

Good Government

Good Government

The Relevance of Political Science

Edited by

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Preface

This book is an outcome of a research program we started in 2004 at the University of Gothenburg, called “The Quality of Government Institute”. The purpose of The QoG Institute has been to promote research on the causes, consequences and nature of “good governance” and “quality of government” – which we broadly defined as trustworthy, reliable, impartial, uncorrupted and competent government institutions. There were many reasons why we decided to take this initiative. One was that we wanted to make political science research more relevant by focusing on the connection between the capacity and quality of government institutions that implemented public policies and what this meant for human well-being. Our suspicion was that dysfunctional government institutions were a major source of human suffering around the world – a hypothesis that, as shown in this volume, has been thoroughly confirmed. We also wanted to engage in a constructive dialogue with other social scientists, most of them in economics, who had become interested in the importance of “good governance”. However, just as war is often thought to be too serious a business to be left entirely in the hand of generals, we thought that what should constitute “good governance” ought not to be researched solely by our colleagues in economics.

The QoG Institute was quite a small operation when we started, consisting of we two, one researcher and one half-time assistant. Due to a large grant from the Bank of Sweden Tercentenary Foundation in 2006, QoG is now an operation engaging about 20 researchers and a handful of PhD candidates. Additional funding has come from the Swedish International Development Cooperation Agency, the Swedish Science Council, the European Union Directorate General for Regional Development, the Swedish Council for Working Life and Social Research and the Knut and Alice Wallenberg Foundation.

We would like to thank our collaborators in the QoG Team for joining us in this venture and for bringing along so much energy and creativity. We believe we have shown that the synergy effects generated from relatively large and coherent research groups focusing on a common theme that is often mentioned in the natural sciences, can also work in the social sciences. In particular, we would like to thank our research assistants and

program coordinators Petra Olsson, Marcus Samanni, Richard Svensson, Veronica Norell and Rasmus Broms. Last but not least, this would not have been possible without the excellent work carried out by Dr Andreas Bågenholm who has served as Program Manager for The QoG Institute during the production of this book.

Over the years, The QoG Institute has benefited greatly from intellectual input from many colleagues around the world. In particular, we would like to thank Daniel Kaufmann at the World Bank Institute, Margaret Levi at the University of Washington in Seattle, Alina Mungiu-Pippidi at the Hertie School of Governance in Berlin, Pippa Norris at the United Nations Development Program and Harvard University, Elinor Ostrom at Indiana University and Eric Uslaner at the University of Maryland – College Park.

Sören Holmberg and Bo Rothstein
Gothenburg, January 10, 2011

1. Introduction: political science and the importance of good government

Sören Holmberg and Bo Rothstein

In October 2009, a senator in the United States Congress from the Republican Party, Tom A. Colburn, proposed an amendment to cut off funding from the US National Science Foundation (NSF) to research in political science. His argument was that research produced by political scientists was a waste of taxpayers' money because it is irrelevant to human well-being. Instead, Colburn argued, the NSF should redirect its funding to research in the natural sciences and engineering that would, for example, produce new biofuels or help people with severe disabilities.

Although Colburn's initiative was much criticized and eventually voted down, it has given rise to a lengthy discussion within the discipline as well as in the media about the issue of relevance. In October 2009, *The New York Times* ran an article in which several leading political scientists recognized that the discipline was experiencing increasing difficulty making a case for its relevance in broader social and political discourse. Among these were Joseph Nye, who stated: "the danger is that political science is moving in the direction of saying more and more about less and less".¹ Moreover, in 2010, panels at the annual meetings of both the American and the British political science associations were organized around the issue of, or to what extent, or for whom, political science should or could be relevant.² The issue also came up in journals³ and reports from both the American and the European political science associations. An example is an official report from the American Political Science Association about the future of the discipline issued in 2011. In its summary, the report states:

Political science is often ill-equipped to address in a sustained way why many of the most marginal members of political communities around the world are often unable to have their needs effectively addressed by governments. . . . This limits the extent to which political science is relevant to broader social and political discourse.⁴

And Senator Coburn has not given up. In 2011 he issued a report arguing for the elimination of NSF funding not only to political science but to

other disciplines in the social sciences as well such as economics, sociology and business administration.⁵ The problem of relevance is thus not confined to political science. An example is the discussion within economics after the 2008 financial crisis where, for example, a leading scholar (and Nobel Laureate) Paul Krugman stated: “most work in macroeconomics in the past 30 years has been useless at best and harmful at worst”.⁶

A central theme of this book is to address this issue about the relevance of political science by showing that in all societies the quality of government institutions is of the utmost importance for the well-being of its citizens. Since its start in 2004, The Quality of Government (QoG) Institute at the University of Gothenburg, which is the organizational base for the research presented in this volume, has focused on precisely this issue.⁷ Three factors differentiate the research presented in this volume from most of what our colleagues in the discipline are doing, and make it relevant for human well-being.

First, unlike most empirical political scientists, we do not shy away from analyzing and taking a stand towards the normative issues in our field of research. Instead, we present a normative political theory of what should count as “good government”, “quality of government”, or for that matter, a “good society”. Second, unlike most work in political theory or political philosophy that has long discussed these normative issues, we do not balk from empirical research. On the contrary, we argue that not only can concepts such as “good government” and “quality of government” be defined but they can also be operationalized and measured. Third, we show that such measures can be theoretically and empirically related to two other types of variables. One type can explain the huge variation in *good government* that, according to the measures we use, exists between countries (or groups of countries). This is research that tries to explain the “how you get it” question. The research sets out to answer the following question which is, to put it mildly, of some relevance: if a society wants to increase the quality of its public authorities, how can this be done?

The other type of variables we use are measures of various aspects of human well-being such as population, health, subjective well-being, access to safe water and economic prosperity. These are analyzes that aim to explain the “what you get” question. If a country (or a region), has a high (or low) *quality of government*, what does this mean for the well-being of its population? As we show, it means a lot. Needless to say, living in a society in which infant mortality is low, where people are reasonably satisfied with their lives, where access to safe water is not a problem and that is economically prosperous are issues that are relevant for most people. The

research that is presented in this volume shows that for these (and several other) measures of human well-being, the variables that are central in political science are profoundly relevant.

Our answer to Colburn's initiative to close down research in political science is the following. If we were to summarize the causes behind the *opposite* to human well-being today on a global scale, our interpretation of the results of our research is as follows. Factors such as high infant mortality, early death and illnesses, lack of access to safe water, unhappiness and poverty are not caused by a lack of technical equipment, effective medicines or other types of knowledge that comes out of the natural or engineering science. Instead, it is caused by the fact that a majority of the world's population have to live in societies that are dominated by dysfunctional government institutions. How to address these problems calls for more, not less, research in political science.

