

## **Entrenched parties and control of public procurement in Sweden**

Rasmus Broms\*, Carl Dahlström\* and Mihaly Fazekas\*\*

\*The Quality of Government Institute, Department of Political Science, University of Gothenburg

\*\* University of Cambridge

EARLY DRAFT – PLEASE DO NOT CITE OR CIRCULATE!

Version: 2017-01-19

Prepared for delivery at the Quality of Government Institute conference in Budapest, Hungary,  
January 24-26 2017

**Abstract:**

Do entrenched parties take advantage of their position at the expense of public good? This paper asks if low political competition is associated with manipulation of public procurement processes. Using unique Swedish sub-national data from 2009 to 2015, it demonstrates that when one party dominates local politics, procurement processes show increased corruption risks. Most striking is that the risk for getting only one bid on what is intended to be an open tender considerably increases with one-party-rule. Findings suggest that entrenched parties are able to exert favoritistic control over public procurement due to less well-functioning internal and external control mechanisms: the local bureaucracy is less educated, the municipal audits are more prone to be influenced by the ruling majority, and local politicians are less susceptible to media pressure. These results are particularly interesting from a comparative perspective since Sweden, being an old democracy with a meritocratic bureaucracy, low levels of corruption and clientelism, and with a highly institutionalized and programmatic parties, is an unlikely case in which to find these tendencies.

## **Introduction**

The nature of democratic politics is such that politicians are biased to deliver goods and services to their constituencies. There are indeed reasons to debate the extent to which, how effective, and how hard politicians are trying to deliver such goods and services, but if voters perceive them as too inefficient, chances for re-election diminish. Institutional settings, such as electoral rules, party-system and other polity characteristics make this tendency more or less pronounced, but it is likely to be found wherever democratic politics thrive. In young democracies with weak parties, distribution of public goods often takes the form of clientelism, but also in old democracies with stronger party-systems politicians sometimes use clientilistic linkage strategies, or enter into pork-barrel politics (Berry and Fowler 2015; Kitschelt and Singer 2016; Stokes et al 2013, 14).

Although potentially positively contributing to the immediate good of their constituency, such non-programmatic actions often conflict with norms of transparency, impartiality and effectiveness. Moreover, when elites, even elected politicians, monopolize power there is always a risk that they take advantage of their position and enrich themselves and their clique on the expense of the public good (Acemoglu and Robinson 2012; North, Wallis and Weingast 2009; Rothstein 2011).

Both these tendencies should be stronger when competition over political power is low. As a matter of fact, much of the political economy literature starts from the assumption that although politicians are assumed to be selfish, political competition is the vehicle which creates policies that benefit large parts of the electorate, rather than just the elite and their immediate followers (Persson and Tabellini 1999). Consequently, with low political competition politicians should to a greater extent take advantage of their positions.

With these perspectives in mind, the political system is put to a test in public procurement processes. These are situations when politicians potentially can use their positions to benefit their constituency, connected companies, or themselves. It is for example probable that a local firm stands against outside companies in such cases. Even if an outside competitor's bid is better, it would make perfect sense for both the local politician, and for her constituency, to accept some cost for favoring the local bidder if that company contributes to the constituency in some other way, for example by offering local job opportunities. Moreover, politicians might be tempted to accept some kind of side payment for themselves, or their connected group in order to award a contract to a favored bidder, instead of the best bidder. Coviello and Gagliarducci (2016) indeed demonstrate that Italian local politics show clear signs of such behavior, like Klasnja (2016) finds evidence for it in Romania and Fazekas (2015) in the UK.

As these temptations are ubiquitous, most governance systems have legal and bureaucratic checks against them. In Europe, national and EU regulations of the common market aim to create a fair and open marketplace for government contracts. The EU Public Procurement Directives are supposed to level the playing field for all bidders, connected or not, in the interest of the polity as a whole. The civil service and bureaucratic audit systems are supposed to secure compliance with rules of open and fair access to public resources. Where such system works, public power is consequently not used to fulfill partisan goals (Charron et al 2017). No system is bulletproof, however, in polities with long-term incumbents, the weight of the bureaucratic balance may erode. With low political competition, for example, loyalty between otherwise neutral civil servants and representatives of the party in power may develop and pervert the control system. Moreover, politicians can strengthen their positions when in power for longer time, and build political-business networks that might in themselves generate pressure for collusion between politics and business. In line with recent research in this field (Coviello and Gagliarducci 2016), this paper indeed argues that low political competition creates “entrenched parties” (Folke, Hirano, Snyder 2011, 578) able to control public procurement spending, and with the power to favor certain bidders.

Therefore, this paper asks whether low political competition, in extreme cases one-party-rule, makes it more likely for incumbents to manipulate public procurement processes for corrupt ends, and it also investigates the specific control mechanisms weakening of which enables corruption to rise.

We study this question on the local level in Sweden. It is likely the right level for investigation, since pork-barrel politics has a local flavor in many democracies. In the US, for example, partisan control over federal funds systematically affects what districts receive funds. Home constituencies of influential members of Congress are favored (e.g. Berry and Fowler 2015; Cox and McCubbins 1993; Fenno 1966; Kiewiet and McCubbins 1991; Levitt and Snyder 1995), and constituencies politically important to the President get more federal outlays (Berry, Burden and Howell 2010; Kriner and Reeves 2015). Even in one of the world’s least clientelistic democracies, Sweden, there are indications of common recourses sometimes used tactically for partisan purposes (Dahlberg and Johansson 2002; Johansson 2003). Therefore, it is reasonable to expect that the spending will be traceable foremost on the local level. These examples are however mostly about how national politicians, or parties, opt for direct linkage strategies with their constituencies. From our perspective, these studies have the important drawback of low variance in political competition. We therefore turn to municipal politics, where political competition varies much more. It is also on this level that decisions about much public procurement are made. Other studies have shown that the length of tenure in office for mayors in Italy is associated with adverse procurement outcomes (Coviello and Gagliarducci 2016), that family ties to local politicians increase firm profitability especially in industries relying on public demand in

Denmark, an arguably ultra-low-corruption country (Amore-Bennedsen, 2013); and that low political competition is associated with higher legal political rents among local governments even in a non-corrupt setting such as Sweden (Svaleryd and Vlachos 2009).

