What Price the Court of St. James? Political Influences on Ambassadorial Postings of the United States of America

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Abstract

This paper explores the appointment of career diplomats and political appointees to ambassadorial positions. The results of the paper suggest that political appointees are more likely to become ambassadors in high income OECD countries, that are strong tourist destinations, are located in Western Europe the Caribbean or Central America, and that carry lower hardship allowances, than are career diplomats. We show that the greater the personal or bundled campaign contributions to a presidential campaign, the more highly ranked the posting in terms of per capita GDP, tourist volumes, hardship allowances, the more likely the posting will be in Western Europe, and the less likely it will be in Central and South Asia or Sub-Saharan Africa. Finally, we identify a range of implicit prices for personal and bundled campaign contributors for a set of diplomatic posts. The price range in terms of campaign contributions for the Court of St. James lies between \$650,000 and \$2.3 million.

1 Introduction

Since it first began bestowing the title of ambassador on its diplomatic envoys in 1893, the United States has often made such appointments openly and explicitly on the basis of political and/or personal connection with the president.

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Standard models of rational institutional design posit that appointments to public administrative office should be on the basis of merit on a competence metric related to the deliverables associated with the post. Deviation from this model, for instance to award positions on the basis of pure political or personal connection, is open to the charge of cronyism,[1] since there is no obvious reason why political appointees should demonstrate greater merit in diplomatic skills than career diplomats. Certainly no other major democratic power currently pursues a human resource appointments strategy for ambassadorial positions based so significantly on political connection. Yet for the United States for over half a century, regardless of the president or party in power, the percentage of non-career diplomats has been about thirty percent of the total.

The present paper examines the characteristics of the United States' practice of making political ambassadorial appointments. In doing so, it confronts three tasks.

We begin with a broad characterization of the evolution of the United States' diplomatic service since the end of the eighteenth century. Second, we characterize the distribution of political, as well as career diplomats across different types of postings. The central issue being addressed in the process is whether there are any systematic patterns in the sorts of diplomatic postings that political appointees obtain. Third, we assess whether there exists an association between the three distinct types of political capital (personal or direct connection to the President, magnitude of personal Presidential campaign contributions, magnitude of total collected Presidential campaign contributions) and the sort of diplomatic postings that political appointees obtain.

Since the costs of financing a presidential campaign are substantial and growing, it is plausible that campaign contributions exercise an influence on diplomatic posts. Since data on all campaign contributors to presidential campaigns is not available, it is not possible to determine whether the magnitude of campaign contributions influences the probability of receiving a diplomatic posting. However, since we do have data on the campaign contributions of all political appointees to diplomatic posts, we are able to examine whether campaign contributions influence the nature of the diplomatic posting that is awarded.

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[1] Klitgaard (1988), for instance presents a principal-agent account of corruption, in which corruption is defined by the pursuit by the agent of private objectives (say securing a high-status post in an attractive location, such as Paris), at the expense of the principal's objectives (say, the American electorate's wish to have the best possible international representation of American interests). Formally, the practice of political appointments (unless they were explicitly linked to campaign contributions, which would contravene the Foreign Service Act of 1980) to diplomatic posts is not illegal.

Our examination of the data is guided by the hypothesis that political campaign contributors or individuals with political capital (such as links to strategically important minority groups) demand a return on their support for a presidential candidate. One such return takes the form of "attractive" diplomatic postings. Thus the appointing president gains campaign contributions and/or political capital, and those providing campaign contributions or political capital to the president receive a pay-off in the form of desirable diplomatic postings. We further suggest that the State Department, to limit the impact of any diplomatic inexperience of political appointees, monitors politically appointed ambassadors through the professional diplomatic service. The State Department has the greatest monitoring capacity in the high-income countries in Western Europe or countries in the Caribbean. Since these are countries that are potentially attractive to political appointees, this may explain why the practice persists, despite the fact that it stands in tension with the requirements of the Foreign Service Act.

The paper is structured as follows. Section 2 provides the historical background to the study, while section 3 provides a theoretical framework in terms of which to consider the practice of political diplomatic appointees. In section 4 we outline the hypotheses that guide the empirical modelling strategy of the paper. Section 5 reports our data sources, and section 6 describes the estimation methodology we employ. Results are reported in section 7, while section 8 concludes.

2   Historical Background

Diplomatic envoys were sent abroad to represent the United States from the first days of the republic. Over a century passed until any of the envoys of the young republic bore the title ambassador, however.[2] In 1893, European countries began elevating their representatives to the United States to the rank of ambassador in recognition of the growing role of the United States in the world. Congress decided it had to reciprocate and finally conceded there was a need for American diplomats to have the title of ambassador as well.

INSERT FIGURE 1 ABOUT HERE.

The growth in America's interests and representation abroad is reported in Figure 1.

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[2]See Herring (2008: 300). The founding fathers thought that such a rank was borne only by the representatives of kings. The new country was too egalitarian for one of its citizens to be elevated to a position with a title that implied a higher status than that of his fellow citizens. See Herring (2008: 96).

For the first 150 years, there is a slow, but steady, increase in the number of diplomatic posts, headed typically by a chief of mission with the title of minister or, after 1893, possibly by someone with the title of ambassador. The chief function of diplomatic posts, which were usually embassies, was the conduct of traditional diplomacy and the political work involved in the relationship between the United States and the country with whom diplomatic relations were being maintained. Consular posts, on the other hand, were headed by a consul or consul general and had somewhat different functions. They dealt with commercial and consular matters such as trade issues and the protection of American businessmen, sailors and other citizens. In the country's first century, consuls were typically political appointees with little experience in government. They were expected to be largely self-supporting and sustained themselves by the fees they charged for their services.

