TATHAM, MICHAËL

MICHAEL W. BAUER

The State, the Economy, and the Regions: Theories of Preference Formation in Times of Crisis

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Abstract

As a response to the sovereign debt crisis, European states have carried out various reforms. In this process, they have sought to readjust the balance between free-market logics and the role of government. These reforms are often implemented—and sometimes co-decided—by regional administrations. Little is known, however, about the governance preferences of the élite officials directing these administrations. This is paradoxical since regional administrations play a crucial role in the recovery strategies of European states. What are the views of regional administrative élites on the regulation of the economy, the role of government, and that of the free market? Are these views related to (1) early-life socialization, (2) educational pathways, (3) professional interests, or (4) the capacity of their own administration? To answer these questions, we assembled a unique dataset by interviewing 742 administrative élites from 63 regions and 11 countries. We find some supporting evidence for all four explanations. However, while the individual characteristics of these élites matter, contextual factors seem to matter more.
Introduction: Regional Authorities and the Crisis

The European economic crisis (2008 to present) has heightened the saliency of debates about the principles political and administrative élites should follow when organizing our societies (Hansen and Gordon 2014; Johnston, Hancké, and Pant 2014). Of key concern are questions related to wealth generation, its (re)distribution, and the regulation of economic activities. Policymakers thus seek the optimal mix between spending boosts and cuts, tax raises and decreases, and the extent of regulation of the economy. Whilst national and supranational players, such as the European Commission, the European Central Bank (ECB), or the International Monetary Fund (IMF), make front-page news by shaping the reform agenda, subnational dynamics are often overlooked. This is surprising as the subnational level often coLdecides national policy in federal countries (such as Austria, Germany, or Belgium), influences such policies in regionalized states (such as in Italy, Spain, the United Kingdom, or the Netherlands), and implements decisions taken from above (as is the case in more centralized countries, such as the Nordic countries or many East European counLtries). Hence, regions’ influence both the formulation and the implementation of policies, be they national, supranational, or subnational (Charron, Dijkstra, and Lapuente 2014; Keating 2013; Tatham 2011).

This was not always the case. Regional administrations have been empowered over time and across democratic systems. In their seminal work on 42 democracies over 50 years, Hooghe, Marks, and Schakel (2010; Marks, Hooghe, and Schakel 2008a, 2008b) identify an unequivocal trend: not only are more and more regional administrations being created but they have also become increasingly relevant policy players in their democratic polities. They carry out their own policies, sometimes pass their own laws, but also implement decisions taken by national and supranational institutions, and have generally widened their fiscal and budgetary autonomy. Considering their growing powers, regional administrations have become an integral element of our multilevel systems (Hooghe and Marks 2003; Keating 2013).

Within the context of the economic crisis, regions’ role in a country’s economy and debt levels has been thrown into sharp relief. Regions in Europe provide key services to the population and thus account for substantial amounts of the country’s public spending. As The Economist (2012) highlighted in the midst of the crisis, Spanish regions, for example, account for a third of their country’s public spending and are blamed by central government for its failure to meet EU agreed budget deficit targets. Comparable dynamics are observable elsewhere, in countries such as Italy (de Belvis et al. 2012) or Germany (Feld and Baskaran 2010; Jochimsen 2008), but also more widely in work assessing the regional dimension of the crisis (Capello and Dentinho 2012; Groot et al. 2011).

Indeed, in 2011, only a few years into the crisis, the Organization for Economic Cooperation and Development (OECD) concluded that “given their large traditional role in public investment in OECD countries, subnational governments have played an important role in

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1 We define regions as the level of government and/or administration beneath the state but above the municipal level.
implementing investment recovery strategies as part of national stimulus package recovery measures. Subnational governments are responsible on average for 66 percent of investment spending” (OECD 2011, 9). Hence, this level of government is not only responsible for the majority of OECD investment spending but also plays a key role in administering national investment funds. About a quarter of such funds are administered by the Länder in Germany, rising to about three quarters in Spain (OECD 2011, 9). Logically, the OECD argues that since regions play such a crucial role in executing national stimulus packages, the effectiveness of these recovery strategies “depends largely on the arrangements between levels of government to design and implement the investment mix” as well as their capacity to “facilitate public-private cooperation” (OECD 2011, 15).

Despite their crucial role in recovery strategies, little is known about the élites directing Europe’s regional administrations. Within the current context, a relevant question is that of their ideological preferences regarding economic policy governance. Where do these preferences come from and by what have they been shaped? To provide an answer, we asked 742 regional administrative élites (i.e., “regiocrats”) in 63 regions and 11 countries about their own vision of economic policy, ranging from active government intervention to relying on free market forces. We define these regiocrats as senior civil servants with policy responsibility. Typically, these are directors or heads of units. We use theories of preference formation to explore whether their views are related to (1) early life socialization, (2) educational pathways, (3) professional self-interest, or (4) the capacity of their own regional administration. We find that all of these factors seem to matter, though to a different extent. While earlier generations of bureaucrats and those motivated by job security favor statist models, those that have received an education in Economics or describe themselves as career driven prefer to rely on free market forces. However, if early socialization, education, and professional self-interest matter at the individual level, contextual factors seem to matter more. The magnitude of market failure in the region, the region’s quality of government, and its communist past, all seem to more strongly affect regiocrats’ preferences. Hence, when unemployment is rife and the quality of government is high, free market policies are likely to encounter more resistance from regional administrative élites. Such recalcitrance, however, is likely to be weaker in post-communist areas. These findings are important in the context of the crisis in terms of better understanding the formulation and implementation of certain mixes of economic policies, ranging from more interventionists to more free market–oriented ones (European Commission 2013; OECD 2011).

The rest of the article is structured as follows. We first review the literature and spell out four main hypotheses. We then detail the data collection and analytical methods before presenting the results. We conclude by highlighting the policy and theoretical implications of the findings.

