- Author Version -
May 2017

Towards the Greater Good? EU Commissioners' Nationality and Budget Allocation in the European Union

Kai Gehring & Stephan A. Schneider

accepted for publication in the *American Economic Journal: Economic Policy*

Towards the Greater Good? EU Commissioners' Nationality and Budget Allocation in the European Union

By Kai Gehring and Stephan A. Schneider*

We demonstrate that the nationalities of EU Commissioners influence budget allocation decisions in favor of their country of origin. Our focus is on the Commissioners for Agriculture, who are exclusively responsible for a specific fund that accounts for the largest share of the overall EU budget. On average, providing the Commissioner causes a one percentage point increase in a country's share of the overall EU budget, which corresponds to 850 million Euros per year. There are no different pretreatment trends and the magnitude of the bias from selection-on-unobservables would have to be implausibly high to account for the estimated coefficient. (JEL D7, H3, H7, F5, F6)

Article 17, Treaty on European Union (TEU):

> "The Commission shall promote the general interest of the Union and take appropriate initiatives to that end. (...) In carrying out its responsibilities, the Commission shall be completely independent. (...) (T)he members of the Commission shall neither seek nor take instructions from any Government or other institution, body, office or entity" (European Union, 2010).

For the past 60 years, the European Union (EU) and its predecessors have pushed towards an ever closer union among member states, accumulating powers especially

* Kai Gehring: University of Zürich, Affolternstrasse 56, CH-8050 Zürich (e-mail: mail@kai-gehring.net); Stephan A. Schneider: Heidelberg University, Alfred-Weber-Institute for Economics, Bergheimer Straße 58, DE-69115 Heidelberg (e-mail: mail@schneiderst.de). We thank the editor John N. Friedman and the three referees at the *American Economic Journal: Economic Policy* for valuable comments, as well as Timothy C. Conley, Axel Dreher, Vera Eichenauer, Andreas Fuchs, Friedrich Heinemann, James G. MacKinnon, Christopher R. Taber, Katharina Michaelowa, Matthew D. Webb, and seminar participants at the University of Zürich, the Centre for European Economic Research (ZEW) Public Finance Conference 2016, the 2016 Annual Meeting of the Royal Economic Society, and the Beyond Basic Questions 2015 conference for comments, Christina Schneider for sharing her data on the EU budget composition, Valerie Baldinger for research assistance, and Jamie Parsons, Jake Hall, and Michael Andrews for proof-reading. We declare that we have no relevant or material financial interests that relate to the research described in this paper.

in the European Commission (EC) as the executive arm of the European governing system. The central role of the EC places it at the center of the raging political debate over the future of the EU. Those pushing for more integration seek an EU with its own fully functional executive, typically in the form of an EC with enhanced powers. At the same time, others advocating for a return of decision-making powers to national governments (or even for an exit from the EU) complain that the EC suffers from a "democratic deficit" and a lack of political accountability. In this paper, we shed light on the issues underlying this debate by studying the behavior of the EC, more specifically the influence of nationality on decision-making in the EC.

The EC comprises currently 28 Commissioners from all EU member states who can exert considerable political influence and oversee an administrative body of altogether about 23,000 bureaucrats. While the EC resembles the executive board of an international organization or central bank in the process by which Commissioners are appointed, its role and competencies also make it comparable to the executive arm of government. It is thus not clear to what extent Commissioners behave as other politicians do. The decision-making of Commissioners has not been systematically explored before.[1] While there is a vast amount of related literature on log-rolling and state-specific spending related to political interests in the U.S., mostly only placing emphasis on the legislative chambers (e.g. Gawande and Hoekman 2006; Brooks, Cameron and Carter 1998; Stratmann 1992), barely any such work has been done for the EU (Aksoy, 2012). In addition, there is very little work on these issues that focuses on the executive branch, as does this study.

The designers of the EC were aware of the potential for national self-dealing. Unlike the U.S., the EU is more similar to an international organization than to a state. It

[1] There is a simple reason why the literature so far has not been able to provide an assessment of the influence of nationality on EU Commissioners' behavior. The EU publishes no detailed data on the specific budget of individual Commissioners' portfolios which would allow a decomposition into country specific spending. We solve this challenge by using the allocation of EU funds instead, focusing on the Commissioner for Agriculture who is the only Commissioner exclusively responsible for one specific fund.

has installed several institutional specificities and a bureaucracy strongly mixed in nationality aimed at reducing the influence of individual national backgrounds. As the opening statement indicates, the EC, as the main executive body of the EU, is eager to maintain an image of simply representing "the interests of the EU as a whole" (European Commission, 2015*b*). The EU portrays its Commissioners as working independently, unaffected by their cultural and national background to pursue the "common good" of their respective principal constituents. However, it is unclear to what extent these attempts are successful. There is evidence that nationality continues to play a role in shaping actors' decision-making in other international organizations like the European Central Bank, credit rating agencies or the United Nations (see, e.g., Fuchs and Gehring, 2017; Kaja and Werker, 2010; Novosad and Werker, 2014; Sturm and Wollmershäuser, 2008). Thus, it remains an open and unresolved question whether the EU succeeds in overcoming these features inherent to comparable institutions.

Even without examining the data, there are good reasons to expect that EU Commissioners favor their home countries. Member states actively engage in an effort to acquire seemingly attractive Commissioner posts for 'their' Commissioner, suggesting that such positions are valuable (cf. description in Napel and Widgrén, 2008; Nugent, 2001). Furthermore, former Commissioners often gain important positions in their home country after their term in Brussels, so that rational Commissioners may, to some degree, take their or their parties' future electorate and career prospects into account (Vaubel, Klingen and Müller, 2012). Consider, for instance, the official portfolio description of the Commissioner for Economic and Financial Affairs, which emphasizes the responsibility "for (e)nsuring enforcement of the Stability and Growth Pact and reviewing its fiscal and macroeconomic surveillance legislation (...) and budgetary rules" (European Commission, 2015*a*). Nevertheless, the current Commissioner, Pierre Moscovici, a former national minister in France, was one of the first to sign a request from the French Socialist Party for communitization of

national government debt on the European level. This caused massive controversies among member states and suggests that member states have vested interests in their Commissioners' behavior.[2]

This study focuses on the European Commissioner for Agriculture, who exercises authority over the budget allocation of the European Agricultural Guidance and Guarantee Fund (EAGGF). Since its inception, the Common Agricultural Policy (CAP) has been among the most important pillars of the EU's work and consumed up to 70 percent of the overall EU budget (Butzen, De Prest and Geeroms, 2006). The related fund budget decisions are of high political salience (cf., Schneider, 2013) and the Commissioner can influence the budgetary process as an agenda setter or due to information advantages.[3] Thus, if national background matters, we can plausibly expect it to manifest itself in the distribution of the EAGGF.

In order to identify the impact of nationality on budget decisions, we employ a difference-in-differences and event-study approach with country and time fixed-effects. If some countries are constantly less likely to provide the Commissioner, country fixed-effects suffice in avoiding selection-bias. In addition, we remedy the most obvious selection problem by showing specifications that exclude the largest member states, with potentially less interest in holding this position, as well as consecutively excluding each treated member state individually. Conditional on controlling for relevant selection factors, there is a significant positive relationship between the Commissioners' country of origin and the agricultural fund spending these countries receive during their terms in office. This translates on average into 850 million EUR per year for the country of origin of the respective Commissioner.

[2] See `https://magazin.spiegel.de/digital/?utm_source=spon&utm_campaign=inhaltsverzeichnis#SP/2015/19/134762470` (last accessed on May 15, 2015). We document some more details on the selection process in Online Appendix A1.

[3] Farmers usually constitute a well-organized lobby group (see, e.g., Olson, 1965), which can set incentives for the respective national governments to lobby on their behalf or for the Commissioners to take account of their future support if they consider returning to national politics in the future.

We test for a number of potential threats to identification. Most importantly, a consistent estimation of the average treatment effect in our set-up relies on the assumption of parallel trends between treated and untreated states. We find no signs of problematic pre- and posttreatment trends when we add lead and lag variables. The sharpness of the response suggests further that dynamic selection is unlikely to explain our results. In addition, the results remain robust when we account for potentially differential developments with country-specific time trends. Any remaining selection-on-unobservables would have to be between one and nearly five times as strong as selection on the comprehensive set of observable factors to account for the positive relationship (cf., Oster, 2013; Altonji, Elder and Taber, 2005). A final potential threat to identification is the relatively low share of treated observations, which could lead to an overrejection of the null-hypothesis. We use wild cluster bootstrap procedures and the distribution of placebo treatments to derive alternative p-values, which support the significant relationship.

The paper is structured as follows: Section I summarizes the relevant literature and section II shortly explains the structure of the EU Commission with its members. Subsequently, it outlines why examining the Commissioner for Agriculture and the directly related agricultural fund provides a promising opportunity to assess the effect of nationality on budget allocation decisions in the EU. In section III, we describe the data and our empirical strategy. Section IV presents the main results and robustness checks and section V concludes.

I Related Literature

I.A Leader Origin and Distributive Financial Decision-Making

Our paper relates to the literature on the effects of national and regional identity or ethnicity on political decisions and budget allocations (e.g., Franck and Rainer, 2012; Jennes and Persyn, 2015), which shows that regions providing national ministers or other important political representatives tend to receive more transfers. Dreher et al. (2015), for instance, use a newly developed database that coded Chinese development finance projects across 3,545 locations in Africa over the 2000-2012 period to investigate how African leaders redirect development aid towards their home region. In a similar vein, but with a worldwide focus, Hodler and Raschky (2014) use a panel of 38,427 subnational regions from 126 countries over the 1992-2009 period to study whether political leaders favor their birth region. Likewise, Dreher et al. (2009) point out how the individual background of political leaders affects the reforms they implement and Olken and Jones (2005) show that leaders have a great level of influence on the economic performance of their country. Furthermore, the literature on money allocation in international organizations and politics (e.g., Dreher, Sturm and Vreeland, 2009; Kuziemko and Werker, 2006) demonstrates the benefits for countries to hold key positions. Based on the existing evidence, it is thus evident that the roles of individuals have to be taken into account when analyzing political and economic processes.

