

Commitment or expertise? Technocratic appointments as political responses to economic crises

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Abstract. Why do prime ministers or presidents appoint non-elected experts, also known as technocrats, during economic crises? Do they appoint them for their expertise or for their commitment to pro-market reforms? Answering this question is crucial for understanding and predicting the longer-term role of technocrats in democracies. With the aid of unique data on the political and personal background of finance ministers in 13 parliamentary and semi-presidential European democracies this article shows that commitment, not expertise is the primary driver of technocratic appointments during major economic crises. Technocrats are preferred over experienced politicians when the latter lack commitment to policy reform. An important implication of the findings is that technocratic appointments to top economic portfolios in West European countries are unlikely to become the norm outside economic crises, assuming economic crises are short-lived and not recurring.

Keywords: technocrats; finance ministers; monetary and financial crises; ministerial selection; electoral systems

Introduction

Since the 2008 Great Recession, the appointments of unelected experts – also known as technocrats – to the portfolio of finance increased by 150 per cent, from 10 to 26 per cent. In contrast, the rise in economic experts who held elective office and had political experience increased only by 50 per cent.¹ Why do prime ministers or presidents in West Europe appoint technocrats over politically experienced experts as their finance ministers during major economic crises?

The dominant explanation for the appointments of technocrats is their technical expertise. Technocrats provide expertise that is necessary during the complex decision-making processes that arise with economic crises (Amorim & Samuels 2010; Dargent 2015; Hallerberg & Wehner 2017) and increasing European integration (Bäck et al. 2009). Lack in expertise and politicians' dependence on non-elected experts is a primary factor for appointing technocrats in Latin America and their subsequent dominance in the policy-making process, with lasting effects on the region's economies and political systems (Dargent 2015; Dominguez 1997; Kaplan 2017; Roberts 2017; Santiso 2003).

In Western Europe, technocratic appointments to top ministerial positions have historically been limited, albeit with significant cross-country variation (Amorim & Samuels 2010; Pinto et al. 2017). Political experience and party rank are crucial for ministerial efficiency in parliamentary democracies (Alexiadou 2016; Jochimsen & Thomasius 2014). Moreover, Europeans mostly overcame the economic crises of the 1980s and 1990s through

political battles and alliances (Gourevitch 1986; Hall 2013). It is thus not surprising that scholars have been alarmed by the prominent role that technocrats have assumed across European governments since the Great Recession (Caramani 2017; McDonnell & Valbruzzi 2014). Technocratic appointments are seen as a challenge to party government (Berman 2017; Caramani 2017), and even as a sign of a decline in the representative role of parties (Roberts 2017).

Under party government, policy reflects the preferences of the electorate as expressed through multiparty elections and coalition formation (Caramani 2017). Under technocracy, experts and not voters decide on policy. The de-politicisation of policy, through delegation to independent regulatory agencies, can be welfare-maximising to the extent that technocracy is insulated from short-term electoral considerations and special interests (Alesina & Tabellini 2007; Rosanvallon 2011). Unlike politicians, bureaucrats are expected to implement a single policy mandate independently of its distributional or electoral effects (Alesina & Tabellini 2008; Drazen 2000). At the same time, policy delegation to bureaucrats restricts democratic representation (Berman 2017; Bickerton & Accetti 2017; Fischer 1990; Freeman 2002). Even if technocratic bodies successfully share sovereign power with elected governments (Radaelli 1999; Rosanvallon 2011) and contribute to monetary and fiscal stability (Bodea & Hicks 2015), the de-politicisation of fiscal policy contradicts the very essence of democratic politics as the mediation of social conflict through political parties (Alesina & Tabellini 2007; Bickerton & Accetti 2017).

The appointments of technocrats to the finance portfolio are not an institutionalised form of policy delegation; nonetheless, they can be consequential. The risk of agency loss exists in all ministerial appointments, partisan or not (Drazen 2000; Strom 2000). This risk is particularly acute in the case of technocrat finance ministers who are in charge of the government's budget and tax policies (Alexiadou 2016; Hallerberg 2004) and considering that expert ministers are harder to monitor than non-experts (Dewan & Hortala-Vallve 2011). Even within politically independent agencies, individual policy makers have significant policy influence (Adolph 2013; Ainsley 2017).

Technocrats have dominated the policy-making process in Latin America, resulting in the *de facto* de-politicisation of fiscal policy and the weakening of party government (Dargent 2015; Roberts 2017). To what extent, then, do the recent technocratic appointments in Western Europe signify the *de facto* de-politicisation of fiscal policy and the subsequent erosion of party government (Caramani 2017)? Notwithstanding the difficulty of providing an answer to this question, we offer novel insights on the role of technocrats in parliamentary democracies by identifying the underlying motivations for their appointments. Presidents' dependence on experts to run the economy and increase investor confidence is the primary reason technocrats have dominated policy making in Latin America (Dargent 2015; Kaplan 2017). If lack of expertise within parliamentary groups (Bäck et al. 2009; Dewan & Myatt 2010; De Winter 1991; Yong & Hazell 2011) is what drives the appointments of technocrats in Western Europe, then increasing economic interdependence could further enhance the role of technocrats in government. If, on the other hand, technocrats are appointed for other, short-term political reasons, then their role might be short-lived and limited to periods of economic crises, unless economic crises become permanent or recurring.

We address this question by providing a theory and an empirical test that predict technocratic appointments in parliamentary and semi-presidential democracies. We

collected data on the appointments of finance ministers in 13 West European democracies since 1980. To clearly separate expertise from independence from politics, we coded ministers by their prior professional experience and their political experience. Unlike previous empirical work, we distinguish technocrats from nonpartisans (Camerlo & Perez-Linan 2015) and from experts (Hallerberg & Wehner 2017; Kaplan 2017). For us, technocrats are both experts and nonpartisans.