**Theories of Preference Formation**

Regional administrations have tended to be overlooked as significant policy players in much of the public administration literature. This is surprising since regional authorities have been empowered over time in most democratic polities (Hooghe, Marks, and Schakel 2010; Marks, Hooghe, and Schakel 2008b). Today, they play substantive roles in both the formulation and implementation of policies in a wide number of areas (Keating 2008a, 2008b). This has been the case for a long time in federal countries where the regional administration often outweighs

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2 The policy responsibility criterion is crucial. We thereby exclude senior civil servants working in human resources, internal information technology services, or internal legal affairs
its federal counterpart. German authorities, for example, employ about 4.6 million public servants. Only 520,000 of which work for the federal ministries (including the army), while 1.3 million work for local administrations. However, 2.3 million—hence about half of the country’s civil servants—work for the German Länder administration. This is a reflection of the power and competences of Germany’s regions, but also of the fact that much of German legislation is implemented at this level.\(^3\)

Hence, while some research has been carried out on bureaucratic élites at the national and supranational levels (Aberbach et al. 1990; Derlien 1990, 2003; Hooghe 2012; Kassim et al. 2013; Mayntz and Derlien 1989; Rouban 2007), much of it has focused on a single institution (e.g., the European Commission), a single country, or a pair of countries. Meanwhile regional administrative élites have remained surprisingly overlooked, in contrast to the continuous spread of decentralization reforms (Derlien 1992, 283). We here contribute to filling this gap by examining regiocrats' preferences for government intervention as opposed to market-based solutions in economic policy. Such a question has been examined at the national level in the United States and Japan (Aberbach et al. 1990, 480–5). It has never been analyzed cross-nationally, in Europe, or in the context of a deep economic crisis. Additional, no study has ever directed its attention to the regional level, despite its growing relevance (European Commission 2013; OECD 2011). In this sense, our study is the first of its kind.

We wish to gain some insights into where these preferences could possibly come from and by what factors they may have been shaped. We therefore put forward four types of basic explanations which could relate to these governance preferences. They tap into mainstream theories of preference formation (Campbell et al. 1960; Etzioni 2014; Schwarz and Thompson 1985; Wildavsky 1987). These theories have to do with (1) early life socialization, (2) higher education pathways, (3) an individual’s professional self-interest, and finally (4) the actual governance capacity of the bureaucrat’s region. These explanations frame our analysis. As we are seeking to fill a research gap, they are necessarily broad. However, we hope that by casting our analytical net widely, we can better contribute to the generation of knowledge in this under-researched field (Aberbach et al. 1990, 480–5; Derlien 1992, 283). We do not doubt that many other explanations are possible beyond the four presented here.

Our hope is that this study may provide a stepping stone for further analyses of regional administrative élites throughout the democratic world. We also wish to encourage scholars to extend such research to other types of bureaucracies, such as regulatory agencies or international organizations (for instance, the IMF or the World Bank). Just like regional administrations, these bureaucracies are separate from the state but play a key role in policy formulation and implementation in our contemporary multilevel systems (Jensen, Koop, and Tatham 2014).

Early life socialization may operate in a variety of ways. We seek to capture some of its different aspects through four characteristics. First, we expect that older generations of regiocrats will have a preference for government intervention as opposed to relying on the free market (H1.a). We anticipate a birth cohort effect due to intergenerational value changes. Inglehart (2008) has argued that one can observe, “as a result of changing conditions influencing their basic socialization, (…) large differences between the value priorities of older and younger generations. Among the older cohorts, ‘materialist’ values, emphasising economic and

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\(^3\)See Bogumil and Jann (2009), Statistisches Bundesamt (2013), and the Bundeszentrale für politische Bildung under www.bpb.de (accessed August 28, 2014). One should note that many of the German Land civil servants work in the field of education: a policy area not always devolved to the regional level.
physical security, were overwhelmingly predominant – but as one moved from older to younger birth cohorts, ‘postmaterialist’ values, emphasising autonomy and self-expression, became increasingly widespread” (130). In line with these findings, we expect that younger generations will display a preference for free market logics in economic policy, which resonates better with desires for “autonomy” and “self-expression,” while older generations will perceive government intervention as a more likely provider of “economic security.”

Beyond a respondent’s birth cohort, we expect that if their parents have worked in a public administration, the offspring will manifest a preference for public modes of governance too (H1.b). This hypothesis echoes work highlighting within family socialization processes (Jennings, Stoker, Bowers 2009). However, we expect that today’s élites from post-communist Europe (including East Germany) may resent the statist model and be comparatively less suspicious of free market logics (H1.c) (Corneo and Grüner 2002; Neundorf 2010). Finally, in some literatures, women are hypothesized to be more averse to competition than men (Croson and Gneezy 2009; Gneezy and Rustichini 2004; Nielsen 2015) and would hence exhibit a weaker preference for competition-enhancing free market reforms (H1.d). One should note, however, that this specific gender effect has not yet been tested in the literature on élite bureaucrats (Connell 2006; DeHartLDavis, Marlowe, and Pandey 2006; Dolan 2000).

We aim to explore whether it also travels to the world of regiocrats. We summarize these hypotheses as follows:

H1: Early Socialization

H1.a Older regiocrat birth cohorts will have weaker preferences for free-market solutions.

H1.b Regiocrats whose parents worked in public administration will exhibit a weaker preference for free market solutions.

H1.c Regiocrats from post-communist areas will exhibit a stronger preference for free market solutions.

H1.d Female regiocrats are likely to exhibit a weaker preference for free market solutions.

