

# The Entanglement of Public Bureaucratic Institutions: Their Interactions with Society, Culture, Politics, and the Economy

(Chapter Draft\* for *The Political Process & Political Order*)

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## Abstract

Scholars of public administration apply different perspectives to understand bureaucratic institutions. Many excellent studies consider the influence of bureaucracies on one aspect of their environment, like politics, society, culture, or the economy. Alternatively, scholars sometimes analyze the impact of one of these factors on the public administration. However, the recent literature on institutional entanglement shows us that relationships between social institutions are often *mutually* constitutive, meaning that their interaction is not one-directional. In this chapter, I build upon a large number of previous studies on public administration to create a synthesized perspective of how public bureaucracies interact with their broader environment, including the social, cultural, economic, and political context in which they operate. Through a number of empirical examples, I show how useful this view can be for understanding the characteristics of public bureaucracies.<sup>1</sup>

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# Introduction

There are many excellent studies regarding the effects of public administrations on their environment, including their impact on economic growth (Evans and Rauch, 1999), legal traditions and the quality of public institutions, (Charron, Dahlström and Lapuente, 2012), as well as long-term political development (Lange, 2004). Alternatively, other studies show the effect of environmental factors on the bureaucracy, including the influence of the political-legal framework (Huber and Shipan, 2002), administrative procedures (McCubbins, Noll and Weingast, 1987), and socio-economic interest groups (Vogler, 2018c). Even though these studies have delivered insights into how bureaucracies function, they typically do not thoroughly explore the possibility of a two-directional *interaction* and *interdependence* between environmental factors and the institutions of public administrations. This means that there is significant space for future research because recent contributions to the field of political economy have highlighted the usefulness of a perspective of “institutional entanglement,” which refers to the mutual impact of and complex interplay between institutions from two or more spheres of social life (Smith, Wagner and Yandle, 2011; Wagner, 2016).<sup>2</sup>

For example, Smith, Wagner and Yandle (2011) show that we cannot fully separate political structures and processes from economic structures and processes. They argue against the traditional perspective, according to which the economy can be studied in isolation from politics. Network connections between political and economic entities mean that an equilibrium achieved in one dimension also impacts the other dimension and vice versa. Accordingly, the dense interaction between political institutions and the economy makes the traditional view misleading.<sup>3</sup> Moreover, Wagner (2016) expands on this perspective by presenting a comprehensive overview of the entanglement of political and economic institutions. He illustrates the dense interplay between economic and political actions through analyses of electoral competition, the welfare state, and economic regulation amongst others.

Similar to other institutions, the character and performance of public administrations may *simultaneously shape and be shaped by* society, culture, or the economy. However, the relative importance that is attributed to social, economic, and cultural factors for explaining bureaucratic institutions and behavior is comparatively low even in the most thorough and most prominent studies of administrative organization. For instance, Huber

and Shipan (2002) explain cross-sectional variations in the relationship between legislature and bureaucracy in the law-making process mainly through political circumstances and the overarching political-legal framework, including the structure and capacity of the legislature. While they include a proxy for political culture and a dummy variable for corporatism in some of their regressions, socio-cultural factors receive significantly less theoretical and empirical attention than political-legal characteristics. Similarly, in his cross-country study of bureaucratic organization, Silberman (1993) primarily focuses on macro-political variables, such as uncertainty about leadership succession and the structure of political networks, to explain the emergence of professional versus organizational public administrations.<sup>4</sup>

Why do many scientific contributions on cross-national variation not explore the impact of culture, society, or the economy on public administrations? In many cases, practical space and scope limitations mean that a perspective of entanglement cannot be applied or explored in detail. Yet, this opens many new possibilities for research, primarily because cross-country and cross-regional differences in bureaucratic institutions may be related to variations in the social, cultural, or economic spheres.

The relevance of studying these dimensions is highlighted by the fact that they could have both a direct and *indirect* influence on public administrations. In particular, those factors could be causally prior to the impact of the political/legal system. For example, there is some evidence that economic interest configurations have historically shaped electoral laws and thus the political-legal framework (Cusack, Iversen and Soskice, 2007).<sup>5</sup> Accordingly, from a historical perspective, the utility of a perspective of entanglement may be even higher.

Even authors who acknowledge and describe the interdependence between public administration, society, and economy often do not take the next step, by explaining *differences* in bureaucracies based on socio-cultural factors. For example, although Weber (1978, Ch. 11)—in his landmark studies on the development of bureaucratic systems—acknowledges several social and economic factors that lead to bureaucratization, he treats bureaucratization as a uniform development process. Economic development, social progress, and democratization are seen as leading to a modern, rational bureaucratic administration characterized by high levels of specialization, hierarchy, meritocracy, and adherence to written rules (Pierson, 1996, 20-22; Ostrom, 2008, 68-69). This perspective does not leave much room for explaining lasting variations in the structure of modern

bureaucracies among post-industrial societies that may be due to persistent differences in culture, society, or economic structures.

Interestingly, the common scholarly perspective on bureaucracies as separated from their socio-economic and cultural context also corresponds with popular concerns about bureaucrats, including that they are inaccessible, alienated, and culturally or intellectually separated from society (Raadschelders, *Forthcoming*; Peters, 2001, Ch. 1) or simply a representation for “what is wrong with the country” (Peters, 2001, 29). As a response to both the scholarly and the public point of view described above, I argue that there often is a dense interaction and connectedness between societies and bureaucracies. Thus, understanding their mutual influence is relevant for explaining the functioning of administrative systems.

It is important to note here that, due to this chapter’s focus on the interaction between bureaucracies and their environment, we cannot discuss the *internal* organization of administrative systems in detail. However, the internal dimension of public bureaucracy has been thoroughly analyzed by a number of authors, including Simon (1997) who studies internal decision-making, Tullock (2005) who (amongst others) discusses consequences of hierarchical bureaucratic structures, and Niskanen (1971) who presents a formal model of bureaucratic operation.

As touched upon above, sometimes the exclusion of the broader socio-economic and cultural context, which we observe even in the most excellent studies of public bureaucracies, may be due to space constraints—such as length limitations on journal articles—and for practical reasons, e.g. to keep an argument clear and simple. However, both our understanding of public administrations and our ability to explain cross-national/regional differences in bureaucracies could be enhanced by considering the complex interaction with their environment to a greater extent.

Thus, I proceed as follows: After the introduction—based on the most recent research in the field of public administration—, I develop a theory of *bureaucratic entanglement* focused on the complex interdependence between public administrative organizations and their environment. Here, I consider four dimensions of interaction: (i) the embeddedness of bureaucracies in society at the time of their creation, (ii) the complex and multi-faceted principal-agent relationship with the political leadership, (iii) the interdependence with social structures and culture, and (iv) the mutual influence of economic developments and bureaucratic organization. At the end of the theoretical section, I combine insights

from all four dimensions to a joint theory of bureaucratic entanglement, which represents the core of the chapter. In the following section, I discuss a multitude of examples of and empirical evidence for the suggested interaction between public administrations and their environment. Specifically, this part covers: (i) A comparison of public bureaucratic structures and service provision in Germany and the United States, (ii) variation of entanglement within America, (iii) the role of crises in shaping bureaucratic entanglement, and (iv) how persistence in culture may affect administrative organization over long time periods. I generally find strong support for the notion that bureaucracies simultaneously shaped and are shaped by their political, social, cultural, and economic environment. I close with suggestions and recommendations for future research based on the perspective of bureaucratic entanglement.

