the state (Milward and Provan 2000), makes the legislator’s role more difficult, for those who are tied to their constituencies by issues or geography. If services are to be “hived out” to quasigovernment (or new services “hived in” from the private market to quasigovernment), the ex ante design of these delegations is critically important. Legislator ideology should be apparent in these decisions, just as in the political control literature of deck stacking (e.g., McCubbins, Noll, and Weingast 1987) and structural politics (e.g., Moe 1991) since similar agency incentives are operating. This notion also comports with the managerialistic notion of governance as “nothing less than the steering of society by officials of what are organizationally the ‘commanding heights’ of society” (Goodin 1996, 13).6

The Political Economics of Delegation

In a model of the U.S. government, Epstein and O’Halloran (1999) have shown that policy uncertainty creates the incentive for legislatures to delegate vague powers to administration. However, discretion is tempered by conflict between administrators and legislators over the nature of ideal policies. To account for the effects of differences in
political systems, Huber and Shipan (2002) examine the effects of both policy conflict and legislative capacity on discretion. Unlike in the highly professionalized U.S. Congress, they argue, parliamentary “politicians may find themselves in the position of wanting to write detailed legislation (because they distrust bureaucrats [in the sense of a principal-agent model]) but being ill equipped to do so” due to informational and institutional costs (Huber and Shipan 2002, 79).

The reasons for delegation have also been the object of study in this literature. Beyond simple expertise and division of labor, delegations can make legislative commitments to policy credible, i.e., believable by other concerned actors. In thinking about monetary policy, Kydland and Prescott (1977) theorized that given the electoral connection, politicians have a powerful incentive to temporarily stimulate the economy on the eve of an election, regardless of the long-term economic consequences that such action engenders. Thus, delegation to an independent authority can overcome this problem of temporal inconsistency of incentives.

Even assuming a solution to this problem, the limited time horizon of a government— it is elected for a short period of years—makes commitment to policy over time problematic, since a new government with a new ideology can come to power. “Government” is used here in the sense of a parliamentary coalition or, in a separated powers system, legislative-executive balance (divided, unified, and degrees of division). For example, if the next regime is expected to have different views of a package of government-provided public goods or public spending levels, the current government has the incentive to spend now and saddle the next regime with debt to weaken the successor’s ability to implement an austerity program (e.g., Persson and Svensson 1989; Tabellini and Alesina 1990; Alesina and Roubini
1997). Both sets of incentives strengthen with ideological polarization. In proportional representation (PR) systems such as the Netherlands, the issue niches of parties correlate with polarization on more specific issues than in “left-right” competition in single-member district plurality systems (Katz 1980; Cox 1997). Thus, on an issue like efficient public administration, polarization may be more readily discernable in PR systems.

Quangos present a challenge for existing political-economic theories of delegation, since their tasks are often comprised of routine administration, such as the distribution of benefits and the collection of user fees, rather than more politically salient policymaking. Thus, the policy space that legislators face is quite different than that of, say, economic policy. An election would very likely not be called on account of quango policy, yet since multi-party, proportional representation systems like the Netherlands are characterized by issue representation, the “administrative efficiency” conception of the new governance, for example, can create incentives for parties who have advocated efficiency reforms to make policy commitments through delegations to quangos. In other words, regardless of the characteristics of the policy that is ultimately implemented by the quango, the mere act of delegating to a quasi-independent agent removes the taint of limited time horizon incentives (Gilardi 2002; Elgie and McMenamin 2004).

The theory of delegation, then, provides an important link between what Lynn, Heinrich, and Hill (2000, 35-36) call the “institutional level” (policymaking by political institutions) and the “managerial level” (the “elaboration of strategies” for policy implementation by administrative actors) of governance. This is the central locus of policy design in the new governance, and the bridging theory of delegation permits sophisticated analysis of the role of political ideology.
Empirical Implications

Taking the perspective of the political economy of delegation generates several implications for the comparative study of governance. Government attitudes, particularly those regarding administrative efficiency, affect the structural design of quasigovernmental organizations. More specifically, commitment problems make delegation to an independent administrative agent useful (temporal incentive incompatibility), but create the incentive to retain governmental authority over budgets so that burdens can be laid on successors that prolong the effect of the current government’s policy ideology (limited time horizon).