We investigate to what extent low political competition is associated with manipulation of public procurement processes. We have a unique dataset at our disposal, including information about local political competition, public contracts and a large set of other relevant variables in the 290 Swedish municipalities between 2009 and 2015. Sweden is a suitable case for the purposes of this study, probably very close to a least-likely case, considering its strong history of programmatic parties, meritocratic bureaucracy, and low levels of corruption and clientilism. It is therefore a welcome contrast to recent studies on Italy (Coviello and Gagliarducci 2016), as Italy is a case that already previously has shown signs of pork-barrel politics and corruption (Chang and Golden 2007; Golden and Picci 2005); and Romania which is arguably one of the most corrupt countries in the EU (Klasnja 2016). Moreover, the paper also contributes to the discussion about Swedish politics, where research today seems to disagree about whether low political competition, and entrenched parties really increase risks for rent seeking. Although it should be noted that they discuss distinct types of rents, Bergh et al (2013, chapter 5) finds no or very weak evidence of illegal corruption being associated with low political competition and entrenched parties, while Svaleryd and Vlachos (2009) concludes that legal rent seeking is more common in municipalities with low political competition and Hyytinen et al (2008) suggest that the political leaning of the local administration influences whether local firms are favored or not. In this light, it is interesting to see that the paper demonstrates that when one party dominates local politics in Sweden, procurement processes show increased corruption risks. Most striking is that the risk for getting only one bid on what should be an open tender increases with one-party-rule, and that this result holds up also when we use other operationalizations of low political competition, and include a wide set of controls. Findings suggest that entrenched parties are able to exert favoritistic control over public procurement due to a less educated local bureaucracy which might be seen as a sign of being easier to manipulate (Iyer and Mani 2012), a municipal audit committee with a chair from the entrenched party, which in turn could be interpreted as a way to disarm another control function, and with politicians less exposed to media pressure.

The next section describes our theoretical expectations, more in detail. We then turn to a discussion about our research strategy, describing case selection and data in particular. After this discussion we report the results from the empirical study, while the final section concludes.

## **Theory**

According to the Swedish Competition Authority (*Konkurrensverket*), public works, goods and services of about 625 billion Swedish *kronor* were bought by public entities such as municipalities, agencies, publicly owned companies in 2012. This is equal to nearly a fifth of the Swedish GDP in the same year (*Konkurrensverket* 2015, 14). It puts Sweden in the upper quartile in comparison with other OECD countries, where the Netherlands is in the very top, and the average is about 13 percent (OECD 2011, 149). Public procurement is thus a large and important part of public spending in Sweden, as in the rest of the OECD.

Yet the importance of public procurement does not make it less sensitive to manipulation. The rationale behind procurement from outside actors, instead of in-house production is a rather straightforward market mechanism. Generally, the expectation is that competition for public contracts pressure prices downward, and quality upward (Christoffersen, Paldam, and Wurtz. 2007; Donahue and Zeckhauser 2011). This expectation hinges, however, on the idea of open competition, but as OECD (2011, 147) notes public procurement is "...vulnerable to waste, fraud and corruption due to its complexity, the size of the financial flows it generates and the close interaction between the public and the private sectors."

Politicians, bureaucrats, as well as contractors sometimes have incentives to collude. For sure, corrupt politicians and bureaucrats might be driven by personal monetary incentives, but as indicated already in the introduction, politicians might also have less selfish motives. They might favor, for example, a local company over an outside competitor because they consider local production to be better for their constituency. Moreover, there are also other, less strategic, motives for both politicians and bureaucrats, such as habit and loyalty, that both introduce bias against new contractors. Finally, as it is often large and important contracts, contractors are under such circumstances incentivized to use all available means to get the contracts, even if it includes shady or illegal activities.

These hazards are well known by policy makers. Public procurement processes are therefore regulated in all OECD member states, as well as by the European Union (OECD 2011), in order to promote transparency in these processes. In Sweden, for example, three laws regulate public procurement processes: *lagen om offentlig upphandling* (2007:1091), *lagen om upphandling inom områdena vatten, energi, transporter och posttjänster* (2007:1092), and *lagen om upphandling på försvars- och säkerhetsområdet* (2011:1029).

Regulations are checked through some combination of "fire alarms" and "police patrols" (McCubbins and Schwartz 1984). In this context, so-called fire alarms are introduced when processes are organized so that individuals or groups outside the colluding ring can follow a process and press the "fire alarm" if they see something suspicious. We can typically think about bureaucratic processes in this way.

They introduce a relatively efficient way for politicians to handle information asymmetries (McCubbins, Noll, and Weingast 1989), but can also be thought of as a way to introduce an embedded control mechanism on politicians (Dahlström and Lapuente 2017; Miller and Whitford 2016). Charron et al (2017) describes how procurement in Spanish municipalities are sometimes manipulated by politicians to extract rents and how that hinges on politicians ability to control bureaucrats using their powers over appointments and salaries for example.

We can think of municipal-, or national auditors as so-called police patrols. The metaphor “police patrol” is relevant because audits require a much more active role; auditors have to get an overview of the area, and then strike down on specific targets. The delegation literature seems to agree with McCubbins and Schwartz (1984) that fire alarms are generally more efficient than police patrols, as police patrols require more information and are more labor intensive. The scholarly corruption literature is also generally rather pessimistic about effects of police patrol authorities such as audit and anti-corruption agencies, but using within country variation in Brazil, Melo, Periera and Figueiredo (2009) shows that political competition actually correlates with the effectiveness of audit institutions, that is, more effective “police patrol” agencies. Moreover, they demonstrate the importance of the institutional setting — a less volatile party system and more programmatic linkage strategies make the audit institutions more effective too. In conclusion, audits and other similar functions are not expected to exert a strong curb on corruption in public procurement in general, still in highly institutionalized parts of the world, such as Sweden, they may turn out to be effective controls.

Another external control system, often viewed as more efficient in combating corruption, is the media (Treisman 2007). Investigative journalism might very well expose shady procurement deals and large media coverage guarantees that voters will be informed of potential political misbehavior (Svaleryd and Vlachos 2009). This however hinges on politicians being susceptible to media critique, which is not given in a context of low political competition (Besley and Prat 2006).

If bureaucrats are to use the more efficient “fire alarm” mechanism they both need to be outside the colluding group and they have to have incentives to use the alarm. Police patrols mechanism, both internal (audits) and external (media), could also be linked to political competition and length of office. In situations with low political competition neither of these prerequisites are necessarily fulfilled. Low political competition creates entrenched parties that are in power over long periods of time. During such time periods several control functions could be put out of play. We see at least three reasons why entrenched parties can take advantage of their positions:

First, elected politicians are hierarchically superior to the most highly ranked bureaucrats even in civil service systems. This will under all circumstances put a stress on the neutrality of bureaucrats, but

where careers of politicians and bureaucrats are separated bureaucrats are likely to be able to handle potential pressure to bend rules (Dahlström and Lapuente 2017; Miller and Whitford 2016).