More specifically, we also relate to a large literature on European institutions, which mostly focuses on the Council of the European Union, and EU politics in general (for an overview see, e.g., Alesina, Angeloni and Schuknecht, 2005; Baldwin and Wyplosz, 2012).[4] Aksoy (2010) shows an influence of voting power and agenda-setting on

[4] Together with the European Parliament, the Council of the European Union, sometimes also referred to as the Council of Ministers, forms the EU's legislative. Depending on the policy area, the Council meets in different compositions, because all member states dispatch their respective national ministers who are responsible for each portfolio.

the allocation of the EU budget (see also Kauppi and Widgrén, 2004). In a similar vein, Rodden (2002, p. 170) states that "empirical analysis demonstrates a close connection between the distribution of votes and fiscal transfers in the legislative institutions of the European Union." Schneider (2013) finds that member states receive larger shares of the EU budget in the years prior to domestic elections. Moreover, Carnegie, Aronow and Marinov (2014) show that former colonies of countries who hold the Council presidency obtain significantly more foreign aid. Aksoy (2010) and Mazumder, McNamara and Vreeland (2013) present arguments and empirical evidence suggesting that holding the rotating EU Council Presidency can be used to achieve the respective country's strategic interests. While there exist many papers detecting such relations for legislative bodies, barely any work has been done to investigate the role of an executive institution in an international organization. We also build on recent, mostly qualitative work, which started to examine the behavior of the individual actors who form the EC (see for instance Smith, 2003; Wonka, 2007), by assessing the influence of the EU Commissioners for Agriculture on the share of EU spending received by their home countries quantitatively.

II Institutional Setting

II.A European Commission

The Commissioners' influence on the EU budget distribution has, to the best of our knowledge, not been systematically examined in the existing literature. Yet, theoretical literature indicates that Commissioners are potentially influential in every phase of the legislative process (Bachtler and Mendez, 2007; Tömmel, 2014). The European Commission is the main executive and administrative organ of the EU. Its wide range of functions includes an exclusive right for policy initiation, implementation, and monitoring (cf., König and Mäder, 2014), as well as control

over EU programs, mediation between the member states' governments, and external representation tasks (Egeberg, 2010). It is organized in a cabinet structure and Commissioners are – comparable to national ministers – responsible for a certain portfolio and in most cases related to one specific "Directorate General" in the Commission's administrative section.[5] The appointment of the 27 Commissioners follows the principle: one country, one Commissioner. However, it is the President of the EC who assigns the portfolios to the Commissioner candidates, which often results in unexpected portfolio allocations (Nugent, 2001). As outlined in Online Appendix A1, it is common that the specific choices remain unclear until the day of the announcement, making the final allocation of the Commissioner positions close to random.

One can observe that, in contrast to past terms, member states nowadays increasingly delegate high ranked politicians (e.g., former national ministers) and members of the governing party as Commissioners to Brussels (Egeberg, 2010; Döring, 2007). According to Wonka (2007), 67.4 percent of the Commissioners, chosen by the member states from 1958 to 2006, came from the governing party and only 18.1 percent from the opposition. This suggests a principal-agent structure (Vaubel, 2006; Wonka, 2007), where governments select reliable actors who are expected to take national interests into account at the EU-level (Wonka, 2007). Although national governments have weaker means of exerting pressure and controlling the EC's decisions in the postnomination phase (Vaubel, 2006), career-prospects (e.g., getting a leading position in national politics or elsewhere as a reward) and the option to be renominated for the lucrative job are potential incentives to keep the country of origin's (government's) policy preferences in mind (Döring, 2007; Vaubel, Klingen and Müller, 2012). In line with these arguments, Vaubel, Klingen and Müller (2012, p.59) demonstrate how many Commissioners systematically plan their "life

[5] See also `http://ec.europa.eu/commission/2014-2019_en` (last accessed on May 4, 2015) for details on the EC.

after the Commission": in their sample, they find that 36 percent change to the private sector or lobby groups and 43 percent return to national politics.

This political self-interest and the fact that candidates for the position are chosen by the national governments suggests the possibility of potential conflicts of interest (Tömmel, 2014).[6] On the one hand, all Commissioners owe their position to a system of proportional national representation and a proposal of 'their' national government, but, on the other hand, they are supposed to act independently and in the "general interest" (TEU). This conflict of interests casts doubts on initial studies in political science which often described the Commission as a unitary technocratic actor pursuing interests distinct from those of member states, and supports authors like Wonka (2007), who have more recently questioned this assumption. He deems it rather unlikely that the delegates – who are assumed to act like politicians – will collectively turn against the governments which once helped them take office. Thomson (2008) supports this notion by showing that Commissioners share the policy positions of the government of their country of origin.

The Economist remarks that it is "one of the better jokes in Brussels" that Commissioners are "completely independent" of their home countries which can be supported by anecdotal evidence.[7] In 2007 and 2008, the German Commissioner for Enterprise and Industry, Günter Verheugen, repeatedly opposed a planned Commission proposal to reduce new car's carbon dioxide emissions. His success in weakening the initial proposal was widely perceived as support for the car industry, one of Germany's most

[6] Current outside earnings could also create conflicts of interests. Focusing on members of the German Bundestag, Arnold, Kauder and Potrafke (2014) find no clear relationship between outside earnings and parliamentary effort. In the context of two German cities, Potrafke (2013) provides another example of the relationship between voter preferences and public spending in a principal-agent structure.

[7] See *The Economist* under `http://www.economist.com/node/10171795` (last accessed on April 28, 2015).

important economic sectors.[8] Another example illustrates that nominated candidates do consider the promotion of national interests part of their task. Before taking office in 2014, Věra Jourová, the current Commissioner for Justice, Consumers and Gender Equality, was asked about her aims as the new Czech EU Commissioner. She said that "(t)he European Commissioner must, of course, be impartial, without regard to national interests. Beyond this, however, I would like to focus on coordinating the activities of Czech people in EU institutions to promote Czech national interests – after my working hours, if you will."[9]

II.B Identifying the Link Between Commissioners and Budget Items

Despite these studies and anecdotal evidence, it is not clear whether the above examples constitute exceptions or can be supported by systematic empirical evidence. To be able to identify this relationship, it is of particular interest to consider the role, room to maneuver, and power of the Commissioners in the legislative process. The Commission's most relevant power is its monopolistic position as the agenda setter, characterized by an exclusive privilege to make legislative, budgetary and program proposals in areas that fall under EU responsibility (Article 17, TEU). It can decide, on the whole, whether to take up policy propositions from the European Parliament (EP) and the Council or not (Bachtler and Mendez, 2007; Egeberg, 2010): "The Council, the EP and member states may make suggestions to the Commission and can call on the Commission to present new proposals, but it is the European Commission that actually drafts proposals" (Roozendaal and Hosli, 2012, p. 449).

[8] See *Deutschlandfunk* for the translated direct quote under `http://www.deutschlandfunk.de/autolobby-contra-klimaschutz.724.de.html?dram:article_id=98703` (last accessed on April 28, 2015) and *EU Observer* under `https://euobserver.com/economic/25453` (last accessed on April 28, 2015).

[9] For the direct quotation see *Radio Praha* under `http://www.radio.cz/en/section/curraffrs/minister-vera-jourova-nominated-for-czech-eu-commissioner` (last accessed on April 30, 2015), written July 21, 2014.

As a consequence, the Commission can exert influence by defining "the terms in which issues are discussed" (Hosli and Thomson, 2006, p. 397).[10]

In the run-up to the introduction of a new policy proposal, the Commissioners try to anticipate and consider possible supporting coalitions in the Council or EP. As "interface managers" (Tömmel, 2014, p. 152), it is their task to mediate between the legislative organs and to find compromises with majority appeal. According to Hosli and Thomson (2006), the Commissioners are also continuously involved in discussions in the Council, and negotiations between the EP and the European Council. In addition to organizing majorities in the Council or EP, they also need to win the support of their colleagues in the Commission. Hence, it is common practice to do "package deals" (Tömmel, 2014, p. 152) in order to gain enough support for one's proposal. Nevertheless, the intra-Commission decision-making process is a first control-level that might limit the ability of individual Commissioners to pursue their own agendas.

It seems plausible that Commissioners would use their informational advantages vis-à-vis the EP and the member states' representatives in the Council (Döring, 2007; Hosli and Thomson, 2006). These advantages are derived, for example, from the staff of their associated Directorate General or their consultations with external experts and acquisition of information from interest groups in the early stages of the legislative process. As a consequence, the Commission, which takes part in Council meetings, can try to forge political deals. Likewise, Commissioners supposedly have informational advantages (albeit in a weaker form) in negotiations with other Commissioners (Thomson, 2008), when decisions in their field of activities are made. The decision-making process at these meetings and negotiations is opaque, however, and only scarcely documented; thus not allowing a systematic analysis of

[10] Empirical evidence about the budgetary impact of such proposal powers is provided by Knight (2005). Investigating the allocation of transportation projects in the U.S. in 1991 and 1998, he finds that congressional districts which have a member on the transportation authorization committee and thus possess proposal power, receive significantly more project spending than districts without a member on this committee.

the relationship we are interested in. To the best of our knowledge, there exist no data that allows for the decomposition of individual Commissioners' budgets so that they may be compared to the shares that each member country receives. The only data that are available in the necessary form relate to the various funds that the EU manages.

II.C Commissioner for Agriculture

We focus on the EU Commissioner for Agriculture, the one case where an individual Commissioner is solely responsible for payments from a specific fund, namely the European Agricultural Guidance and Guarantee Fund (EAGGF). This fund is the main pillar of the EU's Common Agricultural Policy and came into force in 1962. Up until now, the agricultural fund has made up the greatest part of the EU's overall expenditures (cf. Figure 1). In spite of two substantial reforms of the CAP in 1992 and 2003 that gradually shifted the EU's agricultural expenditure from guaranteeing price support for agricultural products to individual direct payments for farms (decoupling) and rural development programs (Baldwin and Wyplosz, 2012; Fouilleux, 2010), the EAGGF was allocated consistently annually until 2007.

– Figure 1 about here –

The CAP scheme is particularly well-suited to analyze the relationship between national background and budget allocation. It has a redistributional nature and provides a classic example of pork-barrel politics (Weingast, Shepsle and Johnsen, 1981), where each country supposedly aims to acquire as many fund resources as possible. The CAP is a major and salient budgetary item in the overall budget. Hence, it is plausible that member states are interested in trying to make use of "their" Commissioner as their popularity with the electorate at home can depend on

their bargaining performance (Baldwin and Wyplosz, 2012; Schneider, 2013).[11]

A precise description of the annual CAP budget negotiations, which take place a year ahead of the actual budget year is provided by Fouilleux (2010, p. 344):

> "CAP decision-making usually begins with a proposal from the Commission (...). The Agricultural Council meets monthly, more frequently than most of the EU Councils. One of these meetings was usually set aside to discuss what was called the 'price package' for the following year, at which the member states decided on such issues as the level of guaranteed prices for each product and the amount of quota by country" (Fouilleux, 2010, p. 344).