# A Theory of Bureaucratic Entanglement

Below, I outline four key dimensions of connections between public administrations and the context in which they operate, specifically (i) “politics,” (ii) “culture,” (iii) “the economy,” and (iv) “society”. We may understand these dimensions as “function systems” as suggested by [Luhmann \(1996\)](#). [Luhmann](#) develops a framework which allows us to distinguish between these different sub-systems which each follow their own internal logics. Even though there may be additional function systems, such as “art” ([Luhmann, 2000](#)), the discussion of the interaction of bureaucracies and the following four systems/dimensions can be the foundation for an overarching theory of bureaucratic entanglement.

What follows are definitions that provide the foundation of the subsequent discussion. Since no definition can be perfectly applied in all contexts, the following items should be seen as *working definitions* with some degree of flexibility.

1. “Politics” are defined as all processes and structures within a country that are engaged in the making/passing of legally authoritative decisions, rules, and regulations.
2. “Culture” is defined as the collection of norms, values, and recurring patterns of behavior among the citizens of a polity.
3. “The economy” is defined as all activities and institutions controlled by private actors that lead to the production of goods or the provision of services. (Please note that this definition is intentionally limited to private actors because we aim to analyze the interaction between the public administration and other spheres of social organization. If we include publicly provided goods and services in this definition, the interaction between the public administration and the economy becomes tautological.)
4. “Society” is defined as the networks, groups, and relationships that are constituted by persons within a country. Membership in certain groups and access to certain networks may give individuals access to informational, emotional, or financial resources; which may be labeled ‘social capital.’ ([Storr, Haeffele-Balch and Grube, 2017, 449-450](#))

The connections between bureaucracies and politics (dimension II) have received by far the most attention in the political-economy literature on public bureaucracy. The other three dimensions have received some attention, but there is significant space for expanding upon existing studies. The four categories discussed here are by no means the only dimensions of entanglement, but for analytical and practical reasons it is desirable to keep a limit on them.<sup>6</sup>

## **Dimension I: The Critical Impact of Society During the Period of Bureaucratic Emergence and the Long-Term Consequences**

The first dimension is the impact of socio-economic conditions during the formative period of bureaucratic emergence. In the Western world prior to the 19th century, public administrations were extremely limited in their capacities. Aristocratic rulers often had a small staff surrounding them and little control or oversight over society beyond the collection of taxes and the extraction of wealth (Raadschelders, Forthcoming; Raphael, 2000). In the middle ages, even less control was required due to the very decentralized system of feudalism, in which local lords monitored economic activity and extracted resources from the peasants (Blaydes and Chaney, 2013). In Europe, for many centuries, it was not the state but the church which administrated the lives of people, amongst others by collecting taxes, organizing public services, and administering records on birth, marriage, and death (Southern, 1978). State bureaucracies were often highly developed only in the military domain. Since the 15th century, advancements in technology and administrative capabilities had made the creation of large-scale armies possible and revolutionized the conduct of war (Doyle, 1992, Ch. 11).

When societies transformed in the 19th century due to industrialization and international commerce, the modern state with a significantly larger number of tasks came into being (Raadschelders, Forthcoming). This process was associated with the creation of massive bureaucratic apparatuses that provided a large number of public services, including infrastructure, education, and social insurance systems (Mann, 1993, Ch. 11-13). During this formative period, when the fundamental organization of bureaucracies was determined (Raadschelders and Rutgers, 1996), socio-economic conditions and interest groups had the most far-reaching impact on the design of bureaucratic institutions (Skowronek, 1982).



Three social groups sought to shape the nascent modern bureaucracy based on their own interests: the landed elites wanted to maintain high levels of political control through non-democratic institutions and a socially selective recruitment system. Meanwhile, the middle classes pushed for an education-based meritocratic recruitment system and the protection of the public administration from political influence. Finally, the working class was interested in control through democratic institutions, anticipating that they would dominate in numbers. The relative influence of each group significantly impacted the final structures of the public administration (Vogler, 2018c).<sup>7</sup> In countries that were subject to foreign rule, imperial powers shaped administrative structures, often by imposing their own bureaucratic systems on the ruled territories (Becker, Boeckh, Hainz and Woessmann, 2016; Lange, 2004; Vogler, 2018a; Vogler, 2018b).

There is a large body of empirical evidence for the inter-temporal persistence of bureaucratic organization, highlighting the necessity to study these historical developments for understanding present-day configurations (Becker et al., 2016; Goetz, 2011, 47; Mann, 1993, Ch. 11-14; North, Wallis and Weingast, 2009, 220; Painter and Peters, 2010; Raadschelders and Rutgers, 1996, 34-35; Raphael, 2000; Silberman, 1993; Tocqueville, 2011; Wunder, 1986, Ch. 4). Accordingly, variations in administrative institutions that were historically implemented can still explain some cross-national differences in bureaucratic organization.

Figure 1 provides a graphical illustration of the social embeddedness of bureaucratic institutions during the formative period of modern bureaucracies. We observe the following developments in this graphic: Industrialization and steeply increasing levels of (international) commerce in the 18th and 19th centuries had three effects which ultimately led to the creation of modern bureaucratic systems in the 19th and early 20th centuries. First, they were associated with rising socio-economic complexity, which traditional forms of public administration were overwhelmed by. This made the creation of modern bureaucratic institutions necessary. Second, they gave rise to a number of new social groups that were interested in shaping this modern bureaucracy according to their own preferences (in countries that enjoyed domestic political autonomy). Third, the wealth generated by these two developments gave imperial powers a stronger foundation to effectively rule a large number of non-European peoples and force them to adopt some of their administrative institutions.

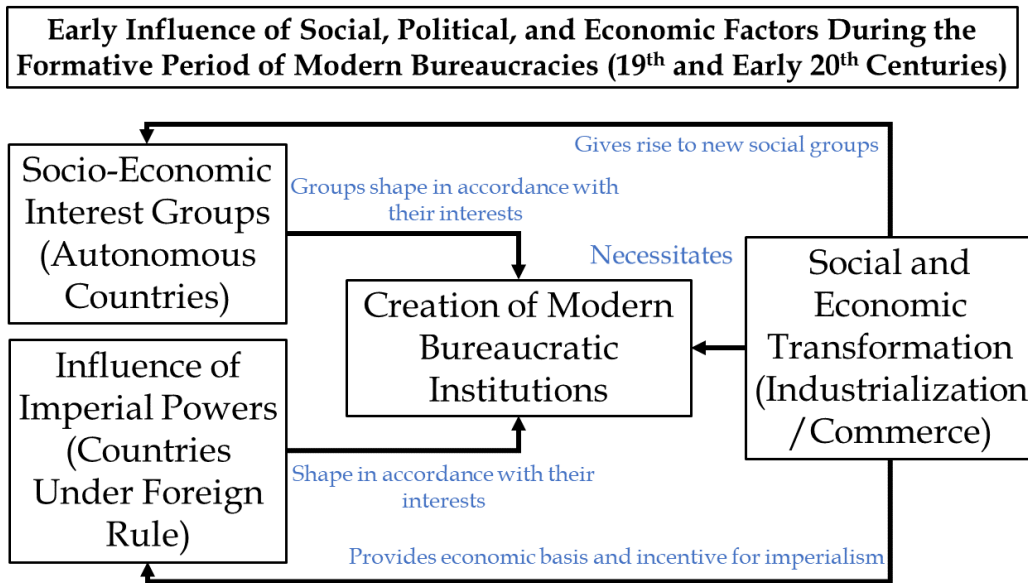


Figure 1: Early Influence of Social, Political, and Economic Factors During the Formative Period of Modern Bureaucracies (19th and Early 20th Centuries)