Bureaucrats also have the advantage of being in office for the long-run. However, with low political competition the longevity advantage disappears and bureaucrats become more dependent on politicians of a particular color. It is not unlikely that more partisan loyalty follows, as entrenched parties could also bias applicant selection so that mostly those who sympathize with the party in power get appointed (for a classic, and partly similar way of reasoning about salary levels in the bureaucracy and corruption see Becker and Stigler, 1974).

Second, under normal circumstances bureaucrats are the experts while politicians – using Weber’s ([1921] 1978, 991) famous words – are “dilettante facing the expert”. But with long-term office holding incumbent politicians become experts too. They develop their own knowledge, which makes them less dependent on bureaucrats, or they create an organization with the technical expertise within the party, again making them independent from bureaucratic expertise. The power balance thus shifts to the benefit of politicians. Moreover, the competence of bureaucrats could also have an indirect effect. In a study of bureaucratic turnover in India, Iyer and Mani (2012) describe how politicians can use frequent reassignments to control bureaucrats even in civil service systems that should insulate bureaucrats from political pressure. Highly competent bureaucrats are however less susceptible to such pressures, which indicates that with competence comes the ability to resist pressure from entrenched parties.

Third, entrenchment also implies stronger networks, including tighter bonds with contractors (Coviello and Gagliarducci 2016). This will probably increase pressure on politicians to circumvent open competition, as well as their ability to do so. In such cases, well-connected contractors probably find themselves in positions to call in favors from time to time. And at the same time, politicians that were happy with what these contractors have delivered before are probably tempted to overlook some irregularities in order to give the contract to someone they know and think they can trust.

Moreover, there might also be direct effects of low political competition on collusion. Much literature on political corruption relies on some type of accountability mechanism. Persson and Tabeini’s (1999) seminal paper expresses an assumption underlying much of subsequent work in the field: “political competition between selfish politicians leads to the implementation of efficient policies”. So, with low political competition there is much less to hold politicians, bureaucrats and owners of firms back from the rather natural instinct of collusion. In a recent paper, Coviello and Gagliarducci (2016) demonstrates that politicians’ length of tenure in office affects outcomes of public procurement processes in Italy. They suggest that with longer time in office comes more risk of corruption, and

show that increasing mayoral tenure leads to more local winners, more expensive, and lower quality procurement processes.

Taken together, we expect a negative correlation between political competition and the quality of public procurement processes. We also expect that the balance of power between politicians and bureaucrats to shift to the benefit of politicians, a tighter political control over audits, politicians to be less susceptible to media critique and, finally, tighter networks between politics and business.

### **Empirical strategy**

In the remainder of the paper, we will statistically estimate the relationship between political entrenchment and public procurement corruption risks in Swedish municipalities. Such an empirical strategy of studying local-level politics within a single polity is methodologically beneficial for two main reasons. First, restricting the scope to a single country drastically diminishes the risk of omitted variable bias; since Sweden is a country of moderate size, and a unitary state, this risk is likely to decrease even further. Second, the sub-national level of analysis is furthermore an effective antidote to ecological fallacies, derived from what Snyder (2001) calls “whole nation bias,” wherein considerable sub-national variation is made invisible on behalf of national-level averages.

#### *The case of Sweden*

As mentioned above, studying political and institutional malpractice and dysfunctionality in a Swedish context is particularly interesting, considering its noted relative absence of corruption, clientelism and institutional failure. Although this clearly stops short of generating universally applicable results across all institutional and cultural contexts, the expectation is that any positive results indicating problems with institutional quality here would likely be smaller than in contexts where politicians are generally more free to engage in illicit, clientelistic, or corrupt activities.

#### *Swedish public procurement data*

In Sweden, the only publicly available source of public procurement data is the EU-wide Tenders Electronic Daily,<sup>1</sup> which only reports large-value contracts regulated by the EU’s Public Procurement Directives. Given the paper’s main interest in municipal public procurement, we also collected data on

---

<sup>1</sup> <http://ted.europa.eu/>

smaller contracts whose value falls below the EU reporting thresholds, but are above the national thresholds<sup>2</sup>. As there is no public database of these smaller contracts, we obtained the data directly from a private data provider (Visma Opic)<sup>3</sup> which in effect implements the relevant transparency provisions of the Swedish Public Procurement Act. According to law, tenders below the EU threshold are either published by Visma Opic directly or another local tendering portal from which Visma Opic collects the information and enters it into a consolidated database. As there is no publication requirement for direct awards below the national threshold, the database only contains such low value tenders if they were voluntarily published. Due to the fragmented and unregulated public procurement publication process, data formats and contents are very diverse and consolidation into a unique database is problematic, hence Visma Opic manually collects and enters data where necessary and also searches for missing information where possible. Nevertheless, data quality is an issue forcing our analysis to only use those variables which are reliable enough (Fazekas & Tóth, 2016). In total, there are 135,007 unique tenders in the database between 2009 and 2015, roughly 70% belonging to the national regime, and 30% to the EU regime.

#### *Validity of single bidding as a corruption risk indicator*

Our measure of public procurement corruption risk aims to directly measure a deliberate restriction of open competition for government contracts in order to benefit a well-connected company. We operationalize our dependent variable as only one bid being submitted in a tender on an otherwise competitive market. Hence, the percentage of single-bidder contracts awarded in all the awarded contracts by a municipality in a year is the measure we use in the municipality database.<sup>4</sup> While single bidding on competitive markets may result from a range of non-corrupt situations, a wide ranging evidence points out its validity as a corruption risk indicator (Charron et al, 2017). In the particular Swedish context, we show that non-Swedish firms winning public procurement contracts are close to 10% points more likely to be single bidders if they are registered in a tax haven such as Panama than registered in non-tax haven countries such as Germany (figure 1). This suggests that proceeds of corruption which may have been earned through single bidder contracts are then often channeled through secrecy jurisdictions in order to hide money flows (Shaxson & Christensen, 2014).