OUTLINE OF THE BOOK

A rather obvious disposition of this book is to start with chapters dealing with what quality of government (QoG) is, followed by contributions analyzing how to get QoG and ending with studies of what QoG eventually gives you. That is, we begin with what it is, follow up by how to get it and finish with what you get.

Part I What It Is

Bo Rothstein and Jan Teorell's "Defining and measuring quality of government" (Chapter 2) starts off the "What it is" part of the book. They introduce the concept of quality of government and its cousins "good governance" and "state capacity", and find a serious lack of conceptual precision in the scholarly literature. Arguments for the preferred term "quality of government" are presented as well as why it should be defined as government having *impartial* institutions. When exercising public power, the basic norm should be impartiality. In implementing laws and policies, government officials should not take into consideration anything about the citizen or case that is not stipulated beforehand in the policy or the law. The theoretical reasoning is then followed up by a brief presentation of how The QoG Institute has tried to empirically measure impartiality across some 90 countries worldwide. The authors use a web-based expert survey in which mainly public administration researchers are asked to grade and determine bureaucratic recruitment and decision making in countries of their choosing. The results prove

to be quite successful. Impartiality can be measured comparatively in a meaningful way.

In Carl Dahlström, Victor Lapuente and Jan Teorell's "Public administration around the world" (Chapter 3), The QoG Institute's empirical web-based measurements of government impartiality are fleshed out in more detail and cross-source validated and tested for respondent perception biases. However, based on the results, the authors also make an original contribution to research on bureaucratic decision making. Factor analysis of the answers to the survey, reveals two dominating dimensions: one distinguishing between professional versus politicized bureaucracies and the other contrasting public-like more closed to private-like more open bureaucracies. Both dimensions are applicable in Western democracies and post-communist countries, while only the first professional-politicized dimension is relevant in other parts of the world such as Latin America, Asia and Africa.

Control of corruption is an essential ingredient of QoG – not a defining component, but a central prerequisite. In "Need or greed corruption?" (Chapter 4), Monika Bauhr problematizes different forms of corruption and makes a distinction between need and greed corruption. Need corruption happens when services citizens are entitled to are provided only after paying a bribe. Greed corruption, on the other hand, occurs when the bribe is used to gain personal advantages to which citizens are not entitled. Need corruption typically builds on coercion; greed corruption on collusion for mutual benefits. As a consequence, greed corruption is less visible and more hidden. Bauhr also begins to study the two forms of corruption empirically, using comparative data from the World Values Survey and the QoG Dataset as well as data from recent Swedish surveys. One striking finding is that the unobtrusiveness of greed corruption makes it possible for it to coexist with reasonably high societal trust in low-need corruption contexts. She also points to several important implications of this distinction for understanding the effectiveness of anti-corruption policy.

The Weberian notion of public employee impartiality as a central principle of bureaucratic government needs to be elaborated and complemented in order to be applicable in modern-day states with large branches of welfare undertakings. That is the argument put forward by Helena Olofsdotter Stensöta in "Impartiality and the need for a public ethics of care" (Chapter 5). Stensöta's conceptual analysis and review of the scholarly literature lead to the conclusion that impartiality is insufficient for proper implementations. It needs to be supplemented by a public ethics of care (PEC). PEC views people as interdependent; it highlights sensitivity to context in politics as well as when it comes to implementation, and it elevates the importance of responsiveness.

Part II How to get it

This part contains eight chapters that all deal with the problem of how to explain the occurrence and level of QoG around the world. Thus, QoG is the dependent variable in the chapters and a whole host of explanatory factors are introduced and in many cases also applied in empirical analyses.

Part II starts with a chapter that asks the contentious question – what type of political regime produces a better quality of government? Is it representative democracies, single-party systems, monarchies, military dictatorships or maybe ad hoc personalistic regimes? The somewhat provoking question is whether democracies always “work better” than autocracies when it comes to QoG. In “In democracy we trust, but how much?” (Chapter 6), Nicholas Charron and Victor Lapuente conclude, after an extensive literature review as well as independent empirical tests of their own, is rather nuanced. There is a wide variation in QoG at either end of the autocratic–democratic dimension, while QoG tends to be relatively poor for states in the “grey zone” in the middle of the spectrum. Regime type has a J-shaped relationship with QoG, which tends to be highest among the more advanced democracies – but it is not lowest among the most authoritarian dictatorships. It is among transitional regimes between authoritarian and democratic states that we find the most corrupt and non-qualitative governmental systems.

Mathias Färdigh, Emma Andersson and Henrik Oscarsson in “Press freedom and corruption” (Chapter 7) re-examine one of the most heralded “truths” in the discussion on democracy and QoG, namely that press freedom is essential. They focus on control of corruption as an operational variable of QoG, and bring new and improved comparative data to the analysis. A novel estimation technique is applied to multiple indicators of press freedom as well as to different measures of corruption control. The results confirm previous conclusions. The relationship between press freedom and control of corruption remains – the freer the press, the cleaner the government. However, press freedom is most important in fighting corruption in established democracies. Among emerging democracies, freedom of the press is less important, and other modern institutions such as a well-functioning legal system are of greater, significance.

Carl Dahlström and Victor Lapuente in “Weberian bureaucracy and corruption prevention” (Chapter 8), also study control of corruption but now the focus is on the organization of public administration as the explaining factor. It has been suggested that corruption could be curbed by fostering a traditional Weberian bureaucracy guaranteeing lifelong careers, and formalized recruitment alongside strong legal protection for

civil servants. Based on comparative empirical tests involving close to 100 countries, Dahlström and Lapuente demonstrate that these suggestions do not work. They are mere myths of corruption prevention. Instead, the authors highlight the relative success of an alternative more open way of organizing public administration where politicians act in cooperation with unelected bureaucrats in making policy decisions. High hopes should not be put on anti-corruption reforms that rely on separating the activities of politicians and bureaucrats.

Corruption and bad governance is not only a problem for the afflicted countries. It is also an international problem. Consequently, many international organizations have addressed the problem of how to best fight corruption and create high-quality government. However, norm diffusion and policy implementation have not been very successful. In “Do international organizations promote quality of government?” (Chapter 9), Monika Bauhr and Naghmeh Nasiritousi note that most studies evaluating the effects of international anti-corruption programs have concentrated on the recipient end of the targeted action, that is mostly on emerging democracies and their lack of political will and underdeveloped institutions. Bauhr and Nasiritousi turn their attention to the other end of the spectrum and look at hampering factors that are internal to the international organizations’ own efforts. Based on the literature and selected case studies they identify six factors that make international organizations less effective in promoting good government in targeted countries: imprecise data, market pressures, conflicting policy advice, no mainstreaming of norms, incomplete internalization norms among member states, and a low priority for QoG issues.

