

Credibility and Agency Termination Under Parliamentarism

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BACKGROUND

- Arm's length agencies can reassure investors that governments will not change market conditions arbitrarily.
- However, if governments can easily terminate these agencies, such reassurance does not matter much. There has been limited research on termination of these agencies.

METHODOLOGY

- Analyse 723 arm's length agencies in the UK between 1985 and 2008. Examining their prospect of closure and the length of time they operated.
- Using the data to test the hypothesis that agencies set up to deliver credible commitments will last longer because of the trade-off.
- Additionally, assess whether the continuance of the agency is associated to economic and political factors.

KEY FINDINGS

- The agencies that are engaged in regulatory activities were found to be less likely to be termination compared to other agencies in the years that were evaluated.
- Right-wing governments and heavily indebted governments were two factors that were found to increase the likelihood of agencies being abolished.
- A factor that increased the survival time of agencies was their structure. Executive non-departmental public bodies and non-ministerial departments prevailed longer.

POLICY ISSUES

- The need to reduce the allurements for politicians to dissolve agencies. Also, reducing the dominance of the politicians towards these agencies and allowing for delegation where necessary.

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