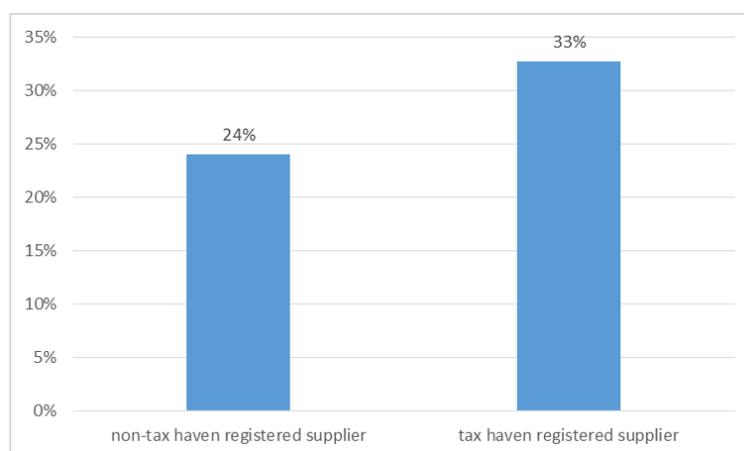
---

<sup>2</sup> This contract value range for example in 2015 was approximately between 54,000 and 134,000 EUR.

<sup>3</sup> The authors would like to express their gratitude to Visma Opic for releasing the data for scientific research.

<sup>4</sup> Cancelled and incomplete tenders are excluded.

Figure 1. Comparing the incidence of single bidding (%) among foreign suppliers according to the country of incorporation, Sweden, 2009-2015



*Note: differences are significant at the 6% level, significance levels obtained using monte carlo random permutation simulations in stata 14.0, N=501*

In sum, we employ a simple measure of the extent to which procurement tenders receive a single bid in a municipality: *single bidding ratio*. If a municipality, during a given year, has had multiple bidders for all of its tenders, it will score a 0. If no tenders received more than one bid, it will receive a score of 100.

#### *Independent variables*

Our primary measure of political entrenchment is *one-party rule*, whether the same party has held the highest political post (in Swedish “kommunstyrelsens ordförande,” henceforth ‘mayor’) during the entire era of modern Swedish municipalities, which began with a wave of mergers in the early 1970s. Although most municipalities have experienced at least one turnover in power; in as late as 2015, over one-fifth of Swedish municipalities still had not.

It should be noted that, due to Sweden’s proportional electoral system, staying in power for an extended period of time requires a large measure of political skill, both relating toward the electorate and other parties in the municipality. For example, if voters of a ruling right-wing party, such as Moderaterna, are not satisfied with the party’s rule or policies, there are three ideologically close alternatives representing a similar ideology (Centerpartiet, Folkpartiet, or Kristdemokraterna).

Although coalition rule is a very common occurrence, and Swedish mayors are indirectly elected by the local assembly, the perceived power of mayors has increased considerably over recent decades (Karlsson XXXX). Although Sweden is perhaps not associated with the type of authoritarian “strong-man rule” commonplace in many developing countries, the term is frequently used about Swedish mayors (to the extent that one of the country’s public service channels in 2010 aired a comedy series about a small-town mayor entitled *Starke man*, i.e. “strong man”).

To test robustness, we also employ alternative operationalizations of political entrenchment such as the indicator *new ruler*, indicating whether the municipality has a new ruling party<sup>5</sup> and *voteshare, ruling party*. Although one-party rule is likely the best representation of an entrenched political landscape, these additional measures provide a complementary picture of the strength of mayoral parties, both from a temporal and electoral perspective. Even if strongly incentivized to embark on a process of entrenchment, new ruling parties are unlikely to achieve this in the short run. Furthermore, ruling parties with strong electoral support are likely to have larger resources and can act with larger impunity than smaller ones, not unlike parties in power for a long time.

#### *Control variables*

In addition to political entrenchment, the estimations below will also include the size of population, and (land) area of each municipality. More populous municipalities will likely have more competitive markets, and thus prone to receive a higher number of procurement offers, while larger municipalities involve larger transaction costs that may dissuade companies from placing an offer. Furthermore, we include median income, as wealthier municipalities tend to attract more companies. Finally we include the identity of the ruling party, in part due to the fact that the type of political leadership is likely to capture a number of otherwise immeasurable socioeconomic factors – as an example one will find stark differences between municipalities that only have been ruled by the main leftist party, Socialdemokraterna, which tend to be industrial small towns and the main right-wing party, Moderaterna, which are generally wealthy metropolitan suburbs. Furthermore, although we have no prior expectations regarding the matter, one cannot exclude the possibility that different parties operate in different ways regarding the political establishment’s views and approaches to public procurement.

#### *Estimation strategy*

---

<sup>5</sup> This is captured on a term-period basis, except when mayoral party changes ex-elections.

To predict single bidding, we employ time-series cross-section regression, using pooled OLS with panel corrected standard errors (see Beck and Katz 1995, 2009), alternately clustering the errors at the municipal level.<sup>6</sup> Although the within-municipality variation in one party rule is too small for any meaningful interpretations from fixed effects estimations,<sup>7</sup> the robustness checks with the alternate specifications of political entrenchment (new ruling party, ruling party voteshare, political competition) will include both pooled and fixed effects estimations.

As single bidding is only weakly autocorrelated,<sup>8</sup> we will mainly rely on static estimations, complemented by Prais Winsten (AR1) and lagged dependent variable (LDV) approaches<sup>9</sup>. Table 1 below displays the summary statistics of the main variables.

---

<sup>6</sup> Apart from the generally suitable strategy of varying estimation strategies when modeling TSCS-regressions, the municipal-clustering approach also allows for including all cases with data for single bidding, while the PCSE approach excludes cases with missing data for the year with the most observations (2011).<sup>1</sup>

<sup>7</sup> Only nine of Sweden's 290 municipalities lost their one party rule-status during the period in question.

<sup>8</sup> The correlation coefficient between single bidding and its one-year lag is 0.13; a Wooldrige (2002, see also Drukker 2003) test of serial correlation demonstrates that the hypothesis of serial correlation fails the 95 % level of significance ( $p=0.09$ ).

<sup>9</sup> The fact that the LDV approach excludes 14 % of the cases, and in the fixed effects estimations likely induces Nickel bias, should be noted here.