The task performed by the quasigovernmental organization matters. Delegation is, after all, granting authority to another to perform a job on one’s behalf. Under the philosophy of the New Public Management, for example, many tasks are better checked by the market. The market, the argument goes, provides discipline with better informational quality than does government oversight. But, market discipline and contractual accountability work better when organizational outputs are easily observed, and this occurs when tasks are well-defined rather than given a vague mandate under which agents may exercise broad discretion (e.g., Williamson 1985).

It is a well-established aspect of spoils systems that patronage weakens the credibility of commitment (temporal incentive incompatibility). If a board member’s job is obtained through a political favor, it is more likely that the official will ally him or herself with the interests of the politicians who made such employment possible.

The political economy of delegation elaborates this phenomenon through the credible commitment. Temporal incentive inconsistency dictates that the incentive for legislators to renege on policy commitments for electoral gain is substantial, and they can increase
credibility by granting independence to tasks performed by quasigovernment. Legislators would also like to extend the time horizons of their policy outcomes beyond the life of the current government coalition. Thus, it is expected that legislators will retain less governmental control over more observable tasks, permitting the market to discipline their providers and legislators to claim credit for the efficiency gains of running government like a business. However, as tasks permit more discretion, the incentives for policy influence and the ability to renege on particular choices outweigh the returns to credibility. As a consequence, we expect more quasigovernmental independence at lower levels of discretion, but that these incentives will gradually diminish as discretion increases.

Of course, this political economy view is not the only theoretical lens for the quango problem. The view of new governance as a non-self-executing collaboration among state, citizen and intermediaries produces some additional considerations of the interconnectedness of quasigovernmental agents (Salamon 2002). Frant (1997) argues that independent administrative authorities can add to the selection of organizational alternatives, rather than merely provide government access to markets. In keeping with the framework derived above, his argument suggests that legislators choose organizational structures and procedures as well as financing arrangements. In other work (Bertelli forthcoming 2005), I have examined the legislative choice of accounting rules for quangos by viewing the *ex ante* design of quango structures from the perspective of auditing, as in the economic theory of tax compliance (i.e., Andreoni, et al 1998). By creating such requirements as the requisite submission of annual plans, reports, and accounts, governments attempt to create a compliance-inducing scheme much like that present in tax enforcement (Bertelli forthcoming 2005). The purpose of this paper however is to consider credible delegation theories in the
context of quasigovernment, and the remainder of the paper constructs an empirical test of the theoretical implications previously discussed.

**Data and Methods**

The data are drawn from study of 545 Dutch public bodies conducted by the Netherlands Court of Audit (NCA) during 1993-94 and published in 1995 (Algemene Rekenkamer 1995). The NCA, an auditing body with no judicial authority, examines the regularity and efficiency of expenditures of Dutch public funds, and in fulfilling this mission, conducted this study of ministerial accountability in “autonomous administrative authorities.” To be sure, public bodies represent a significant part of Dutch public administration, comprising, for example, 18 percent of the total expenditures of the Dutch government in 1992 (Algemene Rekenkamer 1995). The study, conducted in 1993-1994, provides a particularly rich cross-section of quango activity. Summary statistics and variable descriptions appear in Table 1.

