Culture - here, there, everywhere?

Evaluating the allocation of three European cultural institutes around the world

Daniela Treutlein*Gerald SchneiderUniversity of BonnUniversity of Constance

September 10, 2007

Abstract

This article examines the two-fold location decisions that Germany, France, and the United Kingdom have made for their foreign cultural diplomacy. We analyze first whether other motives than the promotion of the national language abroad determine the worldwide distribution of cultural institutes. In a second step, we contrast two explanations of agent discretion and foreign cultural policy making and argue that the misallocation of personnel across the globe is due to a collusion of interests between the responsible foreign ministries and the cultural institutes rather than due to the varying formal autonomy granted to these "cultural embassies." The collusion model, which we derive from the principal-agent literature in economics, lets us expect that agent preferences in the form of tourist considerations matter most for the least autonomous cultural agent and least for the institute enjoying considerable institutional autonomy. Heckman selection models strongly support this conjecture.

^{*}Previous versions of this paper have been presented at the Joint Session of Workshops in Granada, Spain, April 14-19 2004 and the 2nd European Workshop of Applied Cultural Economics in Catania, October 22-24, 2005. Additional to the participants of both aforementioned workshops, the authors would like to especially thank Juergen von Hagen and Michael Massmann for their valuable comments to this paper. The usual disclaimer applies.

I want her everywhere and if she's beside me I know I need never care. Here, There, Everywhere, The Beatles

1 Introduction

Although cultural diplomacy is a key part of the foreign policy of all nation states, we know little about its causes and consequences. This article tries to narrow this research gap through a systematic analysis of the political geography of foreign cultural policy. We start from the puzzle of why the geographic priorities of the foreign cultural institutes that the three largest European states – France, Germany and the United Kingdom – entertain differ widely. Our analysis then pursues two goals: First, we evaluate the political-economic and cultural criteria that influence the varying attention that these nations pay to different world regions and host countries. Second, we investigate whether different levels of autonomy attributed to the cultural diplomats are able to explain variations in the location of the institutes' staff. More specifically, we ask whether the relative cultural or tourist attractiveness of a host country influences the number of employees that are sent there.

We assume for all three countries under examination that the foreign ministry is largely able to decide where a representation shall be set up, while the cultural institute itself dictates the number of employees that should be sent to a host country. Accordingly, we suppose that political-economic considerations and the desire to promote the national culture and language abroad will determine the geographic distribution of institutes around the world. Cultural interests and the attractiveness of the host country in return should be responsible for the number of employees that are working within a particular host country. Based on Niskanen's (1968, 1971) theory of bureaucracy we evaluate two competing explanations of the effect of bureaucrats' discretionary interests on policy outcomes. As Vaubel (1994), Laffont & Martimort (2002) and Laffont (2000) argue, informational asymmetries might allow the collusion of bureaucrats to the detriment of the voters, especially in policy areas that the public largely ignores. Intuitively, we perceive the possibility of interest collusion among bureaucrats of the foreign ministry and cultural institute to be higher the lower the level of autonomy is that politicians grant to the cultural agents. Conversely, studies in political science as for instance Epstein & O'Halloran (1999) and Franchino (2005) stress the importance of institutional arrangement as a key factor that determines the discretionary power of an administrative agent. They lead us to hypothesize that formally autonomous institutes are better able to pursue narrow bureaucratic selfinterests in their personnel policy than their more restricted counterparts in some other countries.

Our empirical evaluation largely confirms the political collusion model "and thus the suspicion that the most restricted agent, the Institut Français (IF), is most prone to allowing "second-order" tourist criteria to influence its personnel policy. Although this cultural institute enjoys less autonomy than the Goethe-Institut (GI) or the British Council (BC), its dependence on the ministry seems to create a collusion of interests between foreign cultural diplomats employed in the French embassies and the public administrators who work on behalf of the IF within a particular host country.

The article is structured as follows: We will first present some information on the history and the organisation of the three cultural "missionaries". Next, we will summarize the literature on these cultural agents. Finally, we will present our empirical results after sketching the theoretical argument and describing our research design.

2 Cultural diplomacy of three European states: history, academic writing, organisation

Since a long time, all three countries under examination have used cultural institutes to advance their national interests abroad. The GI was re-launched after World War II to promote German culture and language abroad; the BC was founded in 1934 and appointed its first overseas representatives in Egypt, Poland and Portugal in 1938, and France even declares itself to be the first state which has practiced foreign cultural policy abroad. The IF in Madrid was already established in 1909. By 1933, 28 other French institutes had been founded in other European cities that were deemed sufficiently important. Since World War II great networks of the GI¹, the IF and the BC have been built around the world. In July 2002, 141 GIs were present in 77 countries², 151 IF in 92 countries³ and 226 BCs in 109 countries⁴.

To enhance mutual understanding and friendship after World War II, Ger-

¹The French cultural institutes have diverse names such as Institut Français, Centre Culturel Français or, since the 1990s, also Centre de Coopération Culturelle et Linguistique (CCCL). According to Znined-Brand (1999:129f) there exists no real formal difference and they all pursue the same mission. They are therefore treated as "Institut Français" institutes throughout this analysis.

²Goethe-Institut Inter Nationes (2003)

³Ministère des Affaires étrangères (2002:55)

⁴The British Council (2002). Slight differences compared to the descriptive statistics that we present later are due to the exclusion of the national institutes.

many and France have invested considerably in this particular foreign policy instrument to pacify their historically loaded relationship. While France subsidises 16 cultural institutes on German grounds, Germany currently maintains nine satellites in its neighbouring country. If we look at all possible host countries, major differences in the importance attributed to a specific region or nation become obvious. One striking example is Asia where the BC maintained more than 40 institutes in 2002, corresponding to 21% of the total British satellites, compared to 20 GIs (15%) and only eleven (7,6%) French institutes⁵. Figure 1 summarizes the geographical priorities of the three institutes in 2002.



Figure 1: Total number of cultural institutes per region

As it becomes clear from Figure 1, the BC saw its priorities in Asia and the transition countries; a tendency that has even become more pronounced after it stated its willingness in the beginning of 2007 to further reduce its European presence. The IF, by contrast, had in the time period under examination an African and a Western European focus, whereas the profile of the GI is relatively unclear according to our categorization of countries. We can also see some differences in the size of these institutes: whereas the UK sent 128 employees (2,93%) to Portugal, the delegations of France and Germany in this EU member state only amounted to 39 (0,66%) and 43 (1,71%) of their institutes' overall staff. On the other hand, the IF ordered 98 (1,65%)

⁵In spring 2006, the GI announced its plans to reduce the number of representations in Europe and to launch more foreign cultural institutes in East Asia and the Islamic world. These plans led to a public debate and the decision by the German government to curtail further budget reductions in this domain. The GI itself decided to keep its European network intact, but to continue its expansionary ambitions in other continents.



Figure 2: Total number of cultural institutes' staff per region; Note: Western Hem. = Western Hemisphere; Europe-TC = Eastern European Transition (i.e. Development) Countries; Europe-IC = Western European Industrial Countries; Other-IC = Other Industrial Countries. Sources: Goethe-Institut Inter Nationes. Jahrbuch 2000/2001 (2001a), Ministère des Affaires étrangères: Bureau des établissements culturels et des alliances françaises, British Council Headquarters: Planning, Research and Evaluation Section, International Monetary Fund (2001). Direction of Trade Statistics Yearbook. (2001).

and the GI 50 (1,95%) of its employees to Poland whereas the BC paid 31 employees (0,71%) in the Middle European EU member state.

Cultural diplomacy across the three member states does, however, not only differ in the number of institutes and personnel that the three EU member states entertain around the world. We can also observe organizational differences which largely stem from the way in which authority is delegated in this policy area. Table 2 below provides an overview of the organizational structures. We identify the ministry in charge of the cultural agents, briefly characterize the organizational structure, describe the responsible organization for strategic decision making and determine the formal and budgetary independency of the institutes. According to these criteria, the final distinction determines the formal level of autonomy for each foreign cultural institute.