All meetings offer possibilities to directly (e.g., via price setting or the definition of subsidies) or indirectly (e.g., via new regulations or policies) influence the distribution of the agricultural budget.[12] Accordingly, the Agricultural Commissioner has multiple opportunities to influence budget distribution at various times in the year that go beyond gaining leverage through the EC's budget proposals. Negotiating 'price packages', their agenda-setting position, and information advantages can be used to redirect funds.

The requirements for reliable identification of a causal relationship that we formulated above are only partly fulfilled by two of the other Commissioners in a comparable way: the Commissioner for the Budget and the Commissioner for Regional Policy. Both are agenda setters in their respective realm, and responsible for EU funds. Regional

[11] We do not discuss the general welfare implications of this controversial redistributive policy here. Whether and why more market-based approaches and less pork-barrel politics could lead to welfare improvements is beyond the scope of this paper. Evidence that more reliance on market forces does not only lead to higher growth rates but also relates to higher subjective well-being is, for example, presented by Gehring (2013).

[12] Before the Lisbon-Treaty (2007), the European Parliament had little influence on budget decisions in the field of CAP (see, e.g., Crombez and Swinnen, 2011; Schneider, 2013). The official press releases and more details about the decisions in the agricultural council can be found at `http://aei.pitt.edu/view/instauthor/IAC002.html`, last accessed on May 22, 2016. The minutes of the Council meetings reveal, for instance, that adaptions to the pricing system were made in several subsequent meetings from June to October 1985. In this and other cases, subsidies on very specific products have often been considered in succeeding meetings. This demonstrates that most meetings had the potential to influence the spending structure of the EAGGF.

policy is closely related to two structural funds: the European Social Fund (ESF) and the European Regional Development Fund (ERDF). The allocation of these funds is to a larger degree based on formal criteria, however, and the Regional Commissioner's portfolio cannot be separated from the portfolios of other Commissioners as clearly.[13] Schneider (2013, p. 466) explains that "since ERDF/ESF transfers are allocated on a project-level basis, states are more restricted in their annual negotiations to move around already stipulated funds."

The Budget Commissioner rather has an influence on the allocation of budgets towards the individual budget items than on the distribution across member states and only limited room to maneuver with respect to annual budgets, due to the constraints set by the longer term multi-annual financial frameworks of the EU.[14] In contrast, the Agricultural Commissioner should be able to influence budget distribution decisions within the predefined available agricultural budget to a much higher degree along the lines suggested above. Hence, while we expect similar relationships for other Commissioners, the Commissioner for Agriculture is the best option to empirically identify the relationship between national background and Commissioners' behavior.

[13] For example, one criterion is that "to be eligible for most of the ERDF/ESF resources, the per capita GDP of the country has to fall below 75 percent of the average GDP in the EU" (Schneider, 2013). For further details on the funds and criteria for the ERDF and ESF fund see `http://ec.europa.eu/regional_policy/en/funding/erdf/` and `http://ec.europa.eu/social/main.jsp?langId=en&catId=1`, last accessed on May 23, 2016.

[14] The multi-annual financial frameworks of the EU act as a severe constraint and are negotiated by the heads of governments for seven (previously five) years. In the multiannual budget negotiations, the member states "outline EU spending by setting ceilings on expenditures for each budget category and on total expenditure" (Schneider, 2013, p. 465). Thus, relating annual overall budget data to the Budget Commissioner will most likely not provide enough variation to detect a significant relationship. There have been three frameworks within our sample period, Delors I (1988-1992), Delors II (1993-1999), and Agenda 2000 (2000-2006). See for details `http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_1.5.3.html`, last accessed on May 23, 2016. The frameworks do not determine the allocation per country within the agricultural budget.

III Data and Empirical Strategy

III.A Data

In the following section, we describe our variables of interest and give a brief description of the relevant control variables. Since the EU has undergone several enlargement rounds, the length of time that is covered depends on the respective country's timing of joining the EU. Bulgaria and Romania are not included as their one year of membership from 2005-2006 does not allow for an estimation with country fixed-effects. We thus analyze a nonbalanced panel for a maximum of 25 countries (see Online Appendix A4, Figure 2).

As dependent variables, we are interested in the share of the EU budget that a particular country i receives at time t. Our main variable and the focus of our paper is the EAGGF budget that country i receives as a percentage of the total EU budget. The budget shares are derived from the annual reports of the European Court of Auditors and range from 1979 to 2006. At present, there exists no comprehensive information for more recent years.[15] We use the share to be able to easily disentangle changes in the overall budget sizes from changes in relative allocation. This way of measuring negotiation success is more robust when examining a total budget that changed over the course of time (Aksoy, 2010; Butzen, De Prest and Geeroms,

[15] The EAGGF was replaced by two follow-up funds in 2007 (`http://ec.europa.eu/agriculture/index_en.htm`, last accessed on April 16, 2015). This is the main reason that our sample ends in 2007. As one of these funds, the European Agricultural Fund for Rural Development (EAFRD) co-finances economic rural development programs of the member states (see `http://ec.europa.eu/agriculture/cap-funding/funding-opportunities/index_en.htm`, last accessed on April 22, 2015), it is more difficult to directly trace its changes back to the actions of the Commissioner for Agriculture. It pursues goals similar to those of the cohesion and regional funds and might thus be influenced by other Commissioners as well. Specifically, it mostly "co-finances the rural development programs of the Member States" (see `http://ec.europa.eu/agriculture/cap-funding/funding-opportunities/index_en.htm`, last accessed on May 20, 2015). Compare Schneider (2013) for a short description of the data sources.

2006).[16] In addition to our focus on shares of the agricultural funds, we also test whether similar relationships exist for the overall budget and the regional and social fund. For a robustness test, we also use the EAGGF budget that country i receives as a percentage of the total agricultural budget as well as its total budget share as a percentage of the total EU budget.

Our variable of interest is the nationality of the respective Commissioner. We use multiple sources (see Online Appendix A2) to gather the terms of the EU Commissioners for Agriculture over our sample period. We code a variable *Commissioner* that contains the share of a year that country i provides this Commissioner (measured by months in office). Online Appendix A2 also shows the respective appointment and resignation dates of all Commissioners during our sample period. With few exceptions, *Commissioner* has the nature of a binary variable (being 1, if the member state appoints the Commissioner in a certain year and 0 otherwise), because Commissions were usually replaced in January. The average tenure of office is three years. For additional tests, we also code variables *Commissioner* (B) and *Commissioner* (R) for the EU Commissioner for the Budget and the Commissioner for Regional Policy respectively.

For reasons of transparency and to allow comparability with the existing literature, we do not propose our own set of control variables but rather adopt those in Schneider (2013). It is based on EU distribution principles (see, e.g., Bouvet and Dall'Erba 2010) as well as on previous findings in the literature. Note that our results hold when adding the changes or lags of this comprehensive set of control variables in

[16] Within the scope of this paper, we disregard contractual amendments which altered the distribution of power between the EU's three main organs and changed the budgetary procedures. Crombez and Hix (2011) for instance argue that under qualified majority voting, it should be easier for the Commission to push its interest through by focusing on pivotal member states. The length of our sample, however, does not offer enough statistical power to make valid estimations for sub-periods. See Crombez (2000), Hosli and Thomson (2006), and Aksoy (2010) for consequences of the particular treaties, voting rules and the differences between 'consultation' and 'co-decision' procedures and Heinemann (2003) for an investigation of the political economy of EU enlargement and treaty amendments.

addition. Online Appendix A3 provides the exact definitions and data sources. For our identification strategy it is most important that the controls condition on the most likely selection mechanisms.

Election Year and *Preelection Year* are binary variables that account for the years before and during domestic elections, which could relate to receiving "supportive" financial flows. Most importantly for us, we need to control for factors that could directly relate to receiving the Agricultural Commissioner: States with higher unemployment, a lower development and higher dependence on agriculture might be more likely to provide the Commissioner. We use data for *Unemployment Rate*, *Per Capita GDP (EU=100)* (100 equals the EU average), *Employment Agriculture (ln)* (measuring the number of people employed in the agricultural sector as a natural logarithm in millions) and the gross value added from the agricultural sector, *GVA Agriculture,* from Eurostat and the World Bank to account for selection on these observables. *GVA Agriculture* is added to the set of covariates used in the related literature due to our focus on agricultural payments, but note that none of our results is strongly affected by its inclusion. We also use data from Eurobarometer to measure *Domestic EU Support*. The EU might be more likely to grant a member state the Agricultural Commissioner and increased budget shares if there is a high share of eurosceptics in the electorate.

– Table 1 about here –

Bargaining power in the EU Council is quantified using the Shapley-Shubik index with the variable *Voting Power Council*.[17] *New Member State* is a binary variable for all new members until the next enlargement round of the EU, which is coded as 1 if a country is a new member in this period and 0 otherwise. It accounts for the fact that new members receive lower budget shares initially because of their inferior administrative capacity and less developed bargaining experience in attracting a

[17] For the exact calculation of the power indices see Bräuninger and König (2005).

share of the funds (Plümper and Schneider, 2007). Due to the enlargement rounds, the budget shares that single member states receive decrease over time. *European Council Presidency* captures whether a country holds the temporary chair of the EU Council and *Commission President* whether a country provides the president of the EU Commission. These factors together capture the most important observable selection variables. Descriptive statistics are provided in Table 1.

III.B Empirical Strategy

Our main estimation equation is

$$y_{i,t} = \beta c_{i,t} + \mathbf{X}_{i,t}^{'}\boldsymbol{\gamma} + \vartheta_i + \tau_t + \epsilon_{i,t},$$

where $y_{i,t}$ is the budget share country i gets in year t, $c_{i,t}$ is the variable for appointing the Commissioner for Agriculture, $\mathbf{X}_{i,t}$ represents the vector of control variables, ϑ_i are fixed-effects for country i, τ_{t} indicate time dummies and $\epsilon_{i,t}$ is an error term. In addition, we add year dummies (τ_t) and country dummies (δ_{t}) that account for unobservable year-specific and country-specific variation that might bias the estimate of $c_{i,t}$.[18] Thus, the strategy is comparable to a difference-in-differences equation, and relies on the assumption of common trends between treated and untreated states to establish a causal relationship. For the standard errors, we use two-way clustering at the country and year level (Cameron, Gelbach and Miller, 2011; Schaffer, 2010; Baum, Schaffer and Stillman, 2010). Since the dependent variable is a share out of all member states, there necessarily exists correlation across observations at each point in time, which makes it important to cluster on years as well. Additionally, we also display results for alternative bootstrap and randomization-based approaches to inference.