Ruling elites play a crucial role in controlling or promoting corruption. Anna Persson and Martin Sjöstedt start off their analysis in “State legitimacy and the corruptibility of leaders” (Chapter 10), by stating that no study of corruption can overlook the actions of leaders. Corrupt behavior of political elites will be copied by other actors further down the hierarchy. The “fish rots from the head down” as the Germans say. Persson and Sjöstedt’s contribution focuses on what motivates leaders. Why do some eat in office and others not? Their analysis is primarily theoretical and based on an extensive review of the literature. The main conclusion is that various forms and degrees of state legitimacy shape and constrain incentives of leaders. Political elites in states lacking legitimacy have greater opportunities and incentives to engage in corrupt practices.

In “Legislators and variation in quality of government” (Chapter 11), Staffan I. Lindberg makes the important point that bad QoG not only arises from dysfunctions on the bureaucratic implementation side of politics. It can also grow out of electoral mechanisms on the input

side. Lindberg brings data from an electoral candidate survey in Ghana in order to study to what extent non-impartial behaviors such as constituency services and the provision of clientelistic goods are part of the electoral process and how it affects voters' actions. His finding is that MPs differ in how much they engage in these kinds of behaviors and that voters have started to demand greater impartiality from candidates. An increased value is put on impartially provided goods. But clientelistic politics and selective "gifts" are still very much part of Ghanaian elections, making goods provision less impartial. Elections matter for good government.

A very visible finding in worldwide research on corruption is that women tend to be less involved in corrupt behavior than men. Also, countries with a larger number of elected female politicians have on average lower levels of corruption than countries with fewer women active in legislative politics. Gender matters. In "Why women are less corrupt than men" (Chapter 12), Lena Wängnerud reviews previous studies and concludes that the field so far has been too occupied by monolithic theories trying to explain the gender difference on a very general level. Scholars have also been pre occupied in constructing gender-neutral explanations, trying to explain gender differences by things that are not gender based. Wängnerud argues for more case studies and more subnational studies to flesh out concrete substance and make it possible to discern potential causal mechanisms. At the end of the chapter a new "rationality perspective" is introduced as a vehicle for analyzing gender differences in the area of corruption. The hypothesis is that women more often than men – when calculating costs and benefits – actively choose to refrain from corrupt behavior. Wängnerud uses data from a Mexican corruption study involving subnational regional results to illustrate her reasoning.

Very often corruption is theoretically treated as a principal-agent problem. More active and vigilant principals (=citizens), more stringent law enforcement as well as more morally decent agents (=elites) help to alleviate corruption. This might be true for non-systemic corruption. However, for systemic corruption when "everybody" is involved – when bribing is the expected and necessary behavior to get things done – we are dealing with an informal institution and the principal-agent theory becomes less relevant. In such cases argue Anna Persson, Bo Rothstein and Jan Teorell in "Rethinking the nature of the grabbing hand" (Chapter 13), corruption is transformed into a collective action problem. Corruption in such systems becomes sticky because everybody expects everybody else to behave corruptly. Nobody wants to be the only one paying taxes. Perceptions and beliefs become central. Societies get locked

into social traps. The authors substantiate their arguments aided by data from two interview studies in Kenya and Uganda – two countries characterized by systemic corruption.

Part III What You Get

Part III contains only three chapters. But to compensate for that the first of them, “Part of the solution” (Chapter 14) by Sören Holmberg, Bo Rothstein and Naghmeh Nasiritousi, is very broad with overviews of the relationship of QoG with a wide variety of phenomena such as democracy, economic growth, corruption and the rule of law. The literature review is supplemented by illustrative empirical proofs taken from The Quality of Government Dataset. The overall message is that QoG matters, but that a “one-size-fits-all” solution is probably not the way forward.

According to World Health Organization estimates, more than one billion people lack access to safe water, and as a consequence, 80 percent of all illnesses in developing countries are the result of waterborne diseases, claiming the lives of 1.8 million children every year. A conservative estimate is that 12,000 people die every day from water- and sanitation-related illnesses. Based on an empirical analysis involving some 190 countries, Sören Holmberg and Bo Rothstein’s “Access to safe water” (Chapter 15) shows that QoG has an independent effect on access to safe water. Quality of water cannot be improved only with the help of money, but also by better QoG. And this is especially true in poorer countries.

Finally, in “Happiness” (Chapter 16), Marcus Samanni and Sören Holmberg address an idea that might seem strange to many economists. The hypothesis is that government could be part of the solution instead of being part of the problem. The hypothesis is tested in the area of human happiness. The results are unequivocal – big government may be in contention, but good government is making people feel better. Effective government, the rule of law, bureaucratic impartiality and control of corruption make people happy and satisfied with their lives. Quality of government matters. It makes people happy.

NOTES

1. Patricia Cohen, “Field Study. Just how relevant is political science”, *The New York Times*, October 20, 2009. See also David Glenn, “Senator proposes and end to federal support for political science”, *The Chronicle of Higher Education*, October 7, 2009.
2. Scott Jaschick, “Should political science be relevant?”, *Inside Higher Education*, September 7, 2010.
3. See the debate in *European Political Science*, **10** (3), 2011.

4. *Political Science in the 21st Century*, American Political Science Association, October 2011, p. 1.
5. “APSA responds to Senator Coburn’s Report on NSF Funding”, American Political Science Association (www.apsanet.org).
6. “Dismal Science. Paul Krugman’s London Lectures”, *The Economist*, June 11, 2009.
7. For more information about The QoG Institute, see www.qog.pol.gu.se.

PART I

What it is

2. Defining and measuring quality of government

Bo Rothstein and Jan Teorell

“Quality of government” and its close cousins “good governance” and “state capacity” are relatively new concepts that have made a strong impact in research as well as in some of the highest policy circles since the mid-1990s. These three concepts have received most attention in circles dealing with developing countries and the so-called “transition countries” (Smith 2007). In particular, “good governance” is now used by many national development agencies and international organizations such as the World Bank and the United Nations. An example is the International Monetary Fund, which in 1996 declared that “promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, are essential elements of a framework within which economies can prosper” (IMF 2005). However, the economic and financial crises that started in October 2008 have shown that issues about “bad governance” cannot be seen only as problems for developing and transition countries but also for the highly developed parts of the world (Rothstein 2011). A case in point is that several well-placed analysts have argued that the background to the financial and economic crisis can be found in how powerful investment banks on Wall Street used their influence to relax regulatory oversight and capital requirements (Kaufmann 2004; Johnson 2009; Johnson and Kwak 2010). It should be added that available measures of quality of government and good governance show that several EU countries (notably Greece, Italy and Romania) score lower than some much poorer countries in the developing world.