## Dimension II: The Political Steering of Bureaucratic Systems and the Influence of Bureaucracies on Politics

The most widely studied way in which bureaucratic institutions are entangled with their environment is their relationship to political principals—often discussed in terms of the infamous principal-agent problem (Cook and Wood, 1989; McCubbins, 2014; Tullock, 2005; Weingast, 1984). It is noteworthy that bureaucratic agents embedded in a complex institutional web may have multiple political principals and may also have to account for the interests of additional outside groups in their decision-making process (Ferejohn, 1987).

How can political actors shape the discretionary power of bureaucracies? Politicians who are in charge of making authoritative decisions can delegate some decision-making power to bureaucrats who typically have superior expertise in the respective area of interest.<sup>8</sup> However, bureaucrats may use this power for advancing their own interests rather than the preferences of their political principals. There are many different mechanisms through which political supervision and the delegation of authority can take place.

The extremes of political control are the proactive monitoring of bureaucrats through specifically created institutional bodies (which has been labeled “police patrols”) and a more decentralized system of “fire alarms” that relies on the voluntary and more spontaneous input of social actors affected by bureaucratic decisions. The latter is the more

cost-effective and more widely implemented option (McCubbins and Schwartz, 1984). If politicians want to shape the behavior of bureaucrats, they can—amongst others—do so by changing administrative procedures and administrative law. Manipulating administrative law is a subtle yet powerful mechanism to put limits on the behavior of bureaucrats (Calvert, McCubbins and Weingast, 1989; McCubbins, Noll and Weingast, 1987).

An alternative method to control the behavior of bureaucrats is the use of political appointments, the effects of which have been widely studied by scholars of public administration and political science (Gallo and Lewis, 2012; Gilmour and Lewis, 2006; Hollibaugh, Horton and Lewis, 2014; Krause and O’Connell, 2016; Krause, Lewis and Douglas, 2006; Lewis, 2003). If the government can appoint bureaucrats, it can choose actors that are closely aligned with its own agenda and thereby increase political influence over bureaucratic agencies (Wood and Waterman, 1991). However, there may also be negative effects on the performance of agencies that result from higher politicization, such as the placement of incompetent candidates for patronage purposes (Hollibaugh, 2017) or slower response times to FOIA requests as shown by Wood and Lewis (2017).

A third way of limiting the discretion of bureaucracies in the law-making process in particular is the passing of highly specific bills that do not leave much space for variation in implementation (Huber and Shipan, 2002). This would imply a reduction in the legislative/political power of bureaucrats. Finally, one of the most extreme (and lasting) ways to limit the discretion of bureaucrats is agency termination. The subsequent reallocation of material and human resources means that political actors gain significant power over the future course of policies in the respective domain (Holmgren, 2018; Lewis, 2002).

In addition to these *strategies* regarding political processes that politicians can use to limit the discretion of bureaucrats, the institutional setup of the government may also affect the performance of public administrations. For instance, Kogan, Lavertu and Peskowitz (2017) show that mechanisms of direct democracy can increase administrative transaction costs—amongst others by introducing greater uncertainty about policies—and reduce the effectiveness of public administrations at delivering public services.

But could bureaucrats influence politics or political agendas? The first and most obvious channel of influence is through the law-making process. Using the American bureaucracy as his example, Workman (2015) shows that public administration officials not only implement what politicians want them to. Instead, bureaucrats act as experts

who highlight areas of concern and shape the legislative agenda of the American congress. With their expertise, bureaucrats are often much more aware of problems within their respective fields that require fixing. Thus, from the perspective of [Workman](#), there is a process of *mutual influence*, in which Congress and the bureaucracy jointly determine the policy agenda.<sup>9</sup> The impact of bureaucracies on the policy agenda may be affected by the share of career bureaucrats (vs. appointees), which could have a positive effect on the number and diversity of issues, and the degree of participation in the policy process by politicians, which could have a negative effect on the power of bureaucrats ([Baekgaard, Mortensen and Bech Seeberg, 2018](#)).

Furthermore, the public administration has decisive impact on the extent and properties of public goods and services ([Yazaki, 2018](#)). The quality of their provision, especially in the areas of health care and education, directly affect crime rates and economic growth prospects ([Baum and Lake, 2003](#); [Lochner and Moretti, 2004](#); [Machin, Marie and Vujić, 2011](#)). As these factors are important for the quality of life of citizens, they might influence approval ratings for governments and ultimately the outcome of elections. [Yazaki \(2018\)](#) argues that if there is a conflict between politicians and bureaucrats, the latter may actively reduce/limit public goods provision to worsen the electoral chances of the former. In turn, politicians may seek ways to hold bureaucrats accountable when they under-perform at the delivery of public services ([Nielsen and Moynihan, 2017](#)). Thus, the quality of public administrations has an indirect effect on the configuration of governments via the quality of public goods.

The indirect impact of public administrations on the fortunes of countries exists also in developing countries with poor quality of public services. The clientelistic distribution of bureaucratic positions among specific social groups can have a mobilization effect on those groups during elections ([Kitschelt and Wilkinson, 2007](#)). Thus, the quality and recruitment procedures of public administrations can have an impact on the satisfaction of specific citizen groups that may be able to decisively influence the outcome of electoral contests.

All the contributions above highlight the extent to which there is a mutual influence and interconnectedness between political principals and bureaucratic agents. Even the lawmaking process is not as one-directional as it might seem. Instead, bureaucrats often even have decisive influence on the policy agenda.

### **Dimension III: Shaping Social Structures and Recruiting Citizens— the Interdependence of Society and Bureaucracy**

The third dimension of entanglement is the intimate connection that bureaucracies have to (parts of) society by shaping social structures and through the recruitment of personnel. Before bureaucrats become bureaucrats, they are members of society. Formal institutions are a critical aspect of bureaucratic organizations, but so are the people that work there. Accordingly, who gets recruited into a bureaucracy and under which circumstances impacts the administrative culture (Jamil and Danggal, 2009), the representation of social interests (Aberbach, Putnam and Rockman, 1981), and performance of administrative organizations, including corruption levels (Dahlström and Lapuente, 2017; Dahlström, Lapuente and Teorell, 2012).