The unit of analysis is the legislation that creates a public body or “cluster” of public bodies. A cluster occurs when multiple public bodies are charged with exactly the same task. The common case of clustering is a single policy implemented by a formally distinct public body in each geographic region of the Netherlands (Algemene Rekenkamer 1995; Van Thiel 2001). For example, legislation governing hunting licensing can set up separate entities that issue licenses in each of the twelve Dutch provinces. Thus, the legislators’ choice of establishing a cluster of quangos in a single substantive area is represented in the NCA data as a single organization. Since government choice is the theoretical unit of analysis, my empirical choice of the unit of analysis as the statute is appropriate.

[TABLE 1 ABOUT HERE]
**Dependent Variable**

Of interest in this study is the legislative choice of financing regime for a public body. Chun and Rainey (forthcoming) employ a measure of *financial publicness*—the proportion of resources from non-public sources. The NCA data permit the construction of a *financial publicness* scale variable as a four-category nominal variable. This variable takes a value of 1 when the public body sets its own tariffs (Revenue Autonomy), 2 when the government sets the tariffs (Revenue Restriction), 3 when the public body is a government financed commission or board (Budget Autonomy), and 4 when the budget for the public body is determined by the government (Budget Restriction).

When a public body has the ability to set the tariffs that generate its operating revenues (category 1), it has a substantial measure of autonomy. In such cases, within the mandate expressed in the delegation (i.e., in the language of legislation) the public body is granted the ability to collect user fees, much like the power of a local government under a municipal charter (Van Thiel 2001, 25). The legislature also has the ability to retain this authority for the government (i.e., charging a cabinet ministry with the task), such that the minister of the quango's parent department is given the authority to set the relevant tariffs (category 2). Government financing (category 3) means that a public body receives funds for its operation from the government to spend within its discretion, allowing it to respond to market, rather than ministerial, forces. However, the legislature may also grant a parent department the authority to set the budget for a public body (category 4), restricting the quango's financial autonomy since budget size and priority-setting remain fully government powers, while the quango may spend the funds it gets with discretion limited by the parameters of the budget.
For purposes of the present analysis, then, the key comparisons are between categories 1 and 2 as well as between 3 and 4. These are stressed in the results and shown in Table 2.

**Independent Variables**

Political attitudes are operationalized through the use of Manifesto Research Group (MRG) political party preference estimates, which are available for 10 Dutch parties from 1946-1993 (Budge, et al. 2001). Coded manifestos (i.e., party platforms or programs) “can be used as a convenient summary of parties’ preferred policy positions as distinguished from their actions or record in government” (Budge, et al. 2001, 53). Since rational choice theories such as those that motivate the hypotheses in this study require preference data for testing, manifestos provide an excellent set of preference measures on specific issues, or in the lexicon of spatial theories of politics, policy spaces (Budge 2000).

The use of manifestos data as preference estimates is based on a “saliency theory of party competition,” which holds that “[p]arties by and large endorse the same specific issue stands but still prioritize them differently” (Budge, et al. 2001, 76). Of specific importance to this study, the MRG authors found, in support of the saliency theory, that the preference estimates provided evidence that parties emphasize different policy priority issues, rather than creating a situation where substantively “everything one side urges must be flatly repulsed by the other” (Budge et al. 2001, 7). This is particularly important for the present study, as it allows for a more nuanced measure of salience on the issue of administrative efficiency, which represents the policy space of primary concern in the new governance.

The quantitative MRG estimates were constructed through a content analysis of party policy statements “in the shape of election programmes (manifestos)” (Budge, et al. 2001, 2).
A party ideology estimate on a policy issue is simply the number of references to a substantive policy priority present in the manifesto(s) for a particular election year. The measure of administrative efficiency used in the present empirical analysis captures manifests statements regarding the “need for efficiency and economy in government and administration; cutting down civil service; improving governmental procedures; general appeal to make the process of government cheaper and more effective” (Budge, et al. 2001, 224). This is intended for present purposes as a measure of those attitudes central to the New Public Management.