But what, more exactly, does this new set of concepts entail? It has been argued that there is a serious lack of conceptual precision in their use (Andrews 2010; Fukuyama 2011, p. 469). In this chapter we shall argue that “quality of government” should be the preferred term and defined as having *impartial* government institutions. We shall frame our justification for this conceptualization around a short intellectual background to the current issues at stake, followed by our criticism of previous efforts

to define the concept. After giving our own definition, we shall present the results from a novel data collection effort aiming to measure the level of quality of government (QoG) as impartiality in 97 countries. We conclude by discussing some of the most challenging questions on the future research agenda of this field.

POLICY BACKGROUND: TWO FAILED HOPES OF DEMOCRATIZATION AND MARKETIZATION

As is well known, more countries than ever are now to be seen as democratic. The fall of the Berlin Wall and the dramatic political changes in Latin America as well as in parts of East Asia have had a huge impact (Teorell 2010). However, the hopes that democratization in itself would lead to greatly improved social and economic conditions have, for the most part, not been realized. As stated by Diamond (2007, p. 119), in many newly democratized countries what we see is how the democratic spirit of elections is “drenched in corruption, patronage, favoritism, and abuse of power” and how “bad governance” thwarts development. The increased interest in policy circles for issues of governance and QoG can to a large extent be understood as a reaction to the many “facts on the ground” showing that establishing “free and fair” elections and representative democracy is not a guarantee that poor countries will perform better and manage to improve economic and social conditions for their populations. A debate about “sequencing” has therefore emerged, the central issue being whether donor organizations from the OECD countries should support state capacity before they give aid for democratization. The argument rests in part on the findings mentioned above, but also on historical parallels where it is argued that for almost all stable democracies, increased state capacity came well before representative democracy was established (see Carothers 2007). This debate is far from resolved, but we should like to underline that for us, this is not an argument against the importance of democratization. Rather, that democracy, as it is usually understood, has many virtues that are internal to the system itself, but it may not be as consequential for improving human well-being as many, including ourselves had hoped.

In development policy circles, the QoG and good governance agenda has to a large extent replaced what was known as the “Washington Consensus”. This approach stated that economic growth could be created by massive deregulations of markets, tightening of public spending, guarantees for property rights and large-scale privatizations (Serra and Stiglitz 2008). The reason why this strategy did not work was, according to many

observers, that poor countries lacked the necessary type of institutions that were “taken for granted” in neoclassical economics. Among those, leading development economist Dani Rodrik lists both formal and informal institutions such as “a regulatory apparatus curbing the worst forms of fraud, anti-competitive behavior, and moral hazard, a moderately cohesive society exhibiting trust and social cooperation, social and political institutions that mitigate risk and manage social conflicts, the rule of law and clean government” (Rodrik 2007, p. 97). In the former communist countries, the so-called “shock-therapy capitalism” ran into a number of problems, not least because its proponents did not pay adequate attention to the need for institutions that would hinder fraudulent, anti-competitive and other similar types of destructive behavior (Kornai et al. 2004).

EMPIRICAL BACKGROUND: QUALITY OF GOVERNMENT AND HUMAN WELL-BEING

Until the mid-1990s, issues of corruption and bad governance were generally neglected in the social sciences. Many argued that some types of corruption could have a positive impact on economic development since this in many instances could “grease the wheels” (see Rose-Ackerman 1998). A central reason for the rise in the QoG and good governance agenda since then is the establishment of different types of measures, notably the Corruption Perceptions Index launched by Transparency International in 1996 and later the World Bank’s Worldwide Governance Indicators. Since these measures (and several others) became available, a great number of studies have shown that government institutions that are reasonably free from corruption and related practices have a positive impact on a large set of outcomes related to human well-being. Central in this discussion has been the link between the QoG institutions that implement policies (control of corruption, the rule of law) and economic growth and lower levels of economic inequality (for a summary of these findings, see Holmberg et al., ch. 14 in this volume). In addition, Helliwell (2006), Pacek and Radcliff (2008), and Ott (2010) as well as Samanni and Holmberg (ch. 16 in this volume) have observed positive links between measures of good governance and subjective well-being (also known as “happiness”, a measure of an individual’s evaluation of his/her quality of life in total).

There is also a large body of literature that testifies to the negative consequences of “bad governance”, chiefly in the form of corruption and lack of property rights, for areas such as population health and people’s access to safe water (Swaroop and Rajkumar 2002; Transparency

International 2006; Sjöstedt 2008; Holmberg and Rothstein 2011). In addition, Rothstein and Stolle (2008) show that high trust in legal institutions has a positive impact on interpersonal trust. Råby and Teorell (2010) show that measures of good governance are stronger in predicting the absence of violent interstate conflicts than are measures for democracy, and Lapuente and Rothstein (2010) make the same argument for civil wars. Maybe most surprising are Gilley's findings about political legitimacy. From a study based on survey data from 72 countries, he concludes that "general governance (a composite of the rule of law, control of corruption and government effectiveness) has a large, even overarching importance in global citizen evaluations of states". He further states that these governance variables have a stronger impact on political legitimacy than variables measuring democratic rights and welfare gains (Gilley 2006, p. 57; see also Gilley 2009; Levi and Sacks 2009). In sum, it has been very difficult to find any positive correlations between measures of the degree of democracy and measures of human well-being in cross-country studies when controlling for QoG measures (Rothstein and Teorell 2008). Thus, policy organizations that have put "good governance" and "quality of government" on their agenda are supported by quite a large number of empirical studies.

THE INTELLECTUAL BACKGROUND TO THE DEBATE

One of the major sources for the rise of the good governance and QoG agenda has been the "institutional turn" in the social sciences. Around 1990, three major works were published that have had a profound impact on the analysis of the importance of institutions, namely, James B. March and Johan P. Olsen's *Rediscovering Institutions* (1989), Douglass C. North's *Institutions, Institutional Change and Economic Performance* (1990) and Elinor Ostrom's *Governing the Commons* (1990). Although coming from different intellectual traditions, they had one thing in common, namely they challenged the then dominating societal views in studies of social and economic outcomes. These paradigms in the social sciences (for example, Pluralism, Elitism and Marxism) all argued that variables such as economic power configurations, systems of social stratifications or the structure of class divisions were central in explaining political and thereby social and economic outcomes. Contrary to this, the institutionally oriented scholars argued that political institutions, broadly understood, were central in explaining social and economic outcomes. In political science, this became known as "bringing the state back in" (Evans

et al. 1985; Steinmo and Thelen 1992). In short, instead of focusing on how economic and sociological variables determined politics and outcomes of the political systems, the institutional approach turned the causal logic around by arguing that the character of a society's political institutions to a large extent determined its economic and social development. In common language, the institutional turn in the social sciences showed why "the rules of the game" should have a more central role in social science research. This led to a number of interesting questions for research, such as, why societies had different institutions, what was the relation between institutions and social/economic outcomes and whether some type of institutions were better at producing valued social outcomes than others.