The degree of entanglement with society depends to some extent on how broad administrative recruitment is and at which level new recruits can enter the bureaucracy. If administrators are recruited from a limited number of social groups, then social representativeness is relatively low. The representativeness of bureaucratic recruitment can not only affect perceptions of the public administration's performance (Andrews, Boyne, Meier, O'Toole Jr and Walker, 2005), but also trust in and cooperation with governmental authorities (Ricucci and Van Ryzin, 2017). Furthermore, when citizens interact with bureaucrats, they might be treated differently based on their social status and affiliation. In particular, minority groups might have different experiences with and perceptions of public administrations due to a potentially greater administrative burden (Nisar, 2018).<sup>10</sup>

In addition to the general socio-cultural background of bureaucrats (Jamil and Danggal, 2009), a set of pro-social values related to public service motivation (PSM)—such as altruism—has been found to be a key factor in determining individuals' efforts, performance, and innovative behavior in public organizations (Christensen, Paarlberg and Perry, 2017; Miao, Newman, Schwarz and Cooper, 2018; Ritz, Brewer and Neumann, 2016).<sup>11</sup> Research also shows that even perceptions of their (work) environment can affect the motivation and performance of public employees, likely impacting overall organizational effectiveness (Jacobsen and Jakobsen, 2018). Besides their background and personality traits, the process of organizational socialization of new bureaucrats can also have a significant impact on their behavior at work (Sobral, Furtado and Islam, 2017).

Furthermore, some insights with respect to private organizations could transfer to

public bureaucracies: [Cyert and March \(1963\)](#) argue that different groups within firms can have diverging interests with respect to the businesses' operation (this also explicitly applies to governmental organizations). Similarly, perceptions, values, and interests of employees and stakeholders can impact the conduct of business. Research shows that even in competitive market environments, with great external pressures, factors such as the political ideology of board members ([Gupta and Wowak, 2017](#)) or personal traits of CEOs ([Chen and Nadkarni, 2017](#)) can affect the governance of organizations. Similarly, based on their background and interests, public administrators at various levels of the administrative hierarchy may have diverging preferences or display diverging behavioral patterns that likely affect the organization's performance and effectiveness.

While society may shape administrative culture, the provision of specific public services through the bureaucracy can also affect social structures. For example, the utilization of social capital may be affected by the character of services provided by the state. Communities at all levels of the administrative hierarchy (local, regional, and national) have strong incentives to acquire resources provided by the state through lobbying. Changes in the availability of public resources may affect the use of social capital ([Chamlee-Wright and Storr, 2011](#)).

Similarly, if specific services are made available to society through the public bureaucracy (such as transportation), the incentives for the private provision of those services will be reduced. For instance, the creation of public transportation in a city may constitute a natural monopoly that prevents private actors from entering the market. Or, if any of these services had previously been supplied, social structures associated with the private provision of these services (such as social knowledge or networks) may disintegrate. Vice versa, the *non-provision* of public services creates incentives for their private provision. Thus, private social knowledge and private social networks centered on the provision of these services may arise if there is no public option. Accordingly, even the mere *absence* of public bureaucratic structures in specific dimensions can impact social structures.<sup>12</sup> The most extreme example of this might be the legal-judicial bureaucracy of the state, which is crucial for enforcing the state monopoly on violence. If the legal-judicial bureaucracy is unable to fulfill this function, citizens may seek ways to enforce laws themselves ([Ellickson, 1994](#); [Stringham, 2015](#)).

A third alternative to the full provision and non-provision of services through the state is a process of "co-production," in which members of society participate in the de-

livery of public goods. Such coordination and cooperation between the state and citizens could contribute to greater efficiency and/or effectiveness in the supply of education, infrastructure, and other services (Nabatchi, Sancino and Sicilia, 2017; Ostrom, 1996; Ostrom and Ostrom, 1977). Citizens may have diverse motivations to engage in the co-production of public services, such as civic attitudes or the identification with or desire to improve one's own environment (O'Brien, Offenhuber, Baldwin-Philippi, Sands and Gordon, 2017). Accordingly, there are a large number of possibilities for the interaction of society and public administrations.

#### **Dimension IV: The Effects of Bureaucratic Institutions and Actors on Economies and Vice Versa**

The final dimension of entanglement of bureaucratic institutions are the connections with the economy that were briefly mentioned in the introduction. Bureaucracies strongly affect markets through various supervisory functions, including the monitoring of business conduct, antitrust measures, and the implementation of economic regulations (Vogel, 1996, 2018). The potentially strongest impact that public bureaucracies have on economic growth is through the provision of public services (Evans and Rauch, 1999).<sup>13</sup> As pointed out above, the quality of health care and education can decisively influence the economic prospects of a country (Baum and Lake, 2003).

In general, the character of the public administration is seen as highly relevant for economic development. For instance, Evans (1995) argues that two kinds of bureaucracies are bad for development: (i) bureaucracies that only represent the interests of the (authoritarian) state and (ii) bureaucracies that are entirely captured by special interests. Instead of these two extremes, an intermediary level of interconnectedness to society is preferable. Such coordination between businesses and public bureaucracies is particularly important for firm performance in periods of economic reform when uncertainty about future market structures and modes of exchange is high (Haveman, Jia, Shi and Wang, 2017). The necessity of some degree of bureaucratic autonomy from the political leadership in particular is also highlighted by Johnson (1987, 151-156). He illustrates the positive effects that result from the depoliticization of economic decision-making with the cases of Japan, South Korea, and Taiwan.

Bureaucracies can also be detrimental to economic growth by extracting resources

from society or placing a financial burden on the economy (Raadschelders, Forthcoming). A historical example is the bureaucracy of the Austro-Hungarian Empire which often meant a financial burden for the territories ruled by the Habsburgs. The poorly developed region of Galicia (in present-day Poland), for instance, suffered heavily from the taxes that were needed to finance the Austro-Hungarian public administration (Wandycz, 1975, 71). Particularly if corruption is a widespread practice among public officials, it can have a strongly negative effect on investment and ultimately economic growth (Zakharov, 2018).

Even for the wealthiest states, like the US, large-scale military bureaucracies can be very costly. Beyond the expenditures for research, equipment, and weapons, the administration of armies by itself often already places a heavy financial burden on countries. For instance, according to NPR (2011), the American defense secretary [in 2011] Gates said that “[t]he Defense Department runs the risk of the fate of other corporate and government bureaucracies that were ultimately crippled by personnel costs.”

Interestingly, mere expectations towards public administrations can have a real impact on the interaction between the broader public and public administrations. Theoretical expectations about bureaucratic strategies and actions affect the economic behavior of citizens who may act themselves if they expect inaction from the public bureaucracy (Chamlee-Wright and Storr, 2010). If bureaucrats anticipate this behavior, it might also affect their own actions/inactions. Insofar, there could be a mutual reinforcement of bureaucratic behavior and citizen expectations towards the public administration.

The long-term health of the economy has an extremely important feedback effect on the development of public bureaucracies. By providing the tax basis for state development, the economy ultimately also decides how much bureaucrats can be paid and the quality of technology that is available to them. In this respect, a certain level of economic development can greatly benefit the development of state capacity. Thus, it is not only the state that puts a burden on the economy, but also the economy that can unleash and enable the development of state capacity.

Additionally, technological change in the economy could have an impact on public management practices. Bodrožić and Adler (2018) show that waves of technological revolution had an impact on the dominant management paradigm in private organizations. For instance, the emergence of the steel industry and electric power led to the rise of unitary and centralized organizational structures, which were associated with the rise of Taylorism and an approach of organizational management focused on standardization.