As can be seen in Table 2, France uses the most centralized decision making structure and leaves the satellite institutes very little autonomy in finding a local approach for the advancement of French culture and language

Oranisational feature	Institut Francais (IF)	Goethe-Institut e.V. (GI)	British Council (BC)
Responsible govern- mental ministry	The French Foreign Of- fice: Ministere des Affaires Etrangeres, Direction Gen- erale de la Cooperation In- ternationale et du Devel- oppment (DGCID)	The German Foreign Of- fice: Auswärtiges Amt (AA).	The British Foreign Of- fice: Foreign and Com- monwealth Office (FCO).
Organizational status	Direct governmental outpost.	Registered charity associa- tion.	Registered charity organization.
Institutional relation betwen government and cultural institute	IFs are hierarchically de- pendent on the conseillers culturels of the French em- bassies and thus the DG- CID.	GI enjoys contractu- ally delegated authority accourding to the lat- est Rahmenvertrag of 01/17/2001 with the German Foreign Office.	As an executive non- departmental public body, BC operates indepen- dently of the government but government is ulti- mately responsible for it.
High-level strategic de- cisionmaking	General strategic orienta- tion by foreign affairs min- istry. DGCID as cen- tral planning and coordi- nation section of France's foreign cultural activities. The projet d'etablissement is decided by the conseil d'orientation and approved by the Sousdirection de la cooperation culturelle et artistique bureau des etab- lissements culturels et des alliances francaises.	General strategic decisions by the steering committee consisting of the GI presi- dent, six members elected by the general assembly, one member of the AA and the Ministry of Finance, and three members elected by the employees of the GI on a four year term. The geographical allocation of cultural institutes is de- cided by the steering com- mittee with the final ap- proval of the AA (§4).	Decisions on general stat- egy for the direction and the management of the BC and Board of Trustees of BC appointing its own members for five years, Only one of 21 is nomi- nated by the Secretary of State for Foreign and Com- monwealth Affairs.
Financing	Mainly by budget share of the DGCID.	Main budgetary share by the AA and the Federal Press Office, which on its behalf has to be ap- proved by the German Bundestag. Alterna- tive financial means e.g. through sponsoring and the provision of GI services make up almost 1/3 of the 2001 budget.	FCO gives an annual grant-in-aid of about 40% of the BC's overall bud- get; more than half of the budget is earned by the BC itself through the pro- vision of diverse services to private people, the gov- ernment, or international organizations.
Overall level of auton- omy	Low	Medium	High

Table 1: Organisation and autonomy levels of the BC, IF and GI; Sources: Ministère des Affaires étrangères (2002); Znined-Brand (1999:124-130); Goethe-Institut Inter Nations Jahrbuch 2000/2001; Goethe-Institut Inter Nations Satzung und Rahmenvertrag 01/17(2001; Goethe-Institut Inter Nationes (2003): Über uns, Internet: http://www.goethe.de/uun/deindex.htm, 03/04/2003; TheBritish Council Annual report 1999-2000; Interview with the research division of the British Council Headquarters, London; The British Council (2002): Who we are, Internet: http://www.britishcouncil.org/english/whoweare.htm, 09/15/2002; Lee (1995).

abroad. Looking at the other extreme, the UK grants its cultural agent remarkable organizational independence and freedom in strategic decisionmaking. The GI entertains a medium position; although it is juristically largely independent, it has a limited financial autonomy, as the Auswärtige Amt (AA), i.e. the German Foreign Ministry, and the Bundestag, i.e. the lower federal parliamentary chamber, still dominate decision making on the budget. The AA also has to approve the location decision proposed by the steering committee.

Although cultural diplomacy does not enjoy the same prominence in public perception as security policy and economic diplomacy, some political and cultural elites see in it an important instrument to promote national interests abroad. In 1966, Willy Brandt, then German foreign minister, called it "the third column of foreign policy making" (Dahrendorf 1978:14). In the European Union, the Commission tries to harmonize cultural policy making including foreign cultural policy of its member states largely through subsidizing multilateral projects. Yet, we do not really know how effective such attempts are.

Until now, foreign cultural policy has been largely neglected in the systematic study of public policy making. Most research is historical and qualitative, focusing on the foreign cultural policy of a particular country or some of the satellite institutes. Flecks (1992) and Trommer (1984), for instance, shed light on the effects and the general infrastructure of German foreign cultural agents. Regarding the GI, Kramer (1997) and Ulrich (1987) analyze the experiences of the GI in their dialogue with non-European cultures and the broad performance of the GI as a special foreign cultural instrument. Lippert (1996) elucidates the role of foreign cultural policy for the German "Ostpolitik", referring to the negotiations in Moscow from 1969 to 1990. Much in line with the research question posed in this article, Schneider & Schiller (2000) analyze the location decisions of the GI. They show that it is not only the official mandate to improve the standing of the German language and culture around the world which influences the GI's geographic patterns. Bilateral trade and other economic factors are much more important than these official objectives for the conduct of the German cultural diplomacy. As their quantitative analysis reveals, the location of the institutes does also not respond to "good governance" criteria and other developmental goals that the German governments under chancellors Kohl and Schröder introduced in the 1990s.

One has to look closely for scientific work on the BC. Lee (1995) examined the re-organization of the management of the BC. The re-structuring of the BC in the 1980s is, in his view, marked by the traditional distinction between short-term cultural diplomacy as practiced by the Foreign and Commonwealth Office (FCO) and the long-term cultural relations of the BC. Stemming from this distinction, the FCO's and the Council's foreign cultural policy interests differ to some degree. Lee further emphasizes how organizational changes touching the Council's dependence on the FCO have affected its geographic strategy.

For the IF, Meunier (2000) and Ingram (1998) identify a nationalist turn in the French cultural policy. Popaczy (1999) refers to the IFs in Vienna and Innsbruck in order to describe the development from understanding foreign cultural work as pure cultural export to practicing real cultural exchange. Various case studies analyse specific locations of the French institutes, for example Lachner (1999) for Innsbruck or Wichmann (1997) for Berlin.

Comparative studies in the field of foreign cultural policy are very rare. In her doctoral dissertation, Znined-Brand (1999) closely evaluates the differences between the goals, as well as the formal and the financial organization of the two cultural institutes. She argues that the goal of German foreign cultural policy is to keep contact with the German Diaspora, to foster "Deutschtum", to strengthen economic ties and to advance specific political issues. France's foreign cultural policy, in her view is driven mainly by ideological but also by economic incentives, reflecting the deeply rooted will to spread the language and culture of the Grande Nation. In a classical study, Peisert (1978) compares the foreign cultural policies of Germany, France, the United Kingdom, Italy and the United States, using partly linear regression models to account for geographical priorities. His book, however, is rather dated and does not account for recent changes. More recently, Brodersen (1993) has compared how the French, the Italian, the Austrian and the German foreign cultural agents function. This descriptive study focuses on language teaching and cultural exchange projects. Moreover, he shows the effects of the different European cultural institutes on the Polish city Krakow, looking at the level of co-operation among the four cultural agents.

What lacks so far, however, are theoretically-founded comparative analyses that can explain the differences between the foreign cultural services of the three largest EU member states. This study attempts to fill this gap by examining the criteria that guide the geographic priorities of the IF, the GI and the BC. These agents have the longest traditions among the European foreign cultural institutes, and since the number of institutes and personnel around the world is large, a systematic comparative analysis is feasible.

3 Theory and hypotheses

In our conception of cultural diplomacy we assume the foreign ministries and their cultural agents to face a two-step decision problem of the allocation of institutes and personnel around the world. We thereby perceive the question whether to "enter" a host country as a joint one between the government and the respective institute. Once agreement is reached on the overall location, we assume the cultural agents in the second step of the location decision to solely determine the number of staff for the selected host countries thereby taking the wishes of the governmental principal into account to varying degrees. Regarding the location preferences of the two actors, we assume that foreign ministries strive for economic growth and political stability. The government is supposed to prefer policies that maximize its chance of re-election. The institutes' boards, by contrast, should place their officially stated cultural missions higher in the list of priorities, not the least to secure the budget for their organization. We therefore imagine them to pay attention to human capital and socio-political characteristics of a host country which would render the cultural activities more successful. Moreover, to guarantee the safety of the employees and the longevity of their institution, cultural institutes should prefer politically stable democracies. As the concept of "good governance" implies, governments might also want to reward countries for the respect of democratic values (Zanger (2000), Schneider & Schiller (2000)). However, compared to the aforementioned political-economic interests, the level of democracy should play a rather secondary role in a government's strategic decision on cultural diplomacy. In summary, we propose the probability for establishing a cultural institute to increase the greater economic and political interests from a governmental vantage point and the greater human capital and political stability from the institutes' point of view. Addressing the differences in governmental and cultural incentives, Lee (1995) writes about the role of the BC:

"The Council had always found it difficult to reconcile 'country objectives' with the cross-cutting issues that arose from general foreign policy questions. The distinction between cultural relations and cultural diplomacy was interpreted as one between long-term objectives of mutual understanding between peoples and short-term interests of commercial or political advantage."