DIFFERENT CONCEPTIONS OF QUALITY OF GOVERNMENT AND GOOD GOVERNANCE

As could be expected, an extensive debate exists about how concepts such as QoG, good governance and state capacity should be defined. Should it be about procedures only (like most definitions of representative democracy) or should it also contain substantial policies and outcomes? Should the concept be universally applicable worldwide (like the UN Declaration of Human Rights) or should it be relativized to different cultures? Should the concept be equated with administrative and economic efficiency or should it be understood as something that explains such efficiency? Should good governance include how well those who govern represent those who are governed or should it be about the capacity to steer society? One of the most frequently used definitions of good governance has been launched by the World Bank Research Institute:

The traditions and institutions by which authority in a country is exercised. This includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them. (Kaufmann et al. 1999, p. 1)

This definition forms the basis of the World Bank's widely used Worldwide Governance Indicators that has measures for "voice and accountability", "political instability and violence", "government effectiveness", "regulatory quality", "rule of law" and "control of corruption". This is a very broad definition and it has been criticized for including both policy content ("sound policies") and procedures ("rule of law") as well as citizens' evaluations ("respect"). It has also been criticized for containing

both the institutions for access to political power as well as those that exercise and implement laws and policies. In the words of Keefer (2004, p. 5), “if the study of governance extends to all questions related to how groups of people govern themselves . . . then there are few subjects in all of political science and political economy that do not fall within the governance domain”. Or put differently, if QoG is everything, then maybe it is nothing. Yet, clearly some political institutions or aspects of “politics” must matter more than others for what should count as QoG. We thus agree with the critique launched by Grindle (2007) that the good governance agenda, not least for many poor countries, can be overwhelming and, in particular, with her argument that it fails to distinguish between various institutional particularities and more basic principles.

Including “sound policies” in the definition raises the quite problematic question whether international (mostly economic) experts really can be expected to be in possession of reliable answers to the question of what are “sound policies”. For example, should pensions or healthcare or education be privately or publicly funded (or a mix of both)? To what extent and how should financial institutions be regulated? Second, such a definition of good governance that is not restricted to procedures but includes the substance of policies raises what is known as the “Platonian–Leninist” problem. If those with superior knowledge decide policies, the democratic process will be emptied of most substantial issues. The argument against the Platonian–Leninist alternative to democracy has been put forward by one of the leading democratic theorists, Robert Dahl: “its extraordinary demands on the knowledge and virtue of the guardians are all but impossible to satisfy in practice” (1989, p. 65).

IS SMALL GOVERNMENT ALSO GOOD GOVERNMENT?

Another idea that has been put forward is that QoG equals small government. A case in point is Alesina and Angeletos who conclude that “a large government increases corruption and rent-seeking” (2005, p. 1241). Similarly, Nobel laureate Gary Becker has argued that “to root out corruption, boot out big government”. For Becker, as well as for many other economists, “the source of corruption is the same everywhere; large governments with the power to dispense many goodies to different groups”. Therefore, smaller government is “the only surefire way to reduce corruption” (Becker 1995, p. 256). However, if we take a look into the empirics, the relationship between government size and corruption is positive rather than negative. Thus, the comparatively least corrupt countries – to

a significant extent situated in the northern parts of Europe – have generally much larger governments than the most corrupt ones. If we take all countries for which data are available, the correlation between total tax revenues as a share of GDP and institutional quality is 0.34 (Persson and Rothstein 2011). As North et al. (2009) show, rich countries have much larger governments than poor countries. They explain this by arguing that not only infrastructure and the rule of law are to be understood as public goods and thus to be financed by the state, but to a large extent also education, research and social insurance programs that mitigate risks. This is not an argument for saying that high public expenditure reduces corruption and is a causal factor behind good governance, but as stated by La Porta et al. (1999, p. 273), the data show that “identifying big government with bad government can be highly misleading”. As argued by Avner Greif (2005, p. 737), “public-order institutions that support modern markets require high fixed costs”.

GOOD GOVERNANCE AS THE ABSENCE OF CORRUPTION

One way out of the definitional problem would be to define QoG and/or good governance simply as the absence of corruption. This turns out to be problematic for several reasons. First, corruption is in itself difficult to define. The standard definition is that corruption is “the abuse of public power for private gain”. The problem with this definition is that it is relativistic since what counts as “abuse” (or “misuse”) would vary in different parts of the world (Kurer 2005). Needless to say, this would dramatically increase problems of operationalization and measurement but it would also carry all the difficulties connected to relativistic definitions that we know from discussions about human rights and democracy. Without a universally accepted normative standard about what forms of behavior are acceptable and appropriate, there is no way of knowing (and measuring) what should count as “abuse” when we compare various systems of governance in order to see if they would qualify for the epithet “good” or not.

The second reason why good governance or QoG cannot be equated with the absence of corruption is that there may exist many problems when governing societies are not confined to what is usually understood as corruption. A high degree of corruption is certainly an antithesis to good governance, but so are many other practices that are usually not seen as corruption, such as clientelism, lack of respect for the rule of law and property rights, nepotism, cronyism, patronage, systemic discrimination

and cases where administrative agencies are “captured” by the interest groups that they are required to regulate and control (Rothstein and Teorell 2008).

GOOD GOVERNANCE AS THE RULE OF LAW

Perhaps as central as corruption, establishing the rule of law is usually key in any discussion on good governance and placed high on the agenda for reforming developing and transitional countries (Carothers 1998). However, although unequivocally embraced as a virtue of any system of good governance, the concept is rarely defined. One reason for this may of course be that the concept is inherently ambiguous and legal scholars argue over its exact meaning (Rose 2004). To begin with, they dispute whether or not the rule of law should be given a purely procedural interpretation, bearing no implications for the actual substance of promulgated laws. Those that defend a procedural notion claim that the rule of law must be distinguished from the rule of “good” law. Critics argue that this would allow morally detested regimes, such as Nazi Germany, to be classified as abiding by the rule of law. Contrary to the procedural view, these critics seek to inscribe into the rule of law various substantive moral values of liberal democracy (see Bratton and Chang 2006, pp. 1077–8). Yet, even among proceduralists who adhere to a narrower conception, ambiguities remain. Usually more attention is paid to the internal qualities of the laws themselves – such as the need for the law to be clear, understandable, general, internally consistent, prospective, stable, and so on – rather than to define the core principles that a political system must abide by in order to be in accordance with the rule of law.