In a similar fashion, technological change could also affect public bureaucracies. For example, the most recent advancements in information technology are likely to have an impact on government services and might even affect the degree of control that political authorities have (Ahn and Bretschneider, 2011).

## Summary

There are at least four crucial dimensions of interdependence between public bureaucracies and their environment. Social factors have not only shaped public administrations historically (through the influence of socio-economic interest groups), but continue to influence the quality and structures of the public administration. Vice versa, the provision or non-provision of public services can shape the structures of society and influence election outcomes. Additionally, bureaucrats may shape political agendas by using their superior knowledge to alter the politician-bureaucrat relationship. There is no simple one-directional relationship between political principals and bureaucratic agents. Instead, we have to consider their relationship as one of *mutual influence*. Finally, with respect to the economy, there is a complex interaction between public administrations and private actors. Economies provide the tax basis for the development of state capacity and the latter's intervention into economic affairs can significantly alter growth prospects.

Figure 2 provides a graphical illustration of dimensions II, III, and IV. The actors and institutions of the public bureaucracy are at the center of our theory and at the center of this graphic. They are entangled with their environment in a number of ways. By determining the quality of public services and policy implementation, they shape social structures and affect the performance of the economy. Changes in social structures may cause new challenges to the public administration and the performance of the economy determines the tax base, which is the financial foundation of their operation. The performance of the economy also directly affects the electoral prospects of the bureaucracy's principals: the political leadership. The latter's ability to delegate tasks to and modify the discretionary power of bureaucrats can affect the public administration's autonomy and effectiveness. However, bureaucrats are not powerless: they can use their more intimate knowledge of certain issue areas to influence the policy agenda. Last but not least, the quality of public services directly affects the prestige of the public bureaucracy, which has an impact on self-selection into civil-service careers and recruitment patterns

may influence internal administrative culture.

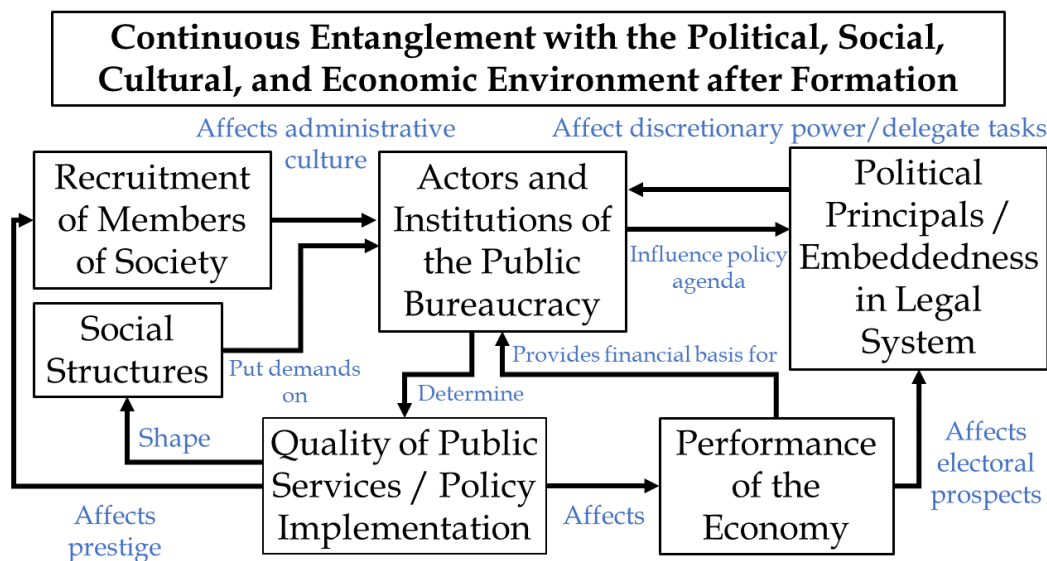


Figure 2: Continuous Entanglement with the Political, Social, Cultural, and Economic Environment after Formation

It is important to acknowledge that the degree of centralization or decentralization of political-economic systems may affect the depth and quality of bureaucratic entanglement (and other forms of entanglement) (Wagner, 2016, esp. 78-82). In more decentralized systems, interactions between the public administration and local actors may be more frequent and associated with fewer transaction costs. When there are many units with autonomous decision-making power and overlapping authorities in a more decentralized political-economic structure, we can also speak of a “polycentric system.” (Andersson and Ostrom, 2008; Ostrom, 2010a; Ostrom, 2010b) While interactions with the environment may have a higher degree of depth in such systems, the monitoring, supervision, and control of public administrations and their actions may enjoy economies of scale in more centralized systems, which may also impact the character of entanglement. However, considering the complex consequences of political-economic centralization and decentralization on bureaucratic entanglement may require a comprehensive separate line of theoretical argument and empirical illustration.

## Examples and Illustrations of Entanglement

In this section of the chapter, I discuss multiple empirical examples for the entanglement of public bureaucratic structures with their environment. These examples are meant to highlight how useful a perspective of bureaucratic entanglement can be for our understanding of the operation of public administrations.

### The United States and Germany—the Interdependence of Bureaucracies and Societies

The mutual feedback loop between bureaucratic structures and society can be illustrated by comparing the provision of public services in the United States and Germany. In Germany, the provision of services through public bureaucracies, especially in the areas of social insurance, unemployment benefits, education, and health care, is significantly more extensive than in the United States. These differences in the comprehensiveness of public services are historically deeply rooted. In Germany (and most of Western Europe), the welfare state was not only introduced earlier but also expanded over time, meaning that European states continuously held the upper position when it came to the level of state intervention ([Flora and Heidenheimer, 1981](#)). In America, the relative absence of public bureaucratic structures providing these social services has led to greater private initiative when it comes to social welfare and the emergence of private organizational structures filling the void ([Alesina, Glaeser and Sacerdote, 2001](#); [Esping-Andersen, 1990](#); [Hacker, 2002](#)).

To illustrate this greater relevance of private actors in the provision of certain services in the US compared to Germany, a comparison of the two countries in relevant areas would be helpful. According to data by the [World Bank \(2018\)](#), in the United States, the share of private expenditures among all health care expenditures was 8.9 percent of GDP in 2014, which is up from 7.2 percent in 1995. In comparison, Germany's private health care expenditures accounted for only 2.6 percent of GDP, up from 1.8 percent in 1995. Considering the relatively high average quality of health care in both countries, these differences are remarkable.

Moreover, according to data by the [OECD \(2018\)](#), the differences in private expenditures for education are similarly striking. In 2014, while private spending on education

(primary to tertiary) accounted for 6.2 percent of GDP in the United States, in Germany they only accounted for 4.3 percent of GDP. While these variations appear small in the dimension of percentage points, if the United States had private expenditures at Germany's level, private spending would have been US-\$ 330 billion lower (based on an overall GDP of 17.39 trillion in 2014).