Commercial interests grew more quickly than traditional diplomatic ones.[3] As a result the number of consular posts grew rapidly until they peaked around 1920. It was possible to have a number of consular posts in the same country and the only real limit on the number of posts was the extent to which a post could do enough business to be self-sustaining. The number of embassies, on the other hand, was limited to the number of countries with whom American diplomatic relations were sufficiently active to warrant a resident diplomatic representative.

In the first two decades of the 20th century, the number of consular posts peaks, and then declines from the 1920s. This is due to the professionalization of the diplomatic and consular corps along with the civil service in Washington, given its start early in the 20th century, most notably under President William Howard Taft.[4] The professionalization of the Foreign Service, which had been underway as a matter of policy, became a matter of law with the passage of the Rogers Act of 1924. Table 1 shows the effect on the number of career ambassadors of the efforts to create a more professional diplomatic corps during the first half of the 20th century. The number of diplomatic missions steadily rises, but those headed by an

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[3] The association between economic interests and diplomatic representation is confirmed by the fact that real per capita GDP shows an acceleration at the point where the USA began the process of switching from consular, to more formal diplomatic representation. The absolute level of real GDP and US exports, are positively correlated with the rising level of diplomatic representation by the USA. This is not the case for the quality of US institutions. None of the DEMOC measure of institutionalized democracy, POLITY2, the XRCOMP measure of the competitiveness of executive recruitment, the XCONST measure of executive constraints (Decision Rules), and the PARCOMP measure of competitiveness of participation (all institutional measures are obtained from the POLITY-IV data set of Marshall et al (2010)) are correlated with the level of diplomatic representation of the USA.

[4] In each of his four State of the Union speeches from 1909 to 1912, Taft spoke about what he had done to improve the State Department and urged Congress to help institutionalize reform.

ambassador increase far more rapidly until they constitute over three quarters of the total. Appointments where the chief of mission bears the title of minister correspondingly decrease, until eventually all embassies had an ambassador in charge. Notably the percentage of ambassadors that are career officers also increases dramatically.

INSERT TABLE 1 ABOUT HERE.

In the mid-20th century, as America emerged from World War II as a global power, the growing number of nations in the world required that consulates in former colonies be replaced by embassies. This is reflected in the fact that by the middle of the 20th century, the percentage of career ambassadors reached about two thirds of the total number appointed by the president. As Table 2 illustrates, it has stayed at a ratio of 70 percent career and 30 percent political ambassadors ever since, regardless of the party in power.

INSERT TABLE 2 ABOUT HERE.

While the ratio between political versus career appointees has remained at about the same level since Eisenhower, there have been further attempts to professionalize the ranks of ambassadors. The Foreign Service Act of 1980 specifically identified the importance of professional diplomatic competence, and the need to eliminate political campaign contributions as a consideration in diplomatic appointments. However, the 1980 Act had no impact in terms of the overall percentage of political appointees - in fact, the percentage of political appointees averages half a percentage point higher after 1980. The pattern continues to date. As a candidate, President Obama explicitly criticized the practice of giving ambassadorships to big campaign contributors, consistent with the Foreign Service Act of 1980. Nonetheless, according to the American Foreign Service Association, his diplomatic appointees were 60 percent career officers and 40 percent political appointees. This higher than average percentage is explained by the fact that most political appointments are made at the beginning of a president's term in office.

3   Theory

Any appointments process that accords significant space for political influence in the conduct of public administrative processes, represents a clear departure from a classical view of public administration based

on technical efficiency.[5] An obvious question is therefore how the practice of political appointees to diplomatic posts conforms to alternative theoretical models of administrative functions.

The most obvious starting point is provided by the principal-agent model. Two foundational assumptions of the principal-agent framework are the existence of information asymmetries between the principal and the agent,[6] and that there is a goal conflict between the principal and agent.[7] Under this conception, the elected administration (the president), would act as a principal to the bureaucratic agency (the State Department), who in turn could be thought of as a principal to the appointee (agent) to a diplomatic post. Political appointees to diplomatic posts might serve an administration as a means of lowering the information asymmetry the president faces with respect to the State Department, by monitoring the State Department. The State Department, in turn, by limiting political appointees to those diplomatic posts in which significant information flows independent of the ambassador exist, itself constrains the extent of the information asymmetry between itself (as principal) and its agent (the ambassador).[8] Principal agent models have certainly found application in the literature, including in analyses of campaign contributions.[9]

The principal-agent framework, while widely used, has also faced demands at least for augmentation. In Waterman and Meier (1998) the suggestion is that both information asymmetry and goal conflict may not always apply to administrative bureaucratic settings. By distinguishing between circumstances in which there is, and there is not, goal conflict between principal and agent, and in which both the principal and the agent may face either little or considerable information asymmetry, they provide a $2 \times 2 \times 2$ matrix characterization of administrative conditions, of which the principal-agent framework provides only one (goal conflict, principal high information asymmetry, agent low information asymmetry). The intensity and form of strategic interaction that characterizes principal-agent situations, is therefore potentially modulated,

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[5] See for instance Weber (1947). Of course, the literature has long recognized that the dichotomy between pure technical efficiency on the one hand, and political interference on the other, is artificial in empirical application - see for instance Mountjoy and Watson (1995).

[6] These information asymmetries might relate to uncertainty and bounded rationality on the part of the principal (see Simon, 1947), to the expertise of the bureaucracy (see Weber, 1947, and Bendor et al, 1985, 1987), or to the existence of private interests on the part of the agent that are not transparent to the principal, such as in the Klitgaard (1988) model of corruption.

