Accounting for Ministers

Accounting for Ministers uses the tools of modern political science to analyse the factors which determine the fortunes of cabinet ministers. Utilizing agency theory, it describes cabinet government as a system of incentives for prime ministerial and parliamentary rule. The authors use a unique dataset of ministers from 1945 to 2007 to examine the structural and individual characteristics that lead to the selection and durability of ministers. Sensitive to historical context, the book describes the unique features of different prime ministers and the sorts of issues and scandals that lead to the forced exit of ministers. The authors identify the structural factors that determine ministerial performance and tenure, seeing resignation calls as performance indicators. Probing the nature of individual and collective responsibility within Westminster forms of government, their rigorous analysis provides powerful new insights into the nature of cabinet government.

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Scandal and Survival in British Government 1945–2007

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Preface and acknowledgements

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Our collaboration has resulted in earlier publications from which we have drawn for this book, though in all cases the chapters are original, not least in that our data in this book reach the end of the Blair government; previously we had not gone beyond Major. Those articles include:

- Keith Dowding and Won-Taek Kang, 'Ministerial Resignations 1945–97', *Public Administration*, 76(3), 1998, pp. 411–29;
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1 *Introduction*

Who serves in government and how long they serve for are important determinants of political performance. Whilst this much is understood, at least since Max Weber (1978), there are few data available that allow us to explore in more depth how political careers are formed and what determines the career trajectories of members of the ruling executive. This book looks at the careers of ministers who served in British government between 1945 and 2007. Using a unique dataset on the personal characteristics of ministers it analyses when they entered government, what happened to them during their spell in government, and the timing of their exit from government. One of the key variables of interest in our analysis is how long these ministers serve. We ask: to what extent does the length of their spell depend upon characteristics that are fixed at the time of their entry? What effect do political events, such as calls for a minister to resign perhaps connected to performance-related issues or other scandals, have upon their tenure? And what do the data on ministerial careers tell us about the nature of accountability in British politics?

The book is the first to offer micro-level data on British political careers that allow us to understand the career trajectories of different ministers in British government: some ministers rise whilst others fall, but what determines these patterns? This aspect of our book provides a much-needed addition to the study of parliamentary democracies. Whilst we know a lot about why governments survive – or, in the jargon of the government-termination literature, what makes some governments more *durable* than others – we know much less about the constituent units of these governments. Our unit of analysis is the individual minister; we provide analysis based on the background of these individuals; we ask whether the characteristics of certain ministers make them more durable than others; and we explore how ministers' expected tenure reflects strategic considerations between the prime minister and her government.

Of course there is a large literature on British government that adopts a historical-cum-descriptive style, concerned with the idiosyncratic elements of the relationships between the prime minister and cabinet colleagues, charting the ever-advancing dominance of the prime minister (Hennessy, 1986a; Heffernan, 2003; Blick and Jones, 2010). Useful histories have charted the differing styles of prime ministers (Thomas, 1998; Hennessy, 2001; Leonard, 2005). Studies in constitutional law have examined the changing role of collective and individual ministerial responsibility (Scott, 1996; Woodhouse, 2002).

Much of this literature highlights the strategic tension that lies at the heart of British government. Whilst the prime minister is, in principle, *primus inter pares* with her cabinet colleagues, she is in fact the head of a government that consists of individuals whose policy goals and private ambitions do not always coincide with her own. What is lacking in these analyses is a systematic account of how the prime minister uses the tools that are available to her to align the actions of ministers with those she would like. We provide a coherent framework based on principal–agent analysis for assessing these relations.[1] Our particular focus is on a particular instrument that the prime minister has at her disposal. In the British system of government the prime minister has the power to appoint Members of Parliament to specific government roles but also to take away such responsibilities. In short, the prime minister has the power to hire and fire her ministers. As a consequence, the length of a ministerial spell in office is directly under the control of the prime minister. Few would argue against the view that the prime minister seeks to wield this instrument with strategic effect, but even the British prime minister, who in contrast to prime ministers elsewhere has few constraints upon her hiring and firing power, is not as free in this regard as she might wish. The question we then ask is whether the data we gather on ministerial careers are consistent with basic hypotheses about how the prime minister will wield her power.

We develop our analysis in several chapters. In Chapter 2 we discuss the principal–agent approach for evaluating accountability in liberal democracies and, in particular, for analysing relations in parliamentary democracies. We also develop a framework that will subsequently

[1] In this book the prime minister is generally treated as the principal and the ministers as agents; following standard practice in the literature, we refer to the prime minister (principal) as 'she' and the ministers (agents) as 'he'.

prove useful for analysis of our data. Our basic argument is that the prime minister uses her powers of appointment and dismissal to align the incentives of her ministers so they act in accordance with her own wishes. Our main focus is on how the prime minister uses the information that becomes available to her about a minister's skills and performance, unavailable at the time of the appointment, to determine how long ministers serve under her. In Chapter 3 we then set the scene by providing a full account of the details of the core of the British system of government, and how the powers of the prime minister with regard to the hiring and firing of ministers have evolved over time.