Our starting point is that not only expertise, but also politicians' career concerns are instrumental in their performance as policy makers (Adolph 2013; Alesina & Tabellini 2007; Alexiadou 2016; Blondel 1991). During economic crises cabinet ministers and members of parliament (MPs) are called to enact and support policies that often run against their party ideology, electoral promises and even their personal convictions. Individual cabinet ministers do not want to be the ones who adopt unpopular policies in fear of losing electoral support. Technocrats, in contrast, are more willing to adopt unpopular economic policies that are deemed necessary for stabilising the economy. Unlike elected politicians, technocrats have not made policy commitments to voters, and their professional career is not subject to voter approval (Blondel 1991; Grossman 2014). If anything, when technocrats accept a high-profile political appointment, they have strong incentives to succeed as they believe in the reforms themselves and they want to appear competent to their professional peers (Alesina & Tabellini 2008; Alexiadou 2016; Blondel 1993). To the extent that technocrats have political ambitions, they would most likely pursue them by stressing their independence from politics and established elites.²

We find that technocratic appointments in Europe primarily address problems of agency that arise during major economic crises between the prime minister and her elected cabinet ministers. Although technocrats are more likely to be appointed during economic crises across political systems, the odds of appointing technocrats in more competitive and personalised electoral systems are twice as high than in party-centred systems. More importantly, the odds of appointing experienced politicians during economic crises are seven times lower in person-centred electoral systems than in party-centred ones.

The risk of agency loss is a prominent explanation for appointing nonpartisans in presidential cabinets (Martinez-Gallardo & Schleiter 2015), but it has not been explored as a motivation for appointing technocrats in parliamentary systems. This is due to the fact that prime ministers have stronger and more direct control of their ministers' careers than presidents in presidential systems. Nonetheless, we show that under certain conditions, the risk of agency loss – understood as prime ministers' fear of no policy reform – and not the lack in expertise lies behind the appointment of technocrats in Western Europe.

We proceed with providing a typology of ministers based on their expertise, experience and effort, before elaborating on how economic crises and the electoral system modify prime ministers' considerations for appointing their finance ministers.

Expertise, experience, effort: Defining technocrat and expert ministers

We define 'technocrats' as professionals who have policy expertise within their department's policy jurisdiction and have never held elective office, whether at the national, subnational or local levels, both prior to and after their ministerial appointment.³ The first attribute of technocrats is their policy expertise. A non-elected politician who is appointed as a

cabinet minister is not a technocrat if he or she is not a policy expert in the department to which they are appointed. Regarding finance ministers, we define ‘experts’ as those with prior-professional experience in economics, finance or academia.⁴ The second attribute of technocrats is their independence from politics, understood as the absence of a political career in the form of having held elective office.⁵ Therefore, technocrats should not be confused with experts who are elected MPs or with outsiders, who are neither elected nor experts (see Camerlino & Perez-Linan 2015).

To understand the logic of technocratic appointments we must clearly separate expertise from political independence. The first relates to a minister’s ability to formulate a policy; the second relates to his or her effort to implement the policy. Building on Alesina and Tabellini (2008), we assume that a final policy outcome is a function of a minister’s ability (both technical and political) and effort. Ministerial ability can be broken down to policy expertise (Alesina & Tabellini 2007) and political experience (Alexiadou 2015; Jochimsen & Thomasius 2014; Welzelburger & Staff 2017). Either can be partly known from past-professional performance and is distinct from effort.

A minister’s effort is a function of his or her incentives that are directly shaped by career goals. If a policy outcome has a net benefit on a minister’s career, then they will put more effort into it. Career goals can vary. Politicians typically seek re-election by meeting voters’ demands. Professionals typically aim at better employment prospects by building a positive reputation in their professional field. Conversely, policy makers might work hard towards a policy they strongly believe to be the most beneficial for society, independently of immediate personal professional prospects.

A politician will commit to a policy as long as it increases his or her chances of re-election. The retrospective evaluation of politicians is necessary for ensuring that competent politicians are re-elected and policies reflect voters’ preferences (Duch & Stevenson 2008). In contrast, a technocrat minister would commit to a policy reform, irrespective of its popularity with voters, as long as the policy reflects his or her policy preferences, it is received positively by their professional peers or/and increases the minister’s future job opportunities.⁶ Therefore, when a policy outcome is mostly unpopular with voters, we expect a politician’s effort towards that outcome to be smaller than a technocrat’s.

This brings us to the prime minister’s dilemma when deciding whom to appoint to the finance portfolio during an economic crisis. A minister with expertise in economics and years of political experience would score high on their ability to formulate economic policy. Not only does this minister possess crucial technical skills, but they can also discipline the party and convince backbenchers of the value of the reform. Nonetheless, their commitment to implementing an unpopular and potentially electorally costly policy is questionable. A partisan expert minister would score high on ability, but low on effort. On the other hand, a technocrat would score high on expertise and on effort. However, their political experience would be nonexistent.

To sum up, building on the literature that predicts variable policy outcomes due to varying policy makers’ career objectives (Adolph 2013; Alesina & Tabellini 2008; Alexiadou 2015, 2016; Blondel 1991), we suggest that two cabinet ministers with equal expertise can differ in their political experience but, more importantly, they also differ in the effort they put into a policy. Table 1 summarises the types of cabinet ministers on the basis of their expertise, ability and effort.

Table 1. Expertise, experience and effort

	Expertise	Experience (or high rank)
Expertise	Experts	Experienced experts (or (heavyweight experts)
Experience (or high rank)	Experienced experts (or heavyweight experts)	Experienced non-experts
Effort	Technocrats	?

The example of Anders Borg, the technocrat finance minister of Sweden between 2006 and 2014, is illustrative. Prior to his ministerial appointment, Borg worked as policy advisor for the liberal conservative Moderate Party, and as an economist in the financial sector. During his term, he was the main figure behind Sweden's new economic policies focusing on the labour market and public finances. He pushed for tightened eligibility criteria on unemployment benefits and sick pay, for the abolition of the temporary disability pension, as well as for temporary cuts in employers' social security taxes during the 2008 financial crisis (Hansen 2011). Borg faced criticism from unions and opposition parties. He acknowledged the fact that he had to implement politically costly reforms and that these reforms were 'a severe blow to our support' (Nelson 2012). Borg also stated that he was not a typical politician and added that: 'When I look at other politicians I tend to see myself more as an economist' (Giger & Nelson 2011).