As we can see from the above numbers, the relative absence of services provided by public bureaucracies has led to the emergence of private organizations and private social networks that organize many of the above services. For example, while most health insurance companies in Germany are public organizations (public-law entities), major health insurance companies in the United States are often private for-profit organizations (like UnitedHealth Group).<sup>14</sup> It is noteworthy that, similar to the American political system, the American system of health care is also characterized by a high degree of decentralization, which leads to greater regional variation in prices and other aspects of health care than in other advanced industrialized countries ([The Economist, 2018](#)).

The more extensive provision of services through private actors in the medical field is not limited to the domain of health insurance. There are also many more private hospitals and schools in the United States than in Germany. This is perfectly exemplified by the intersection of health care and education: university clinics are nearly exclusively run by public universities in Germany but often by private universities in the United States. This includes the leading university hospitals in America. Beyond education and health care, in America, private organizations and networks, such as churches or volunteer associations, were and are often providers of services to poor or unemployed people (although we observe inter-temporal variation in the relative levels of public vs. private service delivery) ([Esping-Andersen, 1990](#); [Kramer, 1981](#), Ch. 3).

The social structures centered on the private provision of health care and education that have emerged in the United States could only emerge to this extent because of the absence of public bureaucratic structures in the respective domains. Vice versa, the presence of public bureaucratic structures in Europe has likely 'crowded out' the provision of the respective services through private actors ([Alesina, Glaeser and Sacerdote, 2001, 203](#)).

As a result of decades of development, societies in Europe have come to expect the public provision of these services, while it is considered normal in the US for them to be privately organized. This is reflected by attitudes towards the welfare state, which differ

remarkably between both countries: people in Germany have significantly more positive views of governmental action in the provision of jobs, reducing inequality, and providing a basic income (Andrefß and Heien, 2001; Blekesaune and Quadagno, 2003).

Applying a different perspective, Americans—on average—value private enterprise and individualism more than many European citizens (McClosky and Zaller, 1984). In Europe, the public preference for the provision of services through the state makes it difficult for private actors to establish themselves as competitors. Thus, there is a direct interaction between public bureaucracies, the provision of services through them, the attitudes of citizens towards the welfare state, and the prospects of private businesses to enter the respective markets. The factual presence or absence of services shapes socio-cultural expectations towards the state and those expectations in turn shape the continued provision or non-provision of services by public versus private organizations.

## **Variation within the United States—the Connections of Society, Political Actors, and the Bureaucracy**

The above comparison between America and Germany reveals that there are significant cross-national differences in the interaction between public bureaucracies and societies. Additionally, there is significant inter-temporal and cross-regional variation in the US itself.

For example, after Hurricane Katrina (2005), there was an expansion of public services in the affected areas: US-\$ 133 billion of federal funds were transferred to the region. Those funds were—amongst others—used for disaster relief efforts and for the reconstruction of crucial infrastructure, including “healthcare facilities, schools, and libraries.” (Chamlee-Wright and Storr, 2011)

The massive increase in federal assistance also had an effect on social structures. Chamlee-Wright and Storr (2011) present evidence, based on a series of surveys and interviews with affected citizens, that social capital (potentially available for mutual assistance within communities) was utilized to form new interest groups, aiming to capture as great a share of federal assistance as possible. Once the social structures created for lobbying efforts existed, they turned into permanent bodies that sought additional federal funding for other projects. Thus, the financial assistance provided by federal agencies had a long-term impact on the use of social capital and social structures.

Looking at a similar phenomenon but from a slightly different perspective, [Dutta \(2017\)](#) shows that the ability of communities to organize after natural disasters is impacted by the diversity of existing voluntary associations. Using data from communities in California (1991-2010), he finds that communities with greater diversity in such organizations are more capable of responding to such exogenous shocks. This implies that the ability of communities to respond to disasters can depend on the extent to which they had previously engaged in the autonomous organization of their social life. Similarly, [Storr, Haefele-Balch and Grube \(2017\)](#) show that high levels of social capital (resulting from existing associations) greatly contribute to post-disaster recovery because they are associated with more effective communication and collective action in the face of unforeseen circumstances.<sup>15</sup>

The interaction between bureaucracies and society can also go beyond mere rent seeking. As discussed in the theoretical section, cooperation and coordination between public administration officials and residents could contribute to the more efficient or effective provision of public services ([Nabatchi, Sancino and Sicilia, 2017](#); [Ostrom, 1996](#); [Ostrom and Ostrom, 1977](#)). In this respect, [Boettke, Lemke and Palagashvili \(2016\)](#) argue that the centralization and militarization of the police in the United States has made it increasingly difficult for citizen groups to voice their interests and affect police behavior. This might have contributed to alienation between communities and police forces, potentially making the latter less effective at providing security—an essential public good. Accordingly, the character of the interaction between citizens and public officials—and the extent to which they can cooperate—has important implications for crucial aspects of social organization, such as public safety.

Analyzing the circumstances of co-production is of great relevance because, for various reasons—including tight public budgets—the delivery of public services often depends on citizen cooperation. In this regard, [Uzochukwu and Thomas \(2018\)](#) investigate the determinants of citizen participation in public-service delivery in Atlanta, Georgia and find that, contrary to existing views, people with lower incomes and minority backgrounds may be more likely to engage in co-production.

Coordinating with the public and taking multiple interests into account in the delivery of public services could generally have an impact on the operation of public administrations. In particular, the extent to which public managers consult with their social environment may have a significant impact on organizational performance. [Jimenez \(2017\)](#)

shows that networking of bureaucrats with a number of stakeholders, including business groups, neighborhood associations, unions, and others can have an impact on the fiscal health of city governments after the Great Recession (2008-2009). He points out that interaction with a range of actors, such as banks, businesses, and non-profit organizations can introduce innovative strategies to public managers, make them aware of previously unknown possibilities to deal with current problems, and access new institutional capacities in joint projects with external organizations amongst others. However, at the same time there are opportunity costs to networking and coordination with private actors can delay decisions, so the effect of networking may not be exclusively positive. Accordingly, in his empirical analysis, [Jimenez](#) finds that some interaction with social actors is beneficial but very high levels of connectedness are associated with increasingly negative effects on the fiscal health of local governments.

An aspect of public administration that has been discussed in the theoretical section—but for which no empirical example has been provided yet—is the reputation of government agencies among the broader public. In this respect, [Teodoro and An \(2018\)](#) argue that federal agencies, such as the *US Department of Agriculture* (USDA) or the *Environmental Protection Agency* (EPA), care about their public (brand) image. If agencies are perceived positively it has multiple positive consequences for them: First, they are considered more legitimate. Furthermore, both citizen satisfaction with the respective public services and even citizen trust in the agency increase. These findings about the importance of agency reputation are in line with the theory of bureaucratic entanglement, which highlights that positive images of public bureaucracies are likely to lead to the self-selection of highly qualified applicants to public positions.<sup>16</sup>

Finally, in the theoretical section, we discussed a contribution by [Workman \(2015\)](#) highlighting the complex interaction between bureaucrats and politicians in terms of the law-making process. In this respect, [Boushey and McGrath \(2017\)](#) show that in many American states, the balance of power between legislatures and bureaucracies has shifted in favor of the latter due to increasing bureaucratic professionalization. By acquiring more expertise in their respective areas, public administrators (i) create incentives to the legislature to transfer discretionary power and (ii) gain a reputation for competence, which can also be the foundation for greater bureaucratic autonomy. As part of this process, since the mid-20th century, bureaucrats were able to increase their salaries and take significantly greater initiative in the law-making process. Thus, for many decades,

bureaucracies have been becoming increasingly politically influential. This supports the notion that thinking of the relationship between bureaucrats and politicians in a one-directional fashion simply misses important aspects of their interaction.