The major drawback in studying ministers systematically, certainly in the UK, has been the lack of data. Indeed James Alt begins his essay on continuity and turnover in the British cabinet in the mid 1970s with the words 'It is perhaps more difficult to place this study in the context of the academic literature than to show that it covers a topic of some importance' (Alt, 1975, p. 23). This lacuna is beginning to be addressed and whilst it is no longer true that the 'study of ministers and ministerial careers is in its infancy' (Blondel, 1985, p. 8) it has surely not yet reached maturity. In Chapter 4 we present data that record the employment spells for all ministers in the UK from 1945 to 2007, their rank (full cabinet minister, minister of cabinet rank, junior minister or whip), the government and prime minister under which they served as well as various personal characteristics (education, gender, date of birth, and whether they were an elected MP or an non-elected member of the House of Lords). We use these data to ask some preliminary but pertinent questions about British politics. In particular, we ask whether the characteristics of ministers that are fixed at the time of the minister's appointment to government – such as gender, education, and experience – play a role in determining how long the minister will survive.

Our analysis in Chapter 4 shows, perhaps surprisingly, that knowing the background characteristics of a minister at the time of his appointment provides an indicator of how long that minister will survive in office. This holds true even when we take account of the characteristics of the government in which the minister serves. Our central question is, however, whether we can improve upon such benchmark analysis. Does unpacking the black box of relations between the prime minister and her ministers provide additional insights into ministerial tenure over and above what can be gleaned from analysis of the effects of the

individual characteristics of ministers alone? Much has been written about how different prime ministers have run their cabinets, though much of it is based on the specific 'style' of particular prime ministers and so does not allow us to make broader inferences about British politics or other parliamentary democracies. Nevertheless in Chapter 5 we evaluate whether there is any evidence to suggest that the expected tenure of ministers does indeed reflect differences in a prime minister's style.

In Chapter 6 we begin to assess the relationship between the prime minister and her ministers more systematically. The key element of our analysis is that during the course of a ministerial career, new information, not available to a prime minister at the time of making the appointment, will become available. Here we consider, in particular, interventions that are made from the back benches, more serious elements of the media, or elsewhere, that call into question a minister's performance, and which suggest that the minister in question should resign from his post. We provide and apply a method for developing a systematic analysis of such events and how the prime minister responds to such calls. The analysis codes newspaper reports from the period of investigation, counting the number of resignation calls by government and according to the nature of the issues that led to the resignation call.

In Chapter 7 we bring this analysis together. There we show that the length of time a minister serves is related to his background characteristics; also that it is affected by the resignation calls that he receives and those received by other members of the administration in which he serves. In particular we show that, whereas a minister's chances of survival are diminished upon receiving a resignation call, a second resignation call effectively signals the death of his (immediate) ministerial career. Perhaps more surprisingly, we show that a minister's prospects for survival in government are inversely related to the aggregate performance of those around him. Put simply, when his colleagues are doing well, so that few have had their performance called into question via a call for their resignation, then the probability that a minister's term will end early is higher. When more ministers are involved in resignation calls then this risk recedes: a minister is safer in his position when surrounded by other ministers tainted by scandal or other accusations of wrongdoing. Although this result may appear surprising, we show that it is consistent with what we would expect from principal–agent

analysis. In particular these empirical results are consistent with what we would expect when the prime minister is using all of the information at her disposal to evaluate whether a minister has been involved in wrongdoing when called upon to resign, and may therefore not be up to the job, or whether he has just been the victim of circumstance. When few ministers are involved in resignation calls, then a resignation call sends a strong signal to the prime minister that the former conditions apply.

In the concluding chapter we consider the implications from our analysis for understanding the relations between the prime minister and her ministers and broader issues of responsibility and accountability of ministers in the UK central government. Unlike most other books on cabinet or ministers, ours is not simply descriptive nor does it draw normative conclusions from sets of examples. Rather, it uses the tools of modern political science to model the relationships between the prime minister and her ministers, and among the ministers as a collective organ of government. Using these tools, we try to provide a greater analytical grasp of those relationships. We produce hypotheses about how we expect the channels of accountability to work and utilize unique data on ministerial movements: from being appointed, through promotions, demotions, sideways moves and finally removal from office; as well as systematic data on the criticisms levelled at individual ministers as they do their jobs. We can thus see how far the accountability mechanisms available to Parliament through the prime minister – the effects on ministerial career – are sensitive to how Parliament, and the public as reported through the media, views individual ministers. To be sure, our data are not a comprehensive measure of either the mechanisms or the full judgements of individual ministerial worth, but they do allow systematic analysis to back up or challenge more intuitive judgements. We hope that our systematic analyses will shed new light upon previous reflections on ministerial accountability, helping to confirm some of the arguments of earlier writers, but also suggesting new avenues for research. Our data are drawn from the end of the Second World War, or more precisely from the beginning of Clement Attlee's post-war Labour government (26 July 1945), until the end of Tony Blair's third administration when he resigned to let Gordon Brown take the reins as prime minister (28 June 2007).