Ministerial appointments and risk of reform commitment during economic crises

During periods of monetary or fiscal/debt crises governments are pressured to enact economic reforms that directly affect and often hurt important constituencies and stakeholders. Policy responses to economic crises among others involve price stabilisation, fiscal consolidation, social welfare and labour market reforms (Armingeon et al. 2016; McMenamin et al. 2014). Party ideology, coalitional politics and industrial relations are all important predictors for governments' policy choices and reform capacity (Alexiadou 2013; Armingeon et al. 2016; Iversen & Soskice 2015; Korpi & Palme 2003).

This does not mean that who prime ministers appoint to critical ministerial departments is of no consequence. The ministers that directly handle economic policy – namely the ministers of finance – are called to draft policy and communicate it with other cabinet members, party backbenchers, affected interest groups, stakeholders of their ministerial departments and, of course, the public. If ministerial appointments matter for governments' performance, they should be particularly consequential during periods of economic crisis.

Holding expertise constant, prime ministers have a choice between appointing a politician with political experience or a minister who is known to be committed to policy reform – namely a technocrat. There are many reasons why a prime minister would prefer a politically experienced politician as finance minister. Strong finance ministers deliver significant budgetary benefits (Alexiadou 2015; Hallerberg 2004). Finance ministers with cabinet experience (Moessinger 2014) and seniority in the party (Alexiadou 2016) are found

to be most effective policy makers. This is hardly surprising since the drafting and passing of legislation in parliamentary systems relies heavily on policy negotiations among cabinet ministers (Alexiadou 2016), as well as between ministers and the parliament (Martin & Vanberg 2011).

During international economic crises finance ministers are called to adjust the government's budget along with macroeconomic policies. When the severity of the crisis is particularly high, such as during the 2008 Great Recession, market-correcting policies lead to a significant drop in output and employment (Ollivaud & Turner 2015) and require extreme responses in terms of cuts in governments' budgets (Cioffi & Dubin 2016). These processes involve intense negotiations and tough decisions whereby some cabinet departments are hit more than others. Fiscal policy making is inherently political and cannot be reduced to simple bureaucratic policy rules (Alesina & Tabellini 2008; Alexiadou 2013; Gourevitch 1986). Moreover, in parliamentary systems prime ministers typically have significant control of the political careers of their MPs (Amorim & Strom 2006; Belinski et al. 2007).

If anything, appointing an independent expert to a major economic portfolio increases the likelihood of agency risk between that minister and the prime minister as experts are harder to monitor (Dewan & Hortala-Vallve 2011). This should be particularly true during periods of economic crises when markets are constantly watching governments' actions. Firing a partisan might affect the balance of power within the party. Yet, firing a technocrat who is visible to voters and markets alike could send a strong signal regarding the government's policy priorities.⁷ Thus we expect *major economic crises to have a strong and positive effect on the appointments of ministers with significant cabinet experience (and/or high party rank) (H1)*.

Nonetheless, experienced ministers, and perhaps more so party heavyweights with leadership ambitions, might not be the most effective policy makers during major economic crises. When prime ministers choose whom to appoint to their top economic post, they are aware that she or he would have to adopt policies against the party's platform or against their constituents' policy preferences. As succinctly put by the former Greek finance minister Papaconstantinou (2016): 'The crisis was clearly erasing political careers that had been painstakingly built over decades.'⁸

The economic costs of market-correcting policies carry significant political costs, which is why during major economic crises technocrat finance ministers could provide a level of commitment to policy reform that an elected government lacks. Elected politicians are more likely to respond to voters than non-elected politicians. This is not only in line with theoretical expectations that stress re-election as the primary career motivation of elected politicians (Alesina & Tabellini 2007), but it is also supported by experimental evidence (Drazen & Ozbay 2015). In contrast, technocrats' personal cost of policy reform is relatively low and is best understood as a cost on their time and reputation in their professional community (Alesina & Tabellini 2007). It is also likely that technocrats personally believe in the necessity of market-correcting reforms for the longer-term viability of the economy. Thus, we expect *major economic crises to have a strong and positive effect on the appointments of technocrats (H2)*.

To sum up, during major economic crises, prime ministers should strongly prefer to appoint politically experienced politicians as their finance ministers. Political experience – and high party rank in particular – should prove essential when trying to pass controversial

legislation and unite the party behind the reform. However, politically experienced ministers might not be personally committed to policy reform due to the expected political costs of policy reform. Under these conditions, prime ministers have to look outside the parliament for experts who are more committed to policy reform, even if they lack political experience.

Personal vote and ministerial appointments in parliamentary systems

If indeed economic crises lead to a larger number of technocratic appointments, how can we know that the prime minister's motivation for appointing them is to address a potential lack in policy commitment and not a lack in expertise? To answer this question we need to consider the institutional conditions that would increase the political personal cost of austerity reform, and consequently politicians' commitment to policy reform.

Although parties suffer collectively for the policies they enact, individual politicians have stronger or weaker incentives to comply with their party's policy line depending on the electoral system. In closed-list electoral systems political careers are more directly controlled by the party leader than in open and semi-open party lists. In open lists, not only nomination and election but also promotions to executive appointments depend on voter choice. Specifically, recent research finds that in open list systems, preference votes provide information on the popularity of party candidates and this doubles the probability of political appointments (Folke et al. 2016). This direct relationship between preference votes and political appointments in open list systems provides strong incentives to politicians to be at least as concerned about serving their voters as the party leadership. Thus, in electoral systems where voters cast a preferential vote for candidates, elected politicians have stronger incentives to avoid adopting and supporting unpopular reforms and even to differentiate from their party line (Depauw & Martin 2009).

Yet, not all open list systems provide the same vote-seeking incentives. The more competitive and personalised an electoral system is, the more cabinet ministers fear for their own political career when they enact unpopular policies. Within open and semi-open list systems, the incentive for personal vote-seeking increases with the number of co-partisan competitors, which is a function of district magnitude. As district magnitude increases, so too does the incentive for personal vote-seeking (André & Depauw 2014).⁹ The more personalised and competitive the electoral system, the more valuable politicians' personal reputation becomes for their career, captured by the hours they spent in constituency work (André & Depauw 2014).