For the allocation of staff across the chosen host countries, we suppose that if their official missions were really important to the cultural institutes, they would strive for a maximum potential audience for their cultural programmes, language courses and examinations. As a large number of language course participants and a high demand for cultural activities would strengthen their position in negotiations with their government, institutes should preferably assign more staff to countries with a sufficiently high demand from literate, well educated people. Besides this, institutes should favour stable democracies to guarantee secure working conditions for their staff members.

However, in line with Niskanen (1968, 1971), we also perceive the cultural institutes as bureaucratic agents which act self-interestedly. On the one hand they might aim to fulfill their "official mission" of foreign cultural policy. On the other hand, however, we suspect them to use their discretionary power in order to improve their personal well-being during a mission abroad. Since they will profit from these decisions themselves, we assume decision makers within the cultural organization to prefer sending more personnel to locations that are interesting from a tourist vantage point. Put differently, we expect the cultural agents to not only strive to fulfill their officially stated missions but also to "follow the sunshine" in their personnel policy. We build on the assumption of differing degrees of autonomy and two contrasting arguments of the literature in order to derive comparative hypotheses about the level to which such discretion might govern the personnel policy of our three cultural agents. First, we refer to collusion theory. In democracies, elected officials and public administrators are directly responsible to the voters if they want to be re-elected. Foreign cultural policy, however, is a policy area about which voters are not well informed. As Vaubel (1994) argues and Laffont & Martimort (2002) and Laffont (2000) indirectly imply, this asymmetry allows politicians and bureaucrats to build a tacit alliance which works to the detriment of voters. We presume that such collusive behaviour is most pronounced for institutes that are not autonomous and where politicians and public administrators are able to shield themselves against public scrutiny. More autonomous institutes probably have to be better in justifying their activities in budgetary negotiations and presumably face greater market pressures than politically and financially dependent organizations. This should particularly be the case for an agent like the BC whose income depends more on the success of its own activities than for the two other institutes under examination which, by and large, depend on the goodwill of badly informed voters. Based on our autonomy assumption, we can thus formulate the following proposition as our "collusion model":

H1 Discretionary private interests affect the German location of staff less than France's, but more than the UK's. $\left(\frac{\partial staff \ln_{iF}}{\partial a_{iF}} > \frac{\partial staff \ln_{iG}}{\partial a_{iG}} > \frac{\partial staff \ln_{iUK}}{\partial a_{iUK}}\right)$

This conjecture stands in contrast to the political science literature on principal-agent relations. Here, the focus lies on the effects which certain institutional arrangements exert on public policy. The prevailing assumption is that institutionally more autonomous agents have greater discretionary power. Lately, various studies have investigated how the division of power between competing institutions and political preferences delimits the discretionary power of agents within the European Union (e.g. Franchino (2005)), the United States (e.g. Epstein & O'Halloran (1999)) or the advanced democracies in general (Huber & Shipan (2002)). The general thrust of these contributions to the principal agent literature is that "shirking" by public officials is largely a consequence of the power that the executive and legislative branch grants them. Obviously, delegation is necessary from an informational point of view. However, the advantages of an independent bureaucracy diminish the more extreme the preferences of the agents are. Although the formal autonomy of a foreign cultural institute is not a sufficient condition for "shirking", it is, in the view of the political science literature on delegation, a necessary prerequisite for doing so. Moreover, agents can, as a rich literature in political science points out, profit from disagreement among multiple principals (e.g. McCubbins (1985), Miller & Moe (1983), Weingast & Moran (1983)). Such controversies increase the discretionary power of the agent or, in other words, its "bureaucratic drift". Such a possibility exists most pronouncedly for the GI which faces the Foreign Ministry and the Parliament as its main principals.

Anticipating a positive effect of autonomy on policy discretion we therefore hypothesize for our "autonomy model":

H2 Discretionary private interests affect the German location of staff less than the UK's, but more than France's. $\left(\frac{\partial staff \ln_{iF}}{\partial a_{iF}} < \frac{\partial staff \ln_{iG}}{\partial a_{iG}} < \frac{\partial staff \ln_{iUK}}{\partial a_{iUK}}\right)$

Our empirical analysis will reveal whether the "collusion" or the "autonomy" model is more accurate in explaining the worldwide allocation of British, German and French staff.

4 Research design

4.1 Estimation method

A cross-sectional Heckman-selection seems to be an appropriate estimation procedure for our empirical investigation. We apply two model specifications: first, we estimate an 'overall' cross-section Heckman model in order to evaluate the general criteria for the location decisions of the three European foreign cultural institutes. Second, we estimate cross-section Heckman models with individually free parameters for the British, the German and the French cases.

The two-step character of the Heckman procedure fits our theoretical argument. Whereas the decision to make a specific country subject to cultural diplomacy in the first place is modelled as a joint one between the cultural institute and the government, we assume the cultural agents to follow rather personal interests in their allocation of staff to the chosen host countries. With regard to the number of staff per host country as our second step dependent variable, we have to deal with non-random selection bias stemming from the truncated country sample for the second-stage regression. From an econometric perspective, the Heckman estimation is a reasonable solution for models with selection bias and the only consistent one in the case of significant non-random sample selection (Heckman (1979)). We test for statistical significance of the selection parameter lambda, the coefficient of the added hazard rates of non-selection (equivalently referred to as the inverse Mill's ratios) in the second-stage OLS regressions of the Heckman models. A formal derivation of the estimator is provided in the appendix. Considering the count character of our second stage dependent variable staff we additionally compared the results of the standard second stage OLS regression (with logged staff numbers as dependent variable) with those of a negative binomial regression (with the actual staff numbers as dependent variable). As results did not change with respect to the signs and significance levels, we opted for the standard Heckman procedure with a log-transformed dependent variable for the ease of interpretation and to conform with our theoretical model which is, as indicated, presented in the appendix.

4.2 Case Selection

Our sample of potential and real host countries follows the World Bank (2000) country listing and consists of sovereign nation states that are sufficiently populated. According to Singer & Small (1982), we use reasonable thresholds of one million inhabitants and EU membership for our country sample not leaving aside the three small European states Cyprus, Luxembourg and Malta. 153 states thus remain for our quantitative analysis. As we evaluate the location decision of the three member states jointly by a cross section design, we have a total of 459 cases for the first stage probit estimation. The second stage OLS estimation is reduced to those cases in which a country actually hosts at least one German, French or British institute,

leaving a total number of 260 observations in our case⁶.

4.3 First-stage and second-stage dependent variables

The dependent variable for the first-step of the location decision is *insti*tute. This binary variable indicates whether a country hosts a cultural institute (=1) or not (=0) (Goethe-Institut Inter Nationes. Jahrbuch 2000/2001 (2001a), Council (2002), Ministère des Affaires étrangères 2002a). Once host countries have been chosen, the institutes decide in a second step how many staff members they should send to a host country. Our second stage dependent variable *staff* accordingly counts the total number of employees including local staff for those and only those countries which host a cultural institute⁷. In correspondence with the estimation approach detailed in the appendix, staff enters our regression in a log form. A more exact measure to assess the strategic importance of a host country would be the respective country budgets of the three cultural institutes. However, it was impossible to obtain such data upon request of the respective institutes. Further, lacking data for a dynamic panel investigation and trying to avoid time bias as much as possible, we have averaged our independent variables over three to five available years within 1990-2000. Using data averages over a three to five year period, we also account for strategic planning horizons of the institutes, which usually take a minimum of two years⁸.

4.4 The first- and second-step independent variables

Table 2 below overviews the first- and second-step independent variables. It also indicates the expected relationship between the independent and the dependent variable.

⁶The British Council counted 103, the Institut Français 81 and the Goethe-Institut Inter Nationes 76 institutes in 2002.

⁷The BC has drastically reduced its staff in some African countries (e.g. Kenya and Cameroon) during the period of investigation. Since the BC does not possess comprehensive statistics on the geographical allocation of its workforce, we had to utilise staff numbers of different years between 1998 and 2002 instead to reduce missing data on the dependent variable. We apply the total number of BC staff of the most recent year. However, for a few host countries we had to deal with staff data differing drastically between 1998 and 2002. Since our analysis does not account for dynamic effects, we use averages in these few cases. Goethe-Institut Inter Nationes (2001a); The British Council Head-quarters provided us with staff numbers for the period from 1998 to 2002. Information on the Institut Français was received from the Bureau des établissements culturels et des alliances françaises of the Ministère des Affaires étrangères.