Beyond early life socialization, one’s educational background is another particular case of socialization for young adults (Hooghe 2005). Indeed, while early life socialization may shape preferences, learning via education later in life may also shape individuals’ belief systems (Searing, Schwartz, and Lind 1973). Instead of thinking of the effect of education in terms of years of education, which are typically high among administrative élites, we enquire about the effect of different higher education pathways. Indeed, we expect regiocrats having graduated from Economics programs to prefer market-based solutions to governance dilemmas and those having followed training in Public Administration or in Law to favor state interventionism. Expectations are less clear cut regarding training in the Natural Sciences or Engineering,

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4 We conjecture a generational rather than a life cycle effect. However, life cycle effects may also be at play. Much research highlights that with advancing age, preferences towards greater redistribution tend to be more remarked (Corneo and Grüner 2002).

5 See Dinas (2014) for a more nuanced argument.
especially if one considers education in the Humanities as a reference category. These hypotheses can be summarized as follows:

H2: Educational Pathways

H2.a Regiocrats having graduated from Economics will exhibit a stronger preference for free market solutions.

H2.b Regiocrats having graduated from Law or Public Administration will exhibit a weaker preference for free market solutions.

H2.c Regiocrats having graduated from the Natural Sciences or Engineering are unlikely to exhibit a clear preference over either free market or state-based solutions.

A third type of explanation has to do with a bureaucrat’s interests and mindset. We here conjecture that different psychological profiles and personal interests may shape economic governance preferences (Becker et al. 2012). Scrutinizing why bureaucrats decided to work for the regional administration provides some insights into their mindset (Bernhardt and Krause 2014). Were they motivated by factors such as job security or because they perceived the regional administration as providing good career opportunities? We expect that those driven by security concerns will display a preference for statist models of economic governance (Marx 2014a), hence possibly entrenching their own job security (H3.a). Meanwhile, those displaying more ambition and who have joined the administration as part of a greater career plan may be less averse to competition-orientated free market solutions (H3.b). Whilst bureaucrats’ interests may drive their preferences in terms of models of economic governance, we also expect that they update these preferences according to their context. In this case, we anticipate that they may redefine their professional interests in terms of their own economic outlook (Marx 2014b; Mughan and Lacy 2002). If their region displays attributes of market failure - such as high unemployment rates - we expect bureaucrats to update their preferences to mirror the economic reality they live in and display a stronger preference for government (as opposed to market based) economic policy-making (H3.c). In other words, in regions characterized by market failure, bureaucrats are less likely to turn to the market to solve economic governance dilemmas. These expectations can be summarized in the following way:

H3: Professional Self-Interest

H3.a Regiocrats professionally motivated by job security will exhibit weaker preferences for market-based solutions.

H3.b Regiocrats professionally motivated by career opportunities will exhibit stronger preferences for market-based solutions.

H3.c Regiocrats in regions characterized by bleak employment prospect will exhibit weaker preferences for market-based solutions.
Finally, we expect that bureaucrats will update their preferences according to their region’s capacity for government. The logic here is that bureaucrats engage in an updating process whereby their value system derived from early socialization, from higher education, and dictated by their professional interests may be substantially revised according to their context. Preferences regarding the role of government and of the free market in economic governance may be shaped by the region’s actual capacity for (good) government. This is in line with the general argument that bureaucrats are intrinsically Bayesian, using past experiences and contextual cues to update their preferences (Boyne et al. 2005, 638). We therefore expect that when the region is characterized by a high quality of government, regiocrats will find market-based solutions less attractive (H4.a), while they will also favor government intervention when their region is endowed with higher levels of authority (H4.b). These expectations can be summarized in the following way:

H4: Regional Capacity

H4.a The greater the region’s quality of government, the weaker the regiocrat’s preference for market-based solutions.

H4.b The greater the region’s authority, the weaker the regiocrat’s preference for market-based solutions.

As indicated above, we expect that a myriad of other factors affect regiocrat preferences beyond the hypotheses presented here. To name just three, existing episodic communities of bureaucrats may shape their colleagues’ preferences, vertical and horizontal diffusion processes may equally be at work (Braun and Gilardi 2006; Gilardi 2010; Maggetti and Gilardi 2015), whilst the policy field in which the regiocrat works may also potentially affect her preferences. On this last point, we must however acknowledge that the effect of working in a certain policy domain over another is theoretically far from unambiguous. Whilst one would expect a senior bureaucrat working in the field of social policy to have a general preference for government intervention rather than free market logics, especially compared to a senior bureaucrat working in economic development, this may not necessarily be the case. It might be that the senior bureaucrat in social services actually believes that, when it comes to economic policy, one should rely on free market logics, whilst a bureaucrat in economic development may have Keynesian preferences and desire more government intervention. Aberbach et al.’s (1990) study is particularly inspiring in this regard. In other words, it is difficult to inherently categorize policy-fields as more or less propitious to free market preferences (e.g., agriculture, tourism, fisheries, research and development, transport, etc.). Moreover, one should note that élite bureaucrats tend to rotate from one department to another over the course of their careers — which tend to be rather long for senior bureaucrats — hence diluting...
any “Departmental effect.” Thus, it is not clear that regiocrat preferences for modes of economic policy-making are systematically affected by the policy field in which they currently work in. Exploring these factors (epistemic communities, diffusion, policy field) requires a specific research design and we encourage scholars interested in these issues to further explore the dynamics at play.