Consequently, during major economic crises we expect both party cohesion and ministerial agency risk to be strongly affected by the electoral system. In personalised and competitive electoral systems, MPs and cabinet ministers alike have strong incentives to differentiate their policy position when the party line goes against their constituents' preferences. What is of particular interest here is that the same, vote-seeking pressures for MPs and elected cabinet ministers call for contradictory solutions by the prime minister. On the one hand, when discipline within the parliamentary group is low, prime ministers have strong incentives to appoint party heavyweights in top economic portfolios to increase the chances of uniting the party behind the government's reform agenda. On the other hand, as vote-seeking behaviour and agency risk within the cabinet increases, prime ministers have to worry about their heavyweights shirking, harming the government's reform credibility.

To sum up, we expect the electoral system to have important mediating effects on ministerial appointments during major economic crises. Economic crises reduce party discipline and increase agency loss between the prime minister and their cabinet ministers. If addressing the prime minister's fear of no reform is the main motivation for appointing technocrats, then *during major economic crises, prime ministers should prefer technocrats over high-ranking and experienced politicians in more personalised electoral systems (H3a)*. If, on the other hand, discipline within the parliamentary group is the main concern prime ministers have during economic crises, *then we should find that prime ministers prefer high-ranking politicians over technocrats in more personalised electoral systems (H3b)*. If, finally, the electoral system has no modifying effect on the appointments of technocrats or of high-ranking politicians then we cannot reject the null hypothesis that expertise is the primary reason for appointing technocrats.

The dependent variables: Technocrats, experts and heavyweights

We study the appointments of finance ministers in 13 Western European parliamentary democracies: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain and Sweden.¹⁰ To test our hypotheses we predict the appointments of finance ministers with policy expertise, elected or not, political experience and rank in the party during periods of financial crises. We are primarily interested in finding out what prime ministers seek in their finance ministers when faced with an economic crisis, and how the electoral institutions influence ministerial appointments. Thus, our six dependent variables are: the appointments of *technocrats*, *experts*, *ministers with cabinet experience*, *experts with cabinet experience*, *high-ranking ministers* and *high-ranking experts*.¹¹

The dataset used in the empirical analysis is structured by country/year observations and it spans the period from 1980 to 2014. The original dataset identifies one individual minister per ministerial portfolio. The country/year dataset averages the time the responsible minister occupied the ministry during a calendar year. If a minister was in the cabinet for a whole year, they are coded '1'. If they were in office for a quarter of the year, then they are coded '0', while if they were in office for more than half the year, they are coded '1'. The original dataset codes the initial appointments as well as the re-appointments of finance ministers after cabinet reshuffles. The data include information on the professional and political background of finance ministers, collected from multiple official and personal website sources.

Technocrats are coded as those ministers that never held elective office, prior to or after their appointment, at either the national, regional or local levels and have policy expertise (i.e., a background in economics, finance or academia). *Experts* are those ministers with expertise,¹² irrespective of their political experience. *Ministers with cabinet experience* are those who have more than four years of experience in a cabinet post prior to their appointment to the portfolio of finance.¹³ *Experts with experience* have both prior experience and expertise in economics. Finally, *high-ranking ministers* are those that hold positions in their parties as party leaders, deputy leaders or parliamentary group leaders, whereas *high-ranking experts* are those who are both high-ranking politicians and have policy expertise (Alexiadou 2016).¹⁴

The independent variables: Economic crises and personalised electoral systems

The explanatory variables for testing the first two hypotheses are the *2008 financial crisis*¹⁵ and *monetary crises*.¹⁶ Our definition of ‘crisis’ is a situation of ‘extreme economic difficulty’ that affects governance (Kahler & Lake 2013: 32). The 2008 financial crisis is the only truly global financial crisis that has deeply affected European economies since the Great Depression. As such, it should have an important and direct effect on technocratic appointments as governments struggle to reform their economies. However, perhaps the most pressing economic problem for Western Europe in the 1980s and early 1990s was to control inflation and defend currencies against external pressures (Walter 2013). We include both the 2008 financial crisis and monetary crises to test whether technocratic appointments are unique to the Great Recession or have taken place during earlier economic dislocations.

Our central explanatory variable for testing *H3* is the *personalisation of the electoral system* interacted with economic crises. According to *H3*, prime ministers should appoint heavyweights and experienced politicians to the portfolio of finance when they are faced with weak party discipline and appoint technocrats when the risk of agency loss by their finance ministers is high (i.e., in more personalised electoral systems during times of economic crisis).

We follow Depauw and Martin (2009) and André and Depauw (2014) in coding electoral systems as more personalised and competitive. According to these authors, both first-past-the-post and open list electoral systems are candidate-centred electoral environments. In addition, in open list systems, intra-party competition increases with district magnitude. Accordingly, first, we code the binary variable *open list and SMDP systems* based on coding of the Electoral System Change in Europe dataset (Pilet et al. 2016).¹⁷ Then, we interact the open list variable with average district magnitude taken from Bormann and Golder (2013). The newly created variable *personalised electoral systems* ranges from 0 to 20 with a mean of 5.36.

Alternative explanations and control variables: Technocrats as agents or as compromise appointments in divided governments

In this article we argue that technocrats are appointed during major economic crises primarily due to their known commitment to pro-market-reform policies unlike elected politicians. However, technocrats, similar to nonpartisan ministers as Amorim and Strom (2006) argue, could also be seen as compromise appointments between coalition partners in multiparty cabinets that are divided over the best course of action. If technocrats are more likely to be appointed when economic policy is shared between two parties, then technocrats are appointed to resolve differences between coalition partners. If, however, technocrats are appointed to resolve agency problems between the prime minister and cabinet ministers, then we should find the opposite result; that technocrat finance ministers are more likely to be appointed by prime ministers when they are in charge of economic policy (i.e., when their party controls the portfolio of finance).