⁸Interview with the British Council Headquarters and Email correspondence with the "Evaluations- und Strategieabteilung" of the GI.

Independent variable	Expected effects	Operationalization of independent variable	Data source
Trade		·	
TRADE (t), logged	$\begin{array}{c} +(1^{st} \qquad \text{step} \\ \text{only}) \end{array}$	Bilateral imports + bilateral exports in mio. \$ averaged over 1994/1996/1998/2000	IMF (2001): Direction of Trade Statistics Yearbook
Geopolitical interests			
AFFINITY (s)*	$ \begin{array}{c} +(1^{st} \qquad \text{step} \\ \text{only}) \end{array} $	Interest Similarity of dyads in UN vot- ing Sun3cat=3 category United Na- tions voting data (1= yes, 2= abstain, 3= no) averaged over 1991-1995	Version 3.0 of Garzke E./Jo Dj. (14 January 2002): The Affinity of Nations Index, 1946-1996
Human capital			
EDUCATION (h)	$+(1^{st} \text{ and } 2^{nd}$ step)	Tertiary school enrolment % gross averaged 1994-1997	World Bank (2000): THe World Development Indicators (WDI 2000), CIA (2000): The World Factbook
Democracy			
POLITY (d)	$+(1^{st} \text{ and } 2^{nd}$ step)	Democracy scores (0-10) DEMOC Au- tocracy scores (-10-0) Autoc Polity = DEMOC - Autoc of 1995 or aver- aged 1993-1998 if major cut or regime change during that time period	Polity 98d version of Jaggers, K./Gurr, T. (1996): POLITY III: Regime Type and Political Authority 1800-1994
Country exclusiveness			
TOURISM (a), logged	$ \begin{array}{c} +(2^{st} \qquad \text{step} \\ \text{only}) \end{array} $	Tourist avvivals by region of origin (Europe) averaged over 1994, 1996, 1998	The World Tourist Organisa- tion (2000)
Status of development			
GDPPC, logged	+/-	GDP per capita purchasing power par- ities in current international US \$ av- eraged 1994-1998	WDI 2000
Country size			
POP, logged	+	Total number of population averaged 1994-1998	WDI 2000
Colonial ties			
COLONY	+	Dummy Variable 1= former French, German or British Colony and 0= none	Fischer Weltalmanach (2001)
Official language			
LANGUAGE	+	Dummy Variable 1= the respective home countries official language (En- glish, French, German) has official sta- tus. 0= no official status	Gunnemark, E.V. (1991): The Geolinguistic Handbook

Table 2: Operationalisation of main independent variables; Note: Indexand percentage variables remain unlogged for interpretation in elasticities is already accounted for. For TOURISM, collusion model: $\frac{\partial staff \ln_{iF}}{\partial a_{iF}} > \frac{\partial staff \ln_{iG}}{\partial a_{iG}} > \frac{\partial staff \ln_{iUK}}{\partial a_{iUK}}$ autonomy model: $\frac{\partial staff \ln_{iF}}{\partial a_{iF}} < \frac{\partial staff \ln_{iG}}{\partial a_{iG}} < \frac{\partial staff \ln_{iUK}}{\partial a_{iUK}}$.

We measure bilateral trade dependency straightforwardly through the total amount of bilateral exports and imports between the home and the possible host countries. For our analysis we have averaged the IMF statistics for 1994, 1996, 1998 and 2000. The more a sender country trades with a possible host country, the more likely a cultural institute will be established. In accordance with economic gravity models we additionally account for colonial ties as described below⁹.

As a proxy for the political interests of a sender country, we use the affinity measure of Gartzke & Jo (2002). The indicator classifies the similarity of voting in the UN general assembly on a scale from -1 (least similar) to 1 (most similar) for all countries that are members of the United Nations for the period 1946 to 1996¹⁰. This yearly index was constructed with the help of the "S" statistic of Signorino & Ritter (1999)¹¹. We use the average dyadic voting similarity of France, Germany and the UK with all UN members between 1991 -1995 and anticipate a positive effect of affinity on the geographical allocation of cultural institutes. The most commonly used data set for deriving indicators of regime type is the polity data set of Jaggers & Gurr (1996). We employ the 1996 Polity98d version of PolityIII. The polity score ranges from -10 (strong autocracy) to +10 (strong democracy). We apply the values of 1995 or the average over a four year period surrounding this year if a major regime change happened¹². The more democratic a state is, the greater the chance that it hosts a cultural institute.

The percentage of third level school enrolment, *education*, as reported by the World Bank, serves as an indicator for a country's potential demand for cultural activities. We prefer the gross percentage of tertiary school enrolment averaged for 1994-1997 over illiteracy rates because of fewer missing values and because we perceive the institutes to try to reach the educational elites rather than the masses within a host country. As far as possible, we have filled in missing data with the percentages given in the CIA World Fact Book 2002. Another indicator for human capital could be the number of English, German and French speakers in the potential host country. Although we would have liked to count the number of English, German and French

⁹We further considered adding a geographic distance measure. We opted, however, against the latter as our 'sender' countries' capitals themselves are situated rather close to each other. This makes us expect no significant variation in measuring the distance between for instance London-New-Zealand or Paris- New-Zealand from the beginning.

¹⁰Since Switzerland only became a member of the UN in 2002, we coded it the same way as Austria corresponding to its geographical location and size.

 $^{{}^{11}}S = 1-(2d/dmax)$ where d = sum of metric distances between votes by dyad members in a given year and dmax is the largest possible metric distance for those votes.

¹²Indications of a regime change are dramatic changes in the signs and values of the Polity variable. Also, the data set lists interruptions, interregnum periods and transitions.

speakers within a potential host country, it was impossible to obtain such data.¹³ The dummy variable language, which accounts for a country with English, French or German as an official language, is the alternative indicator for the specific demand for the services from a particular foreign cultural institute. *Tourism* is added to the second step regression as indicator for the attractiveness of a potential host country. We measure the total number of European tourist arrivals per year averaged over 1994, 1996 and 1998 from the data presented by the World Tourism Organization. Supposing that tourists prefer countries with a pleasant climate, unique natural attractions, interesting cultures and cosmopolitan areas, tourist arrivals seem a reasonable estimator for a country's attractiveness. We anticipate a positive overall effect of *tourism* on the location of staff members. It remains to be tested in our comparative specifications whether more or less autonomous agents exert greater discretionary influence on the allocation of staff.

4.5 Control variables

In accordance with the literature on foreign aid and the study by Schneider & Schiller (2000) we further control for the population size, the economic development of a country and the existence of special historical ties of the host to the sender country. We have used the World Development Indicators to obtain data on population size and have averaged the total population size pop for the period from 1994 to 1998. Moreover, we add GDP per capita gdppc as common measure for a country's level of development. In accordance with Schneider & Schiller (2000), we could assume a positive effect on the geographical allocation of cultural institutes. However, another important aspect for the size of a cultural institute could be the housing costs and local wages. One could therefore expect countries with lower living standards to host more institutes and more staff. Accordingly, a negative coefficient of qdppc could also be explained.

To control for special historical ties between the former colonial powers and their colonies we add a dummy variable, *colony*, for former British, German and French colonies. We expect a positive effect of *colony* on the allocation of cultural institutes.

 $^{^{13}}$ As e.g. the Ministère des Affaires étrangères (2000) or Graddol (1997). Firstly, data sources use varying definitions of foreign language speakers, rendering comparisons almost impossible (Garry & Rubino 2001:xii). Secondly, statistics on language speakers are published only for geographical regions but not per country as it would be needed for this analysis.

5 Empirical results

This section examines our comparative hypotheses H1 and H2. The "collusion model" maintains that the least autonomous institute should be most pronouncedly influenced by the attractiveness of a country as working place for its employees. The "autonomy model" claims the opposite. As we have indicated, the three countries are setting different geographic priorities in their foreign cultural diplomacy.

We will first present the estimation of the overall cross-sectional Heckman regressions in Table 3. Table 4 then displays the comparative results for the cross-section Heckman models with individually free parameters for the UK, Germany and France. We have used the two-step Heckman estimator, as maximum likelihood is inconsistent if some part of the specified distribution is misspecified (Wooldridge (2002))¹⁴. Two different models test the competing hypotheses and evaluate the location policies of the three largest European cultural institutes. While the "autocrat models" serve to estimate the effects of the anticipated "official" cultural and political-economic interests, the "discretion models" also take the explanatory power of our discretionary interest variable tourism into account. This allows us to test the "collusion" and "autonomy" hypotheses. To control the robustness of the findings we add to both basic regression models the control variables in two different specifications. If not stated otherwise we will base the discussion of our results on the fully specified third model columns.