**Dataset and Methods**

The dearth of research on regional administrative élites can be in great part explained by a lack of data (Derlien 1992, 283; Jeffery and Schakel 2013a; Jeffery and Wincott 2010). Indeed, there exists no cross-national survey of these élites. We therefore collected original comparative data. We conducted phone interviews of 742 regiocrats — that is, senior civil servants with policy responsibility — in 63 regions and 11 countries. These élites were interviewed in Germany (Länder), France (régions), Italy (regioni), the Netherlands (provincies), Austria (Bundesländer), Poland (województwa), Sweden (län), Spain (comunidades autónomas), the Czech Republic (kraje), Romania (județe), and Hungary (megyék). The countries were selected to ensure geographical spread (Southern, Eastern, and Northern Europe). Regions were randomly selected and, apart from Berlin, do not contain their country’s seat of government. Regiocrats themselves were also randomly selected with the only two requirements being: (1) seniority (i.e., typically a Head of Department or Head of Unit) and (2) substantial policy responsibility (i.e., not in internal information technology, internal legal services, or human resources). The goal of the random selection of regiocrats was to decrease the likelihood of bias resulting from possible structural effects affecting the sample composition. On average, we interviewed 11.8 top bureaucrats per region and 67.5 per country. The interviews were carried out in the respondent’s native language and in the midst of the financial crisis in 2011–12.

To capture regiocrat preferences for government intervention as opposed to free market solutions, we asked the following question: “Looking at economic policy, some would like governments to intervene actively on economic policy issues. Others would rather rely on free market forces. Where would you place your own vision of economic policy on a range between 0 (greater role for government) and 10 (greater role for the market).” The question is broad, clear, and should capture relevant variation in bureaucrat preferences regarding economic policy-making.\(^7\)

The data for most of our explanatory factors were also collected via phone interviews. This is the case regarding background information such as the date of birth of the respondent (H1.a), whether their parents have worked (or still work) in public administration (H1.b), or whether the respondent is male or female (H1.d). Regarding the discipline in which the respondent completed their studies, we asked whether this was in Economics (H2.a), Law and Administration (H2.b), Natural Sciences/Engineering (H2.c), and the Humanities (reference category). Very few interviewees had completed their studies in other areas. When this was the case, they were merged with the Humanities reference category. Regarding professional self-interest, we enquired whether job security and good career opportunities were factors which motivated the respondent to work in the regional administration. It is important to note

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\(^7\) In their seminal work comparing Japanese and American administrative élites, Aberbach et al. (1990, 482) used a similar question: “It is argued by some people that government must play a greater role in the nation’s economic affairs, while others say that decisions in this area should be left to the private sector. On the whole, which of these positions comes closest to yours?”.
that we did not constrain interviewees to choose between one or the other. They were free to describe both, or neither, or only one of those factors as important.\footnote{And indeed, 21\% of respondents are motivated by both, whilst 32\% are motivated by neither.}

Data for regional level covariates were collected independently from the phone interviews. We coded the region’s quality of government — understood as the control of corruption, the impartial treatment of citizens, and government effectiveness—thanks to data collected by Charron and Lapuente (2013) (H4.a). Indeed, their measure focuses on public sector corruption (both experience and perception) and on the extent to which citizens believe public sector services are impartially allocated and of good quality (Charron, Lapuente, and Rothstein 2013). To the best of our knowledge, their data are the only large n indicator of the quality of government measured specifically at the subnational level. We coded regional authority, understood as a region’s levels of self-rule, and shared rule, via data collected by Marks, Hooghe, and Schakel (2008a) (H4.b). Finally, we coded regional levels of unemployment thanks to data provided by the Eurostat webportal\footnote{See ec.europa.eu/eurostat (accessed August 17, 2014).} (H3.c) and post-communist areas with a historical atlas (H1.c). Data sources, levels of measurement, descriptive statistics, and the expected relationship to economic governance preferences are summarized in table 1.

The nature of the data — 742 senior civil servants working in 63 regions within 11 different countries — suggests that it may have a hierarchical structure. It is theoretically reasonable to expect that bureaucrats in the same region may share more in common than those in other regions. Likewise, one may expect national characteristics to affect their preferences. These unobserved regional and national features may concern the nature of existing regulatory policies, party political configurations, government ideology, political and administrative culture, or the appointment procedures of top regional\footnote{Appointment procedures may be political (i.e., the executive nominating the top layer of the bureaucracy) or not. They tend to be laid out in national legislation, hence affecting national patterns. Although the politicization of these appointments will affect entry in the sample (e.g., a left-wing government appointing bureaucrats in favor of government intervention), this will hardly affect the process of preference formation. In other words, we have no reason to expect that being a right-wing or a left-wing appointee will render a bureaucrat immune to early-life socialization, educational pathways, professional self-interest, or regional capacity. In other words, we doubt that the appointment procedure affects how bureaucrats have formed their preferences over their life time.} and hence their levels of politicization. Potentially, these unobserved factors may all affect the levels of support for different visions of economic policy-making within a region or a country. These can then in turn be reflected by varying country and region intercepts.

We therefore calculate a measure of clustering, the intraclass correlation, which reveals that about 32\% of variance can be attributed to regional clustering while 21\% of variance is attributable to country clustering. An “empty” three level model, taking into account both sources of nesting concomitantly also indicates significant variance at all three levels. So as to model these dependencies in our data, we implement three level random intercept and random coefficient models. This modeling strategy allows us to efficiently factor in cross-regional and cross-country heterogeneity in a single model (Gelman and Hill 2007).

Additionally, we follow recommendations by Gill and Witko (2013) who argue in favor of adopting a Bayesian perspective on statistical inference in public administration studies when datasets are population level, collected in “fluid” environments, that is where the data are situational in both time and circumstance and are unlikely to be exactly replicated. Indeed,
when such data represent a “fixed, unique look at the phenomenon of interest” (2013, 459), Gill and Witko (2013) argue that Bayesian’s reliance on probability as a description of unknown quantities is a more appropriate investigative method. Since we are not agnostic as to the choice of analytical methods, we also report, in the supplementary appendix, results from a three level random intercept model using maximum likelihood estimation. In our case, results derived using a Bayesian perspective are broadly similar to those obtained through frequentist methods. We prefer to focus our attention on the Bayesian estimates.\footnote{A fuller description of the Bayesian approach can be found in a number of textbooks (Gelman and Hill 2007; Gill 2007) which also highlight how the approach differs from frequentist practices and postulates (Samaniego 2010).}

