

Building Capacity in the Public Administration

Evidence from German Reunification

Nadja Dwenger* Anna Gumpert**

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Abstract

An effective public administration is crucial for the functioning of the state. Administrative capacity varies widely, both across and within countries. We study one of the main means to build capacity: seconding officials from high-capacity to low-capacity public administrations. Our context is the capacity-building in the East German fiscal administration after reunification. A unique feature of our setting is that each East German tax office was assigned to a partner tax office in West Germany that was responsible for the capacity-building measures. We exploit that this institutional setting generates variation in the capacity-building measures that is exogenous to the situation and needs of the East German tax office. For the first-time, we can thus estimate the causal effect of secondments on tax office performance. We measure tax office performance along two dimensions: productivity and quality of output. Our findings show that secondments increased productivity in the short run and had persistent positive effects on output quality.

*University of Hohenheim, CMI, CEPR, CESifo; e-mail: Nadja.Dwenger@uni-hohenheim.de

**University of Tübingen, CEPR, CESifo, IAW; e-mail: Anna.Gumpert@uni-tuebingen.de

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