As Table 3 shows, the model fit for all specifications as expressed by the Wald test is reasonably high. This confirms our conception of the allocation of institutes and personnel as a two-step decision making process. The selection parameter Mill's lambda turns out statistically significant at the 1%-level and with the expected negative sign (Heckman (1979)) for all models except when logged population size is added to the basic specification¹⁵. This implies that the selection of the remaining 251 cases included in the 2^{nd} step sample takes place as theoretically expected. The first-stage governmental and cultural variables seem to exert a notable influence on the allocation of staff in the second step of the location decision. Turning

¹⁴It should also be noted that we opted against a partial maximum likelihood estimation which would be more efficient than two-step under joint normality. The drawbacks of this approach are a lack of robustness and convergence problems (Wooldridge 2002: 566).

¹⁵In order to test the selection effect in these particular model specifications with more power, see Brandt and Schneider (2005) respectively, we have conducted likelihood-ratio tests of the corresponding Maximum-Likelihood-Heckman estimations against the null hypotheses of independent OLS and probit equations. Our composite Heckman models turned out statistically significant at a 1% level for values of 39.71 (1df, 3^{rd} overall Discretion-model) and 37.66 (1df, 3^{rd} comparative Discretion-model).

staff2cultln	auto1	auto2	auto3	pa1	pa2	pa3
polity	-0.008	-0.002	-0.001	-0.024 *	-0.019	-0.015
	(0.014)	(0.014)	(0.012)	(0.014)	(0.014)	(0.013)
education	-0.009	-0.007	-0.005	-0.011 **	-0.005	-0.004
	(0.005)	(0.006)	(0.005)	(0.005)	(0.006)	(0.005)
language		-0.435 **	-0.112		-0.283	-0.018
		(0.193)	(0.185)		(0.195)	(0.190)
gdppcln		-0.061	0.072		-0.233 **	-0.090
		(0.112)	(0.102)		(0.111)	(0.106)
popln			0.256 ***			0.228 ***
			(0.057)			(0.055)
tourismln				0.143 ***	0.180 ***	0.160 ***
				(0.045)	(0.046)	(0.044)
cons	4.236 ***	4.675 ***	-1.126	2.259 ***	3.648 ***	-1.451
	(0.223)	(0.915)	(1.514)	(0.645)	(0.953)	(1.516)
cult4cat						
tradeln	0.395 ***	0.506 ***	0.470 ***	0.416 ***	0.519 ***	0.490 ***
	(0.043)	(0.056)	(0.078)	(0.045)	(0.057)	(0.079)
affinity	-0.518 *	-0.388	-0.319	-0.560 *	-0.413	-0.356
	(0.293)	(0.301)	(0.319)	(0.299)	(0.306)	(0.325)
polity	-0.007	-0.004	-0.004	0.002	0.003	0.004
	(0.011)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
education	0.002	0.017 ***	0.016 **	-0.001	0.014 **	0.013 *
	(0.005)	(0.006)	(0.007)	(0.006)	(0.007)	(0.007)
colony		0.965 ***	1.022 ***		0.953 ***	0.998 ***
		(0.314)	(0.324)		(0.318)	(0.328)
gdppcln		-0.454 ***	-0.388 **		-0.428 ***	-0.375 **
		(0.122)	(0.158)		(0.123)	(0.159)
popln			0.052			0.042
			(0.080)			(0.081)
cons	-1.855 ***	0.804	-0.395	-1.964 ***	0.537	-0.430
	(0.247)	(0.786)	(2.001)	(0.253)	(0.794)	(2.018)
mills lambda	-1.383 ***	-1.282 ***	-0.610 **	-0.944 ***	-1.002 ***	-0.432 *
	(0.235)	(0.215)	(0.243)	(0.243)	(0.217)	(0.246)
N	434	434	434	425	425	425
censored/uncensored obs	183/251	183/251	183/251	183/242	183/242	183/242
Wald chi2	5.226	23.181 ***	45.423 ***	15.899 **	38.353 ***	58.650 ***
prob>chi2	(0.265)	(0.001)	(0.000)	(0.007)	(0.000)	(0.000)

Table 3: Pooled cross-section Heckman estimations

to the estimated coefficients of the pooled model, economic interdependence between the "sender" and the "host" countries apparently plays a major role for the location of cultural institutes. In each specification, the probability for an institute in country i rises significantly with the amount of bilateral trade. Transforming the displayed probit coefficients into changes in the probability for an institute we find that a one-percent-increase in trade fosters the chance for an institute by about 12 percentage points¹⁶. Yet, the cultural variables also exert some influence. This is particularly the case for the amount of people with tertiary education which influences the probability of hosting an institute positively and significantly in the 2^{nd} and 3^{rd} model specifications. However, the actual effect sizes of education appear quite small as a 1%-increase in the portion of highly educated people is followed by an increase of 0.4 percentage points in the chance for hosting an institute. As we can expect from the literature on foreign aid (Alesina & Dollar (2000), Zanger (2000)), colonial ties (colony) importantly affect the probability that one of the three sender states sets up a cultural institute. A discrete change from 0 to 1 colony elevates the risk for hosting a satellite by 29 percentage points. Interestingly, less developed countries seem to have a greater chance of obtaining a British, French or German cultural institute. However, the transformed effect size is rather small as a one-unit-growth in the logged GDP per capita, which corresponds to a jump of 2000 US dollars from a GDP per capita of 1000 to 3000, merely increases the risk of not hosting an institute by a factor of 0.09. Countries with a large population also receive more staff appointed to their institutes as popln turns out to have a highly significant impact in each model. A growth rate of 1% in population size increases the number of allocated staff by 22-25 % according to our 3^{rd} specification of the discretion model. The results strongly support our theoretical propositions. In line with our argument on agent discretion, institutes seem to allocate their staff according to other criteria besides those that their official cultural missions would imply. The more demanded a host country as a tourist destination is, the larger the number of staff members sent to it. The logged tourism variable appears positive and statistically highly significant throughout all model specifications. An increase of 1% in the number of European tourists is followed by an estimated 14 to 18 %-growth in staff numbers. This means for the average host country which attracts nearly four billion European tourists per year that an increase of 40 000 additional guests per year is followed by a predicted increase in staff number from 28

 $^{^{16}}$ For an interpretation comparable to the linear probability model estimates we multiplied the estimated probit coefficients with a scaling factor of 0.25 which we received by evaluating the normal probability density function at the independent variables' means (see Wooldridge (2002:563)).

to 33. Interestingly, however, the educational and political background of a country does not influence the decision of how many staff workers it receives. Neither polity nor education play a significant role for the location of staff and even appear to negatively influence the number of employees. In short, the foundation of a cultural institute becomes highly likely for a relatively less-developed country with close economic relations to the three European states, former colonial ties with any of them and a substantial amount of highly educated people. In line with our theory, the three cultural institutes seem to "follow the sunshine" in their personnel policy and locate their staff preferably in large host countries that are attractive from a tourist point of view.

The evaluation of H1 and H2 requires that we additionally look at the relative differences between the three sender states in their allocations of personnel and their selections of host countries. To this end, we present additional cross-section Heckman models in Table 4 and introduce interaction effects of the theoretically interesting independent variables with country dummies for Germany and France¹⁷. The estimated isolated conditional effects for the German and French interactions can be interpreted as deviations from the slope of the base country variable which is the United Kingdom in our application. This allows us deriving the statistical significance of the German and French deviations directly from the z-statistics. To obtain the total conditional effects one has to add the country deviation to the base effect for each variable under consideration¹⁸. As mentioned above, Table 4 provides the estimation results of the comparative "autocrat" and "discretion" models with individual specific slopes. The base coefficients in our comparative specifications thereby stand for the UK, while _G and _F indicate the isolated country effects, i.e. the deviations from the base for the two other countries. Each of our two models relies on the same three model specifications as the "overall" estimation results reported in Table 3. As before, we will rely on the third column models for the interpretation of the estimated coefficients if not specified otherwise.

We can test H1 and H2 in the 'pac'-model specifications of Table 4 displaying our comparative "discretion" models. In line with our expectations, significant differences exist for the degree to which the three agents are able to "follow the sunshine" in their personnel policy. A positive deviation for

¹⁷Thanks to Thomas Pluemper for recommending this particular specification; see also Pluemper, Manow & Troeger (2005) for a description of free parameter model applications.