[7] This entails a move beyond a Pigouvian (1920) conception of agents as directly representing the social objective function, to a view consistent with Stigler (1970), in which agents pursue private interests.

[8] To maintain its credibility as a monitoring agency of political appointees to diplomatic posts, it would have to show that it has the resolve to terminate inefficient appointees. See the discussion in Bertelli and Smith (2010) in the context of contracting. The State Department has shown precisely such behavior, for instance in forcing the termination of the ambassadorship of Cynthia Stroum in Luxembourg in January 2011.

[9] See for instance Witko (2011) on the impact of campaign contributions on government contracting to private sector service providers. Kelleher and Yackee (2009) point out that the use of contracting raises the ability of contracting agents to influence, and in the limit to change the objectives of the principal (the government agency).

either because goal conflict between the two players does not apply, aligning their interests, or because information asymmetry between the two players is absent due to either mutual ignorance, or because both agents have access to much the same information.

Particularly the possibility of goal alignment between players has received attention in the literature. That public managers may be motivated by the public good has a long tradition,[10] and continues to be argued for.[11] The result is either the removal, or at least a reduction in the goal conflict between principal and agent, and the proposal of a principal-steward framework in its stead.[12] The need for monitoring the activity of the steward by the principal to ensure compliance with the objectives of the principal is thereby reduced, and emphasis can shift closer to pure technical efficiency considerations. In our context a principal-stewardship relationship could conceivably exist between the political administration (president) and the State Department. The most likely instance, though, is goal confluence between the president and political appointees to diplomatic posts, since by self-selection both parties coordinated on broadly shared political and ideological perspectives during the political campaign of the president.[13] Thus a combination of principal-agent (president-State Department; State Department-ambassador) and principal-stewardship (president-ambassador) relations might come to characterize political appointees to diplomatic postings.

However, even should we concede that substantial goal confluence between a principal and his agent may be present (or emerge through repeated interaction), it is difficult to suppose that such confluence will be complete. *Some* private interest on the part of the agent is always likely to be present. To this extent, the classic or standard principal-agent framework remains pertinent. Perhaps a more plausible modulation on the principal-agent framework is not so much the presence of shared goals between the parties involved in ambassadorial appointments, but that the extent of information asymmetry between the principals and the agents is relatively attenuated. The president may obtain additional information flows from the political appointee, diminishing the strategic advantage of the State Department vis-a-vis the administration. The State Department in turn obtains additional information from embassies in Washington DC, as well as the

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[10] Recall Pigou (1920).

[11] See for instance DiIulio (1994).

[12] See for instance Van Slyke (2007).

[13] It is conceivable that a principal-stewardship relation might evolve between the state department and political appointees, due to repeated interaction over the tenure of the appointment. We attach less weight to such a dynamic evolution of shared goals, since it would be difficult to plan systematically.

career diplomats stationed with political appointees in foreign capital cities, again diminishing the strategic advantage of the ambassador vis-a-vis the State Department. The result is the form of strategic interaction that Waterman and Meier (1998) term advocacy settings – where the bureaucracy becomes one political actor amongst many (here including at least the presidency and the ambassador), and the politics is one of ideas, and the strategic use of information in settling disputes.

Under the standard principal-agent framework, the relation between the parties to political appointments to diplomatic posts is clear. The president gains campaign contributions and/or political capital, those providing the contributions receive a pay-off in the form of desirable diplomatic postings. The State Department also acts as a classic principal, monitoring its agent (the ambassador) through the professional diplomatic service, and foreign embassy staff in Washington DC. Where we allow for the emergence of a principal-stewardship relation between the president and the ambassador, it emerges that the political administration obtains an additional benefit from politically appointed ambassadors: a monitoring of the State Department agent to the presidency. Therefore, since the State Department has evolved relatively reliable means to limit the strategic capacities of politically appointed ambassadors, and the presidency stands to gain both campaign contributions and the possibility of improved monitoring of the State Department from political appointees to diplomatic posts, it becomes possible to understand why the practice persists.

4 Expected Empirical Regularities

Given the possible strategic interests of the decision making parties involved, we postulate the following hypotheses, relating to the preferences of political appointees, and to the State Department respectively.

The objective of political appointees is to realize desirable postings. Desirable postings would be provided by countries that are not obscure, dangerous, poor, or of low interest to tourists. In effect, the interests of political appointees will be to go to countries that have strong name recognition (thus conferring bragging rights). Where political campaign contributions (financial or otherwise) exercise an influence on the nature of posting received, there should be variation in the quality of diplomatic posting with the magnitude of the campaign contribution, and a nonrandom distribution of political appointees across postings of differential desirability.

From the Department of State's point of view, an ambassador of uncertain and potentially low competence (such as in the case of political appointees as opposed to career diplomats) is best placed in a country where their ability to damage American interests is constrained. This would be most readily achieved where there exist diplomatic channels alternative to the ambassador. This would be satisfied where the United States has strong reciprocal diplomatic representation (such as high income countries), or countries that have traditionally fallen within the US sphere of influence (such as the near abroad).

These hypotheses suggest three empirical regularities that should be observable in the data.

First, the distribution of political appointees should be non-random across indicators of the desirability of appointment or ease of access and communication. Such indicators might be provided by measures of economic development, such as the gross domestic product per capita of the country of assignment, or the intensity of tourist activity in the country of appointment.