[18] The working paper version of this paper (Gehring and Schneider, 2016) also shows results using panel-corrected standard errors (PCSE). They are also positive, similar in coefficient size and significant at the one-percent level.

Figure 2 gives a first idea of the relationship by plotting the predicted fund shares of the treated countries versus their actual shares around the time of providing the Commissioner. This descriptive graph suggests an increase during the time when a country provides the Commissioner (shaded in red), and a subsequent decline after leaving office. We now turn to our regression evidence to quantify the extent and significance of this apparent deviation.

– Figure 2 about here –

IV Results

IV.A Main Results

Table 2 shows the main results for the 1979-2006 period. Column 1 shows a simple specification that includes only the control variables. As expected, *Employment Agriculture (ln)* and *GVA Agriculture* both indicate a positive relationship between the importance of the agricultural sector and budget receipts, and the latter coefficient is statistically significant. This relationship disappears when introducing country and time fixed-effects and the *Commissioner* variable in column 2. The main explanation for this is that conditional on the fixed-effects there is insufficient variation in the importance of agriculture over time within countries. Our main interest is the coefficient for *Commissioner*, which is 0.925 and significant at the one percent level. Having the EU Commissioner for Agriculture is thus associated with an increase in the share of the overall EU budget obtained by the respective country of approximately one percentage point. This change relates on average to an increase of about 25 percent in the agricultural receipts for the home country and would translate to 850 million EUR per year (for a fictive average sized country), based on the 2006 EU budget.

– Table 2 about here –

However, using general year dummies and country fixed-effects might not capture all unobserved variation over time. To resolve this matter, we add country-specific time trends in addition to the year dummies to account for changes in the share of agricultural funds within a country over the sample period. If sectoral changes in the industrial structure of individual countries lead to less money being allocated to these countries, this could bias our results if it coincides with providing the EU Commissioner. In fact, adding the trends leads to a decrease in the coefficient to 0.557 in column 3. The estimate becomes more precise, however, and the standard error decreases, which again leads to a rejection of the null-hypothesis of no relationship at the one percent level.

One might argue that other influential EU positions can also be misused to guide money to the respective countries of origin. The most prominent and influential positions are the EU president and the alternating EU Council presidency, which could both theoretically be related to the share of funds received. Adding these two variables in column 4 does not affect the coefficient, which remains stable and significant at the one percent level. Hence, in this most conservative specification, providing the Commissioner for Agriculture is still related to about 0.5 percentage points higher fund shares. This is our preferred estimation which we use for all further tests. Hence, we conclude that our baseline estimates of the relationship between providing the EU Commissioner for Agriculture and the share received by the respective country of origin are robustly positive and significant. It is also economically significant. The coefficient of 0.557 would translate into an increase in allocations of about 510 million EUR per year. This is a substantive amount, particularly for smaller member states. For example, Denmark's overall EU fund receipts sum up to 1,455 million EUR.

Columns 6 and 7 provide further robustness checks regarding the choice of the

dependent variable. Column 6 uses the agricultural fund receipts of country i as a share of the agricultural budget instead of the total EU budget. As one would expect, the coefficient becomes larger and remains significant at the five percent level. Column 7 uses the overall budget share that country i receives instead of only looking at the agricultural receipts. The reason for this test is that we want to evaluate whether there is some kind of balancing mechanism where countries lose the amount gained in the agricultural budget in other sectors. This is not the case. The coefficient remains comparable in size and significant at the one percent level.[19]

Online Appendix A5 shows that there is no significant interaction term between time in office and the treatment. However, as the associated figure shows, the interaction term is positive and the marginal effect increases the longer the Commissioners stay in office. It seems plausible that the Commissioner needs some time to adjust the budget distribution mechanism according to his preferences.

With a binary variable for *Commissioner* and year fixed-effects we can evaluate the common trend assumption which is necessary for a causal interpretation of the estimated coefficient. While using country-specific time trends alleviates endogeneity concerns, nonlinear country-specific trends could still bias our estimations. In our multi-period setting, we can test this assumption by examining whether different pre- or posttreatment trends exist for treated and untreated countries which would indicate nonrandom selection. Our theoretical considerations suggest that the Commissioners are able to affect budget allocation in favor of their home country only once they are in office. Significant lead-variables would thus cast doubts on the

[19] The Budget Commissioner and Commissioner for Regional Policy positions might be used to redirect funds to their respective home countries as well. Yet, as outlined above, we do not expect to find a relationship in these cases. Online Appendix A8, Table 9, column 6 and 7 show results for the variables *Commissioner* (B) and *Commissioner* (R) to test for a relationship with the overall budget share and the regional and social fund's share of the respective country of origin. As expected, we find no significant relationship. *Commissioner* (B) relates to a coefficient of -0.111 and *Commissioner* (R) to 0.102, and both are far from conventional significance levels. The most probable explanation is that there is either not enough leeway associated with these positions, the multi-annual financial framework restricts their room for maneuver, or there is too much noise in the data to be able to identify a significant relationship.

causal interpretation of our earlier results. Significant lags are theoretically possible and not implausible; the Commissioners could either install staff that supports their cause even after their dismissal or change internal processes or rules which take some time to reverse.

We thus code two lead variables, which take the value 1 only in the year $(t-1)$ and two years $(t-2)$ before a country provides the Commissioner, and 0 otherwise. For posttrends, we code four lag-variables that take the value 1 for one year after leaving office $(t+1)$ up to four years after leaving office $(t+4)$, and 0 otherwise.[20] Table 3 depicts the results including different leads and lags. The specification is otherwise identical to our preferred specification above and includes the same controls. We estimate $y_{i,t} = \alpha + \beta c_{i,t} + \sum_{\varphi=-2}^{4}(\beta_{t+\varphi} c_{i,t+\varphi}) + \mathbf{X}'_{\mathbf{i,t}}\boldsymbol{\gamma} + \vartheta_i + \tau_t + \epsilon_{i,t}$, with the binary indicator used for $c_{i,t}$ and with $\mathbf{X_{i,t}}$ including linear country-specific time trends.

– Table 3 about here –

In column 1, it can be seen that both added lead variables remain insignificant, whereas the coefficient for *Commissioner* (t) increases marginally to 0.544 and remains significant at the one percent level. Column 2 adds lags instead of leads. Again, all the lag-variables are far from conventional significance levels, while *Commissioner* (t) increases to 0.731 and remains significant at the one percent level. Finally, column 3 adds all leads and lags. The coefficient for *Commissioner* (t) becomes 0.728, again significant at the one percent level. All leads and lags are insignificant, giving no indication of pre- and posttreatment trends, while *Commissioner* (t) remains significant throughout.[21]

[20] We assign the 1 for the lag variables only for those years after the country stopped providing the Commissioner in *(t+1)*, i.e., where we correctly identify posttreatment trends after providing the Commissioner. The variable *Commissioner*(t) takes on the value of 1 in all years in which the country provides the Commissioner.

[21] The same holds true when using the lags and leads individually as can be seen in the Online Appendix A7, Table 6 and Table 7. Only the contemporanous value reaches significance.

– Figure 3 about here –

Figure 3 illustrates this graphically. The red squares indicate the coefficient and the gray-shaded area the 95 percent confidence interval. It can be easily seen from the confidence-band that all leads and lags are far from being significantly different from 0. The graph shows that the increase in fund shares occurs only during the time in office, remains positive but indistinguishable from 0 in the two years directly after the appointment of a new Commissioner from a different member state, and reverts back to 0 in $(t + 3)$. This is a crucial result for the causal interpretation of the identified relationship, as differences in trends were the most serious concern. The next part will shortly present further sensitivity tests and an assessment of the robustness of the coefficient to selection-on-unobservables.

IV.B Bootstrapping and Placebo Tests

There are several potential problems with statistical inference in cases where clusters are imbalanced, the number of clusters is small, or the share of treated units within the clusters is rather small (a comprehensive summary is provided by Cameron and Miller, 2015). In such cases, using clustered standard errors could still lead to over- or underrejection of the null-hypothesis (Cameron and Miller, 2015; MacKinnon and Webb, 2016*a*,*b*).

The most recommended procedure to approach this issue is the so-called 'wild cluster bootstrap.' Cameron, Gelbach and Miller (2008) use simulation evidence to demonstrate that the wild cluster bootstrap with the null-hypothesis imposed provides valid inference – even with cluster sizes significantly smaller than 50 – under many circumstances typical to applied research. Additionally, we draw bootstrap samples not only based on the common 2-point distribution, but also based on a 6-point distribution which can alleviate problems with few clusters (Webb, 2013). In this approach, the

weights take on any of the values $\{-\sqrt{1.5}, -\sqrt{1}, -\sqrt{0.5}, \sqrt{0.5}, \sqrt{1}, \sqrt{1.5}\}$ with the same likelihood. Finally, we also compute p-values with a simulation-based randomization inference procedure following Conley and Taber (2011) and MacKinnon and Webb (2016*a*).

The wild cluster bootstrap should be the most reliable and conservative approach in our case. Simulation results comparing the reliability of different methods show that it provides reliable inference even under unusual circumstances (Cameron and Miller, 2015). Regarding problems with differing cluster sizes, MacKinnon and Webb (2016*b*) show that it tends to reject correctly once the number of treated observations within the cluster is greater than five or less than 95 percent. This condition is fulfilled in our case. MacKinnon and Webb (2016*b*) also demonstrate that the restricted procedure leads to more conservative p-values than an unrestricted approach that does not impose the Null, and performs "extremely well" for five or more clusters. We thus use the restricted wild cluster bootstrap (WCRB) (MacKinnon and Webb, 2016*b*; Cameron, Gelbach and Miller, 2008; Davidson and MacKinnon, 1999).