Prime ministers, who are fully in charge of economic policy, face more acute agency problems than when they share that responsibility with other parties. Recent evidence suggests that voters tend to punish disproportionately the prime minister’s party for poor

macroeconomic outcomes, particularly when his or her party controls the portfolio of finance (Duch & Stevenson 2008; Narud & Valen 2008). The political cost of adopting unpopular reforms for the prime minister and his or her party are lower when economic policy is shared with coalition partners than if the prime minister governs in a single-party government or is in the largest party in a coalition and is in charge of economic policy (Duch & Stevenson 2008; Powell & Whitten 1993).

To sum up, if our argument is correct that technocrats address problems of agency during financial crises, we should find that prime ministers appoint technocrats to the visible portfolio of finance when their party controls that portfolio. If, on the other hand, technocrats are appointed primarily to achieve agreement within divided cabinets then we should find that they are more likely to be appointed when the prime minister's party shares the responsibility over economic policy with other parties and in multiparty cabinets. To test these alternatives we include the dummy indicator that codes whether the *prime minister's party controls the portfolio of finance*. In addition, we include the control *multiparty cabinet* (Armingeon et al. 2012).

We also include the following control variables. *Left prime minister*, the left-right *RILE measure for the prime minister's party*, and *semi-presidentialism*. Left prime ministers are associated with more appointments of experts during periods of economic distress (Hallerberg & Wehner 2017; Kaplan 2017) while semi-presidential systems are associated with a larger percentage of appointments of nonpartisans (Amorim & Strom 2006).

Empirical analysis: Models of ministerial appointments

We present our findings in Tables 2 and 3. The models of ministerial appointments are estimated with logistic regression and robust standard errors clustered by country. The results are robust and do not change with the inclusion of country fixed effects. The reported coefficients are in odds ratios.

As we expect, economic crises significantly increase the probability of appointing technocrats and of high-ranking politicians to the portfolio of finance. Specifically, the odds of appointing technocrats and high-ranking finance ministers are six times higher during the 2008 Great Recession than during periods of stable economic conditions. The monetary and inflation crises of the 1980s and 1990s also increased the odds of these appointments but by half compared to the 2008 financial crisis. Importantly, there is no evidence that expertise is what prime ministers seek when they appoint finance ministers during economic crises. Crises have a smaller effect on expert ministers who have a high rank in the party compared to high-ranking ministers (see columns 5 and 6 in Table 2). Additionally, crises do not predict the appointments of expert finance ministers. Against common expectations, neither the monetary crises of the 1980s and 1990s nor the 2008 crisis predicts the appointments of expert cabinet ministers in the linear, non-interactive models in Table 2.

Moving to Table 3 whereby the effects of economic crises are modified by the electoral system, we find strong support in favour of *H3a* and against *H3b*. The odds of appointing an experienced politician to the finance portfolio over a non-experienced politician are seven times higher during the 2008 financial crisis, but only in closed list electoral systems. Similarly, the odds of appointing a high-ranking party member are five times higher

Table 2. The effects of economic crises on the appointments of finance ministers

	(1)	(2)	(3)	(4)	(5)	(6)
	Technocrats	Experts	Experienced	Experienced & Experts	High rank	High rank & Experts
Monetary crisis	2.327*	0.831	1.083	0.837	2.703**	2.403
	(1.062)	(0.303)	(0.247)	(0.371)	(1.283)	(1.402)
2008 financial crisis	7.936**	1.582	2.081	1.687	6.305***	3.158**
	(6.656)	(0.975)	(1.457)	(0.988)	(2.792)	(1.446)
Personalised system	1.009	0.997	1.069**	1.068*	0.965	0.927
	(0.0302)	(0.0465)	(0.0295)	(0.0394)	(0.0571)	(0.0621)
Prime minister controls finance	2.831***	4.055***	2.186	5.082***	0.330	1.053
	(0.920)	(1.732)	(1.404)	(2.259)	(0.271)	(0.782)
Multiparty	1.682	1.176	2.176	1.563	3.755***	0.700
	(1.805)	(1.019)	(1.222)	(0.907)	(1.141)	(0.555)
Left prime minister	0.922	0.957	1.008	0.861	0.588	1.011
	(0.484)	(0.494)	(0.446)	(0.420)	(0.516)	(0.855)
Prime minister's RILE	0.988	0.998	0.987	0.988	1.007	1.006
	(0.0259)	(0.0103)	(0.0122)	(0.0156)	(0.0119)	(0.0109)
Semi-presidential system	1.988	0.964	1.190	0.694	0.824	0.832
	(1.059)	(0.396)	(0.738)	(0.344)	(0.158)	(0.314)
Constant	0.00812***	0.580	0.0552***	0.0240***	0.206	0.0816**
	(0.0106)	(0.429)	(0.0446)	(0.0169)	(0.221)	(0.0942)
Observations	444	444	444	444	444	444
Number of countries	13	13	13	13	13	13

Notes: Robust standard errors in parentheses. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. RILE = Right-left placement.

during the 2008 Great Recession, but mostly in closed list electoral systems. In stark contrast, in personalised electoral systems, prime ministers are considerably more likely to appoint technocrats and considerably less likely to appoint experienced politicians. These conditional effects are clearly illustrated in Figures 1 and 2, and provide strong support for *H3a*.

The findings in Table 3 provide strong and consistent evidence that technocrats are primarily appointed to the highest economics portfolio to address a lack in policy commitment and agency problems that prime ministers face during financial crises. We fail to find any support that experienced politicians would be appointed in open-list electoral systems to address low party discipline induced by the financial crises. We find the exact opposite: high-ranking ministers are appointed in closed-list electoral systems during crises. Only in competitive and personalised electoral systems, do prime ministers prefer technocrats over experienced or high-ranking politicians. This is consistent with our expectation that prime ministers choose technocrats not for their expertise, but because they seek to address problems of low policy commitment from their top cabinet ministers.