Second, the distribution of political appointees should be non-random across indicators of the geographical location of the country to which the appointee is being posted. Of particular interest are Western Europe (or perhaps the OECD more broadly construed), and countries in the Caribbean and Central America.[14]

Third, rising political campaign contributions should be associated with an improved quality of posting.

We turn now to a consideration of whether these are borne out by the data.

5   The Data

Ambassadorial postings data employed by the current study are those for the Obama administration, as of January 2011.[15]

Our data covers all countries with whom the United States has diplomatic relations in 2011, a total of 164 countries - listed in Appendix A.[16]

We employ data obtained from the American Foreign Service Association (AFSA), classifying ambas-

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[14] There are a few exceptions. Cuba would not qualify and there have not been full diplomatic relations since shortly after Castro came to power. In addition, Haiti has a long history of being less than pleasant and so it has received a career ambassador 95 percent of the time.

[15] In the ideal case we would use data from a number of administrations. This is precluded by the unavailability of consistent historical data on campaign contributions. The consistency of the patterns of political appointments over time suggests that useful inferences can still be drawn from the available data.

[16] Note that some embassies cover more than one country, and with some - eg. Iran, North Korea, etc. -the US has no diplomatic relations.

sadorial appointments as either career or political.

In our data, political appointees fall into one of three possible categories.

First, political appointees may have personally provided financial contributions toward the campaign of the President. Data on personal campaign contributions is published by the Federal Election Commission (FEC).[17]

Second, given the legal restrictions placed on personal campaign contributions,[18] political appointees may have played a coordinating function in raising campaign contributions, "bundling" campaign contributions to the Presidential campaign. "Bundlers" are campaign contributors who turn to friends, associates and anyone else who's willing to contribute, to deliver the final contributions raised to the campaign in a single lump sum. Data on bundled contributions is considerably more difficult to obtain than personal contributions.[19] The bundling of campaign contributions employed for the present study comes from the Center of Responsive Politics and other sources.[20]

The third type of political appointee is one with a political connection to the president, other than simply being a donor. This group is comprised of political allies, former elected officials, those who bring racial and/or gender diversity to a president's appointments, or strike a responsive chord with some particular constituency of the president's party, such as activists in minority or gay rights. There is also the occasional foreign policy expert providing foreign policy expertise from a base outside the career Foreign Service.[21] Appendix B lists the 44 political appointee ambassadors named by Obama through January 2011. Of these, 18 appointees made or bundled less than $100,000 in campaign contributions.

Data on the per capita gross domestic product of target countries of postings is obtained from the CIA factbook 2010. Data on the number of tourists per annum is also obtained from the CIA factbook.[22] We

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[17]See http://www.fec.gov.

[18]See the specification of these by the Federal Election Commission – http://www.fec.gov.

[19]With limited exceptions the FEC does not collect information on "bundlers." Instead this data has to come from the campaigns themselves when they choose to release it. The result in the most recent Presidential campaign was that Obama and McCain posted information on "bundlers" by ranges, with the top ranges being simply "$500,000 or more." Together, 536 bundlers directed at least $75,750,000 to McCain, and 560 gathered at least $76,500,000 for Obama.

[20]While data on personal campaign contributions is available from the Federal Election Commission, data on campaign contributions was obtained from a number of sources, including www.opensecrets.org, www.campaignmoney.org, www.allgov.org.

[21]Strictly, the political connection does not always have to be with the president himself. David Thorne, the current ambassador to Italy, for instance, has less than $30,000 in political contributions on record. However, he was Senator John Kerry's roommate at Yale, as well as his ex brother-in law. Kerry is the chairman of the Senate Foreign Relations Committee.

[22]We note that for a number of countries there is no recorded tourism. These countries included Afghanistan, Djibouti, Equatorial Guinea, Iraq, Kosovo, Liberia, Mauritania, Montenegro, Rwanda, Tajikistan, Timor-Leste. One option was to simply treat these countries as having missing data. Another, was to code the countries as having 0 tourists. While this

also employ the income-level classification provided by the World Bank,[23] and a classification of country postings into distinct geographical regions.[24]

Finally, we also employ data on hardship allowances and danger pay associated with diplomatic postings. The data is obtained from the US State Department. Hardship pay is awarded where the local conditions differ substantially from the environment in the United States and warrant additional compensation as a recruitment and retention incentive. It is paid as a percentage of base pay in increments of 5% up to 35%. Of the 164 embassies in our data, 127 have conditions sufficiently difficult to warrant some level of hardship pay. Danger pay is compensation for serving in places where the threat to embassy personnel is deemed considerable. It takes the form of a bonus of between 15 and 35 percent of base pay. The ratings of postings in terms of hardship allowance and danger pay is reported in Appendix C.

6   Estimation Methodology

In the empirical estimation section of the paper we confront two sets of related questions.

In the first, we derive the marginal gain in probability that an appointment is political, as GDP per capita, tourist visits, the hardship allowance and danger pay increase, and the marginal probability impact due to a posting falling into a particular income class, or geographical area. Specifically, we estimate:

$$POLITICO_i \quad = \quad X_i\beta + u_i \tag{1}$$

$$POLITICO_i \quad = \quad \begin{cases} 1 \; if \; \exists \; a \; political \; appointment, \; with \; probability \; \Pr(Y=1) = P \\ \\ 0 \; if \; \nexists \; a \; political \; appointment, \; with \; probability \; \Pr(Y=0) = 1-P \end{cases}$$

with the vector of explanatory variables X_i for each country i, provided by GDP per capita of the country associated with a posting (dented GDPPC), the number of tourist visits per annum (denoted TOURISM),

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introduces measurement error in some degree, given the list of countries affected, tourism is not likely to have been significant (there is a strong correlation with the presence or aftermath of war or civil conflict), rendering the error small. Moreover, the number of cases that are affected in this manner, is in any event small. We note, however, that we reestimated our results by excluding countries with the missing tourism data. Our results are robust to the exclusion.