An alternative to the WCRB approach is randomization inference (see Conley and Taber, 2011), which tackles inference problems that can arise when the number of treated observations is small. Our setting is not exactly equivalent to theirs, as the share of countries that receive the treatment at least once is 6 out of 25 countries, hence, not "small" in the original definition of Conley and Taber (2011). While the number of untreated control countries cannot be assumed to approach infinity as in their setting, we can still adapt the approach to learn something about the sensitivity of our results. Based on Conley and Taber (2011) and MacKinnon and Webb (2016*a*), we thus programmed a routine that computes p-values based on randomization inference. More specifically, our approach is most similar to the wild bootstrap randomization inference procedure in MacKinnon and Webb (2016*a*), section 2.9. We refer the reader to the original papers for more details. A detailed

description of the steps we conduct is provided in Online Appendix A6.

The intuition behind this approach is to randomly assign the treatment to the control countries. Appendix Figure 12 gives an idea of this as it shows placebo effects for each untreated country individually. Subsequently, we follow Conley and Taber (2011) and partial out time and country dummies from the outcome as well as the treatment variable to resemble their original approach. In addition, we adjust for the effect of the treatment and the control variables on the outcome to form residuals for each state. We then create new samples in each bootstrap round by drawing from the treatment vectors and assigning them randomly to the state residuals. In each of these bootstrap samples, we regress the randomized treatment on the residuals and store the coefficient and t-value. Finally, the distribution of the coefficient estimates β_{boot} and t-values t_{boot} is used to compute the p-value. With a symmetric test, this p-value reflects the fraction of times that $|\beta_{boot}| > |\beta_M|$, or more formally $\hat{p}^*_{boot} = \frac{1}{B}\sum_{b=1}^{B} I(|\beta_{boot}| > |\beta_M|)$. Bootstrapping the t-value which offers asymptotic refinement analogously yields the p-value as $\hat{p}^*_{boot} = \frac{1}{B}\sum_{b=1}^{B} I(|t_{boot}| > |t_M|)$. For more details see, among others, Cameron and Miller (2015).

– Figure 4 about here –

Figure 4 illustrates the derivation of the p-value graphically for randomization inference. Analogous to Chetty, Looney and Kroft (2009), it shows the cumulative distribution of the simulated placebo treatment coefficients versus the actual treatment effect. As can be seen, only a tiny share of simulated coefficients is larger than the "real" treatment effect we measure. Overall, all estimated p-values with five different approaches are below standard values indicating statistical significance in 38 out of 40 cases. This increases our confidence that neither the number of clusters nor the relatively rare treatment is problematic for correct statistical inference in this specific case.

IV.C Sensitivity Tests and Identification of Causal Effects

So far, we have demonstrated that the positive relationship between *Commissioner* and *Agricultural Fund Share* is robust to a large array of different specifications, including the usage of country-specific time trends to alleviate concerns about the common trend assumption. Online Appendix A8, Table 9 displays further robustness tests. Specifically, it shows that the main result is robust to including higher order time trends and the change in the control variables in addition to the levels. Moreover, the results using a log-version of the dependent variable are in line with prior results.

The prior section showed that several alternative approaches to statistical inference support the significant result. Still, we also have to consider that due to the relatively low number of Commissioners an individual country could have a strong influence on the estimation results. Instead of using one of the various methods to identify potential outliers, which all involve some arbitrary choices and assumptions, we opt for a more conservative option. We rerun our preferred specification (Table 2, column 4), and leave out each of the treated countries in the sample once.

Table 4, Panel A shows that the results are not driven by individual countries. The top row indicates which country is left out in the estimations. Depending on the time of their EU access, this leads to different numbers of observations. We can see that the coefficient takes on values between 0.411 (omitting the Netherlands) and 0.683 (omitting Ireland), but remains significant at the one percent level in all cases. In addition, a sample without larger countries should exhibit a smaller selection bias as it excludes some countries that have a lower likelihood of being interested in the Agricultural Commissioner post. When omitting the largest countries with more than 40 million inhabitants, the relationship remains stable and significant at the five percent level. As Online Appendix Figure 9 shows, the results are also robust to a procedure that randomly leaves out individual control variables and countries, and repeats this exercise 10,000 times. The resulting distribution of p-values shows that

an overwhelming share of p-values retains a value of 0.02 or less.

– Table 4 about here –

The fact that no form of selection-on-observables affects the estimations increases our confidence in the interpretation of the results. To be sure that we can give it a causal interpretation, it is still desirable to assess the likelihood that our results can be explained by selection-on-unobservables. We first apply the methods developed in Altonji, Elder and Taber (2005) to assess how much larger the selection-bias based on unobserved factors would have to be compared to observed factors to fully explain our results. The strategy is to use selection-on-observables to assess the severity of potential selection bias for the results. We compare two kinds of regressions: one which contains only country and year fixed-effects ($\mathscr{L}$ = limited) to one with a full set of controls ($\mathscr{F}$ = full). $\mathscr{F}_1$ comprises all variables from Table 2, column 3, and $\mathscr{F}_2$ adds the country-specific linear time trends, i.e. responds to our most restrictive specification. Panel B of Table 4, shows the "Selection ratio" (SR), the ratio of selection-on-unobservables to observables necessary to fully explain our coefficients. In simple terms: how likely is a bias due to unobserved time-variant factors captured neither by the controls nor the country-specific time trends? The resulting ratios indicate that for $\{\mathscr{L}, \mathscr{F}_1\}$, selection-on-unobservables would have to be 1.9 times as large as selection-on-observables to fully explain the positive relationship of the fund's share with the Commissioner for Agriculture. It rises to nearly 5 times for the $\{\mathscr{L}, \mathscr{F}_2\}$ combination, which takes the linear country-specific time trends into account as well.

Generally, we are less concerned by selection-on-unobservables if the coefficient moves further away from 0 or shows only small changes towards 0 when adding observables. However, Oster (2013) explains that small changes in the coefficient only help in coming closer to a causal interpretation if the added variables also explain additional variation in the dependent variable. She argues that $R_{max} \in [R_{\mathscr{F}}, 1]$ and

$\delta \in [0, 1]$ are plausible boundaries for the maximum share of the variance that can be systematically explained and the relationship of selection-on-unobservables to observables. For simplicity, we use the most conservative setting with $R_{max} = 1$ and $\delta = 1$.

We then calculate the boundary of the set $\beta^* = \beta_{\mathscr{F}} - \delta \times \frac{(\beta_{\mathscr{L}} - \beta_{\mathscr{F}}) \times (R_{max} - R_{\mathscr{F}})}{(R_{\mathscr{F}} - R_{\mathscr{L}})}$ and the identified set $\Delta_s = [\beta_{\mathscr{F}}, \beta^*] \forall\, \beta_{\mathscr{F}} \leq \beta^* \wedge \Delta_s = [\beta^*, \beta_{\mathscr{F}}] \forall\, \beta_{\mathscr{F}} > \beta^*$. As adding observables moves the coefficient of *Commissioner* further away from zero, our sets of identified coefficients is [0.92; 1.50] and [0.56; 0.61]; far from including 0. This is strong evidence that even with the most conservative choice of the suggested boundaries, our full set is precisely estimated within the confidence intervals and does not include 0. Overall, we find no plausible explanation that holds as an argument against a causal interpretation of the identified relationship.

V Concluding Remarks

The aim of this study was to examine whether and to what extent the national background of political leaders influences budget allocation decisions in a supranational institution like the European Union, which is in a continuous struggle about the optimal level of integration.[22] The role of the European Commission is at the center of this debate. As an institution, it combines features of an unelected bureaucracy with significant executive powers. Against this background, examining the degree to which decisions of Commissioners, are shaped by their respective national background is an important research question. Our results provide further support for

[22] Janeba and Wilson (2011) model the optimal division of public good provision in a federal system with tax competition and show that, while some goods should be centrally provided, complete centralization is never desirable for all public goods. Dreher et al. (2016) point at the role that differences in 'soft' private information between the different layers in a federal system play in explaining the choice of sub-optimal decentralization levels. They also highlight that whether the upper or lower layers constitute the 'principal' in the principal-agent structure determines how much information is shared and to what extent decision-making is in equilibrium decentralized.

the influence of individual backgrounds in bureaucracies and executives both at the national and supranational level.

Our focus was on the Agricultural Commissioners, who fulfill all necessary requirements to reliably test the impact of national background. The findings indicate that providing the Commissioner for Agriculture is related to increases of about one percentage point in the share of the overall EU budget that the country of origin receives. We remain cautious, but despite an extensive series of tests could not find compelling reasons against a causal interpretation. While omitted variables should always be a concern, alternative explanations based on unobserved factors would have to assume an improbably high impact of omitted variables given the sensitivity to controlling for observable factors and the remaining variation in the dependent variable (Oster, 2013). Hence, the results suggest that providing the EU Commissioner for Agriculture leads to increases in a country's budget receipts.

This finding cannot necessarily be extrapolated to all other Commissioners and political actors in the EU. Nevertheless, it presents clear and quantitatively relevant evidence that national background continues to matter in the EU. Finding this robust and highly significant relationship here changes the *a priori* assumptions about whether similar relationships also exists for other Commissioners, where a lack of data and transparency does not allow us to quantify them. This supports prior research on the role of individual background in international organizations or federal systems. It is important to note that the results do not rule out that Commissioners also take common European values and targets into account and are motivated by other motives or a European spirit.

Taking the interest of their constituents into account can be an intended feature of democratic institutions, in particular in legislatures with first-past-the-post systems. In such systems, the fact that elected politicians distribute more money to their home region might not necessarily be undesirable. Still, we would argue that the

executive branch of government should internalize diverging regional preferences and aim at maximizing the common good. At the very least, this is the claim that the Commission itself actively communicates.

Thus, while we remain agnostic about the normative assessment, the result provides good reasons to reform the Commission before assigning it more executive powers. At the same time, our findings should not be used to neglect the benefits of the EU, which is one of the most impressive political and economic projects in the realm of international cooperation of the last half-century. Instead, we hope to raise awareness for a discussion about the need to adapt and refine the political structures as well as the relationship between member states and central authorities. This is upon the most pressing issues in the EU and does not yet receive the attention it deserves.

The political discussion in the European Union should not ignore economic and social realities for the sake of avoiding political controversies and difficult but much-needed debates. There is now an impressive amount of evidence that the national or regional background of politicians and unelected bureaucratic actors still shapes their decision-making when working at an international level. This should be taken into account by designing mechanisms that minimize common pool problems and the ability of individual actors and countries to overproportionally exert their influence. The current system that allocates one Commissioner per member state implicitly institutionalizes a system of mutual dependence. Instead, the number of Commissioners should be based on efficiency concerns and selection be decoupled from national origin and rather based on the quality of the candidates. Finally, to regain lost confidence, the EU should ensure more transparency about voting patterns and internal decisions, so that the public, media, and science can provide the checks and balances necessary in a democratic system.