Searching for these core principles, one may instead turn to conceptions developed within political science. Weingast (1997, p. 245) defines the rule of law as “a set of stable political rules and rights applied impartially to all citizens”. Similarly, O’Donnell (2004, p. 33) states a minimal definition of the rule of law as “that whatever law exists is written down and publicly promulgated by an appropriate authority before the events meant to be regulated by it, and is fairly applied by relevant state institutions including the judiciary”. He then specifies his normative term:

By “fairly applied” I mean that the administrative application or judicial adjudication of legal rules is consistent across equivalent cases; is made without taking into consideration the class, status, or relative amounts of power held by the parties in such cases; and applies procedures that are preestablished, knowable, and allow a fair chance for the views and interests at stake in each case to be properly voiced.

The rule of law thus embodies the principle “equality before the law”. It entails “a crucial principle of fairness – that like cases be treated alike” (ibid., pp. 33–4). Although similar in spirit to the definition we shall suggest below, one problem with the rule of law approach is that good governance also applies to spheres of state action other than those directly governed by law. When public policy is to be enacted in so-called “human-processing” areas, such as, for example, education, healthcare, welfare benefits, and active labor-market programs, widely discretionary powers usually need to be transferred to lower-level government officials and professional corps responsible for implementing policy. The reason is that they have to adapt actions to the specific circumstances in each case and it is administratively impossible to enact precise “rule of law-type” laws and regulations that can guide this. In many areas, governance is carried out by professional corps that are for the most part guided by professional standards issued by their organizations which are not connected to rule of law principles. For example, nurses in care homes for the elderly would probably not think of what they are doing as guided by the rule of law. This is not a novel insight: Aristotle himself observed that written laws cannot be applied precisely in every situation, since the legislators, “being unable to define for all cases . . . are obliged to make universal statements, which are not applicable to all but only to most cases” (quoted in Brand 1988, p. 46). The conclusion is that while the rule of law principles in most approaches serve as a central ingredient in good government, they do not cover the full spectrum of the concept.

GOOD GOVERNANCE AND DEMOCRACY

Establishing representative democracy has often been championed as an effective antidote to everything from corruption to poverty. This is because it is linked to accountability, which helps to reduce the discretionary powers of public officials (Deininger and Mpuga 2005, p. 171). This would indicate that democracy, QoG and good governance could possibly conceptually overlap, as is the case in the World Bank’s definition mentioned above. This raises the question why we need concepts such as good governance, state capacity and QoG since we could just talk about “democracy” as the overall standard for evaluating the polity. The problem is that empirically, there is no straightforward relationship between establishing electoral representative democracy and many features of good government. On the contrary, democracy seems to be curvilinearly related to, for example, the level of corruption (Montinola and Jackman 2002; Sung 2004). Empirical research indicates that corruption is worst in countries

that have been newly democratized. For example, some of the worst cases of corruption have appeared in newly democratized countries, such as Peru under its former president Alberto Fujimori (McMillan and Zoido 2004) and Jamaica since the mid-1970s (Collier 2006). At the more country-specific levels, studies of Italy show that politicians that stand accused of or are under investigation for corruption do not stand a lesser chance of being elected than “clean” politicians (Chang et al. 2010). One should also keep in mind that the two states that have made the greatest progress in curbing corruption over the last few decades – Singapore and Hong Kong – have not been and still are *not* democracies (Uslaner 2008). From this, and from the empirical research (referred to above) showing that measures of various aspects of QoG have a much greater impact on human well-being (and perceptions of political legitimacy) than measures of democracy, we may conclude that QoG is different from, and should not conceptually be equated with, democracy.

QUALITY OF GOVERNMENT AS GOVERNMENT EFFICIENCY

It would certainly be strange to argue that a government that is very inefficient or ineffective could be of high quality or produce good governance (Fukuyama 2004). Would it then be possible to define QoG in terms of government efficiency or effectiveness? There are two reasons why this is problematic. First, the notions of “good” or “high quality” usually imply other things than just economic efficiency. It is easy to think of something that a government can carry out in an efficient way that normatively would be just the opposite of “good”. Second, defining concepts such as QoG in terms of administrative and regulative efficiency would border on establishing a tautology. One should bear in mind that the good governance agenda largely came about in studies trying to understand why many developing countries were unable to increase growth. Defining good governance in terms of efficiency (or efficient policies) would be tantamount to saying that efficiency causes efficiency. Not much would be gained by saying that societies with efficient (good, high-quality) governance systems produce efficiency. If not a tautology, one could say that such a definition would make the distance between independent and dependent variables minimal. Instead, what we need to know is whether societies that are socially and economically efficient, that is, are able to solve the problem of producing the amount and type of public goods they need, have institutions that are qualitatively different in their operative principles from the opposite type of societies.

In the long discussion of how representative democracy should be defined, the distinction between procedural and substantive definitions is a central theme (see Dowding et al. 2004). Since we are striving for a universal and procedural definition that could be acceptable to groups in a democracy with, to quote John Rawls (2005, p. xvi), “a pluralism of incompatible yet reasonable”, comprehensive religious, philosophical, and moral doctrines, including substantial policies in the definition is a very risky business and not likely to achieve broad-based legitimacy. This is also why we prefer the term “quality of government” to the World Bank term “good governance” since the latter has too broad connotations.

TOWARDS A DEFINITION OF QUALITY OF GOVERNMENT

As seen above, not the absence of corruption, or representative democracy, or the size of government, or the rule of law, or administrative effectiveness capture what should be counted as “quality of government”. Searching for a definition, it is notable that the conceptual discussion has largely been detached from normative political theories about social justice and the state. It should be obvious that when terms such as “good” or “quality” are placed in political concepts, it is impossible to refrain from entering the normative issues that are raised in political philosophy. One can say that modern political philosophy has been engaged with the issue of “what the state ought to do” but refrained from taking an interest in what the state “can do”. There are good reasons why it is meaningless (or dangerous) to discuss the one without the other (Rothstein 1998). The QoG and good governance agenda is a clear case where normative/philosophical theory and positive/empirical approaches should merge. This issue is certainly not confined to internal academic civilities. Without a foundation in ethical standards, the risk is that when approaches such as the good governance agenda translate into practical policies, it may end up in mindless utilitarianism where basic human rights of (often poor) people are sacrificed in the name of some overall utility (Talbot 2005). The first requirement for a definition of concepts such as QoG and good governance is thus that it is based in a normative theory that gives some orientation for what should be regarded as “good” in this context. Second, any definition of these concepts must take into account that the approach has clearly shifted the interest away from the “input” to the “output” side of the political system.