\textbf{Table 1:} Summary of Variables, Data and Hypotheses

<table>
<thead>
<tr>
<th>Explanatory Factor</th>
<th>Variable</th>
<th>Data Source</th>
<th>Level</th>
<th>Range (SD)</th>
<th>Mean (SD)</th>
<th>Expected Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable</strong></td>
<td>Preference for a greater role of the free market in economic policy</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–10</td>
<td>5.06 (2.42)</td>
<td></td>
</tr>
<tr>
<td><strong>Early socialization</strong></td>
<td>Age</td>
<td>Interview data</td>
<td>Individual</td>
<td>27–71</td>
<td>50.3 (9.40)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>Parents in Public Administration</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.26 (0.44)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>Post-communist area</td>
<td>Historical atlas</td>
<td>Regional</td>
<td>0–1 (dummy)</td>
<td>0.40 (0.49)</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Gender (female =1)</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.32 (0.47)</td>
<td>−</td>
</tr>
<tr>
<td><strong>Educational pathways</strong></td>
<td>Economics degree</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.18 (0.38)</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Law/Public Administration degree</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.33 (0.47)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>Science/Engineering degree</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.21 (0.41)</td>
<td>+/-</td>
</tr>
<tr>
<td><strong>Professional Self-interest</strong></td>
<td>Job security</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.46 (0.50)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>Career opportunities</td>
<td>Interview data</td>
<td>Individual</td>
<td>0–1 (dummy)</td>
<td>0.43 (0.50)</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate</td>
<td>Eurostat</td>
<td>Regional</td>
<td>2.5–30.4</td>
<td>8.94 (5.38)</td>
<td>−</td>
</tr>
<tr>
<td><strong>Regional capacity</strong></td>
<td>Regional quality of government</td>
<td>Charron and Lapuente (2013)</td>
<td>Regional</td>
<td>−2.25 to 1.45</td>
<td>0.28 (0.97)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>Regional authority</td>
<td>Hooghe, Marks, and Schakel (2010)</td>
<td>Regional</td>
<td>6–21</td>
<td>13.77 (5.54)</td>
<td>−</td>
</tr>
</tbody>
</table>

Note: $n = 742$.

We specify a three-level model for our 742 élite civil servants nested in 63 regions and 11 countries. We model the response of our individuals \( i \) working for region \( j \) in country \( l \) as a function of individual and regional level variables \( X_1 \) and \( Z_j \) in the following way:

\[
Y_{ij} \sim N(\alpha_j + X_{ij}\beta, \sigma^2_Y), \text{ for } i=1, \ldots, 743
\]

\[
\alpha_j \sim N(\xi_{ij} + Z_j\gamma, \sigma^2_\alpha) \text{ for } j=1, \ldots, 63
\]  

(1)
\[ \xi_l \sim N(\mu_\xi, \sigma_\xi^2) \text{, for } l = 1, \ldots, 11 \]

where \( Y_i \) (our outcome variable for the \( i \)-th civil servant) is distributed normal around a mean-defining systematic component, \( q_j[i] + X_i \beta \), with variance \( \sigma_\xi^2 \). The matrix \( X \) is a matrix of eight individual-level covariates (see table 1, column 4) and \( \beta \) will be the corresponding estimated coefficient. We here use the hierarchical notation employed in Gelman and Hill (2007) to indicate that the \( i \)-th civil servant is nested in the \( j \)-th region. We specify, \( q_j[i] \), as a region-specific random intercept. We assume a normal distribution for the regions in the second line of equation (1), although each individual region is represented in intercept terms by distinct draws from this distribution (see supplementary appendix figure A1). At this second level of the hierarchy, we parameterize four regional-level explanatory variables in \( Z \), and their corresponding estimated coefficients, \( \gamma \). In the third line of equation (1), we specify \( \zeta_l \) as a country-specific random intercept. We assume a normal distribution for the countries, although each individual country is represented in intercept terms by distinct draws from this distribution (see supplementary appendix figure A2). Hence, equation (1) includes three different variances. The term \( \sigma_\xi^2 \) gives the within-region variance of the outcome variable, the term \( \sigma_\alpha^2 \) measures the between-region variance, and \( \sigma_\zeta^2 \) gives the between-country variance. Because of the scarcity of information on the economic governance preferences of regional élites, we restrict our distributional choices for priors to normal forms. We summarize the set of priors for the individual and regional-level coefficients as follows:

\[
\begin{align*}
 b & \sim N(b_{ky}, S_b) \\
 g & \sim N(g_{ky}, S_g)
\end{align*}
\]

where the \( \sum \beta \) and \( \sum \gamma \) matrices are diagonal forms with large variances. We assign normal distributions with mean 0 and large variance to our unknown parameters. The uninformative nature of our priors reflects the relatively low levels of accumulated knowledge about the expected effects of our variables on regional élites in Europe. This is why we use a diffuse form of prior in the shape of the uniform distribution (Gelman 2006).12

We then produce marginal posterior distributions for each of our coefficients using Gibbs sampling as implemented in JAGS (Plummer 2013). The estimated joint posterior distribution is a combination of the linear hierarchical likelihood function and of the priors. This is a 90-dimensional distributional form consisting of 8 individual-level coefficients, 4 regional-level coefficients, 63 region random effects, 11 country random effects, 3 variance components, and the resulting posterior density. We run three parallel chains. The Gibbs sampler was run for 60,000 iterations, keeping only the last third of the run (the rest is used for burn-in).