All these examples clearly demonstrate that there is a complex interaction between bureaucracies and society. Even within one country, inter-temporal and cross-regional variation in the relationship between bureaucracies and their environment is significant. The interplay between public administrations and citizens is not one-directional: bureaucracies are used and abused by citizens. Their image plays an important role for their legitimacy and citizen satisfaction with their public services, which in turn may shape their attractiveness to highly qualified candidates. Moreover, the presence or absence of bureaucratic structures can inhibit or enhance the ability of communities to self-organize. The effectiveness and efficiency of the state and providing social services can vary based on the level of coordination with citizens. Bureaucracies are not powerless actors though: through increasing professionalization they may gain additional political power, especially vis-a-vis state legislatures.

## **The Impact of Economic Crises on the Bureaucracy—and the Responses of Public Administrations**

As stated earlier, economic crises can amplify the interaction between the political and the economic dimension of social life (Smith, Wagner and Yandle, 2011). Could the same be true for bureaucratic institutions? Do economic crises amplify the interaction between public administrations and their broader environment?

There is evidence that they do. The financial crisis and “Great Recession” of 2008-2010 may serve as an ideal background for such an investigation. The recession had devastating consequences (Keech, 2013), including long-term reductions in economic output (Ball, 2014), rising unemployment rates (Bentolila, Cahuc, Dolado and Le Barbanchon, 2012), and disproportionately negative labor-market effects on young people (Bell and Blanchflower, 2011). Since inefficient public sectors were seen as exacerbating existing economic problems, the calls for their reform were widespread, especially in the most strongly affected countries and regions.

In this respect, Asatryan, Heinemann and Pitlik (2017) investigate the effects of the Great Recession on public administrations. They find that the economic circumstances



at the time indeed meant strong incentives for public sector reform. However, they also observe that in countries with powerful bureaucracies, there was strong resistance against reforms. Where bureaucrats are numerous and politically influential, they were able to thwart attempts of public sector reforms that contradicted their interests.

Accordingly, the study by [Asatryan, Heinemann and Pitlik](#) highlights two aspects of bureaucratic entanglement. First, similar to the entanglement between politics and the economy, crises indeed amplify interaction between both dimensions. Second, the findings of the study are a perfect example of the mutual influence between environmental factors and the bureaucracy. While economic downturns can create political incentives to reform the bureaucracy, the public administration is not a neutral actor—especially when they expect negative consequences for themselves, bureaucrats may seek to shape political agendas and stop public sector reform.

It is noteworthy that economic crises are not the only type of “extreme event” that bureaucracies may be subject to—in the 21st century, possible challenges include “earthquakes, severe weather, disease outbreaks, power outages, social movements, technical break-downs and cyber-attacks.” ([Zhang, Welch and Miao, 2018](#), 371) Therefore, the ability to maintain the provision of public services when facing such challenges is becoming ever more relevant. According to [Zhang, Welch and Miao \(2018\)](#), the accurate perception and anticipation of such risks is a crucial component of “adaptive capacity building,” which in turn enables swift organizational responses and the maintenance of operations in the event of a crisis.

## **The Enduring Interactions Between Culture, Society, and Bureaucratic Structures in Poland and Romania**

The interaction between bureaucracies and their environment does not only take place in the economically most advanced societies, like the cases of Germany and the US that were discussed above. Societies at lower levels of economic development are also affected by bureaucratic entanglement. A series of interviews that were conducted by the author in May and June 2017 in Poland and Romania for the research project *The Political Economy of Public Bureaucracy: The Emergence of Modern Administrative Organizations* support the notion that there is an intimate connection between public administrations and their socio-cultural environment. Interviews with a total of 24 experts were conducted

in 6 Polish and 2 Romanian cities. Participants were (i) scholars of public administration and closely related fields (such as administrative law), (ii) scholars of sociology, (iii) employees of public administrations, and (iv) local politicians.

The main goal of the interviews was to identify mechanisms responsible for the inter-temporal transmission of bureaucratic characteristics in Poland and Romania. Even though this was the primary focus of the interviews, their content also allows us to learn about the interactions of societies, culture, and public administrations (for example through the channel of recruitment). Thus, the interviews can also be used to assess to which extent bureaucracies are entangled with other cultural, political, and social institutions. In particular, the impact that the general culture of a country or a region within a country has on administrative culture would be worth investigating.

One important result of those interviews is that regional differences in (i) culture, (ii) social structures, and (iii) views of the public administration still affect state-society interactions and bureaucratic structures. For example, in the Western parts of Poland, formality, anonymity, and adherence to written rules and regulations are more highly valued than in the Eastern parts of Poland. Civil servants do not simply forget their cultural background when they enter the public administration. If they have internalized certain patterns of behavior, values, and norms, they are unlikely to completely suppress them at work. Thus, their cultural background still affects their behavior in office. This could explain higher levels of bureaucratic meritocracy and efficiency in Poland's Western parts as compared to Poland's East (Vogler, 2018b).

Similarly, regional variation in social structures could affect the performance of public bureaucracies. To give an example, for decades in the Eastern parts of Poland communities have been more tight-knit and personal relationships have been more highly valued. Thus, both cultural and social factors could likely contribute to and explain that we find higher levels of patronage recruitment in the Eastern parts of Poland (Vogler, 2018b).

The dense interaction with the socio-cultural environment is not limited to Poland. In Romania, the inhabitants of the north-western region of Transylvania maintain a social memory that is different from the inhabitants of Moldavia and Wallachia. They see themselves as more civilized and their public institutions as more reliable (Vogler, 2018a). A study by Becker et al. (2016) has provided similar evidence: historically formed views of public administrations persist and shape citizen perceptions for decades. Such striking differences in public perceptions could affect the attractiveness of working at

the public administration, influencing the number and quality of applicants to positions. Ultimately, if a public administration has more qualified applicants, it can deliver better public services and reinforce existing beliefs about the quality of its personnel. Thus, there is likely a self-reinforcing, enduring feedback loop between culture, perceptions of public institutions, and the quality of public services delivered.

To summarize, the interviews conducted for the research projects described above show that we cannot completely ignore socio-cultural factors when analyzing differences in the institutions or performance of bureaucracies across regions and countries. On the contrary, a comprehensive analysis of cross-regional and cross-national differences in bureaucratic organization should take these factors into account.

## Conclusion and Suggestions for Future Research

There are many excellent studies on bureaucratic organization. A large number of them investigate the (one-directional) effect of public administrations on society, the economy, or politics—or vice versa. However, the recent literature on “institutional entanglement” shows us that social relationships are often two-directional or mutually constitutive. Thus, in this chapter, I have used the vast existing literature on public administration, including much of the most recent research in the field, to create a synthesized theoretical perspective of how bureaucracies interact with their social, economic, cultural, and political environment. I have used a number of empirical examples to demonstrate how useful such a perspective can be for our understanding of administrative organizations.