In addition to standard requirements such as precision and applicability for empirical research, a third requirement would be universalism.

One reason for this is that the QoG approach by many organizations and researches is de facto applied on a global scale. This demand raises the issue of how to deal with the huge variation in institutional configurations that exists between countries that in most evaluations of quality of governance are ranked at the top. Our argument is that it is important not to conflate a country's specific institutional configurations with the basic norms that underlie these institutions. This is readily seen if we compare states' administrative systems with their systems for representative democracy. Established democracies like, for example, Switzerland, Finland and the United States, are in fact very different in their specific institutional configurations of representative democracy. There is, for example, no national-level equivalent in the other two countries to the widespread Swiss use of referendums. Moreover, these three countries have very different electoral systems and they also differ markedly in the political importance and power of their judicial systems. However, they are all still counted as being democracies because the institutions that make up their systems of representative democracy are all based on the basic norm of "political equality" as laid out by leading democratic theorist Robert Dahl (1989).

The same type of difference in specific institutions occurs if we compare countries that are generally ranked at the top when it comes to measures such as control of corruption, rule of law and government effectiveness. Obviously, a definition of QoG need not relate to a specific set of institutional arrangements. Instead, we have to look for some *basic norm* that characterizes their institutional systems as a whole. The question is what would be the equivalent to Dahl's political equality for the "output" side of the political system. Based on the type of rights-based liberal political theory launched by philosophers such as Brian Barry and John Rawls, we have suggested such a basic norm, namely *impartiality* in the exercise of public power. This is defined in the following way: "When implementing laws and policies, government officials shall not take anything about the citizen or case into consideration that is not beforehand stipulated in the policy or the law" (Rothstein and Teorell 2008, p. 170; see also Strömberg 2000, p. 66). This definition is fairly precise and can be applied universally. It makes clear what basic norm is being "abused" when corruption, clientelism, favoritism, discrimination, patronage, nepotism or undue support to special interest groups occurs. It excludes the content of policies since it is strictly procedural.

The inability to distinguish between basic norm(s) and specific institutional configurations has led some to argue against the possibility of establishing a universal definition of QoG or good governance (Andrews 2010; see also Grindle 2007). This is problematic since it would be the equivalent to refraining from establishing a universal definition of democracy which

would imply that we would not be able to distinguish between democracies and non-democracies. Just as there are many ways to institutionalize political equality and be a democracy, there can be many ways for a country to institutionalize impartiality in the exercise of political power to ensure QoG.

What does it mean to be impartial in the exercise of public power? Cupit writes: “To act impartially is to be unmoved by certain sorts of considerations – such as special relationships and personal preferences. It is to treat people alike irrespective of personal relationships and personal likes and dislikes” (Cupit 2000 p.16; see also Barry 1995, p. 11). The connection to “good” or “quality” is motivated by the fact that impartiality is the driving notion behind Rawls’s liberal right-based theory of justice. As Goodin argues: “Certainly, the antithesis of justice is favouritism” (2004, p. 100). In this context, impartiality is not a demand on actors on the input side of the political system, but first and foremost an attribute of the actions taken by civil servants, professional corps in public service, law enforcement personnel and the like.

Equally important, however, are the things which the norm of impartiality does *not* rule out. Since QoG as impartiality is a procedural norm confined to the exercise of public power, one important field that is not affected by this conception is the substance of the content of policies. This builds on the idea that non-corruption implies that “a state ought to treat equally those who deserve equally” (Kurer 2005, p. 223). This is in line with the argument that the content of public policies should not be included in the definition of QoG. Instead, it is impartiality in the exercise of power (the “ought to treat equally” principle) that is the central component of QoG. Of course, to treat equally does not imply that everyone should get the same. Only people who are in need of a kidney transplant should get one. Instead, this follows the idea of “equal concern and respect” launched by Ronald Dworkin (1977).

In political philosophy, this distinction between which norms should guide the content versus the procedural sides of the political system is readily seen in Brian Barry’s important book *Justice as Impartiality*. Barry argues that impartiality should be a normative criterion in the exercise of political power: “like cases should be treated alike” (Barry 1995, p. 126). His idea of “second order impartiality” implies that the input side of the political system should be arranged so that it gives no special favor to any conception of “the good”. However, as Barry readily admits, his theory “accepts that a demand of neutrality cannot be imposed on the outcomes” (p. 238). Accordingly, when it comes to decisions about the content of the policies that governments should pursue, it is not neutrality or impartiality but “reasonableness” that is his main criterion (p. 238). By this he means

that people engaged in the political process should give sound arguments based on a secular understanding of knowledge for why they prefer certain policies over others. In Barry's words: "What is required is as far as possible a polity in which arguments are weighed and the best arguments win, rather than one in which all that can be said is that votes are counted and the side with the most votes wins" (p. 103).

The implication is the one argued for here, namely that impartiality cannot be a moral basis for the content of policies that individuals, interest groups and political parties pursue on the input side of the political system since reasonableness is not the same as impartiality. For example, in a given situation there may be good reasons for lowering pensions and increasing support to families with children. However, that is not the same as being impartial between these two groups, because there is no such thing as an impartial way to decide in a case like this (Arneson 1998). This is particularly problematic when it comes to conflicts over which public goods a state should provide since such goods often cannot be divided into minor parts (like money), something that often makes reasonable compromises easier to reach. Either the airport or the dam is built, or nothing is built.

What is presented here is not of the grand ambition kind that Barry, Rawls and other political philosophers have pursued, namely to construct a universal theory of social and political justice. Our ambition is more modest, namely to construct a theory of what should count as QoG. The implication is that when a policy has been decided upon by the political system, be it deemed just or unjust according to whatever universal theory of justice one would apply, QoG implies that it has to be implemented in accordance with the principle of impartiality.

It is important to note that, for many, increased justice implies policies that contain more partiality (for example, extra resources to underprivileged groups); they usually do not want these policies, once enacted, to be implemented in a partial way where bureaucrats are given total discretion in each and every case. For example, it may be perfectly legitimate to argue for the government to establish academic positions that only women (or some other disadvantaged group) could apply for, given the gender inequality that exists in higher academic positions. However, once such a position is announced and a number of women apply, the impartiality norm takes over since those who have argued for such a quota system usually want the most qualified in the preferred group to get the position. Thus, while impartiality is a norm to be followed in one sphere, it would be dysfunctional and/or also unethical in other spheres.