¹⁸Note that for applying an ordinary fixed effects model one could alternatively split up the sample in order to compare the conditional effects. However, in a multivariate regression model the conditional effects of the different independent variables affect each other. Thus, we opt for isolating the conditional effects for each independent variable.

staff2cultln	autoc1	autoc2	autoc3	pac1	pac2	pac3
polity	0.004	0.007	0.009	-0.010	-0.007	-0.001
	(0.020)	(0.020)	(0.017)	(0.020)	(0.020)	(0.017)
polity*g	-0.008	-0.001	-0.006	-0.005	0.004	0.000
	(0.031)	(0.031)	(0.027)	(0.031)	(0.030)	(0.027)
polity*f	-0.032	-0.033	-0.032	-0.036	-0.035	-0.033
	(0.030)	(0.029)	(0.026)	(0.029)	(0.029)	(0.026)
education	-0.018 ***	-0.016 **	-0.013 **	-0.014 **	-0.010	-0.011
	(0.007)	(0.007)	(0.006)	(0.007)	(0.008)	(0.007)
education*g	0.009	0.007	0.005	0.010	0.009	0.014
	(0.008)	(0.007)	(0.006)	(0.010)	(0.010)	(0.009)
education*f	0.033 ***	0.032 ***	0.028 ***	0.004	0.005	0.005
	(0.008)	(0.008)	(0.007)	(0.011)	(0.011)	(0.010)
tourismln				0.148 ***	0.172 ***	0.162 ***
				(0.049)	(0.049)	(0.045)
tourismln*g				-0.008	-0.013	-0.033
				(0.023)	(0.022)	(0.020)
tourismln*f				0.068 ***	0.064 ***	0.054 ***
				(0.022)	(0.022)	(0.019)
language		-0.310	0.022		-0.249	0.020
		(0.189)	(0.176)		(0.189)	(0.175)
gdppcln		-0.019	0.108		-0.171 *	-0.024
		(0.104)	(0.094)		(0.103)	(0.097)
popln			0.293 ***			0.272 ***
			(0.050)			(0.049)
cons	3.962 ***	4.065 ***	-2.242 *	1.767 ***	2.856 ***	-2.985 **
	(0.189)	(0.832)	(1.302)	(0.646)	(0.874)	(1.305)
cult4cat						
tradeln	0.604 ***	0.780 ***	0.725 ***	0.620 ***	0.789 ***	0.736 ***
	(0.080)	(0.096)	(0.109)	(0.081)	(0.097)	(0.110)
tradeln*g	-0.182 *	-0.149	-0.165	-0.183 *	-0.153	-0.168
-	(0.098)	(0.103)	(0.106)	(0.100)	(0.105)	(0.108)
tradeln*f	-0.210 ***	-0.220 ***	-0.229 ***	-0.216 ***	-0.225 ***	-0.233 ***
	(0.072)	(0.076)	(0.077)	(0.074)	(0.078)	(0.079)
affinity	0.640	1.186	1.264	0.449	1.066	1.144
	(0.783)	(0.803)	(0.810)	(0.802)	(0.818)	(0.825)
affinity*g	-0.808	-1.457	-1.391	-0.632	-1.303	-1.239
	(0.922)	(0.952)	(0.958)	(0.945)	(0.970)	(0.976)
affinity*f	1.730 *	1.405	1.499	1.826 *	1.460	1.553
	(0.963)	(0.969)	(0.976)	(0.987)	(0.988)	(0.994)
polity	-0.019	-0.011	-0.009	-0.009	-0.005	-0.003
	(0.023)	(0.023)	(0.024)	(0.024)	(0.025)	(0.025)
polity*g	0.012	0.012	0.011	0.008	0.009	0.009
	(0.030)	(0.032)	(0.032)	(0.032)	(0.033)	(0.033)
polity*f	-0.012	-0.014	-0.016	-0.014	-0.014	-0.017
	(0.030)	(0.031)	(0.031)	(0.031)	(0.032)	(0.032)
education	0.003	0.024	0.021	0.001	0.021	0.018
	(0.014)	(0.016)	(0.016)	(0.015)	(0.016)	(0.016)
education*g	0.012	0.009	0.012	0.011	0.008	0.011
	(0.018)	(0.019)	(0.020)	(0.018)	(0.020)	(0.020)
education*f	-0.029 *	-0.028	-0.027	-0.027	-0.027	-0.026
	(0.017)	(0.018)	(0.018)	(0.017)	(0.018)	(0.018)
colony		0.826 **	0.925 ***		0.818 **	0.908 **
		(0.343)	(0.353)		(0.348)	(0.357)
gdppcln		-0.656 ***	-0.540 ***		-0.632 ***	-0.521 ***
		(0.137)	(0.176)		(0.138)	(0.177)
popln			0.094			0.090
			(0.089)			(0.089)
cons	-2.747 ***	1.069	-1.069	-2.806 ***	0.849	-1.196
	(0.339)	(0.865)	(2.207)	(0.344)	(0.872)	(2.216)
mills lambda	-1.127 ***	-1.049 ***	-0.421 **	-0.757 ***	-0.825 ***	-0.226
	(0.203)	(0.181)	(0.196)	(0.230)	(0.194)	(0.208)
N	434	434	434	425	425	425
censored/uncensored obs	183/251	183/251	183/251	183/242	183/242	183/242
Wald chi2	40.942 ***	62.034 ***	105.033 ***	70.134 ***	94.736 ***	141.055 ***
prob>chi2	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

Table 4: Comparative cross-section Heckman estimations; Notes: g and f indicate country dummies for Germany and France; varname*g and varname*f indicate the interaction between a given variable and the respective country dummy

France indicates in support with the "collusion model" that the attractiveness of a country as a tourist destination matters significantly more for the French allocation of employees than for the British one. A 1%-increase in tourist flows would increase the British staff numbers by 16.2%, the French ones by 22% and the German ones by 13%. Apparently, the GI is less inclined than the BC to let such considerations matter in its decision making process, but the deviation from the base line country is not significant. This establishes that

$$\frac{\partial staff \ln_{iF}}{\partial a \ln_{iF}} > \frac{\partial staff \ln_{iUK}}{\partial a \ln_{iUK}} \ge \frac{\partial staff \ln_{iG}}{\partial a \ln_{iG}}.$$

Market oriented considerations seemingly play a greater role for more autonomous cultural agents such as the BC or the GI.

Summing up the comparative estimation results, significant differences in the location criteria of the three European cultural institutes exist. The probability for a BC office in a host country depends more on bilateral trade relations than it does for a GI or an IF. For the allocation of staff, differences are most striking for the influence of a host country's attractiveness as tourist destination. In this respect, our findings support the "collusion model" since the French allocation of staff apparently reflects the cultural agent's desire to work in a nice setting more than it is the case for the British and the German employees. Besides these, the percentage of people with tertiary education seems to exert a negative influence on the BC's allocation of employees but a positive one for the IF one's. This might indicate that France followed a more "elitist" allocation of its staff to countries where the job of attracting people to the French culture is easier.

Accounting for the isolated country effects increases the fit of all our models to a considerable degree, as the Wald statistics show. Again, the "discretion" models exhibit the best model fit. As for the pooled results, the selection parameter Mill's lambda turns out directly significant for all specifications except for those including population size (popln)^{19.}

Looking briefly at the results for the "autocrat" model, two striking differences appear for the location criteria of the three institutes under investigation: First, for the probability to host an institute in the first step, bilateral trade relations positively matter for all three institutes, but mostly for the BC and to a significantly smaller degree for the IF. Interpreting the scaled effect sizes, a one-percent-increase in bilateral trade would lift the chance

¹⁹As for the 'overall' cross-sections above, the likelihood-ratio test of independent equations for the equivalent maximum-likelihood-Heckman estimations supports our composite Heckman model at a 1% level of significance (see Brandt & Schneider (2005)).

for a British satellite by 22 percentage points. The probability for a French institute would move up by 15 whereas the GI takes a middle position with an increase of 17 percentage points differing however insignificantly from the BC. Thus, comparing the partial effects of trade, we have established that

$$\frac{\partial staff \ln_{iG}}{\partial t \ln_{iG}} \le \frac{\partial staff \ln_{iUK}}{\partial t \ln_{iUK}} > \frac{\partial staff \ln_{iF}}{\partial t \ln_{iF}}$$

Second, with regard to the allocation of staff, education seems to exert a negative influence for the BC's location of employees, but a significantly positive one for the IF's. However, the actual effects are quite small for the average country. According to our estimations, a ten percent increase in the size of the educational elite of a host country would lead to a decrease of 13 percentage points in British staff, whereas the French ones would increase by 15 percentage points. Again, the GI is slightly closer to the BC as an insignificant German deviation coefficient reveals. Following this,

$$\frac{\partial staff \ln_{iF}}{\partial h_{iF}} > \frac{\partial staff \ln_{iG}}{\partial h_{iG}} \ge \frac{\partial staff \ln_{iUK}}{\partial h_{iUK}}.$$

The behavior of the three institutes does not differ significantly with regard to the remaining cultural and governmental variables.