Which implications and suggestions for future research can we derive from this chapter? First, when scholars design theories explaining bureaucratic structures or behavior, they should always ask themselves the following questions. Which factors in their broader environment affect the specific dimension of public administration under consideration? This chapter may serve as a starting point for such an investigation. Second, when scholars have identified the relevant factors, the next question that needs to be answered is: what is the causal direction? Even though it cannot be ruled out that it is appropriate to claim and investigate one-directional relationships (like when the nascent public administration emerged), this chapter has shown that a two-directional interaction is much more commonplace. Third, even when authors are not able to fully explore the interaction between bureaucracies and their environment due to practical limitations, it would be worthwhile for them to highlight that potential future research could uncover this interaction. This would open new opportunities for research on the entanglement of bureaucracies and their environment.

One political lesson we may draw from this chapter is that the creation, modification, or abolishment of bureaucratic structures should be conducted with great care. Given the complex interaction of public bureaucracies with other parts of society, any such plans should be crafted with a keen eye towards the multi-fold consequences and impacts they may have. Additionally, in any such process, all social actors that may be affected by bureaucratic reorganization should be able to voice their concerns and those should be taken into account to arrive at a final decision.

Considering the possibility of varying degrees of bureaucratic entanglement, we could

also ask the normative question: Which level of interaction between public administrations and their broader environment is *desirable*? We might interpret [Evans \(1995\)](#) as suggesting that an intermediary level of entanglement has positive consequences for economic growth. However, one might also argue that bureaucracies that are completely embedded into society will most likely be perceived positively by citizens due to its closeness to the people. A high level of embeddedness could also contribute to the co-production of public services and may be more easily achieved in democratic societies, in which citizens have a multitude of opportunities for political participation. Authoritarian rulers may be more likely to shield bureaucratic systems from the influence of social actors that are excluded from the political system. However, we cannot make conclusive judgments on these normative issues yet as they will require a more in-depth investigation in the future.

Thus, even though we have gained new insights through the analysis at hand, many opportunities for further research remain and should be more comprehensively addressed in future contributions on the issue. In addition to a more nuanced exploration of the normative implications, we may expand the theory of bureaucratic entanglement by more systematically considering the complex linkage to monocentric vs. polycentric systems<sup>17</sup> ([Andersson and Ostrom, 2008](#); [Ostrom, 2010a](#); [Ostrom, 2010b](#)) or to quasi-markets ([Boettke, Coyne and Leeson, 2011](#); [Glennerster, 1991](#)). Of course, these are only two of many options and dozens more are likely to arise in the future.

# Notes

<sup>1</sup>Helpful comments have been provided by Mathew McCubbins, Jos Raadschelders, Katherine Spruill, and Virgil Storr. Moreover, I am grateful to the participants of seminars at Duke University and the Adam Smith Fellowship research sequence.

<sup>2</sup>While socio-economic and cultural factors are often ignored, some aspects of the entanglement of bureaucracies with the environment have been studied in detail, however. Specifically, there is a thorough treatment of the principal-agent problem in the politics of bureaucracy literature (Gailmard and Patty, 2007; Gailmard and Patty, 2012; Weingast, 1984).

<sup>3</sup>These claims are illustrated by Smith, Wagner and Yandle (2011) through two examples—the Troubled Assets Relief Program (TARP) and the New Deal’s National Recovery Administration. Economic crises (and responses to them) are particularly useful to illustrate connections between the economy and the political system because they amplify interaction between both spheres.

<sup>4</sup>Similarly, Hollyer (2009) explains the introduction of meritocratic recruitment in 19th and early 20th centuries bureaucracies purely based on rational cost-benefit calculations by governments without reference to the broader transformation in socio-economic conditions that created the political interest in administrative reform.

<sup>5</sup>For a critical response to Cusack, Iversen and Soskice (2007), see Kreuzer (2010).

<sup>6</sup>Future scholarly contributions could explore further dimensions of entanglement.

<sup>7</sup>Please note that thinking in terms of groups (in this specific context and more generally) often is a theoretical simplification (Vogler, 2018c) and there are wide-ranging debates regarding the appropriateness of framing social theories in terms of groups vs. individuals (Hodgson, 2007; Sarker and Valacich, 2010; Udehn, 2002).

<sup>8</sup>It is a standard assumption in the principal-agent literature that bureaucratic agents are more familiar than their political principals with the narrow area they work. Political principals often need to simultaneously gain knowledge on multiple topics and are thereby prevented from specializing in a single issue area. Despite the commonality of this assumption, there have been diverging viewpoints regarding the role and reliability of expertise in both public bureaucracies and society more generally (Ericsson and Smith, 1991; Koppl, 2018; Levy and Peart, 2016; Nichols, 2017; Tullock, 2005).

<sup>9</sup>Similarly, Aberbach, Putnam and Rockman (1981) show that in many democracies the role of bureaucrats in the law-making process is greater than was forecast by Max Weber.

<sup>10</sup>Recent findings with respect to police behavior suggest that discrimination against minority groups in the interaction with bureaucrats may be reduced by improving the representation of these groups in the public administration (Hong, 2017a).

<sup>11</sup>However, an exclusive emphasis of PSM in recruitment may not result in higher-quality applicants as citizens with high levels of PSM might apply regardless. In order to reach a broader pool of applicants and increase diversity in public administrations, it may be necessary to highlight career benefits and other positive aspects of public employment opportunities (Linos, 2018). Furthermore, the effects of PSM may be conditional on both contextual factors, such as national setting (Harari, Herst, Parola and Carmona, 2017), or individual factors, such as the tenure of civil servants (Jensen and Vestergaard,

2017).

<sup>12</sup>A similar hypothesis regarding the crowding out of private charitable donations to nonprofit organizations through government spending has been subject to much debate and received mixed evidence (de Wit and Bekkers, 2017).

<sup>13</sup>Similar arguments regarding the quality of public institutions, including bureaucracies, and their impact on economic growth are made by Di Liberto and Sideri (2015).

<sup>14</sup>Alternatively, other insurance companies are organized as public welfare organizations (like Blue Shield of California or Blue Cross Blue Shield of North Carolina).

<sup>15</sup>Similarly, Storr, Grube and Haeffele-Balch (2017) show that polycentric orders with the private supply of services are capable of dealing with multi-fold challenges in a post-disaster environment.

<sup>16</sup>Agency reputation could also be shaped by organizational performance. In this respect, Olsen (2017) shows that Danish citizens evaluate the performance of public administrations against both historical reference points and the performance of other organizations. This means that performance evaluations are inherently relative. Moreover, Marvel (2016) demonstrates that deeply-rooted (and possibly unconscious) views of public sector organizations are often highly relevant for performance evaluations by individuals, even when concrete positive performance information about the institution was provided.

<sup>17</sup>For instance, Kogan (2017) explores the effects of administrative decentralization vs. centralization on the responsiveness of bureaucracies. Furthermore, Hong (2017b) considers how accountability mechanisms differ between local and central administrative organizations. The level of decentralization is closely associated with the degree of polycentrism. Thus, these studies might be a good point of departure for analyzing the relationship of polycentrism and entanglement.

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