Single-party estimates are transformed into a government preference estimate by calculating the sum of the manifestos scores on an issue for all parties in parliament weighted by their seat share through the following formula.

\[ \Gamma_j = \sum_{i \in N} p_{ij} \cdot \frac{s_i}{S} \]

Government ideology on issue \( j \), \( \Gamma_j \), is the sum of the preference estimates on issue \( j \) for all \( N \) parties in parliament weighted by their seat share.

As Baron (1991) shows, equilibrium policy proposals in parliamentary governments reflect the preferences of parties both in and out of government. This effect is exaggerated in the case of single-issue ideology, such as the administrative efficiency attitudes presently utilized for the following reason. Parties, such as those measured in the manifestos data, condition their manifestos on the issue positions of parties with which they anticipate sharing coalition power, and consequently may not speak to issues that their partners champion. Thus, each party with a positive seat share in the Dutch parliament is included in the estimates. The administrative efficiency ideology score for the public body is the score in the year in which it was created. If a quango was created in a year between elections,
government preference estimates for the immediately preceding election year were employed. Note that though this variable is temporal, the dataset remains a cross-section. As noted below, I do control for unobserved attributes that lead to the creation of public bodies in a particular year, as they may be correlated with the error term in the multinomial logit regression model.

A variable identifying *board remuneration* takes a value of 1 if the legislation requires remuneration of board membership and 2 if such payment is not obligated.

The NCA study identifies eight categories of tasks, which have been arranged on an ordinal scale from least to greatest *task discretion* according to the public body’s ability, during the course of implementation, to “fill up the details” unspecified by the legislature. Paying benefits and collecting fees represent the lowest rank category of task discretion, followed by registrations, research, advising, judging quality, and licensing. The penultimate level of discretion is the ability to make regulations and adjudicate claims, while the highest is supervision, akin to appellate authority. Placement of a public body within a category was a decision made by the analysts who conducted the NCA study. These decisions were based on the analysts’ assessments in 1993-1994 of the tasks that a public body performed based on its enabling legislation and official activity reports (*Algemene Rekenkamer* 1995).

The size of public bodies, measured through ranges in the number of employees, is included as a control variable and described more fully in Table 1. Some ZBOs are very large. For example, four public bodies employ 16,823, 3696, 5336, and 2374 personnel each. Some are unstaffed; 37 report no personnel and 23 have five or fewer employees (*Algemene Rekenkamer* 1995). This variable controls for any unobserved attributes of quangos of various sizes. Since there is no reason to expect that quango size affects financing
arrangements as a continuous linear determinant (i.e., each additional employee creates a statistically significant effect), the variable is categorized as to capture relative size effects. Thus, *quango size* is a categorical variable taking a value of 1 when the public body has no employees, 2 for 1-24 employees, 3 for 25-49 employees, 4 for 50-74 employees, 5 for 75-99 employees, 6 for 100-999 employees, and 7 for 1000 or more employees.

**Hypotheses**

The theoretical implications presented above can be operationalized as follows:

**Hypothesis 1**: Governments with stronger administrative efficiency attitudes are more likely to give public bodies the ability to set their own tariffs, but are also more likely to grant government the ability to set the budget for a public body.

Administrative efficiency is strengthened when public bodies are not micromanaged by ministerial authorities. Legislators who have these attitudes grant tariff-setting authority to public bodies as a commitment device. Furthermore, legislators make a credible commitment by retaining government authority over budget-setting. Alienating budgetary authority is tantamount to deck stacking, and plays against anti-corruption and administrative efficiency ideologies.

**Hypothesis 2**: Public bodies with lower task discretion are more likely to set their own tariffs and less likely to have government set their budgets. However, the likelihood of these regimes becomes indistinguishable from that of government tariff and budget setting as the public body’s task discretion increases.

Observable tasks, as discussed, are granted more independence, than more observable tasks. As independence dampens with increasing discretion, the likelihood of each publicness regime does not go to zero, for each public body must have some such regime. Rather, the expectation is that each regime will become equally likely.
**Hypothesis 3**: The inclusion of an obligatory board remuneration requirement by the legislature increases the odds of revenue and budget autonomy.