References

Aksoy, Deniz. 2010. "Who Gets What, When, and How Revisited: Voting and Proposal Powers in the Allocation of the EU Budget." *European Union Politics*, 11(2): 171–194. 6, 7, 15, 16

Aksoy, Deniz. 2012. "Institutional Arrangements and Logrolling: Evidence from the European Union." *American Journal of Political Science*, 56(3): 538–552. 2

Alesina, Alberto, Ignazio Angeloni, and Ludger Schuknecht. 2005. "What Does the European Union Do?" *Public Choice*, 123(3/4): 275–319. 6

Altonji, Joseph G., Todd E. Elder, and Christopher R. Taber. 2005. "Selection on Observed and Unobserved Variables: Assessing the Effectiveness of Catholic Schools." *Journal of Political Economy*, 113(1): 151–184. 5, 27

Arnold, Felix, Björn Kauder, and Niklas Potrafke. 2014. "Outside Earnings, Absence, and Activity: Evidence from German Parliamentarians." *European Journal of Political Economy*, 36: 147–157. 9

Bachtler, John, and Carlos Mendez. 2007. "Who Governs EU Cohesion Policy?" *Journal of Common Market Studies*, 45(3): 535–564. 7, 10

Baldwin, Richard E., and Charles Wyplosz. 2012. *The Economics of European Integration.* Vol. 2. 4. ed., London:McGraw-Hill Higher Education. 6, 12, 13

Baum, Christopher F., Mark E. Schaffer, and Steven Stillman. 2010. "Ivreg2: Stata Module for Extended Instrumental Variables/2SLS and GMM Estimation." *http://ideas.repec.org/c/boc/bocode/s425401.html*. 18

Bouvet, Florence, and Sandy Dall'Erba. 2010. "European Regional Structural Funds: How Large Is the Influence of Politics on the Allocation Process?" *Journal of Common Market Studies*, 48(3): 501–528. 16

Bräuninger, Thomas, and Thomas König. 2005. "Indices of Power IOP 2.0 [computer program]." 17

Brooks, Jonathan C., A. Colin Cameron, and Colin A. Carter. 1998. "Political Action Committee Contributions and US Congressional Voting on Sugar Legislation." *American Journal of Agricultural Economics*, 80(3): 441–454. 2

Butzen, Paul, Elianne De Prest, and Hans Geeroms. 2006. "Notable Trends in the EU Budget." *Economic Review*. Banque Nationale de Belgique. 4, 15, 43

Cameron, A. Colin, and Douglas L. Miller. 2015. "A Practitioners Guide to Cluster-Robust Inference." *Journal of Human Resources*, 50(2): 317–372. 23, 24, 25

Cameron, A. Colin, Jonah B. Gelbach, and Douglas L. Miller. 2008. "Bootstrap-Based Improvements for Inference with Clustered Errors." *The Review of Economics and Statistics*, 90(3): 414–427. 23, 24

Cameron, A. Colin, Jonah B. Gelbach, and Douglas L. Miller. 2011. "Robust Inference with Multiway Clustering." *Journal of Business & Economic Statistics*, 29(2): 238–249. 18

Carnegie, Allison, Peter M. Aronow, and Nikolay Marinov. 2014. "Foreign Aid, Human Rights and Democracy Promotion: Evidence from a Natural Experiment." *American Journal of Political Science, forthcoming.* 7

Chetty, Raj, Adam Looney, and Kory Kroft. 2009. "Salience and Taxation: Theory and Evidence." *American Economic Review*, 99(4): 1145–1177. 25

Conley, Timothy G., and Christopher R. Taber. 2011. "Inference With 'Difference in Differences' with a Small Number of Policy Changes." *The Review of Economics and Statistics*, 93(1): 113–125. 24, 25

Crombez, Christophe. 2000. "Institutional Reform and Co-Decision in the European Union." *Constitutional Political Economy*, 11(1): 41–57. 16

Crombez, Christophe, and Johan F. M. Swinnen. 2011. "Political Institutions and Public Policy: The Co-Decision Procedure in the European Union and the Reform of the Common Agricultural Policy." LICOS Discussion Paper 286, Leuven:LICOS. 13

Crombez, Christophe, and Simon Hix. 2011. "Treaty Reform and the Commissioner's Appointment and Policy-Making Role in the European Union." *European Union Politics*, 12(3): 291–314. 16

Davidson, Russell, and James G. MacKinnon. 1999. "The Size Distortion of Bootstrap Tests." *Econometric Theory*, 15(03): 361–376. 24

Döring, Holger. 2007. "The Composition of the College of Commissioners." *European Union Politics*, 8(2): 207–228. 8, 11

Dreher, Axel, Andreas Fuchs, Roland Hodler, Bradley Parks, Paul A. Raschky, and Michael J. Tierney. 2015. "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance." CEPR Discussion Papers 10704. 6

Dreher, Axel, Jan-Egbert Sturm, and James R. Vreeland. 2009. "Development Aid and International Politics." *Journal of Development Economics*, 88(1): 1–18. 6

Dreher, Axel, Kai Gehring, Christos Kotsogiannis, and Silvia Marchesi. 2016. "Information Transmission Within Federal Fiscal Architectures: Theory and Evidence." CEPR Discussion Paper Series 11344. 28

Dreher, Axel, Michael J. Lamla, Sarah M. Lein, and Frank Somogyi. 2009. "The Impact of Political Leaders' Profession and Education on Reforms." *Journal of Comparative Economics*, 37(1): 169–193. 6

Egeberg, Morten. 2010. "The European Commission." *In European Union Politics.*, 3. ed., ed. Michelle Cini and Nieves Pérez-Solárzano Borragán. Oxford:Oxford University Press. 8, 10

European Commission. 2015*a*. "The Commissioner for Economic and Financial Affairs, Taxation and Customs, 2014-2019." *http://ec.europa.eu/commission/2014-2019/moscovici_en*. 3

European Commission. 2015*b*. "European Commission at Work." *http://ec.europa.eu/atwork/index_en.htm*. 3

European Union. 2010. "Consolidated Version of the Treaty on European Union." *Official Journal of the European Union*, C83. 1

Fouilleux, Eve. 2010. "The Common Agricultural Policy." *In European Union Politics.*, 3. ed., ed. Michelle Cini and Nieves Pérez-Solárzano Borragán. Oxford:Oxford University Press. 12, 13

Franck, Raphael, and Ilia Rainer. 2012. "Does the Leader's Ethnicity Matter? Ethnic Favoritism, Education, and Health in Sub-Saharan Africa." *American Political Science Review*, 106(2): 294–325. 6

Fuchs, Andreas, and Kai Gehring. 2017. "The Home Bias in Sovereign Ratings." *Journal of the European Economic Association (forthcoming)*. 3

Gawande, Kishore, and Bernard Hoekman. 2006. "Lobbying and Agricultural Trade Policy in the United States." *International Organization*, 60(3): 527–561. 2

Gehring, Kai. 2013. "Who Benefits from Economic Freedom? Unraveling the Effect of Economic Freedom on Subjective Well-Being." *World Development*, 50: 74–90. 13

Gehring, Kai, and Stephan A. Schneider. 2016. "Towards the Greater Good? EU Commissioners' Nationality and Budget Allocation in the European Union." CIS Working Paper 86. 18

Heinemann, Friedrich. 2003. "The Political Economy of EU Enlargement and the Treaty of Nice." *European Journal of Political Economy*, 19(1): 17–31. 16

Hodler, Roland, and Paul A. Raschky. 2014. "Regional Favoritism." *The Quarterly Journal of Economics*, 129(2): 995–1033. 6

Hosli, Madeleine, and Robert Thomson. 2006. "Who Has Power in the EU?" *Journal of Common Market Studies*, 44(2): 391–417. 11, 16

Janeba, Eckhard, and John Douglas Wilson. 2011. "Optimal Fiscal Federalism in the Presence of Tax Competition." *Journal of Public Economics*, 95(11): 1302–1311. 28

Jennes, Geert, and Damiaan Persyn. 2015. "The Effect of Political Representation on the Geographic Distribution of Income: Evidence Using Belgian Data." *European Journal of Political Economy*, 37: 178–194. 6

Kaja, Ashwin, and Eric Werker. 2010. "Corporate Governance at the World Bank and the Dilemma of Global Governance." *The World Bank Economic Review*, 24(2): 171–198. 3

Kauppi, Heikki, and Mika Widgrén. 2004. "What Determines EU Decision Making? Needs, Power or Both?" *Economic Policy*, 19(39): 221–266. 7

Knight, Brian. 2005. "Estimating the Value of Proposal Power." *The American Economic Review*, 95(5): 1639–1652. 11

König, Thomas, and Lars Mäder. 2014. "The Strategic Nature of Compliance: An Empirical Evaluation of Law Implementation in the Central Monitoring System of the European Union." *American Journal of Political Science*, 58(1): 246–263. 7

Kuziemko, Ilyana, and Eric Werker. 2006. "How Much Is a Seat on the Security Council Worth?" *Journal of Political Economy*, 114(5): 905–930. 6

MacKinnon, James G., and Matthew D. Webb. 2016*a*. "Difference-in-Differences Inference with Few Treated Clusters." Queen's Economics Department Working Paper 1355. 23, 24

MacKinnon, James G., and Matthew D. Webb. 2016*b*. "Wild Bootstrap Inference for Wildly Different Cluster Sizes." *Journal of Applied Econometrics (published online)*. 23, 24

Mazumder, Soumyajit, Kathleen R. McNamara, and James R. Vreeland. 2013. "The Buck Stops Here: What Global Horse Trading Tells Us about the European Project." mimeo. 7

Napel, Stefan, and Mika Widgrén. 2008. "The European Commission." *Public Choice*, 137(1/2): 21–41. 3

Novosad, Paul, and Eric Werker. 2014. "Who Runs the International System? Power and the Staffing of the United Nations Secretariat." Harvard Business School Working Papers 15-018. 3

Nugent, Neill. 2001. *The European Commission. The European Union Series*. 1. publ. ed., Houndmills:Palgrave. 3, 8

Olken, Benjamin A., and Benjamin F. Jones. 2005. "Do Leaders Matter?" *The Quarterly Journal of Economics*, 120(3): 835–864. 6

Olson, Mancur. 1965. *The Logic of Collective Action.* Vol. 124, Cambridge, Mass.:Harvard Univ. Press. 4