So as to assess whether there is any evidence of nonconvergence, we ran the diagnostics suite provided by Tsai and Gill (2012). The Gelman and Rubin’s convergence diagnostic indicates potential scale reduction factors well inferior to 1.1, suggesting that the length of our chains is likely sufficient. Meanwhile the Geweke Z-scores do not suggest non-stationarity (i.e., not too big a difference between nonoverlapping proportions of the early and late eras of the

\[\text{For an example of informative priors in public administration research, see Gill and Witko (2013).}\]
chain after the burn-in; see supplementary appendix figure A11). The Raftery-Lewis diagnostics, despite their conservative nature (and the fact that they only test marginal convergence on each parameter), return overall reassuring values over the three chains, although one should note relatively high dependence factors regarding the regional authority index, the between country variance, as well as some country-level random intercepts. Therefore, in the following sections, we interpret the estimates derived for those parameters with more caution. Meanwhile, the Heidelberg and Welch diagnostics indicate that, over the three chains, it is likely that the Markov chain is from a stationary distribution.

Visual inspection provides similar conclusions. Trace plots of the iteration number against the value of the draw of the parameter at each iteration suggest adequate mixing of the respective chains (supplementary appendix figures A5 and A6). Density plots also overlap between chains (supplementary appendix figures A3 and A4). Running means of the iterations against the mean of the draws also suggest that our chains have mixed rather well (supplementary appendix figures A7 and A8). Autocorrelation plots between the draws of our Markov chains suggest rapid mixing for values of our alpha and beta estimates, and slightly slower though still adequate mixing for our gamma and zeta estimates (supplementary appendix figures A9 and A10). All these tests are important since a Markov chain that is not in its stationary distribution does not produce valid empirical draws for inferential purposes (Gill 2008; Tsai and Gill 2012).

Early Life Socialization and the Regional Context

The descriptive statistics are informative in themselves. Although the sample’s bureaucrats have, on average, almost perfectly balanced views on economic policy-making—scoring a neutral 5.06 on the 0 –10 scale — this mean value is deceptive. If 20% opt for an even mix, 39% are in favor of greater government intervention, and 41% of a greater role for free market forces. Compared to Japanese and US administrative élites (Aberbach et al. 1990, 482), European regiocrats are more pro-government and less fence sitting. The width of the standard deviation (SD) suggests much variation among bureaucrats, which is not surprising considering the wide variety of countries and regions we cover, as well as the territorial heterogeneity in the effects of the crisis (Groot et al. 2011). This cross-national and cross-regional variation is illustrated in figure 1. Polish and Romanian bureaucrats stand out as more pro-market, while the Spanish and French display more faith in government intervention. However, there is much variation within the 11 countries we cover. Sweden is one of the most homogenous countries in our sample. Its SD is 1.66. However, even there, regional values differ, from a preference for more government intervention in Västra Götaland (4.13) to a preference for more market in Skåne (5.5). Obviously, variation is even greater in more heterogeneous countries such as the Czech Republic, where some regions are populated with bureaucrats in favor of government intervention (Karlovarský, 4.62) and others in favor of more
Figure 1: Country and region averages regarding the role of government and of the free market in economic policy across 11 countries, 63 regions, and 742 administrative élites.
market-inspired economic policies (Liberecký, 6.46). Three regions do stand out. The bureaucrats in the Basque Country, Asturias, and Extremadura are distrustful of market solutions and strongly prefer interventionist economic policy-making. The findings we develop below, however, are robust to dropping these three regions.13

On average, these élites tend to be men (68%) born in the early 1960s. They have mostly been trained in Law and Public Administration (33%), as opposed to Science/Engineering (21%), or Economics (18%). Three quarters of them do not have parents who work (or have worked) in public administration, while 46% admit to being motivated by job security, and a slightly lower percentage by the good career opportunities provided by the regional public administration (43%). Regional authority ranges from a minimum of 6 (Romanian Județe) to a maximum of 21 (German Länder), averaging at 13.8. Meanwhile regional quality of government is lowest in the Romanian Județ of Timiș and Arad, and highest in the Swedish län of Västra Götaland, Skåne, and Kalmar. Interestingly, the original measure was standardized with mean 0 and SD 1 (Charron and Lapuente 2013) hence indicating that our sample is representative of the population’s variance (SD = 0.97), though containing regions with slightly higher quality of government compared to the EU’s population of regions (mean = 0.28). Finally, unemployment averages at about 9%, being lowest in Tirol (2.5%) and highest in crisis-hit Andalucía (30.4%).

The correlation and scatter plot matrix in figure 2 provides information about some bivariate relations present in the assembled dataset. For example, one will note the positive correlation between regional authority and regional quality of government. Both these variables also correlate positively with the age of our bureaucrats, hence indicating that regions with greater authority and greater quality of government tend to have older bureaucrats in their upper tiers.14

Results from the Bayesian analysis provide some support for the four main explanatory logics and underscore the multilevelness of regiocrat preferences. Indeed, the region and country-specific intercepts significantly vary across the 63 regions and 11 countries, stressing the prevalence of regional and national contexts (see supplementary appendix figures A1 and A2). These variance terms are reported in figure 4 and highlight between-region differences and cross-country variation.15

This represents a first important finding: the significance of an élite’s contextual embedding on her governance preferences. Such a finding echoes past work emphasizing the relevance of varying contexts when analyzing individual preferences (Druckman 2004; Wildavsky 1987). We visually summarize our results in figures 3 and 4. For the sake of comparison, all covariates have been centered and scaled.

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13 Rerunning the three-level model using maximum likelihood estimation and dropping the 38 observations from these three regions returns almost identical estimates for all variables, except for regional authority and career opportunism which both keep the same sign, but fall short of .05 significance. Low dependent variable values for these regions cannot be attributed to a smaller regional sample, as 12, 13, and 13 bureaucrats were interviewed in each. Of course, these three regions have traditionally been characterized by left-leaning politics. But this is true of many other regions in our sample.