If credibility is a goal when making delegations, legislators should choose to increase the diversity of personnel while also increasing the budget and revenue autonomy. They can increase diversity (weaken patronage) by requiring board payment, which makes it possible for capable individuals across income brackets to serve the public through positions in the public body.

**Methodology**

Since the dependent variable is a four-category nominal variable, I estimate a multinomial logistic model (Nerlove and Press 1973) to provide probabilities of the legislature’s choice of each type of financing regime for a public body. I model financial publicness as a function of discretion, administrative efficiency, board payment, size and an error term. The specification from passes a Hausman test for the independence of irrelevant alternatives in the legislature’s choice (Hausman and McFadden 1984). Wald and Likelihood-Ratio tests suggest that no categories of the dependent variable should be combined (Anderson 1984).

Huber-White-Sandwich robust standard errors are computed controlling for intra-cluster correlation during the year in which the public body was created (Kent 1982). For robustness, an unreported model including year of creation as an independent variable to control for trending; no substantive difference in results was shown.

**Results**

The results support each of the three hypotheses presented in the last section. Table 2 presents regression results for all comparisons of categories of financial publicness. To test
for robustness, a model controlling for the policy area in which the public body operates was estimated (McFadden LRI = 0.286). No sign or significance changes from the results presented in Table 2 were demonstrated.

The key comparisons (Revenue Restrictions v. Revenue Autonomy; Budget Restrictions v. Budget Autonomy) show nearly all variables having significant effects. In the budget comparison, board remuneration is not a significant predictor though it maintains significance in the revenue assessment. Multinomial logit regression coefficients are difficult to interpret, so to more closely examine the hypotheses, simulated probabilities of public bodies being located in each category of reporting requirements are computed. This is done using the King, et. al. (2000) post-estimation simulation method and their program, CLARIFY, for STATA. 1000 simulations were drawn of the parameters in the statistical model from their asymptotic distributions (multivariate normal with mean at the estimates from Table 2 and variance equaling the variance-covariance matrix of those estimates). Then, predicted probabilities were generated from the samples based on minimum and maximum values of administrative efficiency with other values set at their means.

[TABLE 2 ABOUT HERE]

*The Attitudinal Model*

The results strongly support the notion of an attitudinal model (Hypothesis 1) at work in quasigovernmental delegations. Under a legislative regime with the minimum level of administrative efficiency ideology in the sample, the chance by which a public body is able to set its own tariffs is roughly 44 percent, with a 95 percent confidence band (hereafter denoted in brackets) holding that likelihood between 27 and 64 percent. By contrast, under the strongest administrative efficiency ideology, that chance increases to 59 percent [.34,
Thus, stronger attitudes toward administrative efficiency are associated with a higher probability that quangos have revenue autonomy. Similarly, the expected results are found for revenue restriction. Under the weakest attitudinal regime, the likelihood of government-set tariffs is 8 percent [.01, .26], but decreases to only 1 percent [0, .05] under the most stringent views favoring efficient administration. With respect to the revenue categories of financial publicness, stronger legislative attitudes toward administrative efficiency are associated with greater quango autonomy.

Support for the attitudinal model is also apparent in the budgetary aspects of the financial publicness measure. The least stringent regime of attitudes favoring administrative efficiency is associated with a 43 percent [.24, .63] chance that a public body is government financed, but only a 5 percent [.01, .12] chance that the government sets its budget. However, under the strongest efficiency orientation, the possibility of government financing drops to 17 percent [.06, .35] and government budget climbs to 23 percent [.08,.46]. Governments with stronger sentiment toward administrative efficiency are correlated with greater budgetary restriction on quangos.