[23] Low Income, Lower Middle Income, Upper Middle Income, High Income OECD, High Income non-OECD.

[24] East Asia & Pacific, Eastern Europe, Western Europe, Caribbean, Central America, South America, Central Asia, South Asia, Middle East & North Africa, Sub-Saharan Africa.

the hardship allowance associated with a posting (denoted HARDSHIP), the danger pay associated with a posting (denoted DANGER), as well as the World Bank income class into which a posting falls (Low Income, Lower Middle Income, Upper Middle Income, High Income OECD, High Income non-OECD), and geographical location of a posting (East Asia & Pacific, Eastern Europe, Western Europe, Caribbean, Central America, South America, Central Asia, South Asia, Middle East & North Africa (MENA), Sub-Saharan Africa). Our distributional assumption governing the random i.i.d.error term is the logistic, $F_{u_t} = \left(\exp\left(X_t \beta \right) \right) / \left(1 + \exp\left(X_t \beta \right) \right)$.

In the second set of estimations, we consider the differential impact that the different *types* of political appointments have on the nature of the posting that political appointees receive. In this instance we estimate:

$$Y_i = \gamma_0 + \gamma_1 PolConnect_i + \gamma_2 PersContrib_i + \gamma_3 Bundler_i + u_i \tag{2}$$

where Y_i denotes either the continuous variables GDPPC, TOURISM, HARDSHIP or DANGER, or one of the dichotomous variables given by the World Bank income category or with geographical location, in which case:

$$Y_i = \begin{cases} 1 \ if \ i \in j, \ with \ probability \ \Pr\left(Y = 1 \right) = P \\ 0 \ if \ i \notin j, \ with \ probability \ \Pr\left(Y = 0 \right) = 1 - P \end{cases} \tag{3}$$

where j is either one of the World Bank income classes into which a posting falls (Low Income, Lower Middle Income, Upper Middle Income, High Income OECD, High Income non-OECD), or the geographical location of a posting (East Asia & Pacific, Eastern Europe, Western Europe, Caribbean, Central America, South America, Central Asia, South Asia, Middle East & North Africa (MENA), Sub-Saharan Africa). Where the dependent variable is categorical, our distributional assumption is again logistic. $PolConnect_i$ denotes whether the appointee to country i is politically connected to the President in some manner, $PersContrib$ measures the magnitude of personal campaign contributions, $Bundler$ the magnitude of bundled campaign contributions.

7   Estimation Results

7.1   Factors influencing the probability that a posting will be political

We begin with the question of what impact various characteristics of postings have on the probability that the appointee to the posting will be political rather than a career diplomat.

7.1.1   Income, tourism, hardship allowances and danger pay

In terms of our hypotheses, political campaign contributors view postings in rich, tourist-attractive, and safe postings as desirable, while the State Department favours the placement of political appointees in such locations since the performance of the political appointee is more easily monitored, and if necessary worked around.

Accordingly we estimate (1), with the set of explanatory variables given by per capita gross domestic product, the number of tourists, the hardship allowance associated with ambassadorial postings, and the danger pay allowance associated with ambassadorial postings. Results are reported in Table 3.

INSERT TABLE 3 ABOUT HERE.

Our baseline findings are that an increased level of per capita GDP, an increased level of tourism, and an increased level of hardship allowance associated with a posting, all statistically significantly increases the probability that the appointment will be political - see columns 1, 2, and 3 of Table 3. Estimation results also suggest that an increased level of danger pay is associated with a lower probability that the appointment will be political, though the association is not statistically significant - see column 4 of Table 3.[25] With the exception of the per capita GDP variable, which proves statistically insignificant in the multivariate specification, the results are robust as to sign and significance to controlling for the alternative dimensions of desirability of postings in multivariate specifications, though in the case of the TOURISM variable the magnitude of the implied impact on the probability of a political appointment approximately halves in the multivariate setting - see column 5 of Table 3.

Implication of these findings is that the probability of a political appointment to a posting rises in the

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[25]Note that statistical insignificance in this instance may result from small sample size.

attractiveness of the posting as a tourist destination, and as the hardship allowance associated with a posting

declines. The inferred probability values (derived from column 5, evaluated at the sample mean values of

other explanatory variables in the specification) indicate that the probability of a political appointment

rises strongly in the number of tourist visits, to above 90% for tourism in excess of approximately 42

million (corresponding to approximately Hungary in our sample) - see Figure 2. Probability values for the

HARDSHIP variable, also decline strongly in the HARDSHIP allowance, with a reduction of the allowance

from 35% (sample maximum) to 0% (sample minimum) generating an increase in the probability of a political

appointment of approximately 50% - again see Figure 2.

INSERT FIGURE 2 ABOUT HERE.