Table 1. Descriptive statistics

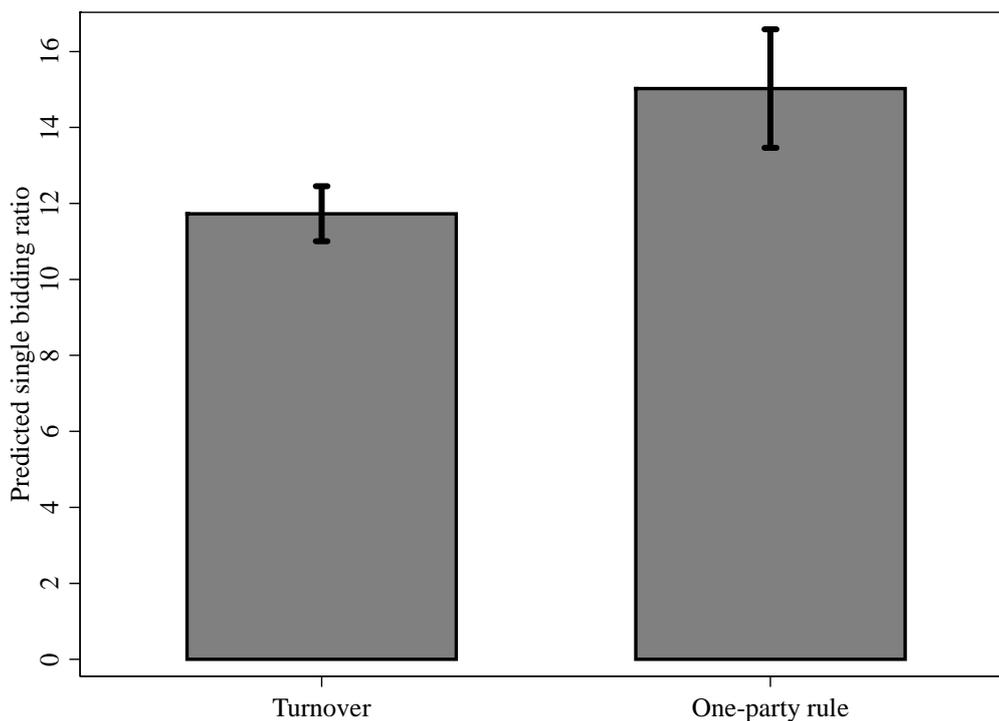
	N	Pooled (2009-2015)			
		mean	sd	min	max
Single bidder ratio	1,901	12.51	14.88	0	100
One-party rule	2,030	0.233			
New party mayor	2,030	0.287			
Voteshare, mayor's party	2,027	34.98	10.61	6.900	67.40
Political competition	2,030	0.834	0.131	0.237	1
Population (log)	2,030	9.829	0.951	7.792	13.74
Area (log)	2,030	6.487	1.243	2.164	9.872
Median income	2,030	237,966	24,872	185,383	350,934
<i>Mayor's party (% of cases)</i>					
Socialdemokraterna	2,030	49.3			
Moderaterna	2,030	29.8			
Centerpartiet	2,030	15.6			
Krisdemokraterna	2,030	1.7			
Folkpartiet	2,030	1.9			
Vänsterpartiet	2,030	0.8			
Miljöpartiet	2,030	0.0			
Other party	2,030	1.0			

## Results

To recapitulate, our overarching hypothesis, as predicted by previous research, is that one-party rule municipalities will have a lower level of competitiveness in their public procurement processes, operationalized through the variable *single bidding ratio*.

As figure 2 shows, one party rule-municipalities are indeed associated with a higher propensity for single bidding. Compared to their turnover peers, one party rule is associated with 3.3 points higher single bidding, an increase of roughly one third.

Figure 2. One party rule and single bidding ration



This relationship is only marginally weakened when introducing the battery of control variables, which work in the expected direction (sparsely populated, poor, and geographically large municipalities significantly predict higher single bidding). Column 6 in table 2, which displays the fully controlled static PCSE estimation, shows that one party rule is associated with a 2.99 ( $p < 0.000$ ) increase in single bidding once these factors are accounted for.

To account for the – albeit modest (see note 4) – serial correlation, columns 7 (bivariate) and 8 (fully controlled) display the results from Prais Winsten estimations, while columns 9 and 10 include a lag of single bidding ratio. The former estimations are essentially identical to the static estimations, while the LDV approach diminishes the coefficient for one party rule by about 40 % in the fully controlled LDV estimation.<sup>10</sup> Finally, the estimations with clustered standard errors in columns 11 through 14 largely reflect the results from the PCSE estimations. In sum, one-party rule remains significantly (lowest level of significance [column 14] is  $p = 0.038$ ) associated with more single bidding in Swedish municipalities.

---

<sup>10</sup> It should be noted that in supplementary estimations, not displayed here but available by request from the authors, reveal that this is mainly driven by the loss of observations caused by the inclusion of the LDV, rather than the autocorrelation in itself.

[TABLE 2 HERE]

### *Mechanisms*

Next, we turn to the specific mechanisms accounting for why and how political entrenchment may decrease competition in public procurement. In the theoretical discussion, we identified three potential mechanisms through which this relationship could operate. First, political entrenchment may suppress external “police patrol” functions within a polity. Second, entrenched politicians may also suppress the sound of “fire alarm” by ensuring that their own competency is not rivaled by local bureaucrats. Third, clientelistic networks may have had longer time to develop when one party has been in rule for an extended period of time.

Using cross-sectional averages for 2011-2014 – the one full term period with data available for single bidding – we first analyze the association between one-party rule and, in turn, the “police patrol” mechanisms of audit control – operationalized as whether the chair in the municipal audit comes from the ruling majority, as well as media accountability – using a survey question for politicians in the ruling majority of the extent to which election promises come to fruition through local media pressure. Next, for the fire alarm mechanism we estimate human capital in bureaucracy – measured as the share of municipal employees with post-secondary education. Finally, we estimate local clientelism as the share of local winners in municipal public procurement.

Second, we estimate the association between these mediating variables and single bidding. Each relationship is tested bivariately and with the full set of control variables (i.e. population, area, median income, and ruling party). For human capital in bureaucracy, share inhabitants with high education has been included as a further check that it is not the general level of education in the population that drives both political entrenchment and human capital in the bureaucracy. Similarly, the media accountability model includes as measure of newspaper coverage, to ensure that this does not drive both entrenchment and politicians’ sensitivity to journalists.<sup>11</sup>

The results, displayed in table 3 below, tell a mixed story. Although all the relationships are in the expected direction, not all are significant in both steps. Although one-party rule strongly predicts majority-chaired audits, this is in turn only insignificantly related to single bidding. On the other hand,

---

<sup>11</sup> As the cross-sectional estimations are relatively sensitive to outliers, which in turn are driven by a low number of tenders during the term period, only municipalities with more than 2 tenders with information on single bidding recorded during the term period are included. While this strategy manages to exclude most extreme cases, the municipality of Dals-Ed remains an outlier and is dropped. This latter approach does not significantly alter the results in table 3.

both media accountability and human capital are significantly lower in one-party rule municipalities and predict lower levels of single bidding themselves. Finally, the local winner factor is significantly related neither to one-party rule nor (after the control variables are included) single bidding.