[Hypothesis 2 is also strongly supported. Figure 1 shows the effect of task discretion on financial publicness regimes in the sample. As hypothesized, the curves showing the probability of own tariff-setting by public boards and government financing are greater at all levels of discretion, but diminish in that quality, until probabilities are roughly equivalent at the highest levels of discretion.]

**Board Remuneration**
Obligatory board remuneration is associated with higher probabilities of revenue and budget autonomy than the absence of such a requirement. The probability of a public body setting own tariffs is 56 percent [.30, .79] under a required payment regime, but 50 percent [.34, .66] under no requirement. The likelihood of government-set tariffs is 16 percent [.03, .46] when payment is required, but just 2 percent [0, .06] when board payment is not compulsory. Finally, under a payment obligation, the probability of government budget-setting is 12 percent [.03, .32], which falls to 9 percent [.04, .16] when that obligation is not present. These results suggest that efforts by Dutch legislators to counteract the policy costs of patronage through board remuneration requirements are coupled with greater revenue and budget autonomy. Checking patronage, and thus signaling greater agent independence, allows legislators to strengthen the credibility of policy commitments through quasigovernmental delegations by granting their agents more financial autonomy.

**Conclusion**

This article provides theoretical insights and suggestive empirical evidence with regard to a critical problem in the new governance: arms-length delegations to quasi-independent agents. Such delegations are at the heart of new governance reforms that would place administrative agencies more or less within the discipline of the market. The political economics of delegation, and in particular, the notion of credible commitment through delegation, affords analytical leverage to understand such delegations. Structural politics, long considered in delegations to bureaucracy, is also an important theoretical perspective for understanding quasigovernment. The bureaucracy and new governance problems are not fundamentally dissimilar in the incentives they impose on legislators. A key difference is in the range of types that agents may take, which is much larger in the case of quasigovernment.
Analyzing quasigovernmental delegations in this way also facilitates comparative study since political attitudes can be compared using manifestos data, as can regimes (i.e., through measures of legislative capacity).

Empirical results for public bodies in the Netherlands suggest that political attitudes have a significant impact on the revenue and budget autonomy of a quango. Interestingly, legislator concerns over administrative efficiency manifest themselves in the form of the financing regimes employed. Stronger legislative attitudes toward administrative efficiency are more likely to grant quangos revenue autonomy, but are also more likely to impose budgetary restrictions on public bodies (compare Langbein 2000). The observability of tasks performed by the quasigovernmental authority also matters, with more observable tasks being associated with less financial restriction. As Thompson (1993) notes, a mismatch between financial controls over agencies and the tasks those agencies perform can be very costly, and the results presented here seem to suggest that Dutch lawmakers are cognizant of such costs when delegating authority to public bodies.

Patronage incentives exist in delegating powers to quangos, but when they are counteracted with salary requirements to induce the selection of a more professional and representative directorship, legislators grant quangos greater authority. Checking known incentives for patronage allows legislators to make their policy commitments stronger.

In closing, it is worthwhile to note the role of the practitioner in this commitment scheme. Commitment is premised on the responsible exercise of expert judgment by the quango personnel when performing their duties. This is quite unlike the implications of a patronage regime, where the primary expectation is loyalty, not independent judgment.
Good public administration provides a set of incentives for legislators that is important in understanding the new governance.
Endnotes

1. Van Thiel (2004, 182) views the creation of a quasigovernmental organization as the transfer of production rights from the legislature to the public body. This reduces the responsibility borne by the legislature for administrative performance. It also creates patronage opportunities. “Based on these suppositions,” Van Thiel concludes, “it would seem logical to expect politicians at all times to prefer quangos as executive agent, as opposed to government bureaucracy” (182). Nonetheless, “[e]fficient and effective implementation of policies offers politicians the opportunity to implement more policies from the same budget or reduce taxes[,]” both of which play well with voters (182). Diminishing responsibility through quasigovernmental delegations increases monitoring costs for politicians who “still need information to meet the demands of their (now limited) political responsibility” (182).