One limitation of the baseline results may be that per capita GDP is controlled for by means of a

continuous variable. However, both the desirability of postings to political appointees, and the intensity of

diplomatic relations that the USA maintains with other countries, may be determined not by the continuous

variation of per-capita GDP, but by a categorical classification system across countries. To explore this

possibility, we categorize our sample of countries in terms of their World Bank classification as a Low

Income, Lower Middle Income, Upper Middle Income, High Income OECD and High Income Non-OECD

country, as classified in 2006.[26] Controlling for income status (our reference category is High Income Non-

OECD), the probability of a political appointment is statistically significantly lower in a Low Income and

Lower Middle Income posting, and statistically significantly higher in a High Income OECD country posting

(relative to High Income Non-OECD countries) - see column 6 of Table 3. Once we control for TOURISM

and HARDSHIP in addition to the four income categories, only the High Income OECD posting category

maintains its statistical significance - see column 7 of Table 3.[27] The inference is that the income of the

location of a diplomatic post does exercise an influence on the probability of the posting being filled by a

political appointee, but non-linearly so: only in High Income OECD countries is the probability of a political

appointee statistically significantly higher.

For the implied probability values associated with income status of the posting, we employ the estimation

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[26] In using the exogenous World Bank classification, we preclude the possibility of an endogenous classification of country income status correlated with the outcome variable.

[27] We note that the number of political appointments in some of the categories is small. Statistical insignificance may thus be a reflection of a lack of statistical power, rather than the absence of an association.

results of column 6 of Table 3. The probability values that a post will have a political appointment are low for Low Income (6%) and Lower Middle Income countries (8%), moderate for Upper Middle Income and High Income non-OECD countries (40% and 33%), and high in High-income OECD countries (87%) - see Figure 2.

The implication of the findings of Table 3 is consistent with the empirical regularities predicted by our hypotheses in section 4. The probability of political appointees is higher in high income countries, in countries with intensive tourist activity, and that are not associated with hardship compensation. In short, in countries that are "desirable" to appointees, and in which the State Department has embassies with significant capacity.

7.1.2 Geography

The possibility explored here is that the probability of a political appointment may vary across different geographical regions of the world. To examine this possibility, we again consider a categorical classification of countries, assigning each to a geographical region of the world.[28] The geographical categories we consider are: Caribbean (6 countries); Central America (8 countries); Central Asia (9 countries); East Asia & Pacific (22 countries); Eastern Europe (22 countries); Middle East and North Africa (19 countries); South America (12 countries); South Asia (6 countries); Sub-Saharan Africa (42 countries); Western Europe (18 countries).[29] East Asia & Pacific serves as the reference category.

Estimation results suggest that only three regions potentially impact statistically significantly on the probability that an appointment will be political. Specifically, postings in Western Europe increase, while those in Central Asia and Sub-Saharan Africa statistically significantly decrease the probability that a posting will be political - see column 8 of Table 3.

To address the concern of poor statistical power due to the small number of countries falling into some of the geographical categories, we also consider some higher levels of aggregation. Specifically, we consider

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[28] We employ a World Bank classification of countries, in order to avoid the possibility of an endogenous classification of country geographical status correlated with the outcome variable.

[29] We note at the outset that a number of these categories have small samples associated with them, and hence are likely to face poor statistical power characteristics. While we report results for these categories, we address the small sample size problem below. Note that the categorization effectively excludes Canada, which is the sole country falling into North America, and which is not grouped with the Central American or Caribbean countries. In the aggregated geographical areas analyzed below, Canada falls into the Caribbean, North & Central America region.

countries in the Caribbean and Central America jointly with Canada (one might think of this category as the near abroad: Caribbean, North & Central America - now 15 countries), and in Central and South Asia (now 15 countries).[30] Results now confirm a higher probability of a political appointee to posts in the Caribbean, North & Central America, and in Western Europe, and a lower probability in Sub-Saharan Africa (see column 9 of Table 3). Once we also control for the High Income OECD, TOURISM and HARDSHIP status of the countries in our sample (see column 10 of Table 3), only the Caribbean, North & Central America geographical classification maintains its statistical significance. By contrast, both the Western European and the Sub-Saharan African impact on the probability of a political appointment does not survive the introduction of the additional controls. In the case of Western Europe, a likely reason is the high correlation between the High Income OECD category and classification under Western Europe (correlation = 0.81). In the case of Sub-Saharan Africa and South America this is not the case, such that the inference is that there is no independent effect of geography on the probability of a political posting from these two regions, over and above that captured by income, tourism and hardship allowance effects.

The implied probabilities of political appointments in different geographical areas are computed for the results reported in column 8 of Table 3. The results confirm the high probability of political appointees in Western Europe (89%) and the Caribbean (60%) and Central America (50%) - see Figure 2.

The inference is thus that postings in the Caribbean, North & Central America increase the probability of a political appointment. By contrast, it is not possible to statistically unambiguously separate the impact of high-income OECD and geographical factors in the case of Western Europe. However, high income Western European countries are more probable to have a political appointee to ambassadorial posts, than a career diplomat.

7.2 The link between political factors and the nature of diplomatic postings

In the final analytical section of the paper, we ask how the three different forms of political association with an administration, personal political connection to senior members of the administration (we term this

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[30]We also considered additional aggregations: the Middle East and North Africa, Central and South Asia (now 34 countries), and South America and Sub-Saharan Africa (now 54 countries). Use of these aggregations did not change estimation results materially, and we suppress the results in the interests of parsimony. They are available from the authors on request.

Politically Connected), or either personal (we term this Personal Contribution) or bundled (we term this Bundler) campaign contributions, impact on the nature of the diplomatic posting that the political appointees receive. At issue here is *how much* of a difference campaign contributions or political connectedness make to the nature of the posting.

In our data set a political appointment arises either due to political connections between the appointee and the president, or because of personal or bundled campaign contributions to the presidential election campaign.

We begin by examining how these distinct features of a political appointment are associated with the characteristics of a diplomatic posting, as measured by per capita GDP of the country in which the post is located, its tourist volumes, as well as hardship and danger pay allowances. Results are reported in Table 4A.