Oster, Emily F. 2013. "Unobservable Selection and Coefficient Stability: Theory and Validation." NBER Working Paper 19054. 5, 27, 29

Plümper, Thomas, and Christina J. Schneider. 2007. "Discriminatory European Union Membership and the Redistribution of Enlargement Gains." *The Journal of Conflict Resolution*, 51(4): 568–587. 18

Potrafke, Niklas. 2013. "Evidence on the Political Principal-Agent Problem from Voting on Public Finance for Concert Halls." *Constitutional Political Economy*, 24(3): 215–238. 9

Rodden, Jonathan. 2002. "Strength in Numbers?" *European Union Politics*, 3(2): 151–175. 7

Roozendaal, Peter, and Madeleine O. Hosli. 2012. "Coalition Formation on Major Policy Dimensions." *Public Choice*, 153(3/4): 447–467. 10

Schaffer, Mark E. 2010. "Xtivreg2: Stata Module to Perform Extended IV/2SLS, GMM and AC/HAC, LIML and k-class Regression for Panel Data Models." *http://ideas.repec.org/c/boc/bocode/s456501.html*. 18

Schneider, Christina J. 2013. "Globalizing Electoral Politics: Political Competence and Distributional Bargaining in the European Union." *World Politics*, 65(3): 452–490. 4, 7, 13, 14, 15, 16

Smith, Andy. 2003. "Why European Commissioners Matter." *Journal of Common Market Studies*, 41(1): 137–155. 7

Stratmann, Thomas. 1992. "The Effects of Logrolling on Congressional Voting." *The American Economic Review*, 1162–1176. 2

Sturm, Jan-Egbert, and Timo Wollmershäuser. 2008. "The Stress of Having a Single Monetary Policy in Europe." KOF Working Paper 190. 3

Thomson, Robert. 2008. "National Actors in International Organizations." *Comparative Political Studies*, 41(2): 169–192. 9, 11

Tömmel, Ingeborg. 2014. *Das politische System der EU. Lehr- und Handbücher der Politikwissenschaft*. 4. ed., München:De Gruyter Oldenbourg. 7, 9, 11

Vaubel, Roland. 2006. "Principal-Agent Problems in International Organizations." *The Review of International Organizations*, 1(2): 125–138. 8

Vaubel, Roland, Bernhard Klingen, and David Müller. 2012. "There is Life After the Commission: An Empirical Analysis of Private Interest Representation by Former EU-Commissioners, 1981-2009." *The Review of International Organizations*, 7(1): 59–80. 3, 8

Webb, Matthew D. 2013. "Reworking Wild Bootstrap Based Inference for Clustered Errors." Queen's Economics Department Working Paper 1315. 23

Weingast, Barry R., Kenneth A. Shepsle, and Christopher Johnsen. 1981. "The Political Economy of Benefits and Costs: A Neoclassical Approach to Distributive Politics." *Journal of Political Economy*, 89(4): 642–664. 12

Wonka, Arndt. 2007. "Technocratic and Independent? The Appointment of European Commissioners and its Policy Implications." *Journal of European Public Policy*, 14(2): 169–189. 7, 8, 9

Tables

Table 1: **Descriptive Statistics**

	N	*Mean*	*SD*	*Min*	*Max*
Agricultural Fund Share	385	3.90	3.89	0.00	17.49
Agricultural Fund Share (100)	385	7.26	6.81	0.00	27.46
Overall Funds Share	385	6.00	5.22	0.02	20.84
Commissioner	385	0.07	0.26	0.00	1.00
Commissioner (Binary)	385	0.08	0.27	0.00	1.00
Commissioner (B)	385	0.07	0.24	0.00	1.00
Commissioner (R)	385	0.07	0.26	0.00	1.00
Time in Office	385	0.26	1.11	0.00	9.83
Preelection Year	385	0.26	0.44	0.00	1.00
Election Year	385	0.27	0.45	0.00	1.00
Employment Agriculture (ln)	385	5.60	1.58	0.99	8.01
GVA Agriculture	385	3.78	2.80	0.38	14.35
Unemployment Rate	385	8.29	3.64	0.70	21.30
Per Capita GDP (EU=100)	385	100.12	41.41	23.05	301.18
New Member State	385	0.22	0.42	0.00	1.00
Voting Power Council	385	7.26	4.69	0.90	17.86
Domestic EU Support	385	45.76	22.88	−30.00	86.00
Council Presidency	385	0.15	0.35	0.00	1.00
EC President	385	0.07	0.26	0.00	1.00

The observations are restricted to the sample from Table 2 based on the joint availability of the variables. N = number of observations, Mean = arithmetic mean, SD = standard deviation, Min = minimum value, Max = maximum value.

Table 2: **Regression Results**

Dependent Variable	(1) *AFS*	(2) *AFS*	(3) *AFS*	(4) *AFS*	(5) *AFS(100)*	(6) *OFS*
Commissioner	-	0.925	0.557	0.557	0.784	0.866
		[0.287]	[0.150]	[0.154]	[0.327]	[0.203]
Preelection Year	0.028	0.072	0.051	0.039	0.068	0.140
	[0.155]	[0.099]	[0.093]	[0.087]	[0.099]	[0.139]
Election Year	−0.101	−0.012	0.059	0.045	0.085	0.094
	[0.113]	[0.117]	[0.115]	[0.110]	[0.168]	[0.140]
Employment Agriculture (ln)	0.384	−0.812	−0.014	−0.037	−0.116	−0.621
	[0.328]	[1.049]	[0.528]	[0.516]	[0.859]	[0.716]
GVA Agriculture	0.187	0.007	−0.092	−0.090	0.064	−0.140
	[0.081]	[0.084]	[0.093]	[0.090]	[0.155]	[0.129]
Per Capita GDP (EU=100)	0.023	0.023	0.017	0.017	0.038	0.034
	[0.012]	[0.005]	[0.011]	[0.011]	[0.018]	[0.020]
Unemployment Rate	0.040	−0.020	0.040	0.039	0.101	0.095
	[0.065]	[0.060]	[0.031]	[0.030]	[0.038]	[0.059]
Voting Power Council	0.615	0.351	0.350	0.346	0.494	0.624
	[0.122]	[0.129]	[0.109]	[0.109]	[0.171]	[0.240]
Domestic EU Support	0.015	0.009	−0.011	−0.011	−0.023	−0.015
	[0.014]	[0.007]	[0.009]	[0.009]	[0.016]	[0.012]
New Member State	−0.640	−1.948	−0.569	−0.570	−0.450	−1.099
	[0.588]	[0.395]	[0.240]	[0.235]	[0.389]	[0.484]
Council Presidency	-	-	-	−0.135	−0.182	−0.041
				[0.107]	[0.184]	[0.138]
EC President	-	-	-	0.040	−0.175	−0.197
				[0.139]	[0.290]	[0.355]
Country-Fixed Effects	*no*	*yes*	*yes*	*yes*	*yes*	*yes*
Year-Fixed Effects	*no*	*yes*	*yes*	*yes*	*yes*	*yes*
Country-specifc Time Trends	*no*	*no*	*yes*	*yes*	*yes*	*yes*
p-value	-	0.001	0.000	0.000	0.010	0.000
WCRB p-value (2-point)	-	0.005	0.010	0.011	0.102	0.007
WCRB p-value (6-point)	-	0.023	0.034	0.032	0.202	0.018
RI p-value (β)	-	0.005	0.003	0.003	0.008	0.002
RI p-value (t)	-	0.018	0.008	0.010	0.093	0.011
Adj. R-Squared	0.78	0.65	0.78	0.78	0.60	0.62
Number of Observations	385	385	385	385	385	385

The table displays regression coefficients with standard errors in brackets. *AFS* refers to *Agricultural Fund Share*, the agricultural fund receipts of a country as a share of the overall EU budget. *AFS(100)* refers to *Agricultural Fund Share (100)*, the agricultural fund receipts of a country as a share of the overall EU agricultural budget. *OFS* refers to *Overall Funds Share*, the overall budget share of a country. The standard errors are multiway-clustered to allow for arbitrary correlation at the country and year level using the xtivreg2 command in Stata. The sample runs from 1979-2006 in all regressions. "Country-specific Time Trends" refers to a set of linear time trends which are allowed to vary by country. The control variables are explained in the text in more detail and our main variable of interest is *Commissioner*. "p-value" is based on a standard Wald test of the null hypothesis that the coefficient of *Commissioner* equals 0 using xtivreg2. WCRB p-values refer to the same hypothesis test using the wild-cluster restricted bootstrap and RI p-values to the hypothesis test using randomization inference.

Table 3: **Pre- and Posttreatment Trends**

Dependent Variable	(1) *AFS*	(2) *AFS*	(3) *AFS*
Commissioner (t-2)	−0.156	-	−0.058
	[0.291]		[0.196]
Commissioner (t-1)	−0.082	-	0.015
	[0.377]		[0.289]
Commissioner	0.544	0.731	0.728
	[0.145]	[0.256]	[0.240]
Commissioner (t+1)	-	0.780	0.778
		[0.660]	[0.651]
Commissioner (t+2)	-	0.579	0.577
		[0.395]	[0.385]
Commissioner (t+3)	-	0.222	0.216
		[0.166]	[0.141]
Commissioner (t+4)	-	0.257	0.255
		[0.267]	[0.241]
p-value	0.000	0.003	0.002
WCRB p-value (2-point)	0.009	0.003	0.001
WCRB p-value (6-point)	0.042	0.039	0.034
RI p-value (β)	0.000	0.000	0.000
RI p-value (t)	0.035	0.041	0.031
Adj. R-Squared	0.78	0.78	0.78
Number of Observations	385	385	385

The table displays regression coefficients with standard errors in brackets. *AFS* refers to *Agricultural Fund Share*. All columns use the fixed-effects within estimator. Standard errors are multiway-clustered to allow for arbitrary correlation at the country and year level using the xtivreg2 command in Stata. 'Controls' includes all control variables in Table 2, column 4. This includes country and year fixed-effects, as well as country-specific time trends. The time trends comprise a set of linear time trends which are allowed to vary by country. WCRB refers to wild-cluster restricted bootstrap and RI to randomization inference. Tables 6 and 7 in the Online Appendix show that the results are robust to including all lead- and lag-variables individually.