2. For example, in 1916 the U.S. Congress established the Bureau of Efficiency as an independent unit with a broad general power to survey and investigate organizations and their methods of policy implementation, and to incorporate their findings in recommendations to the President. Wrote Emmerich (1950, 21-22) of the bureau, “[d]uring its two decades of existence . . . as the first federal agency of over-all administrative reforms it had an impact on the spirit of self-improvement within the executive establishment that continued to be felt long after its demise.”

3. For example, a recent report to the U.K. Parliament states that “[t]he weight of evidence that we have received convinces us that the existing arrangements for remunerating those who serve on public bodies are a significant barrier to wider participation, especially among people who are low paid or self-employed. Dame Rennie Fritchie told us: "Remuneration is a diversity issue. About 80 per cent of public appointments are unpaid and I am told by many people that the lack of remuneration and the inconsistent level of remuneration across different bodies are real
barriers to enabling a broad cross section of people to participate on public bodies” (House of Commons 2003, ¶ 154).

4. Assisting individuals and organized constituent groups with access to government services for which they or their members qualify is also a source of constituent trust (Fiorina 1977), which rounds out the legislator’s tripartite role as educator, lawmaker, and ombudsman (Price 2000).

5. In a closed list system, each party selects a list of length equal to the number of seats in parliament allocated to a given district. If the voters give that party, for example, 50 percent of the vote in a ten-seat district, then the first five names on the list become MPs (Farrell 2001, 82). In the Netherlands, since only one “district” exists, then a 50 percent outcome would send the first 75 of the 150 names on the list to parliament, since there are currently 150 seats in the Tweede Kamer (Second Chamber).

6. Kettl (2000) suggests that the question is open regarding the theoretical successors to hierarchy and bureaucracy. Hill and Hupe (2002, 94-95) note that public administration had traditionally been more reliant on organizational sociology than political microeconomics, though the latter rose to prominence during the “rise of public management.” Indeed, modern political economics—particularly the theory of delegation—sheds light on this problem.

7. On economic issues, for example, Alesina and Roubini (1997, 141-142) reason that partisan differences “should be more prevalent in two-party systems where the majority has full control of executive and legislative powers and less pronounced in where broad-based coalitions are the rule.” Additionally, with endogenous elections (where the election date may be chosen, rather than exogenously fixed), “[e]lections may be called early if the economy is doing well to capitalize on the government popularity or postponed as long as possible if the ruling government is unpopular” (Alesina and Roubini 1997, 142).

8. Though there were 545 public bodies on which the NCA collected some information, 23 clusters accounted for 406 quangos with 139 single organizations in the sample. That yields 162
observations. Of those, 143 were created between 1946 and 1993, when the MRG policy
preference data were available. The number of employees, a measure of the size of public bodies,
has 137 observations, but only 132 observations on board payment obligations. Thus the sample
size is 132.

9. The unit of analysis in the MRG data is the “quasi-sentence . . . the verbal expression of one
political idea or issue” (Budge, et al. 2001, 217). As the authors’ ultimate goal is the cross-
national study of political ideology, this permits a classification scheme (as in content analysis)
that “contains 56 different categories grouped into seven major policy domains: Each of the 56
categories sums up related issues in a way that changes over time can be measured across parties
and cross-culturally. Thus, the coding procedure comprises a quantification (how many
statements do parties make?) and a classification (what kind of statements do parties make?) of
election programmes” (Budge, et al. 2001, 217). Since my measure is of specific attitudes in the
Netherlands, the cross-national comparability issues do not arise presently.