[TABLE 3 HERE]

Thus, while it seems like the internal police patrol function is indeed weaker in one-party municipalities, its potency for ascertaining competitive procurement is itself only marginal, the more organizationally external media patrols appear to be an important check. Similarly, high skilled bureaucrats appear to be able to use their “alarm” function to a higher degree in turnover municipalities, with better procurement as a result. Finally, we find only very weak evidence of pure clientelism.

#### *Robustness*

Although table 2 contains several specifications testing the main results of the relationship between one party rule and single bidding already, further efforts were made to ascertain the veracity of the overarching findings. First, the same estimations as those presented above were carried out, excluding municipal-years with fewer than three tenders. The results reveal a marginally stronger association than in the original estimations.

Furthermore, table 4 displays the coefficients for the alternate indicators of political entrenchment – new ruling party and ruling party voteshare. Apart from the operationalization of entrenchment, the estimations are identical to the ones in table 2 above. As both of these variables contain meaningful within-municipality variation, table 5 furthermore displays the same estimations (save for area, which is time-invariant) with municipality-fixed effects.

The results largely confirm the extant conclusions regarding political entrenchment, with some important complications. Both in the pooled and FE estimations, the associations with single bidding are the expected ones (positive for voteshare, negative for new ruling party). In the pooled estimations, *ruling party voteshare* remains highly significant in all PCSE estimations, and significant at the 90 % level or better in the estimations with municipal-clustered SEs. The fixed effects estimations tell a largely similar story, with significantly positive results when employing PCSEs, except for columns 8,

10, and 12, estimations without control variables with clustering standard errors at the municipal level and/or including a lagged dependent variable.

Interestingly, but perhaps not surprisingly, the coefficients for *new ruling party* are consistently insignificant in the pooled estimations, but weakly (90 % or higher) significant across all FE specifications. This indicates that, although municipalities electing a new mayor are not (significantly) less prone to single bidding than others, municipalities under new leadership are at least significantly less prone to do so than they would otherwise be.

[TABLE 4 & 5 HERE]

## Conclusions

This paper suggests that tendencies to manipulate public procurement processes so that they serve the interest of the party, constituency, group, or individual politicians instead of the general public is stronger when political competition is low (Covello and Gagliarducci 2016; Klasnja (2016); Fazekas (2015); Svaleryd and Vlachos 2009; Persson and Tabelini 1999). Public procurement processes are interesting to study because they make up an important part of the public economy – on average about 13 percent of the GDP in the OECD member countries – and are potentially open to manipulation. This paper demonstrates that when political competition is low, and especially when one party dominates for a long time, public procurement processes shows signs of manipulation. The paper also argues that when one party controls the political scene, the political system’s control mechanisms—internal, as well as external—will erode. In line with this argument it shows that one-party-rule is empirically associated with a less educated bureaucracy, thus potentially more easily manipulated, a municipal audit system dominated by the same party and politicians that are less prone to be influenced by media pressure.

We have used a unique dataset, including information about local political competition, public contracts and a large set of other relevant variables in the 290 Swedish municipalities between 2009 and 2015, and argue that Sweden is a suitable case for the purposes of this study, probably very close to a typically least-likely case, considering its strong history of programmatic parties and low levels of corruption and clientelism. It stands in sharp contrast to recent papers on Italy (Coviello and Gagliarducci 2016), but it also contributes to the discussion about Swedish politics, where effects of one-party rule on rent seeking are debatable (Bergh et al 2013; Svaleryd and Vlachos 2009).

## References

- Acemoglu, D. and Robinson J. 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Random House Digital Inc.
- Amore, Mario Daniele and Morten Bennedsen. 2013. The value of local political connections in a low-corruption environment. *Journal of Financial Economics* 110(2): 387-402.
- Beck & Katz 1995*
- Beck & Katz 2009*
- Bergh, Andreas, Gissur Erlingsson, Mats Sjölin and Richard Öhrvall. 2013. *Allmän nytta eller egen vinning? En ESO-rapport om corruption på svenska*. Stockholm: Fritzes.
- Berry, Christopher, Barry Burden and William Howell. 2010. "The President and the Distribution of Federal Spending". *American Political Science Review* 104(4): 783-799.
- Berry, Christopher and Anthony Fowler. 2015. "Cardinals or Clerics? Congressional Committees and the Distribution of Pork". *American Journal of Political Science*.
- Besley, Timothy and Andrea Prat. 2006. "Handcuffs for the Grabbing Hand? Media Capture and Government Accountability". *The American Economic Review* 96(3): 720-736.
- Chang, Eric and Miriam Golden. 2007. "Electoral systems, district magnitude and corruption". *British Journal of Political Science* 37(1): 115-137.
- Charron, Nicholas, Carl Dahlström, Mihály Fazekas, and Victor Lapuente. 2017. "Careers, Connections, and Corruption Risks: Investigating the impact of bureaucratic meritocracy on public procurement processes". *Journal of Politics* 79(1): 89-103.
- Christoffersen, Henrik, Martin Paldam, and Allan Wurtz. 2007. "Public versus Private Production and Economies of Scale." *Public Choice* 130: 311-328.
- Coviello, Decio and Stefano Gagliarducci. 2016. "Tenure in Office and Public Procurement". Accepted for publication in *American Economic Journal: Economic Policy*.
- Cox, Gary and Mathew McCubbins. 1993. *Legislative Leviathan: Party Government in the House*. Berkeley, CA: University of California Press.
- Dahlberg, Matz and Eva Johansson. 2002. "On the Vote-Purchasing Behavior of Incumbent Governments". *American Political Science Review* 96(1): 27-40.