2 *Managing the cabinet: principal–agent relations in government*

In a now-famous book, the late William Riker offered a critical assessment of the ability of liberal democracies to craft policies that reflected the will of the public. Using the insights of social choice theory, Riker argued that politics was inherently susceptible to the whims and strategic calculations of agenda-setters, and challenged what he called the 'populist' view of government that policy outcomes reflect the desires of citizens (Riker, 1982). Riker offered an alternative, liberal view of democracy, in which democracy is effective because it provides the institutional means by which citizens can hold to account those elected to power.

Riker's definition of liberal democracy draws on the writings of some of the great liberal philosophers of the Enlightenment whose interest was in understanding the proper function of government. Hume (1742/1978), for example, believed that government would be effective only when power was kept in check. It was not enough to rely on the good intentions of those who stood for office and better to set up a system of governance based on an assumption that those holding public office were knaves.

Of course, we need not take such a dim view of the motives of politicians to hold the liberal view of democracy. Suppose that one took an arguably more realistic view that although some politicians enter the profession for the noblest of reasons, some do not. Moreover, even public-spirited servants may succumb to temptation and take actions in the service of narrow private interests. Exactly how can government be used to keep in check the inherent self-interest of politicians?

One view is that democratic procedures provide *incentives* for politicians to take account of the public good. This was expressed famously by Tocqueville (1835, ch. 8) and Madison in *The Federalist Papers* (Hamilton, Madison and Jay, 1787–8/1982, p. LVII). In more recent years, Barro (1973) and Ferejohn (1986) have demonstrated that the desire for re-election provides incentives for politicians

that curb their knavish desires. We return to this point below where we discuss more fully the motivations of politicians.

A related view to that already described is that liberal democracies provide for better governance because they allow citizens to choose for office those best able to serve. Here democracy is not about providing incentives to govern properly once in power, but about selecting those best able to govern in the first place: to choose knights rather than knaves. Tim Besley (2006), a modern proponent of this view, traces this view to V. O. Key who argues:

> The nature of the workings of government depends ultimately on the men who run it. The men we elect to office and the circumstances we create that affect their work determine the nature of popular government. (Key, 1956, p. 10)

So there are two methods by which liberal democracy can provide better governance. Facing the electorate gives politicians incentives to govern as the majority wishes. And it provides a mechanism through which better candidates for public office are chosen.

Principals and their agents

The idea that politics is about both selecting those best able to govern, on the one hand, and providing incentives, on the other, is related to the principal–agent view of democratic elections. The basic agency problem is that a principal hires an agent to carry out certain activities on her behalf, but the agent may not carry out those activities efficiently or effectively. The problem can emerge because of asymmetric information. For example, the agent knows more about his abilities and proclivities at the time of being hired than does his principal. If such information were common knowledge then the principal might not have hired the agent at all. Moreover, after being hired, the agent can observe more closely what he is doing than can his principal.

The former problem is related to the notion of adverse selection. In these situations Gresham's Law that bad money drives out good is the classic expression of adverse selection. When money was composed of real silver, holders of coins might shave a sliver before exchanging the coin for some goods. Given the positive probability that any coin that one receives might have been shaved, one would not exchange as much in return for it as for a fully unshaved silver coin. Holders of unshaved

coins would then not spend them or would shave them before using them. Bad money drives out good.

In modern literature Akerlof (1970) reintroduces adverse selection in his analysis based on used car markets. In his model a car owner knows if his car is good or bad, but the buyer cannot tell. Good cars are worth a high price to both buyer and seller, but buyers do not know if used cars are good or bad so will only pay low prices. Good cars will thus not come on to the market.[1]

In agency terms adverse selection generally occurs because those least qualified for a job are those most keen to attain it. For any job at whatever level of remuneration those least qualified are likely to gain the most comparative advantage over their current position and so be keener to attain the position. Adverse selection occurs where there is heterogeneity in the population of qualified candidates and those with some characteristics that the principal does not want are most likely to be those who come forward.