Table 3. Identifying prime ministers' motivations for appointing technocrats and experienced ministers

	(1)	(2)	(3)	(4)	(5)	(6)
	Technocrats	Experts	Experienced	Experienced & Experts	High rank	High rank & Experts
Monetary crisis	1.481 (0.613)	0.859 (0.500)	1.010 (0.539)	1.264 (0.801)	2.792** (1.177)	1.536 (1.244)
2008 financial crisis	3.003** (1.447)	1.012 (0.634)	7.190*** (5.351)	4.704** (2.891)	5.294*** (3.060)	2.456* (1.129)
Personalised system	0.954 (0.0392)	0.986 (0.0531)	1.104*** (0.0418)	1.109*** (0.0433)	0.961 (0.0575)	0.914 (0.0519)
Personalised system* Monetary crisis	1.102*** (0.0327)	0.987 (0.0563)	1.039 (0.0503)	0.952 (0.0757)	0.990 (0.0692)	1.101 (0.102)
Personalised system* 2008 financial crisis	1.250** (0.122)	1.099 (0.0822)	0.764*** (0.0578)	0.797** (0.0758)	1.033 (0.0719)	1.050 (0.0596)
Prime minister controls finance	3.443*** (1.254)	4.500*** (2.048)	1.804 (1.305)	5.006*** (2.304)	0.338 (0.279)	1.099 (0.811)
Multiparty	1.899 (1.996)	1.323 (1.210)	1.776 (0.997)	1.483 (0.842)	3.866*** (1.335)	0.716 (0.555)
Left prime minister	1.228 (0.534)	1.015 (0.546)	0.956 (0.390)	0.764 (0.360)	0.588 (0.517)	1.099 (0.937)
Prime minister's RILE	0.993 (0.0251)	1.000 (0.0105)	0.981 (0.0122)	0.984 (0.0156)	1.008 (0.0128)	1.008 (0.0122)
Semi-presidential system	2.397 (1.523)	1.091 (0.423)	1.007 (0.621)	0.546 (0.278)	0.862 (0.222)	0.930 (0.354)
Constant	0.00621*** (0.00837)	0.518 (0.396)	0.0557*** (0.0492)	0.0203*** (0.0130)	0.205 (0.219)	0.0799** (0.0915)
Observations	444	444	444	444	444	444
Number of countries	13	13	13	13	13	13

Notes: Robust standard errors in parentheses. *** p < 0.01; ** p < 0.05; * p < 0.1. RILE = Right-left placement.

To sum up, Tables 2 and 3 provide strong evidence that ministerial appointments differ dramatically between open and closed list political systems. Prime ministers are significantly more likely to appoint politically experienced and high-ranking party cabinet ministers in less competitive and more party-centred electoral systems. These results indicate not only that technocrats are appointed because of their higher commitment to policy reform, but also that prime ministers fear that more experienced politicians will be the ones with the least commitment to reform compared to novices who tend to be more loyal (Alexiadou 2015).

Regarding alternative explanations and control variables, we find that technocrats are more likely to be appointed when the prime minister's party controls the portfolio of finance than when it has shared control of the economy with other coalition partners. This finding indicates that technocrats are not appointed to reach a compromise between coalition partners (Amorim & Strom 2006). In addition, the type of the government, whether it is

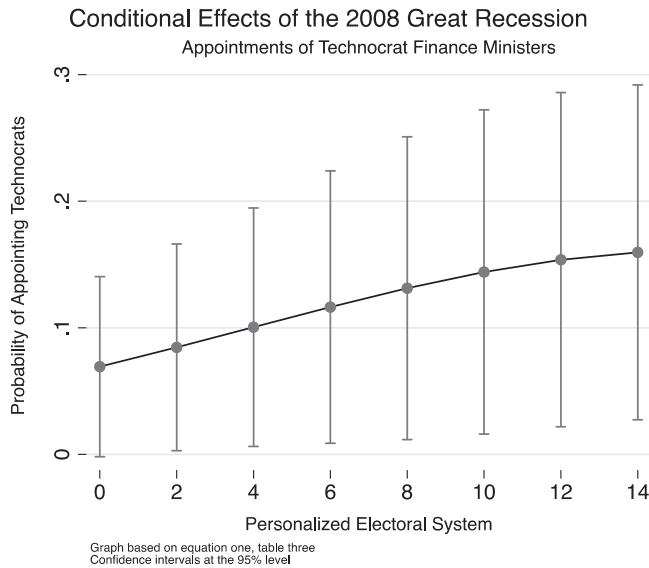


Figure 1. Probability of appointing technocrat finance ministers during the Great Recession across electoral systems.

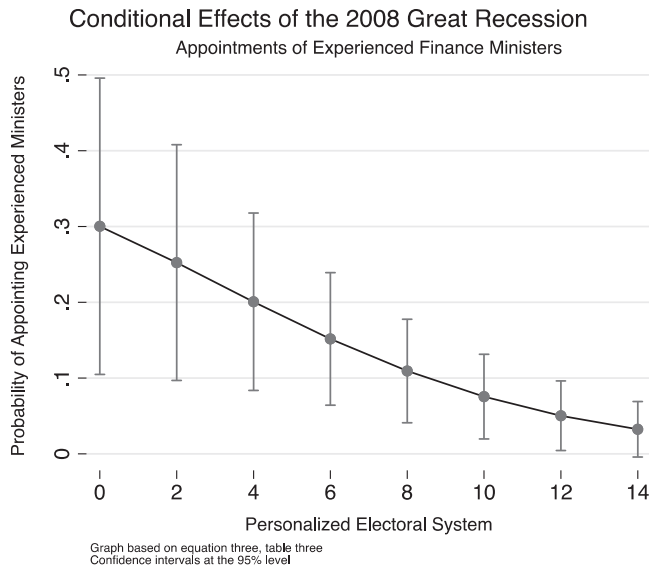


Figure 2. Probability of appointing experienced finance ministers during the Great Recession across electoral systems.

multiparty or not, fails to predict the appointments of technocrats, but positively predicts the appointments of high-ranking ministers. Finally, neither the party family nor the left-right position of the prime minister's party reaches statistical significance. These results hold when controlling for semi-presidentialism, which positively predicts the appointments of technocrats.