- Dahlström, Carl and Victor Lapuente. 2017. *Organizing Leviathan. Politicians, Bureaucrats, and the Making of Good Government*. Cambridge: Cambridge University Press.
- Donahue, John D. and Richard Zeckhauser. 2011. *Collaborative Governance: Private Roles for Public Goals in Turbulent Times*. Princeton, NJ: Princeton University Press.
- Fazekas, M. (2015). The Cost of One-Party Councils: Lack of Electoral Accountability and Public Procurement Corruption. London: Electoral Reform Society.
- Fazekas, M., & Tóth, B. (2016). *Assessing the potential for detecting collusion in Swedish public procurement*. Konkurensverket: Stockholm.
- Fenno, Richard. 1966. *The Power of the Purse. Appropriations Politics in Congress*. Boston: Little, Brown.
- Folke, Olle, Shigeo Hirano and James Snyder. 2011. "Patronage and Elections in US States", *American Political Science Review* 105 (3): 567-585.
- Golden, Miriam and Lucio Picci. 2005. "Electoral systems, district magnitude and corruption, illustrated with Italian data". *Economics and Politics* 17(1): 37-75.
- Hyytinen, A., Lundberg, S., & Toivanen, O. (2008). *Politics and Procurement: Evidence from Cleaning Contracts*. (Discussion papers No. 233). HECER Discussion paper No. 233.
- Iyer, lakshimi and Anandi Mani. 2012. "Traveling Agents: Political Change and Bureaucratic Turnover in India". *The Review of Economics and Statistics* 94(3): 723-739.
- Johansson, Eva, 2003. "Intergovernmental grants as a tactical instrument: empirical evidence from Swedish municipalities". *Journal of Public Economics* 87 (5–6), 883–915.<sup>[1]</sup><sub>[SEP]</sub>
- Keefer, Philip. 2007. "Clientelism, Credibility, and the Policy Choices of Young Democracies." *American Journal of Political Science* 51 (4): 804-821
- Kiewiet, Rodney and Mathew McCubbins. 1991. *The Logic of Delegation: Congressional Parties and the Appropriations Process*. Chicago: University of Chicago Press.
- Kitschelt, Herbert and Matthew Singer. 2016. "Diversified Partisan Linkage Strategies. Comparative Argument and Post-Communist Evidence". Prepared for Delivery at the 23rd Council of Europeanists Conference. Philadelphia, April 14-16, 2016.
- Kitschelt, Herbert and Steven Wilkinson (eds.). 2007. *Patrons, Clients, and Policies*. Cambridge: Cambridge University Press.

- Klasnja, M. (2016). Corruption and the Incumbency Disadvantage: Theory and Evidence. *Journal of Politics*, 77(4), 928–942.
- Kriner, Douglas and Andrew Reeves. 2015. “Presidential Particularism and Divide-the-Dollar Politics”. *American Political Science Review* 109(1)155-171.
- Levitt, Steven and James Snyder. 1995. “Political Parties and the Distribution of Federal outlays”. *American Journal of Political Science* 39(4): 958-980.
- McCubbins, Mathew D. and Thomas Schwartz. 1984. “Congressional oversight overlooked: Police patrols versus fire alarms”. *American Journal of Political Science* 28: 16-79.
- Miller, Gary and Andrew Whitford. 2016. *Above Politics. Bureaucratic Discretion and Credible Commitment*. Cambridge: Cambridge University Press.
- North, Douglass, John Wallis, and Barry Weingast. 2009. *Violence and Social Orders. Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. New York, NY: Cambridge University Press.
- Persson, Torsten and Guido Tabellini. 1999. “The size and scope of government: Comparative politics with rational politicians”. *European Economic Review* 43 (1999): 699-735.
- Rothstein, Bo. 2011. *The Quality of Government: Corruption, Social Trust and Inequality in International Perspective*. Chicago, IL: University of Chicago Press.
- Shaxson, N., & Christensen, J. (2014). *The Finance Curse. How Oversized Financial Centres Attack Democracy and Corrupt Economies*. Chesham, UK: Tax Justice Network.
- Snyder, Richard. 2001. Scaling Down: The Subnational Comparative Method. *Studies in Comparative International Development* 36 (1): 93-110.
- Stokes, Susan, Thad Dunning, Marcelo Nazareno and Valeria Brusco. 2013. *Brokers, Voters, and Clientelism*. Cambridge: Cambridge University Press.
- Svaleryd, Helena and Jonas Vlachos. 2009. “Political rents in a non-corrupt democracy”. *Journal of Public Economics* 93 (2009):355-372.
- Treisman, Daniel. 2007. “What have we learned about the causes of corruption from ten years of cross-national empirical research?” *Annual Review of Political Science* 10: 211–44
- Weber, Max. [1921]1978. *Economy and Society*. Berkeley: University of California Press.

Table 2. Political entrenchment and single bidding

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
	Panel corrected standard errors							Municipality-clustered standard errors							
	Static			AR1				LDV		LDV		Static		LDV	
One-party rule	3.20*** (0.50)	2.85*** (0.54)	3.10*** (0.48)	2.88*** (0.49)	2.64*** (0.40)	2.84*** (0.47)	3.11*** (0.62)	2.82*** (0.58)	2.02*** (0.68)	1.59** (0.73)	3.30*** (1.02)	2.81*** (0.99)	2.16** (0.88)	1.79** (0.86)	
Population (log)		-2.05*** (0.41)				-1.55*** (0.54)		-1.53** (0.63)		-1.12 (0.69)		-1.54*** (0.48)		-1.20*** (0.43)	
Area (log)			1.42*** (0.18)			1.04*** (0.17)		1.03*** (0.16)		1.08*** (0.28)		0.99** (0.41)		0.79** (0.39)	
Median income				-0.00*** (0.00)		-0.00*** (0.00)		-0.00*** (0.00)		-0.00** (0.00)		-0.00** (0.00)		-0.00** (0.00)	
Single bidder ratio (lag)									0.10 (0.21)	0.07 (0.22)			0.12*** (0.04)	0.08** (0.04)	
Moderaterna					-1.85*** (0.38)	1.03** (0.44)		1.09* (0.60)		-0.05 (0.63)		0.92 (0.97)		0.28 (0.85)	
Centerpartiet					1.91*** (0.68)	0.98 (0.78)		1.02 (0.97)		1.63*** (1.24)		0.76 (1.24)		1.49 (1.36)	
Kristdemokraterna					-4.20** (1.65)	-5.09*** (1.91)		-5.46** (2.28)		-1.91 (2.86)		-5.41 (3.39)		-3.22 (3.88)	
Folkpartiet					1.65** (0.70)	3.62*** (0.51)		3.58*** (0.63)		0.40 (1.13)		2.91 (3.21)		0.05 (1.31)	
Vänsterpartiet					0.76 (2.46)	-0.15 (2.57)		0.74 (2.91)		0.06 (3.40)		-0.18 (6.79)		0.05 (6.62)	
Other party					0.63 (2.87)	0.47 (2.60)		1.52 (2.51)		-2.02 (2.10)		-0.98 (5.58)		3.18 (7.67)	
2010		3.51*** (0.34)	3.50*** (0.28)	3.34*** (0.31)	3.47*** (0.27)	3.40*** (0.33)		3.44*** (0.30)				3.20** (1.35)			
2011		3.23*** (0.03)	3.30*** (0.04)	3.04*** (0.01)	3.36*** (0.05)	3.15*** (0.05)		3.22*** (0.04)		-0.61 (0.78)		2.92** (1.39)		-0.64 (1.29)	
2012		1.70*** (0.03)	1.71*** (0.06)	1.89*** (0.03)	1.80*** (0.05)	1.83*** (0.06)		1.92*** (0.08)		-2.52*** (0.84)		1.59 (1.05)		-2.27** (1.15)	
2013		1.92*** (0.18)	1.88*** (0.08)	2.55*** (0.14)	1.99*** (0.11)	2.22*** (0.16)		2.22*** (0.17)		-2.14*** (0.43)		2.08 (1.28)		-2.06* (1.10)	
2014		4.88*** (0.43)	4.80*** (0.54)	5.83*** (0.49)	4.97*** (0.49)	5.43*** (0.40)		5.36*** (0.45)		0.67 (0.74)		5.01*** (1.43)		1.43 (1.36)	
2015		5.56*** (0.31)	5.51*** (0.23)	7.01*** (0.28)	5.36*** (0.17)	6.54*** (0.29)		6.62*** (0.34)		2.06** (1.05)		6.02*** (1.31)		2.28* (1.29)	
Constant		29.17*** (4.10)	-0.35 (1.24)	28.30*** (1.45)	9.23*** (0.16)	26.90*** (5.01)	11.74*** (0.12)	26.69*** (5.25)	11.19*** (2.46)	22.19*** (6.51)	11.73*** (0.49)	27.53*** (8.29)	11.15*** (0.58)	27.83*** (7.34)	
Observations	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,544	1,544	1,901	1,901	1,576	1,576	