Asymmetric information that arises due to the actions taken by agents is related to the concept of moral hazard. This is a term first used in banking and insurance in the eighteenth century and reintroduced into the economics of risk by Kenneth Arrow in the 1960s (Arrow, 1963). In Arrow's sense, moral hazard can occur where the population is homogenous, but the act of making a contract or agreement itself creates perverse incentives. The very act of taking out insurance suggests that the insured will not act as carefully as hitherto with regard to his property or his health since he is insured against damage to either. Thus if one is insured against personal injury one might take greater risks. If one is insured against household burglary one will spend less on door and window locks, and so on.

Agency models of elections

It is easy to see how the agency perspective can be related to politics. At a basic level, the electors can be viewed as the principals whilst the elected politicians are their agents. At the time of election voters do not know all of the relevant characteristics of those who stand for office:

[1] Weakening the assumption that buyers have no information about cars on the market to one that they have less information than sellers might bring good cars on to the market; however, the used car market will still be swamped by bad cars.

they must make their selection upon the basis of imperfect information about the candidates' attributes as well as any other inferences they may draw from the electoral environment. Moreover, once politicians are elected, and although their actions are scrutinized by the media, lobby groups, and other intermediaries, the actions they take are (in part) hidden.

The earliest models that sought to understand elections as problems of agency are due to Barro (1973) and to Ferejohn (1986). Their work focused mainly on the moral hazard aspects of elections. Just as in the classic moral hazard problem, where insurance provided incentives for bad or risky behaviour for those insured, these authors asked whether the basic institutions of representative democracy provided incentives for better (or worse) performance by politicians. We have seen that the liberal philosophers Madison and Tocqueville both believed that the control that electors have over the tenure of their officeholders leads to better outcomes and they used this to justify their support for democratic institutions. This theme has provided a central core to modern political economy.

In his seminal contribution, Ferejohn (1986) analysed a model in which in each period an incumbent chooses an unobserved level of effort and voters use retrospective voting strategies to evaluate her performance. Voters receive utility that depends positively on the effort the incumbent devotes to her political task. The signal is, however, imperfect in that unobserved shocks may push up or down voters' utility irrespective of the effort the elected official devotes to the job. To induce incentives the principal (a representative voter) re-elects the incumbent only if his performance is above a threshold. From the principal's perspective, she chooses one of two effort levels. If the threshold is too high, so that he is elected only at a personal cost that is prohibitive, then he puts zero effort into being re-elected. Otherwise he chooses an effort level that, given the threshold chosen by the principal, leaves him strictly indifferent between putting in the required effort and maintaining his job and losing it. The problem the voter faces is in choosing the threshold: set it too high and an incumbent will deliver zero performance; set it too low and the incumbent will put in less performance than is optimal from the voters' standpoint – that is, the agent would have delivered more if the threshold had been higher.

In Ferejohn's model, as in that of Barro, incumbents and their replacements are of the same type: they share the same preferences

and are of the same (*ex ante*) quality. The model thus captures, in a very pure form, the *sanctioning* aspect of elections – voters use their votes to sanction moral hazard – and Ferejohn is able to show the conditions under which such electoral control are effective.

An alternative approach, already discussed, is that voters use their votes to select between different politicians. Of course, for selection to have beneficial effects it must be that, in contrast to the models of Barro and Ferejohn discussed above, the agents between which the principal selects are heterogenous in their type. An important question then arises: can voters simultaneously use their votes to select their preferred agents and to sanction performance? In an important contribution to this literature Fearon (1999) illustrated a logical inconsistency in this view. The ability of voters to sanction performance implies that, conditional upon performance, they must be strictly indifferent between re-electing the incumbent or a challenger. As Fearon argues, once this indifference is broken, then voters cannot credibly commit to sanctioning (or rewarding) the incumbent.

To see why, consider a situation where a voter is faced with the choice between electing either agent A or B but has a preference for B. Now suppose the voter offers A a deal by which she is re-elected if her performance exceeds a threshold (optimally chosen). Under this contract A might, upon putting in the required effort, expect to be re-elected. But of course once she has done so then, since her actions are in the past, the principal would prefer to elect B. Anticipating that she will not be retained, then A will choose zero effort. Of course, it is possible that the principal has a preference for A. Does the principal's incentive scheme now work? The answer is no. Whatever A's effort level the voter prefers to retain her. In sum, since the incumbent's prospects of election are not conditional on past performance, the voter's incentive scheme will unravel.

Since, according to Fearon's argument, elections serve as incentive mechanisms only in the limiting case where agents are identical, elections might then best be seen as selection mechanisms. They allow electors to select higher-quality politicians. A necessary condition for this to be so is that the talented are willing to stand and that, when they do, they are elected. This need not be so, as adverse selection can occur. Besley and Coate (1995), in developing the citizen-candidate framework, provide analysis of situations where, even when voters are informed as to who the most competent politicians are, they are