Taken together, the empirical findings of Tables 2 and 3 have important implications for the effects of economic crises on executive politics in Europe and the role of technocrats in policy-making processes. While economic crises have substantial effects on ministerial appointments and governance, they do not necessarily pose a threat to party government. During economic crises, prime ministers turn to both high-ranking politicians, as well as to technocrats to manage the crisis. This result holds for both the monetary crises during the 1980s and 1990s as well as for the 2008 financial crisis. Therefore, the surge in the appointments of technocrats since 2008 is not unique. Technocrats are not the only experts called to handle major financial crises. Experienced politicians with expertise are also more likely to be appointed during major economic dislocations. Furthermore, technocrats are not appointed to resolve policy disputes between coalition partners. Instead, they are typically appointed by prime ministers who are in charge of economic policy. This finding is in line with research on technocratic appointments across government portfolios (Back & Persson 2018).

Crucially, who prime ministers appoint during major economic crises depends on the personal political costs that individual politicians are likely to suffer, which is a direct consequence of the electoral system. In closed list systems, prime ministers are more likely to appoint experienced politicians during economic crises, as one would expect. This is exactly what happened in Spain, which has a closed list proportional representation system, in 2011.¹⁸ The newly elected centre-right prime minister, Mariano Rajoy, appointed Cristóbal Montoro – an economist, former finance minister and party spokesperson on economic issues – as his treasury minister. Montoro's choice was praised by the press as someone who had been loyal to the party, had knowledge of the portfolio and had proved his anti-deficit credentials (Moral 2011). However, in more person-centred electoral systems, prime ministers rely more on technocrats than on their experienced ministers to handle economic reform. In Greece, which has a competitive, open list electoral system, after the 2012 elections the newly elected prime minister and leader of the Greek conservative party, Antonis Samaras, chose Ioannis Stournaras – an economics professor and nonpartisan minister – as his finance minister. Stournaras was appointed with one clear mission: to adopt reforms that no party man is willing to adopt, and according to the *Wall Street Journal* he was the 'best choice to take a job no one wanted' (Stamouli 2012).¹⁹

Indeed, according to the *Financial Times*, Evangelos Venizelos, the party heavyweight of the Greek social democratic party PASOK, was ranked the worst finance minister in Europe in 2011. Despite his leverage within the party, Venizelos was too weak to implement the necessary reforms required by the lenders despite Greece's dire financial situation (Atkins & Whiffin 2011). In sharp contrast, Stournaras, the non-elected professor in economics who succeeded Venizelos (Stamouli 2012), was ranked as one of the best finance ministers in 2012.²⁰

Discussion

The 2008 Great Recession deeply transformed the political systems of European countries, with populist parties of the left and the right gaining electoral support against more moderate, mainstream parties. At the same time, the number of technocrats appointed to the highest ministerial finance portfolio more than doubled. Some scholars caution that technocratic solutions cannot counteract populism as technocratic governance and the

de-politicisation of economic policy could be partly responsible for the rise in populism (Berman 2017). Others raise concerns regarding the systemic effects of the Great Recession on European party systems, drawing parallels with Latin America where debt crises weakened party governments and strengthened technocratic rule (Roberts 2017). Indeed, populism and technocracy have more in common than it might appear at first. They are both anti-pluralist and both challenge the partisan-representational model of decision making (Caramani 2017).

We contribute to this important literature by developing a theory of ministerial appointments and by utilising unique data on the professional and political background of finance ministers across 13 European democracies since 1980. We investigate the motivations that lie behind the appointments of technocrat finance ministers in Europe during two major economic crises: the inflationary crisis of the 1980s and the 2008 Great Recession.

In line with existing research we find that technocrats are more likely to be appointed during monetary and fiscal crises (Amorim & Samuels 2010; Hallerberg & Wehner 2017; Kaplan 2017; Yong & Hazell 2011). However, in contrast to these works, we explicitly distinguish technocrats from experts and show empirically that expertise is not the driving motivation for appointing technocrats in Western Europe.

Building on Alesina and Tabellini (2007) we unpack expertise from effort to fully understand the role of outside experts in government, and more broadly the politics of ministerial appointments. Until now the literature has mostly treated experts and technocrats as interchangeable. We argue and empirically illustrate that technocratic appointments differ substantially from the appointments of experts (Hallerberg & Wehner 2017; Kaplan 2017), as well as from the appointments of nonpartisans (Amorim & Samuels 2010; Amorim & Strom 2006; Martinez-Gallardo & Schleiter 2015). Our findings suggest that the fear of no policy reform is the main reason behind technocratic appointments during economic crises (Amorim & Samuels 2010; Amorim & Strom 2006; Martinez-Gallardo & Schleiter 2015).

We are able to explore whether commitment or expertise drive the appointments of technocrats by conditioning them to the electoral system. The more personalised the electoral system is, the more acute the commitment problem becomes, as ministers fear the punishment of voters for their austerity policies. Indeed, the results are telling. In closed list systems, prime ministers are significantly more likely to appoint heavyweights – with or without expertise – than technocrats. In direct contrast, the likelihood of appointing heavyweights drops dramatically, while the likelihood of appointing technocrats increases in highly personalised electoral systems.

Moreover, our findings show that the Great Recession has had important effects on the formation of cabinets in the European parliamentary democracies that do not immediately support the hypothesis of the weakening of party government. Even though the number of technocrats in the finance portfolio increased dramatically, so too did the number of party heavyweights. The likelihood of appointing a technocrat finance minister is almost as high as that of appointing a party heavyweight during the Great Recession. This is important evidence that party politics is still central in parliamentary governments.

To sum up, economic crises affect cabinet formation, interfering with the chain of delegation in parliamentary systems (Strom 2000). Yet, prime ministers are as likely to

appoint party heavyweights as they are to appoint technocrats during major economic crises. This indicates that crises are still mostly resolved through means of political competition than through technocracy. This finding provides an important insight to the recent debates regarding the role of technocrats in the indebted and economically weak countries of the European Monetary Union. While these countries might be facing similar dilemmas to many Latin American countries in the 1980s and 1990s (Roberts 2017), our findings indicate that technocrats have not as yet dominated the policy-making process.