R-squared	0.01	0.04	0.04	0.04	0.03	0.06	0.00	0.04	0.02	0.06	0.01	0.05	0.02	0.06
Number of mc	278	278	278	278	278	278	278	278	270	270				
Municipal FE	NO													
Year FE	NO	YES	YES	YES	YES	YES	NO	YES	NO	YES	NO	YES	NO	YES
Party FE	NO	NO	NO	NO	YES	YES	NO	YES	NO	YES	NO	YES	NO	YES

---

Standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 3. Mechanisms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Audit chair from majority		Single bidder ratio		Media drives election promises (majority)		Single bidder ratio		Municipal employees with post-secondary education (%)		Single bidder ratio		Local winner ratio		Single bidder ratio	
One-party rule	2.23** (0.77)	2.57** (1.03)			-0.59*** (0.12)	-0.41*** (0.13)			-3.19*** (0.96)	-0.79* (0.45)			1.47 (1.36)	0.91 (1.33)		
Audit chair from majority			1.47 (1.30)	1.31 (1.22)												
Media drives el. promises (majority)							-1.20** (0.51)	-1.18** (0.55)								
Mun. employees w/ post-2 <sup>nd</sup> edu. (%)											-0.33*** (0.07)	-0.35** (0.14)				
Local winner ratio															0.11** (0.05)	0.092 (0.07)
Observations	274	274	274	274	275	275	275	275	274	274	274	274	263	263	263	263
R-squared			0.005	0.085	0.081	0.200	0.018	0.097	0.037	0.749	0.087	0.105	0.004	0.222	0.019	0.121
Controls	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES

Table 4. Political entrenchment and single bidding, robustness test: Pooled

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Panel-corrected standard errors							Municipality-clustered standard errors						
	Static				AR1			LDV			Static		LDV	
New ruling party	-0.809 (0.749)	-0.793 (0.868)	-1.216 (0.829)	-1.100 (0.837)	-0.677 (0.820)	-1.270 (0.915)	-0.994 (0.899)	-1.364 (1.029)	-0.605 (0.916)	-1.370 (0.990)	-0.864 (0.903)	-1.317 (0.861)	-0.103 (0.927)	-0.813 (0.889)
Voteshare, governing party	0.059*** (0.0181)	0.042** (0.0165)	0.053*** (0.0201)	0.061*** (0.0173)	0.10*** (0.0303)	0.11*** (0.0229)	0.054** (0.0233)	0.11*** (0.0248)	0.060** (0.0249)	0.132*** (0.0381)	0.063* (0.0358)	0.100* (0.0521)	0.063* (0.0360)	0.133*** (0.0484)
Observations	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,544	1,544	1,901	1,901	1,576	1,576
R-squared	0.001	0.035	0.032	0.037	0.027	0.055		0.042	0.014	0.064	0.001	0.049	0.017	0.060
Number of mc	278	278	278	278	278	278	278	278	270	270				
Year FE	NO	YES	YES	YES	YES	YES	NO	YES	NO	YES	NO	YES	NO	YES
Party FE	NO	NO	NO	NO	YES	YES	NO	YES	NO	YES	NO	YES	NO	YES
<i>Additional control(s)</i>		<i>Populatio</i> <i>n</i>	<i>Area</i>	<i>Median</i> <i>income</i>		<i>All</i>		<i>All</i>		<i>All</i>		<i>All</i>		<i>All</i>

Table 5. Political entrenchment and single bidding, robustness test: Fixed effects

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Panel-corrected standard errors						Municipality-clustered standard errors						
	Static			AR1			LDV		Static			LDV	
New ruling party	-2.197*	-2.075*	-2.159*	-2.251*	-2.191*	-2.101*	-2.035*	-2.181**	-1.991**	-2.033**	-2.110**	-2.186*	-2.084*
	(1.248)	(1.253)	(1.233)	(1.165)	(1.189)	(1.181)	(1.171)	(0.933)	(0.856)	(0.908)	(1.010)	(1.137)	(1.247)
Voteshare, governing party	0.0713**	0.0808**	0.0790**	0.168***	0.169***	0.0735**	0.162***	0.00574	0.224***	0.0813	0.147*	0.00474	0.214*
	(0.0357)	(0.0403)	(0.0403)	(0.0616)	(0.0618)	(0.0297)	(0.0594)	(0.0564)	(0.0556)	(0.0829)	(0.0887)	(0.113)	(0.109)
Observations	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,544	1,544	1,901	1,901	1,576	1,576
R-squared	0.276	0.289	0.289	0.293	0.293	0.322	0.342	0.284	0.302	0.283	0.298	0.333	0.350
Number of mc	278	278	278	278	278	278	278	270	270				
Year FE	NO	YES	YES	YES	YES	NO	YES	NO	YES	NO	YES	NO	YES
Party FE	NO	NO	NO	YES	YES	NO	YES	NO	YES	NO	YES	NO	YES
<i>Additional control(s)</i>		<i>Population</i>	<i>Median income</i>		<i>All</i>		<i>All</i>		<i>All</i>		<i>All</i>		<i>All</i>