6 Conclusion

This article evaluated two opposing arguments on the effect of agent discretion on cultural diplomacy. It has shown that the "collusion model" explains the allocation of personnel to host countries of foreign cultural institutes much better than the "autonomy model". We were able to demonstrate that the least autonomous foreign cultural institute, the IF, is more influenced by tourist considerations than its German or British counterparts.

Our results confirm that foreign cultural institutes should not be analyzed, as it is typically the case in the political science literature, like agents that strive to maximize ideological goals as stated in their "official missions". They rather resemble private contractors who are able to garner rents as a consequence of asymmetric information (e.g. Niskanen (1968, 1971), Laffont (2000)). Our "collusion" model assumes that the interests of the respective ministerial bureaus coincide with the preferences of the IF to send its staff members to countries with a pleasant atmosphere. This collusion is not possible for the largely independent BC whose financial fate is much more determined by the demand for language courses and cultural activities. From a theoretical perspective, our findings suggest dividing cultural institutes into two groups for future research. Institutes with no formal autonomy, such as the IF, might best allow for collusive behaviour among bureaucrats and accordingly be analysed within a collusion theory framework. For investigations of institutes with a minimum degree of organisational autonomy, such as the GI and the BC in our case, a principal-agent framework appears to be more suitable. Whether collusive or principal-agent relations are less prone to agent discretion could be worth exploring in more detail.

In correspondence with our expectation we have further established that the foreign services do not respect their own wish to honour "good governance" in possible host countries. The democratic record of a state does not influence the decision to set up an institute for the three sender countries under examination. We have, by contrast, firmly demonstrated that this first decision is largely a consequence of economic interests and in particular trade interdependence. Former colonies have a higher chance to receive a cultural institute, while smaller and rich countries are somehow discriminated.

For the question of European integration in the field of foreign cultural policy, further research is needed to analyse whether foreign cultural institutes rather compete or co-operate when locating their satellites. So far, our results might stimulate the foreign ministries of these three states to make the location policies of their cultural diplomacy more coherent and transparent. As our study shows, the self-interest of rent-seeking bureaucrats appears to be of considerable importance in this policy domain.

A The formal derivation of the two-step Heckman estimator

A.1 The two-step location decision on the allocation of cultural institutes:

First, the government and the cultural institute of country j together decide on whether to build a cultural institute in country i or not. Specifically, we assume that the government is primarily interested in economic (t) and political issues (s) when deciding whether a country should be subject to cultural diplomacy or not. The government's decision is based on the utility function:

$$u_g(t,s) = t^{\alpha} s^{\chi} \qquad \text{for} \qquad \alpha, \chi \in [0;1] \tag{1}$$

where t represents trade and s political issues. The cultural institute's priorities are with democracy (d) and human capital (h) of country i. This leads to the following utility function for the cultural institute as reflected in their official missions:

$$u_c(d,h) = d^{\delta}h^{\kappa} \quad \text{for} \quad \delta, \kappa \in [0;1]$$
(2)

where d stands for democracy and h for human capital.

We assess the overall probability for country i to host a cultural institute by the product of the institute's and the government's preferences. The first-step selection estimation equation in our statistical model thus can be derived from the following overall utility function given the cultural agent is not fully independent:

$$U(d, h, t, s) = (t^{\alpha} s^{\chi}) \cdot (d^{\delta} h^{\kappa})$$
(3)

In (3), we perceive the decision to "enter" into a host country as a joint one between the government and the cultural institute. The multiplicative form may be interpreted as a veto possibility for either one of the involved actors in the case their interests are not at all fulfilled. The overall utility for an institute in country i then diminishes to zero.

In a second step of the location decision, the cultural institutes aim to maximize their "unofficial" utility approximated by their size of staff allocated to a country i. We thereby propose the cultural agents to not only follow the criteria reflecting their official mission (d, h), but also to "follow the sunshine" when allocating their staff, as reflected by the variable tourist attractiveness (a) in (4):

$$u_a(d,h,a) = d^{\delta} h^{\kappa} a^{\mu} \qquad \text{for} \qquad \delta, \kappa, \mu \in [0,1] \tag{4}$$

where d = democracy, h = human capital and a = tourist attractiveness. According to the "autonomy model", the greater the degree of autonomy from the respective government, the greater is the estimated μ . The opposite relationship holds for the "collusion model".

A.2 The Heckman estimation: First-step selection model

The two-step character of the Heckman estimator fits our theoretical model nicely. To account for non-random selection in our 2^{nd} -step country sample, the following selection equation determines the probability for our 2^{nd} -step dependent variable y_{2ij} to be observed:

$$z_{ij}^* = w_{ij}'\gamma + \epsilon_{1ij} \tag{5}$$

where i = 1, ..., n (n = 153, all countries with more than one million in $habitants or with the status of EU membership) and <math>j = \{uk, g, f\}$ for the three countries under investigation, z_{ij}^* is the latent dependent variable for the selection equation, and w'_{ij} denotes the vector of the first-step independent variables. γ comprises the first-step estimation coefficients and ϵ_{1ij} the error term of the selection equation.

We assume the number of observed staff to depend on the joint decision to build an institute in country i in the first place. We thus derive the 1ststep-selection-equation from the formulated overall utility in (3) adding a disturbance term $e^{\epsilon_{ij}}$, such that

$$U_{ij} = u_{qij}(t,s) \cdot u_{cij}(d,h) \cdot e^{\epsilon_{1ij}} \tag{6}$$

and by taking logarithms:

$$\log U_{ij} = \log u_{gij} + \log u_{cij} + \epsilon_{1ij}$$

where

$$\log u_{gij} = \alpha_j \log t_{ij} + \chi_j \log s_{ij}$$

and

$$\log u_{cij} = \delta_j \log d_{ij} + \kappa_j \log h_{ij}.$$

Based on this, we arrive at expression (7) for the latent variable in our 1^{st} -step estimation model:

$$z_{ij}^* = \log U_{ij} = \alpha_j \log t_{ij} + \chi_j \log s_{ij} + \delta_j \log d_{ij} + \kappa_j \log h_{ij} + \mu_j \log a_{ij} + \epsilon_{1ij}$$
(7)

The observed binary variable z_{ij} is defined as

$$z_{ij} = \begin{cases} 1, & \text{for } z_{ij}^* > 0\\ 0, & \text{otherwise.} \end{cases}$$

A.3 Second-step estimation model

With regard to the number of employees per host country i as our 2^{nd} -step dependent variable, we can generally formulate the 2^{nd} -step regression equation as:

$$y_{2ij} = x'_{ij}\beta + \epsilon_{2ij} \tag{8}$$

where y_{2ij} defines the observed continuous dependent variable for our estimation equation. x'_{ij} stands for the vector of the main cultural independent variables (d, h) including a for the tourist attractiveness of country *i* and a constant term. β defines the vector of coefficients to be estimated and ϵ_{2ij} stands for the error term of the second-step regression. By assumption, the 1st- and 2nd-step errors ϵ_{1ij} and ϵ_{2ij} follow a bivariate Gaussian distribution with zero means and correlation ρ . σ_1 is normalised to 1:

$$\left(\begin{array}{c} \epsilon_{2ij} \\ \epsilon_{1ij} \end{array}\right) \sim N\left(\left(\begin{array}{c} 0 \\ 0 \end{array}\right), \left(\begin{array}{c} \sigma^2 & \rho\sigma \\ \rho\sigma & 1 \end{array}\right)\right).$$

Knowing that y_{2ij} is observed only when $z_{ij}^* > 0$, that is $z_{ij} = 1$ for our binary dependent variable, this is when $w_{ij}'\gamma > \epsilon_{1ij}$, we can write the conditional expectation of y_{2ij} on being observed, that is, y_{2ij} conditional on $z_{ij}^* > 0$. Thus we formulate the conditional expectation as,

$$E(y_{2ij} \mid z_{ij} = 1, x'_{ij}\beta) = E(x'_{ij}\beta + \epsilon_{2ij} \mid w'_{ij}\gamma + \epsilon_{1ij} \ge 0)$$

$$= E(y_{2ij} \mid \epsilon_{1ij} > -w'_{ij}\gamma)$$

$$= x'_{ij}\beta + E(\epsilon_{2ij} \mid \epsilon_{1ij} > -w'_{ij}\gamma).$$
(9)

And from the moments of a censored bivariate Gaussian distribution this is

$$E(y_{2ij} \mid \epsilon_{1ij} > -w'_{ij}\gamma) = x'_{ij}\beta + \rho\sigma_1 \frac{\phi(w'_{ij}\gamma)}{\Phi(w'_{ij}\gamma)}$$
(10)

where $\phi = pdf$, $\Phi = CDF$ of a normal random variable. We can thus generally write our 2^{nd} -step statistical model including the selection correction term as:

$$(y_{2ij} \mid z_{ij} = 1) = x'_{ij}\beta + \lambda'_{ij}\beta_{\lambda} + v_{ij} \quad \text{with} \quad \rho\sigma_1 = \beta_{\lambda} \quad (11)$$

the coefficient of the inverse Mill's ratios λ'_{ij} which are based on the 1st-step observations and account for the non-random selection bias in the 2nd-step regression.

