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Thank you for your patronage: How social connections impact bureaucratic efficiency

When promotions are more about *whom* you know than *what* you know, chances are that the top jobs, even in the public sector, don't go to the most ablest or hardest working employees, but to the best connected. This can affect the ability of bureaucracies to regulate, implement reforms and provide public resources conducive to development and growth. Today's blog looks at the impact of social connections on bureaucratic efficiency

While social connections can weave a web of corruption within the public sector, they can also form a fabric of trust: what may seem like an “old boy network” may reflect better information about the quality of socially connected civil servants. Appointing a connected civil servant to key positions within bureaucracies may help politicians secure the loyalty and support needed to implement critical policies. Although anecdotal examples for cronyism abound, how social connections shape the allocation and performance of senior bureaucrats is ultimately still poorly understood.

The empirical challenge

This is perhaps no surprise: social networks, especially when potentially involving cronyism, are difficult to observe; with a [few exceptions](#), the internal workings of bureaucracies still remain a blackbox to outsiders. The challenge for bureaucrats and public organisation is the difficulty of measuring performance and bureaucratic efficiency. Measurement of quantifiable outputs, such as teacher quality can be measured indirectly via student test scores; in contrast, measuring the output of bureaucracies is much less tangible, and thus, challenging.

Patronage through the lens of history

In my research, I take a bird's eye view providing unique historical evidence from the administration of the British colonies between 1854-1966 through a single British Ministry: the Colonial Office. The administration of the colonies through centrally appointed bureaucrats – the governors – provides a

suitable setting to study the impact of social connections.

Governors were senior bureaucrats appointed at the discretion of the Secretary of State for the Colonies (the Colonial Secretary), the political head of the Colonial Office. As the “man on the spot”, governors wielded substantial executive and legislative power over their territories, and revenue performance was the central measure of performance.



I use historical administrative reports recovered from extensive archival work to construct a novel dataset that traces the careers and performance of the Colonial Office from its birth in 1854 to its dissolution in 1966, tracking appointments of colonial governors across 70 colonies. To identify social connections, I leverage genealogical and biographical data to identify the causal effect of social connections on the allocation and performance of governors, I exploit the turnover of Colonial Secretaries as a natural experiment. The reshuffling of Colonial Secretaries exposes serving governors to different degrees of connections: one governor, for example, may be connected to his boss at one time, but then lose the connection as his boss leaves office. I compare the promotion and career outcomes of the same governor at times connected and unconnected to estimate the effect of social connections.

Preliminary results uncover substantial amounts of favouritism

Governors connected to the Colonial Secretary are paid higher wages. This increase is driven by the reallocation of connected governors to higher salaried governorships. While the promotion of connected governors to higher salaried jobs per se need not be detrimental to organisational performance, social connections have a large negative impact on contemporaneous colony-level revenue performance. Governors connected to the Colonial Secretary generate less revenue and invest less in the colonies.

The preliminary results were presented at the [IGC Growth Week's Emerging Research](#) session. The final results will be available by October 2016.