Table 4: **Robustness to Outliers and Sensitivity to Selection-on-Unobservables**

PANEL A							
Omitted Country	*DEN*	*IRE*	*LUX*	*NED*	*AUT*	*LAT*	*Large Countries*
Commissioner	0.572	0.683	0.591	0.411	0.555	0.561	0.440
	[0.216]	[0.209]	[0.180]	[0.101]	[0.158]	[0.155]	[0.181]
Adj. R-Squared	0.78	0.78	0.78	0.75	0.78	0.78	0.82
Number of Observations	357	357	357	357	373	382	252

PANEL B					
Controls in the Limited Set	Controls in the Full Set	$\beta_{\mathscr{L}}$	$\beta_{\mathscr{F}}$	$SR = \mid \beta_{\mathscr{F}}/(\beta_{\mathscr{L}} - \beta_{\mathscr{F}})\mid$	*Identified* β-*Set*
Country FE, Year FE,	Country FE, Year FE, Control Variables	0.43	0.92	1.89	[0.92; 1.50]
Country FE, Year FE,	Country FE, Year FE, Control Variables Time Trends	0.43	0.56	4.48	[0.56; 0.61]

Panel A displays regression coefficients with standard errors in brackets. Dependent variable is *Agricultural Fund Share*. Standard errors are multiway-clustered to allow for arbitrary correlation at the country and year level using the xtivreg2 command in Stata. All regressions include the control variables from Table 2, column 4. This includes country and year fixed-effects, as well as country-specific time trends. The time trends comprise a set of linear time trends which are allowed to vary by country. DEN = Denmark, IRE = Ireland, LUX = Luxembourg, NED = Netherlands, AUT = Austria, LAT = Latvia. Large Countries include Germany, France, UK, Italy, Spain.

Panel B reports regression coefficients for *Commissioner* and selection ratios (SR) based on the formula depicted. $\beta_{\mathscr{L}}$ refers to the coefficient of *Commissioner* from a model that contains only country and year fixed effects and $\beta_{\mathscr{F}}$ to the coefficient of *Commissioner* from a model containing all control variables and country-specific time trends in addition to these fixed effects. The selection ratio indicates the extent of remaining selection bias due to unobservables relative to the observable variables in the model that would be necessary to drive the treatment effect down to 0. Control variables include all variables from Table 2, column 4. A detailed definition of the identified set is provided in the main text. The set is well identified if it does not include 0 (see also Oster, 2013).

Figures

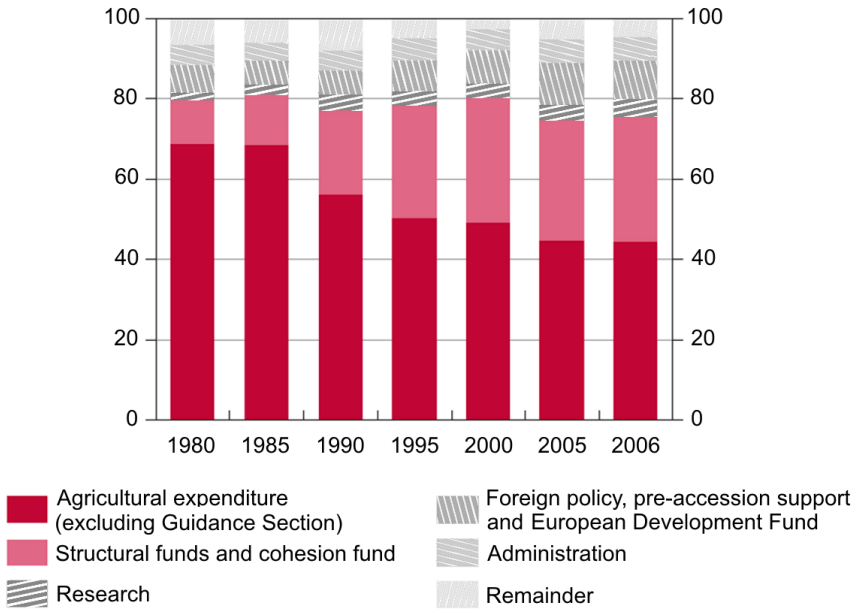

Figure 1: **EU Budget Structure**
Structure of EU expenditures, as percentages of the total budget. Source: European Commission, adapted from Butzen, De Prest and Geeroms (2006).

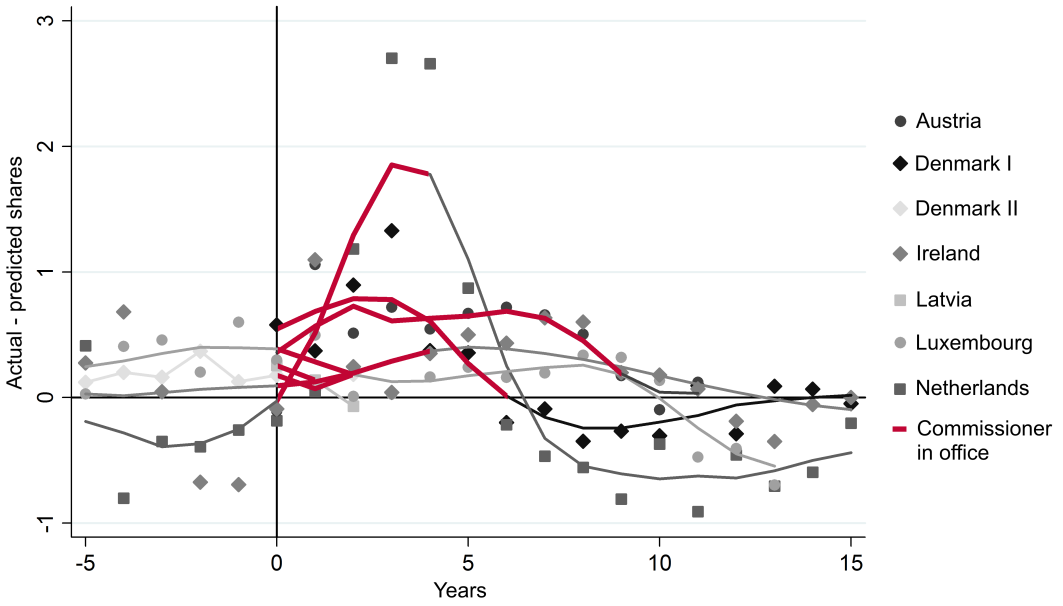

Figure 2: **Budget Share of Treated Countries Centered around Year of Taking Office** The vertical axis indicates the difference between the predicted and the actually observed budget shares of the respective country. Predictions are based on a regression on the observable control variables as defined in Table 2, column 4, country and year fixed effects as well as country-specific time trends. The lines provide nonparametric approximations to the development within the countries and the bold/red segments signal the period during which the respective country provided the Commissioner. All observations are centered around the start of the treatment (year when taking office), so that the 0 on the horizontal axis indicates the year in which a country starts providing the Commissioner for Agriculture.

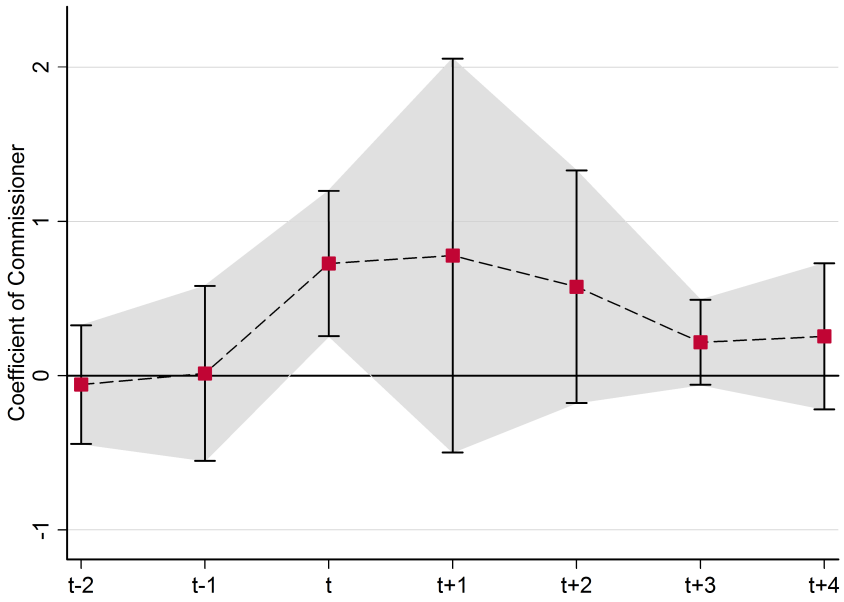

Figure 3: **Leads and Lags**
Regression coefficients and confidence intervals are based on Table 3, column 3. The red squares indicate the coefficient and the grey-shaded area the 95 percent confidence interval. The interval is based on standard errors which are multiway-clustered to allow for arbitrary correlation at the country and year level using the xtivreg2 command in Stata.

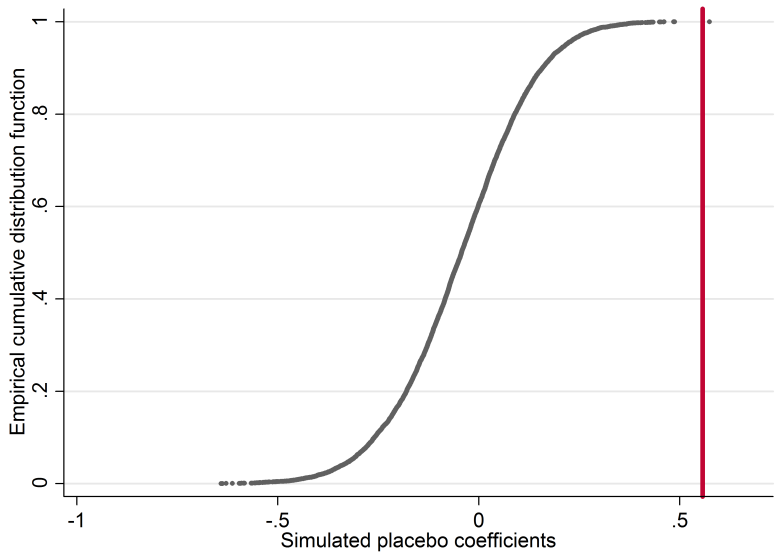

Figure 4: **Simulated Placebo Treatment Coefficients**
Displays coefficient size on the horizontal axis and the empirical cumulative distribution function on the vertical axis. The curve is not an interpolation: it looks smooth due to the high number of repetitions (10,000). Note that for the computation of the p-value with a two-sided test we add up all coefficient values larger in absolute value than the treatment effect. Online Appendix Figures 4 and 5 show other variants of this graph, which clarify this computation by plotting coefficient density and absolute values of the coefficient estimates.