14 As is obvious from figure 2, correlation levels are not high enough to be of concern regarding possible multicollinearity issues. The average variance inflation factor is at 1.37. Looking at individual values tells the same story. They range between 1.04 for regional unemployment and 2.43 for regional quality of government.

15 Additionally—and from a purely statistical viewpoint—the regional and country variance terms are here “soaking up” variability that would normally fall to the error term in the model in the absence of hierarchical modelling (see Gilland Witko 2013, 476).
Regarding early life socialization, while gender and having parents in public administration seem to play only a weak and marginal role, stemming from a post-communist area is positively associated with a preference for free market solutions to economic policy questions. This is in line with our expectation that a communist past may trigger liberalization desires among élites. Our results highlight the preference gap between élites and common citizens who, in post-communist countries, have tended to display higher levels of opposition to capitalism (Pop-Eleches and Tucker 2014) and greater levels of support for redistribution (Corneo and Grüner 2002; Hughes 1997).

We also find evidence that some generational effect is at play. Older élites are more in favor of a statist model of economic policy-making than younger ones who are keener on free-market solutions. We cannot pinpoint, however, whether this is strictly a generational effect or whether we are also capturing a life-cycle effect. Indeed, it is possible that, with advancing age, élites’ interests become dominated by healthcare or pension concerns, hence their reluctance to embrace the free-market ideology. Although our dependent variable relates to economic policy, it is possible that older respondents’ preoccupation with social policy and the welfare state color their preferences regarding economic governance. We note, though, that the electoral behavior literature suggests that youth tends to be associated with left-wing ideologies while growing age generally provokes a shift towards more rightist, conservative ideologies (Cornelis et al. 2009; Tilley and Evans 2014). This encourages us to interpret the association as a generational effect rather than one of shifting personal interests. Older birth cohorts’ materialist values and their emphasis on “security”—both physical and economic—resonates better with government intervention, while younger birth cohorts’ postmaterialist values emphasizing “autonomy” and “self-expression” seem more in line with market-based preferences (Inglehart 2008). Finally, it is also possible that such a generational effect may be in part driven by a shared experience of the welfare state’s expansion and consolidation in the post-world-war-II period, generating a spillover of preferences for a strong role of the state in social policy to one similarly strong in economic policy.

Interestingly, this generational effect seems to be unrelated to levels of unemployment, regional authority, quality of government, or to a Communist past. To explore these unconditional effects, we allowed the estimate of the age variable to vary across the 63 regions (i.e., random coefficient model). We then plotted the 63 slope estimates across values of unemployment, regional authority, quality of government, and a communist past. If the effect of age were dependent on any of these regional characteristics, one would observe a pattern. As illustrated in figure 5, no such pattern emerges from the data. One could still

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16 The exclusion of these two variables does not affect the overall results.
17 It is possible that the post-communist dummy also captures other unobserved post-communist effects, such as the rate of politicization of civil servants. However, we expect such rates to vary across countries and regions within this area, and hence to be more efficiently captured by the country and region-specific intercepts (supplementary appendix figures A1 and A2).
18 Interestingly, however, Bernhardt and Krause (2014) also observe a greater willingness among East Germans compared to West Germans to accept flexibility and performance requirements as labor market governance principles.
19 The effect of birth year is mostly linear. Nonlinear modeling (supplementary appendix figure A12) suggests relatively homogenous preferences for those born between the early 1940s and early 1960s, and increasingly free-market preferences for those born thereafter. For an in-depth exploration of the relationship between birth year and political preferences, see Ghitza and Gelman (2014).
20 Running interaction effects using maximum likelihood reaps similar findings (supplementary appendix figure A13). The only difference being that generational effects seem to matter less in the
make an argument that generational dynamics may be affected by some systematic but unobserved regional characteristic which also affects the outcome variable. In other words, that the relationship between birth cohort and economic governance preference is spurious, driven by an omitted contextual variable. If this were the case, the effect of age would correlate with the region intercepts. As illustrated in figure 6, this does not seem to be the case. There context of higher quality of government than they do when quality of government is lower. The effect is very small, however.
is no correlation between the regional intercepts and variation of the slope of age across regions.

Results regarding the effect of educational background are both intuitive and slightly surprising. As expected, we find that Economics graduates display a lasting preference for the free market. However, we are surprised to observe that the posterior mean point estimates for Science/Engineering and Law/Public Administration are positive (0.087 and 0.055, respectively), although their posterior variance is sufficiently large that we do not consider these to be a reliable find (0.081 and 0.083). Hence, none of those two educational pathways seem to durably affect preferences towards economic governance.

The self-interest variables reap more reliable results. As expected, there is over a 90% chance (i.e., a probability of over .9)\(^{21}\) that career opportunism is positively associated with stronger preferences for the free market.

**Figure 3**: Individual-level estimates, with 90% and 95% credible intervals (thick line and thin line, respectively)

Note: All variables have been centered and scaled for comparative purposes. HPD, highest posterior density.

**Figure 4**: Regional-level estimates and three-level variance terms (\(\sigma_y\), \(\sigma_a\), and \(\sigma_c\)) with 90% and 95% credible intervals (thick line and thin line, respectively)

Note: All variables have been centered and scaled for comparative purposes. HPD, highest posterior density. \(\sigma_y = \sigma_\gamma^2\); \(\sigma_a = \sigma_\alpha^2\); \(\sigma_c = \sigma_\xi^2\).

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\(^{21}\) The highest posterior density (HPD) indicates the .9 and .95 probability that some effect exists within the interval. This is not to be confused with the frequentist confidence interval which indicates the degree of confidence one has that the interval covers the “true” parameter value over \(n\) identical replications of the study.
Figure 5: The unconditional effect of age across unemployment, regional authority, quality of government, and a Communist past.

Note: The scatter plot displays the estimates for the slope of age for each region (with 90% and 95% credible intervals, y-axis) across unemployment, regional authority, quality of government, and the East-West divide (x-axis).