Finally, our analysis shows that technocratic appointments are not unique to the 2008 Great Recession. Technocrats were appointed to the department of finance during the currency and inflation crises of the 1980s and 1990s. In this respect, the 2008 Great Recession has not been unique in its effects on economic governance (Kahler & Lake 2013).

To be clear, we are not arguing that economic crises do not potentially weaken democratic representation. The inflationary crises of the 1980s were associated with the rise in appointments of technocrat finance ministers but also led to the political independence of central banks. It is certainly possible that European democracies have become more technocratic over the past 30 years and that the Great Recession will further bolster depoliticisation. The European Stability Compact and the adoption of strict fiscal rules in many European countries (Doray-Demers & Foucault 2017) points towards that way.

While our study provides novel insights on the effects of financial crises on democratic governance, it is not a comprehensive study on broader political effects of financial crises. As Roberts (2017) convincingly argues, financial crises can have deep and long-term effects on the political system, depending on whether social-democratic or centre-right parties implemented austerity measures. Moreover, economic crises can strengthen voters' support of technocratic governance (Bertsou & Pastorella 2017).

Important questions arise from our work. Is partisanship an important factor behind the appointments of technocrats? In our current analysis, partisanship makes no difference for predicting the appointments of technocrats. However, an implication of our findings is that social democrat prime ministers should be more pressed to appoint technocrats in more competitive and personalised electoral systems than in closed list systems.

The most pressing question, however, is to what extent technocrats are ultimately successful in implementing pro-market reforms. Are technocrats more effective policy makers than their elected expert colleagues? Do parties benefit from these appointments or do voters see them as weak? Do markets trust technocrat finance ministers and are technocrats able to shorten the economic impact of the economic crises? Scholars have started to investigate the role of individuals in policy making (Alexiadou 2016; Baturu 2016; Pinto et al. 2017), but there is still a lot to be done.

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Online Appendix

Additional supporting information may be found in the Online Appendix section at the end of the article:

Table 1A: Portfolio of Finance

Table 2A: Distribution of experts, experts with experience, high ranking and technocrat finance ministers

Table 3A: Summary statistics by country

Table 4A: Technocrat finance ministers & their background

Table 5A: Replicating Table 3 Including Country Fixed Effects

Figure1A: Professional background of technocrats

Notes

1. Based on data from 13 West European parliamentary democracies that have no constitutional restrictions regarding cabinet appointments. See Table 1A in the Online Appendix.
2. For example, Macron, the former technocrat economics minister, ran and won the presidential elections as an independent technocrat candidate (Chassany & Hal 2017).
3. This definition is in line with the one provided by McDonnell and Valbruzzi (2014).
4. This coding allows us to identify individuals who have some economic expertise, even if they are not formally trained as economists. We would prefer to code expert finance ministers as those with a PhD in economics (Hallerberg & Wehner 2017; Kaplan 2017). However, such a definition is too restrictive for our sample as it would exclude economists that lack formal training, like the former EU commissioner and architect of the European single market, Jacques Delors.
5. Ideally, we would define technocrats as experts who have no political affiliation and never intended to have a political career. However, this is impossible to measure for two reasons. First, even though some cabinet ministers have had a reputation for being nonpartisans, some non-elected professionals could have party affiliations. Second, and more importantly, even if non-elected policy experts return to their professional career after their brief term in government, we cannot know if they developed an interest in politics.
6. This is not to say that elected politicians do not adopt policies that have high electoral costs. Politicians can have strong individual preferences and private career aspirations that make them at least as committed, or more committed than technocrats to a policy reform, independently of future electoral costs. For Alexiadou (2015, 2016) these are the *ideologues*, who prioritise policy over office. What we say is that in the absence of private information, technocrats are known *a priori* to commit to policy reform.
7. This probably explains why technocrat finance ministers keep their jobs even after cabinet-wide reshuffles during financial crises (Hope 2013) and even after government resignations, such as that of Matteo Renzi's in Italy (Kahn 2016).
8. This was indeed the fate of Evangelos Venizelos, the deputy leader of PASOK who replaced Papaconstantinou to discipline the parliamentary group.
9. However, when district magnitude is so large that the threshold for winning a seat is high, then the incentive for personal vote-seeking behaviour diminishes (André & Depauw 2014).
10. France and Portugal are semi-presidential democracies.
11. For summary statistics, see Tables 2A and 3A in the Online Appendix.
12. Experts are all the cabinet ministers with prior professional experience in economics, finance, academia and the bureaucracy, independently of their political background.

13. Four years is the most common length of term of government in most parliamentary systems.
14. Table 2A in the Online Appendix provides the breakdown of finance ministers by country and Figure 1A and Table 4A in the Online Appendix provide information on the professional background of technocrat finance ministers.
15. Where years before 2008 are zeros and after 2008 are ones.
16. Coded as '1' when inflation or currency crises took place and '0' otherwise. Currency and inflation crises are taken from the Reinhart and Rogoff (2009) crises dataset.
17. Following André and Depauw (2014) we code Netherlands and Norway as closed list systems, even though they are semi-open lists, as the impact of preferential votes in these countries is negligible.
18. Even accounting for its semi-presidential system, Portugal is unique in West Europe in that historically more than half of all the finance ministers appointed are technocrats (Pinto & Almeida 2016; Pinto et al. 2017).
19. Italy, another crisis-hit and person-centred electoral system, went as far as to form a technocratic government. By 2011 and having lost credibility for failing to pass legislation that would cut the public deficit, Italian opposition MPs conceded in private that they 'would rather let Mario Monti head a government of technocrats that would have to impose such unpopular decisions before elections scheduled for early 2013' (Dinmore 2011).
20. 'The best performing ministers in 2012 were Greece's Yannis Stournaras, Portugal's Vitor Gaspar, Ireland's Michael Noonan and Italy's Vittorio Grilli. They pushed for far-reaching and comprehensive reforms of a kind that have never seen before. They tightened fiscal policy despite widespread demonstrations. They stood up to populist voices and were ready to fight entrenched vested interests. Mr Stournaras deserves the highest grade: unlike his predecessors he managed – at last – to convince his government to implement a substantial fiscal tightening and long overdue structural reforms' (Delpha 2012).

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