11. Among the 56 available additional MRG measures, the following are relevant in addition to
administrative efficiency: anti-devolution of services from central to local government, pro-
devolution (the inverse of the preceding measure), pro-free enterprise initiatives, pro-regulation
of private entities, pro-centralization of political authority, pro-business incentives. Some
measures are highly correlated. Anti-corruption and the devolution measures are correlated at \( \rho = .65 \), and political authority with pro-devolution at \( \rho = .64 \). Administrative efficiency and
political authority are correlated at \( \rho = .85 \), while both are correlated with the free enterprise
variable at \( \rho > .62 \). Thus, it would be difficult to discern the significance of political attitudes
with regression analysis if all of these measures were included in a model given the presence of
such multicollinearity. An unreported model including the political authority, anti-devolution,
regulation and business incentives measures was estimated showing little significant impact of these attitudes on financing choices. This is a likely result of the measurement error arising from the use of these variables instead of the most appropriate measure, administrative efficiency.

12. Seat share is calculated for the Tweede Kamer (Second Chamber). The total number of seats increased from 100 to 150 in 1956.

13. In a multidimensional spatial bargaining model, Baron (1991) shows formally that equilibrium policy proposals in parliamentary governments reflect the preferences of parties both in and out of government, and particularly that “small parties may have a substantial impact on government policy.” This reflects, for example, the intuition that given the knowledge of the specific issue preferences of a government partner, a party with larger seat share may refrain from programmatic reference to an issue that a smaller party has considered, yet that issue may still have substantial impact on enacted policies. This notion is further borne out by the experience of the manifestos coders in the saliency theory of party competition. Essentially, parties write manifestos that appeal to their own niche (issue) constituency, not to crowd in on other parties' niches (the “repulsion” idea discussed above). Though all parties are included, the measure, drawn from Baron’s equilibrium proposition regarding party influence on legislative outcomes, places greater weight to large parties (and, *ipso facto*, those in government) and less to others since it is based on seat share, which is quite intuitive.

14. In the Netherlands, a religious coalition of the Calvinist ARP, Catholic KVP, and Protestant CHU fused into the CDA in 1980. This group of “confessional parties” dominated Dutch politics throughout the period covered in the dataset. For example, anti-corruption MRG data from 1956-89 show no statements from members of the governing coalition during that period. With the exception of 1948, 1952, and 1971, this is likewise true for the anti-devolution statements. Other parties carried these issues. Substituting these seat-share weighted coalitional
variables for $\Gamma$ in the model in an unreported model leads to insignificant results for all but administrative efficiency attitudes in the comparison between values of 2 and 3 for the dependent variable.

15. Monte Carlo standard errors for constructing confidence intervals around the simulated means presented in Figure 1 for the discretion categories by financial publicness regimes (denoted as discretion:publicness) are as follows: (1:1) .08, (1:2) .01, (1:3) .07, (1:4) .02, (2:1) .07, (2:2) .01, (2:3) .06, (2:4) .03, (3:1) .06, (3:2) .02, (3:3) .05, (3:4) .03, (4:1) .06, (4:2) .03, (4:3) .05, (4:4) .03, (5:1) .07, (5:2) .05, (5:3) .07, (5:4) .04, (6:1) .08, (6:2) .09, (6:3) .08, (6:4) .06, (7:1) .10, (7:2) .12, (7:3) .10, (7:4) .08, (8:1) .10, (8:2) .16, (8:3) .11, (8:4) .11.
References


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Table 1: Description of Variables
## Covariates

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<th>Task Discretion</th>
<th>Board Remuneration</th>
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Quango set tariffs (Revenue autonomy), Government set tariffs (Revenue Restriction), Government financed board (Budget Autonomy), Government controlled budget (Budget Restriction)

p-values in parentheses

N = 132

\( \chi^2(12df) = 129.16 (0.000) \)

McFadden LRI = 1 - (LL_{FULL}/LL_{INT}) = 0.286

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**Table 2: Results of Multinomial Logit Regression Analysis of Financial Publicness Regimes in Dutch Quangos, 1946-1993**
Figure 1: Simulated Probabilities of Financial Publicness Regimes by Task Discretion