Regarding the number of the cultural institute's staff as the dependent variable y_{2ij} , we arrive at

$$(y_{2ij} \mid z_{ij} = 1) = \delta_j \log d_{ij} + \kappa_j \log h_{ij} + \mu_j \log a + \beta_\lambda \hat{\lambda}_{ij} + v_{ij}$$
(12)

as our 2^{nd} -step estimation model adding a disturbance term $e^{\epsilon_{2ij}}$ and the estimated inverse Mill's ratios $\hat{\lambda}_{ij}$ to (4) and taking logarithms.

A.4 Estimation procedure

The coefficients of the 1^{st} - and 2^{nd} step independent variables can be estimated following the standard two-step Heckman estimation procedure (1979).

Accordingly, we estimate the selection equation defined as the overall probability for a cultural institute in country i by the usual probit model:

$$\Pr(z_{ij} = 1 \mid w'_{ij}\gamma) = \Phi(w'_{ij}\gamma \mid \sigma_1)$$
(13)

where

$$z_{ij}^* = \log U_{ij},$$

observed when $z_{ij} = cult4cat = 1$, and

$$w'_{ij}\gamma = \alpha_j \log t_{ij} + \chi_j \log s_{ij} + \delta_j \log d_{ij} + \kappa_j \log h_{ij} + c_1$$

where c_1 is a constant term. The coefficients of the 2^{nd} -step selection-corrected statistical model then are estimated via OLS:

$$(y_{2ij} \mid z_{ij} = 1) = x'_{ij}\beta + \hat{\lambda}'_{ij}\beta_{\lambda} + v_{ij}$$

$$(14)$$

where

$$y_{2ij} = \log u_{cij}$$

and

$$x'_{ij}\beta = \delta_j \log d_{ij} + \kappa_j \log h_{ij} + \mu_j \log a_{ij} + c_2.$$

References

- Alesina, A. & Dollar, D. (2000), 'Who Gives Foreign Aid to Whom and Why?', Journal of Economic Growth 5, 33–63.
- Brodersen, H. (1993), Concurrence des cultures d'usage étrangres a l'example de la ville de Cracovie, *in* H. Brodersen, ed., 'Relations culturelles internationales et processus de réformes en Europe centrale – les politique culturelles extérieures autrichienne, allemande et française', Jouy-en-Josas: HEC Eurasia Institute.
- Council, B. (2002), 'Who we are', http://www.britishcouncil.org/english/whoweare.htm.
- Epstein, D. & O'Halloran, S. (1999), Delegating Powers. A Transaction Cost Politics Approach to Policy Making under Separate Powers, New York: Cambridge University Press.
- Flecks, J. (1992), Deutsche Auswärtige Kulturpolitik: Möglichkeiten und Wirkung, Master's thesis, University of Constance.
- Franchino, F. (2005), 'A Formal Model of Delegation in the European Union', Journal of Theoretical Politics 17(2), 217–47.
- Gartzke, E. & Jo, D.-J. (2002), 'The Affinity of Nations Index, 1946-1996.', http://www.columbia.edu/ eg589/datasets.htm. Version 3.0 of 14th January 2002. Last accessed April 7th, 2006.
- Goethe-Institut Inter Nationes. Jahrbuch 2000/2001 (2001a), Bosch-Druck GmbH.
- Heckman, J. (1979), 'Sample Selection Bias as a Specification Error', Econometrica 47(1), 153–162.
- Huber, J. & Shipan, C. (2002), Deliberate Discretion? The Institutional Foundations of Bureaucratic Autonomy, Cambridge: Cambridge University Press.
- Ingram, M. (1998), 'A Nationalist Turn in French Cultural Policy', French Review 71(5), 797–808.
- International Monetary Fund (2001). Direction of Trade Statistics Yearbook. (2001), Washington D.C.: IMF.
- Jaggers, K. & Gurr, T. (1996), Polity III: Regime Type and Political Authority, 1800–1994. Polity III Codebook, Inter-University Consortium for Political and Social Research.

- Kramer, D. (1997), 'Kulturdialog konkret. Erfahrungen der Goethe-Institute im Gespräch mit nichteuropäischen Kulturen.', E+Z Entwicklung und Zusammenarbeit 5(6), 174–177.
- Lachner, A. (1999), Literarische Aktivitäten des Institut Français Innsbruck 1946–60, Master's thesis, University of Innsbruck.
- Laffont, J. (2000), *Incentives and Political Economy*, Oxford: Oxford University Press.
- Laffont, J.-J. & Martimort, D. (2002), *The Theory of Incentives. The Principal-Agent Model*, Cambridge, Mass.: MIT Press.
- Lee, F. (1995), 'Representation and Public Policy: the Consequences of Senate Apportionment for the Geographical Distribution of Federal funds', *Journal of Politics* 60, 34–62.
- Lippert, B. (1996), Auswärtige Kulturpolitik im Zeichen der Ostpolitik. Verhandlungen in Moskau 1969–1990, Münster: LIT Verlag Dr. Wilhelm Hopt.
- McCubbins, M. (1985), 'The legislative design of regulatory structure', American Journal of Political Science 29, 721–48.
- Meunier, S. (2000), 'The French exception', Foreign Affairs 79 (4), 104–16.
- Miller & Moe, T. (1983), 'Bureaucrats, legislators, and the size of government', American Political Science Review 77, 297–322.
- Peisert, H. (1978), Die Auswärtige Kulturpolitik der Bundesrepublik Deutschland, Stuttgart: Klett-Cotta.
- Popaczy, B. (1999), Von der Selbstdarstellung zum Kulturaustausch. Die franzsischen Kulturinstitute in Wien und Innsbruck., Wien: Böhlau.
- Schneider, G. & Schiller, J. (2000), 'Goethe ist nicht überall. Eine empirische Analyse der Standortentscheidungen in der Auswärtigen Kulturpolitik.', Zeitschrift für Internationale Beziehungen 7(1), 33–78.
- Signorino, C. & Ritter, J. (1999), 'Tau-b or not tau-b: Measuring the similarity of foreign policy positions', *International Studies Quarterly*, 43(1), 115-44 43(1), 115-44.
- Singer, D. & Small, M. (1982), Resort to Arms. International and Civil Wars 1618–1980, Beverly Hills : Sage Publications.

- Trommer, S. (1984), Die Mittlerorganisationen der auswärtigen Kulturpolitik, PhD thesis, University of Tübingen.
- Ulrich, S. (1987), Die auswärtige Kulturpolitik der Bundesrepublik Deutschland unter besonderer Berücksichtigung der Arbeit des Goethe-Instituts im Ausland, Master's thesis, University of Constance.
- Vaubel, R. (1994), 'The public choice analysis of European integration: A survey.', European Journal of Political Economy 10, 227–49.
- Weingast, B. & Moran, M. (1983), 'Bureaucratic discretion or congressional control? Regulatory policymaking by the federal trade commission.', *Jour*nal of Political Economy 91, 775–800.
- Wooldridge, J. M. (2002), Econometric Analysis of Cross Section and Panel Data, Cambridge, Mass.: MIT Press.
- Zanger, S. (2000), 'Good governance and European aid: The impact of political conditionality.', European Union Politics 1(3), 293–317.
- Znined-Brand, V. (1999), Deutsche und französische auswärtige Kulturpolitik. Eine vergleichende Analyse., Frankfurt a. Main: Peter Lang GmbH.