INSERT TABLES 4A and 4B ABOUT HERE.

Consideration of the results of Table 4A confirms that all three dimensions are separately statistically significant, and of consistent sign, confirming that any of political connectedness, or the two types of campaign contributions are likely to secure more desirable postings in the per capita GDP, tourist destination and hardship allowance sense - see columns 1 through 3. Column 4 finds that none of the three types of political connection is individually statistically significantly related to danger pay allowance.

Estimation results suggest that appointees who are politically connected to the president can expect to receive postings that on average are $5,866 higher in per capita GDP terms than career appointees (approximately the difference between Israel or Italy and the United Kingdom), have 11.12 million more tourists (approximately the difference between Germany and the United Kingdom), and on average have hardship allowances 6.59% lower than career appointees (approximately the difference between Afghanistan and somewhere between Nigeria and Serbia).

In terms of campaign contributions, the greater pay-off attaches to bundled rather than personal contributions. An increase in personal contributions generates an improved quality of posting, with each $100,000 of measurable campaign contributions improving the posting by $2,257 in per capita GDP terms, by 1.19 million tourists, or lowering the hardship allowance by 1.73%. By contrast, a $100,000 increase in bundled

campaign contributions improve postings by \$3,987 in per capita GDP terms, by 1.65 million tourists, and lowering the hardship allowance by 2.58%.

The difference between personal and bundled contributions may be partially explained by the fact that mean values of personal contributions are considerably lower than the mean value of bundled contributions (approximately \$190,000 versus \$470,000), and since bundled contributions may be inherently valued since they serve as the basis of introducing a greater pool of contributors to the campaign.

We again consider the possibility that what matters is not a continuous range of per capita GDP, but simply in what income class the posting is located. We find that Politically Connected appointees are statistically significantly more likely to receive an upper middle income post (see column 7 of Table 4A). The fact that an appointee has political connections to the president, raises the probability that their posting will occur in upper middle income countries relative to that of a career diplomat from 15% to 40%. Personal Contributors are statistically significantly more probable in High Income OECD countries (see column 8 of Table 4A), while Bundlers have a statistically significantly higher chance of both High Income OECD and High Income non-OECD postings (see columns 8 and 9 of Table 4A - note that the non-OECD result is significant only at the 10% level). By contrast, low income and lower middle income status is not statistically significantly related to the probability of a political appointment (see columns 5 and 6 of Table 4A).

INSERT FIGURE 3 ABOUT HERE.

Figure 3 reports the associated densities. Campaign contributions of both varieties drive the probability to a high income OECD country posting strongly not only statistically, but also in quantitative terms. The implication is that contributions of \$650,000 and \$700,000 generate a 90% probability of appointment to a high income OECD posting for personal and bundled campaign contributors respectively.

Estimation results considering the association between the political characteristics of appointees and the geographical region of appointment are reported in Table 4B.

INSERT FIGURE 4 ABOUT HERE.

Two broad findings emerge.

Politically Connected appointees are statistically significantly more likely to be posted in the Caribbean, North and Central America. Specifically, the fact that an appointee has political connections to the president,

statistically significantly raises the probability that their posting will occur in the Caribbean, North and Central America relative to that of a career diplomat from 5% to 30%.

Personal and bundled campaign contributions statistically significantly raise the probability of a posting in Western Europe, and lower it in Central and South Asia and Sub-Saharan Africa. Figure 4 reports the implied densities. From the probability values the implication is that the overwhelming impact of campaign contributions is on postings to Western Europe. The implication is that personal contributions of $550,000 and $750,000 generate a 90% probability of appointment to a West European posting for personal and bundled campaign contributors respectively.

7.2.1 What price the Court of St.James?

The results of this section imply that appointees that have personal political connections receive more lucrative postings in per capita GDP, tourist volume and hardship allowance terms. They are also more likely to receive postings in Upper Middle Income countries and in the Caribbean, North and Central America. The greater the personal or bundled campaign contributions to a presidential campaign, the more lucrative the posting the contributor can expect in terms of per capita GDP, tourist volumes, hardship allowances, and the more likely the posting will be in High Income countries and Western Europe, and the less likely it will be in Central and South Asia or Sub-Saharan Africa.

As a final exercise, we provide a price list for a range of types of postings, implied by the findings of sections 7.1 and 7.2.

In generating the implied prices, we assume that the appointment is political, and we consider the price in terms of both personal contributions and bundled contributions, with the desirability of countries determined both in terms of the GDP per capita metric, and the number of tourist visits metric. We limit the price list to countries that are the target postings for campaign contributors - the high-income countries of the OECD located primarily in Western Europe.

Results are reported in Table 5.

INSERT TABLE 5 ABOUT HERE.

The implication is that for personal contributions the price range for the desirable postings ranges from

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$602,686 for Portugal, to approximately $3.1 million for Luxembourg. For personal contributors, the price of the Court of St.James is $1.1 million.

Prices for bundled contributors are lower. Bundled contributors need pay only $341,160 for the Portuguese posting, approximately $1.8 million for Luxembourg, while the Court of St.James costs only $640,583.

The drawback with the per capita GDP pricing metric, is that relatively small, relatively unglamorous but nonetheless wealthy countries will come to be disproportionately highly priced, while not reflecting the true caché of postings to politically more significant destinations. An alternative pricing list that may therefore be more representative, is provided by the number of tourist visits metric.