The relationship is even stronger, though negative, concerning job security. Indeed, those motivated by job security display as strong a preference for government interventionism as Economics graduates for the free market (−0.155 and 0.152, respectively). As expected, however, the region’s economic outlook, reflected by its unemployment levels, is decisively associated with weaker preferences for the free
market and stronger preferences for government intervention. This finding, and the size of the posterior mean point estimate (−0.460) as well as its comparatively narrow posterior variance (0.212), suggests that the economic context may matter more than early-life socialization or educational pathways.

The importance of contextual factors is further illustrated by the posterior estimates of the regional authority indicator and of the region’s quality of government. Surprisingly, greater regional authority is associated with stronger preferences for free-market solutions. However, we interpret this relationship with caution due to the relatively high dependence factors returned by its Raftery-Lewis diagnostic. In line with our expectation, however, greater quality of government is associated with weaker preferences for the free market. Its posterior estimate is the most important in size (−0.552). This finding suggests that, when government works well, the élites populating it seem less attracted to market-based solutions.

Overall, and as illustrated in figures 3 and 4, our results suggest a rather strong association between bureaucrat preferences and the milieu in which they operate. While early-life socialization, educational pathways, and professional self-interest matter, it seems that contextual characteristics, such as market failure in the region, its capacity for (good) government, or its post-communist status, all display a stronger association to bureaucrats’ economic governance preferences.

Discussion and Conclusion

In this article, we have sought to shed some light on regiocrats’ governance preferences in economic policy-making. Where could these preferences come from and what factors may have shaped them along the way? To explore this question, we have focused on standard theories of preferences formation (Campbell et al. 1960; Etzioni 2014; Wildavsky 1987). We have found evidence (1) of early-life socialization in the form of a generational effect and of post-communist legacies, (2) of an imprint of educational pathways such as graduating with an Economics degree, (3) of professional self-interest such as a bureaucrat’s job motivation (in terms of job security and career opportunities) and the employment prospects within her region, and finally (4) we have found evidence that the region’s capacity, especially in terms of its ability to deliver a high-quality government, matters much.

In fact, contextual factors seem to matter more than individual ones. Hence, whilst the evidence of a generational effect is compelling, the region’s location in a post-communist area, how hard it has been hit by the crisis, and its ability to provide a high quality of government all seem to matter more. Environmental properties should hence not be overlooked when seeking to understand élites’ preferences, beyond personal histories, educational backgrounds, or professional motivations. We believe this is an important theoretical contribution to the ongoing study of the formation of the political and economic preferences of our governing élites (Cioffi and Höpner 2006; Hooghe 2003).

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22 This conclusion is further supported by the conditioning effect of regional capacity (i.e., the quality of government and regional authority) on the second and third most potent individual Q-level factors (i.e., economics graduate and job security motivation). As evidence in supplementary appendix figure A14, regional capacity magnifies the lasting effects of graduating with an economics degree and of being motivated by job security.
Figure 6: Allowing the effect of age to vary across regions (varying intercept and slope model)

Note: The scatter plot displays median point estimates for the slope of age for each region (y-axis) and the region intercepts themselves (x-axis). The figure suggests there is no correlation between the regional intercepts and the slope of age.

In our case, we show that, beyond cross-national variation, regional contexts matter too (Jeffery and Schakel 2013a, 2013b; Tatham, forthcoming). And that the importance of the regional context does not disappear when one models country clustering. In this sense, we echo previous calls for a greater emphasis on situational factors and contextual forces rather than a strict focus on individual-level variables (Druckman 2004). Our multilevel analytical strategy, which explicitly modeled regional and country effects as well as a number of contextual covariates, represents a step in this direction, highlighting how élite preferences may vary under different sets of circumstances.

What policy implications can we draw from this analysis? If we were politicians and wished to force through free market reforms, what would we do? Based on this study, we would stack our administrations with young, career-driven, Economics graduates. Then we would target regions where we expect least resistance towards our policy agenda. We would anticipate most resistance from élite bureaucrats in two types of regions: First, in regions characterized by market failure, where unemployment is therefore high. In these crisis-hit regions, bureaucratic élites have either lost faith or do not believe in the capacity of free market reforms to address their economic woes. In other words, when the economy has been failing their region, top bureaucrats would rather steer towards greater government intervention and hence turn their back on free market ideology. Second, in regions characterized by high quality of government, free market solutions appeal less to top bureaucrats. When government “works” well, is noncorrupt, respects the rule of law, and delivers public services impartially, top bureaucrats manifest little desire to embrace free market principles. Hence, we would either
target low quality of government areas or those where unemployment has been kept in check. Thus, we would ideally start our reform process in post-communist areas: they have historically been free market deprived, currently benefit from comparatively lower quality of government and reasonable unemployment levels.

From this, one can draw parallels beyond subnational governance. One may indeed further scrutinize the recruitment processes of other nonnational bureaucracies. These may include local government, independent regulatory agencies, or supranational institutions such as the ECB, the IMF, or the World Bank. It may be an interesting research avenue to explore the economic governance preferences of their top bureaucrats. Do similar logics apply there too? For example, do these institutions disproportionally recruit young, career-driven, Economics graduates? Do they propose policy reforms adhering to free market logics in areas characterized by low quality of government or a communist past? We believe that replicating our study to other nonstate bureaucracies such as regulatory agencies or intergovernmental organizations may shed some light on why certain policies are put forward by certain bureaucracies, and when such policies may encounter stronger or weaker resistance at the implementation stage. In this sense, learning more about the preferences of nonnational bureaucrats is conducive to a better understanding of the origin of different policy proposals and of the dynamics of their differential implementation.

**Supplementary material**

Supplementary material is available at the Journal of Public Administration Research and Theory online (www.jpart.oxfordjournals.org).

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