In terms of the tourist metric, the most desirable posting is France and Monaco, for which personal contributions would have to amount to approximately $6.2 million, bundled contributions to approximately $4.4 million. A number of countries by contrast prove to be relatively undesirable, with Denmark, Iceland, Luxembourg, and New Zealand all effectively requiring a refund on the campaign contributions for both personal and bundled contributors. The lowest positive price is for Norway, at $119,900 for personal, and $85,756 for bundled contributors. The court of St.James, is available at approximately $2.3 million for personal contributors, and $1.7 million for bundled contributors.

The "prices" derived for desirable ambassadorial postings in Table 5 are those that are predicted from our estimations. Other than statistical noise, three sets of considerations might generate a deviation of the actual market price from that predicted by our model. First, the political appointee may possess additional attributes which the administration values, other than pure financial contributions. Second, the posting may possess additional attributes that the potential appointee values. Third, there may be measurement errors. Specifically, there may be a downward bias in reported contributions insofar as contributors and campaigns have an incentive to minimize disclosure as far as possible; there may also be a bias resulting from the fact that in some instances contributions were reported as being in a range. Since coding adopted the upper limit of the range, this ensures that the bias arising from data coding for the campaign contribution variables is at or below zero.[31]

Consider the deviations between the contributions predicted by our model (either personal or bundled),

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[31] Though for the top contributor category we have data only on the lower limit.

and the contribution actually paid, as reported in Figure 5.

INSERT FIGURE 5 ABOUT HERE.

On the per capita GDP metric, positive deviations indicate that the appointees paid less than the model predicts; negative deviations that they paid more than the model predicts. In accounting for possible reasons for the deviations, we note that for Ireland, the Netherlands, Italy, Poland and Argentina, the appointees had political connections with either the President, a senior member of the Administration, or the Democratic Party. In the case of Saudi Arabia and Mexico, the appointee brought independent think tank expertise to the post, in addition to having provided campaign finances. Thus for both sets of appointees, they possessed attributes that effectively allowed them to bargain down the campaign contributions they provided to the Obama presidential campaign.

On the other hand, in the case of Hungary, Romania, Costa Rica, the Dominican Republic, El Salvador and Germany, in all instances the appointees had long-standing political connections, but they also paid more for the appointments than the model would have suggested. The implication is that in these cases, additional attributes of the postings were such that they allowed for the extraction of a higher price in campaign contributions. However, when we repeat the exercise for personal campaign contributions, but on the tourism metric, note that the implication is in fact that appointees to Hungary, Romania and the Dominican Republic underpaid. Only for Germany, Costa Rica and El Salvador is the suggestion still that the appointee overpaid.

Across both sets of desirability attributes of postings, per capita GDP and attractiveness as a tourist destination, we can readily account for the magnitude of campaign contributions, with the sole exceptions of Germany, Costa Rica and El Salvador, where the campaign contributors appear to have paid more than necessary across both characteristics.

For bundled campaign contributions, for the GDP per capita and tourism metrics respectively, we can readily account for Luxembourg, Norway, Denmark, Australia, the Slovak Republic, Japan, Switzerland & Liechtenstein, Finland and Sweden, since though the modelling suggests that appointees underpaid in terms of the GDP per capita metric, once we account for the attractiveness of these postings as tourist destinations, the indication is in fact that the appointees overpaid. The inference is that these countries, while rich and

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therefore attractive postings, are less attractive in terms of their ability to draw tourists, accounting for their inability to draw a higher market price.

The reverse is true for France and Monacco, Portugal, Spain and Morocco. Here, on the GDP per capita metric the indication is that appointees paid too much - yet the strength of these postings in terms of their attractiveness as a tourist destination, implies that the appointees may in fact have paid too little. Thus the inference is that the weakness of the postings in terms of the standard of living afforded in GDP terms, is compensated for by their attractiveness as tourist destinations.

In the case of Belgium, the Czech Republic, Belize, Trinidad & Tobago, the Bahamas and South Africa, appointees overpaid on both the per capita GDP and the tourist metrics, again suggesting that for these appointees the postings have desirable attributes not fully reflected in their standard of living measure, or their attractiveness as a tourist destination.

On the other hand, two puzzles under the bundled campaign contributions arise in the case of the United Kingdom and Austria, for which our analysis suggests that the appointees underpaid for the post they received, on both the GDP and the tourist metric. What is more, there is no recorded political connection to members of the administration, nor do they bring special think tank-like expertise to bear on the posting.

8   Conclusions and Evaluation

We have explored the distribution of career diplomats and political appointments to diplomatic posts across a range of characteristics of postings, that serve to indicate the attractiveness of the posting.

The results of the paper indicate that political appointees are more likely to obtain posts in high-income OECD countries, that are strong tourist destinations, are located in Western Europe, and that carry lower hardship allowances, than are career diplomats. We have also shown that the greater the personal or bundled campaign contributions to a presidential campaign, the more lucrative the posting the contributor can expect in terms of per capita GDP, tourist volumes, hardship allowances, and the more likely the posting will be in Western Europe, and the less likely it will be in Central and South Asia or Sub-Saharan Africa.

Finally, we have established an implicit price list for a range of ambassadorial postings. The price for the Court of St. James appears to lie between $650,000 and $2.3 million.

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9 Appendix A: Countries employed for the study

INSERT TABLE A1 ABOUT HERE.

10 Appendix B: Political Appointees to Ambassadorial Posts under the Obama Administration

INSERT TABLE B1 ABOUT HERE.

11 Appendix C: Ratings of Postings in Terms of Hardship Allowances and Danger Pay

INSERT TABLE C1 ABOUT HERE.