This conditionality in the application of impartiality as a justice principle goes in fact all the way back to John Stuart Mill:

Impartiality, in short, as an obligation of justice, may be said to mean being exclusively influenced by the considerations which it is supposed ought to influence the particular case in hand, and resisting the solicitations of any motives which prompt to conduct different from what those considerations would dictate. (Mill 1861 [1992], p. 154)

It should be underlined that the argument is not that impartiality is equivalent to “objectivity”. Terminology is a tricky business (especially if you trade in a language that is not your own). Nevertheless, we would say that, as a concept, objectivity has an absolute and perfectionist ring to it that implies that humans can have full knowledge of a case and weigh all things equally and reach a decision as if the outcome were decided by some natural law process. We would argue that impartiality implies somewhat more human and realistic demands. First, it is about a “matter of factness”, implying that things that, according to the policy/law, should not have an impact on the decision are to be left out. Second, it requires that the public official should not be a party to the case, either directly or indirectly. Moreover, the idea of QoG as an impartiality notion stands in sharp contrast to the public choice idea of public officials maximizing their self-interest. For example, an impartial civil servant should not be susceptible to bribery, should not decide in cases where his/her friends and relatives are involved, and should not favor any special (ethnic, economic, or any other type of organized) interest when applying laws and rules.

THE FEMINIST CHALLENGE: COMMITMENT, FLEXIBILITY AND IMPARTIALITY

Feminist scholars have pointed to the possibility of a conflict between the principle of impartiality and the capacity of the state to deliver the kind of social services required of public sector employees in the welfare state who must perform curative and caring work. Following Joan Tronto, Helena Olofsdotter Stensöta has argued that we expect, for instance, pre-school teachers, medical professionals, and social workers to demonstrate empathy and compassion and not to be governed by some general and abstract logic of justice as impartiality (Stensöta, ch. 5 in this volume). According to this approach, the “logic of care” leads to a more context-dependent ethic than the impartial application of universal rules. In specific terms, we do not want a nurse in a public hospital to treat all patients alike but to give more care and attention to those who need it. In this and many other similar policy areas, legitimacy in the implementation process requires that public employees are committed, engaged and dedicated to their tasks instead of being impartial or, worse, indifferent.

The discussion about “the logic of care” sheds light on an important dimension of this theory about QoG as impartiality. Namely, that impartiality is not to be understood as implying that the implementation of public policies equals an old-style Weberian rigid indifferent rule-following, or personal detachment, or a lack of creativity and flexibility by the people working in the public sector. Certainly, most of us would want children who attend a public pre-school to be treated with empathy and concern, rather than be subjected to some dry-as-dust rule-following regime. Obviously, different children need different degrees of attention, comfort and support in different situations. However, most people would be morally upset if pre-school staff deliberately directed their care and concern towards children from families that had bribed them, or who belonged to a certain ethnic group, and thus in practice discriminated against the other children. As this case shows, there is no conflict between professionally distributed care and the principle of impartiality. As defined here, a traditional rule-based Weberian bureaucracy may in some areas be an incarnation of the impartiality principle, but so may professional standards that are based on strong commitments to the policy goals while implementing these goals with a high degree of flexibility, be they the reduction of poverty, the preservation of forests or an active labor market policy.

HOW TO MEASURE QoG AS IMPARTIALITY

From a positive theory as well as from a policy perspective, one could argue that a theoretical and conceptual exercise like this is of little use if it were not possible to operationalize and measure impartiality. Together with our collaborators at The Quality of Government Institute at the University of Gothenburg, we therefore launched a web-based expert poll on this specific topic in 2008 (the details of which are presented in Dahlström et al., ch. 3 in this volume). After two rounds of data collection spanning 2008–10, we have collected data on perceptions of the structure and behavior of public administrations from 973 experts (mainly professors in public administration) from 126 countries. The survey was fairly short (7–8 web pages) and took about 15 minutes to complete. To enhance data quality, in this chapter we rely exclusively on the 97 countries for which at least three expert responses have been elicited. The countries covered more or less span the globe, with the most conspicuous omission being Sub-Saharan Africa, where we have been able to collect data from more than two experts in only six countries.

Three measurement strategies were used to gauge the theoretical concept of impartiality in the exercise of public power as defined above.

The first was very direct, asking the respondents to rate their country in terms of this explicitly stated definition:

Q: By a common definition, impartiality implies that when implementing policies, public sector employees should not take anything about the citizen/case into consideration that is not stipulated in the policy. Generally speaking, how often would you say that public sector employees today, in your chosen country, act impartially when deciding how to implement a policy in an individual case?

Responses could be given on a scale ranging from 1, “Hardly ever” to 7, “Almost always”. The cross-country mean is 4.3, ranging from 2.0 in Honduras to 6.4 in Australia (the cross-country standard deviation is 1.0). In this sample of countries, government institutions are thus perceived to be impartial slightly more often than not, but the variation across countries is substantial.

The second measurement strategy attempted to tap into perceptions of impartiality by way of a scenario, the case of a cash transfer program to the “needy poor”:

Q: Hypothetically, let’s say that a typical public employee was given the task to distribute an amount equivalent to 1000 USD per capita to the needy poor in your country. According to your judgment, please state the percentage that would reach: . . .

The question was then followed by six predetermined response categories for which respondents could fill in a number from 0 to 100 (provided that they sum to 100 percent in total). The percentage reaching the “needy poor” is supposed to be a gauge of how impartially this particular policy would be implemented. The mean is close to 50 percent (52), again accompanied by quite substantial cross-country variation, ranging from a low of 9.6 percent in Nepal to a high of 97 percent in Hong Kong (the cross-country standard deviation being 20 percent). The remaining (average) 48 percent of the cash transfer ends up fairly evenly distributed across the remaining response categories: with people with kinship ties to the public employee (12 percent), middlemen/consultants (14 percent), superiors of the public employee (9.5 percent), or in the public employee’s own pocket (8.1 percent), the remainder (4.3 percent) in a residual category of “others”.

The third measurement strategy in this QoG-survey was to provide examples of government behavior that clearly breach the impartiality principle. Three such examples were provided and, again, the response categories ranged from 1, “Hardly ever” to 7, “Almost always”.

Q: Thinking about the country you have chosen, how often would you say the following occurs today:

- a. Firms that provide the most favorable kickbacks to senior officials are awarded public procurement contracts in favor of firms making the lowest bid?
- b. When deciding how to implement policies in individual cases, public sector employees treat some groups in society unfairly?
- c. When granting licenses to start up private firms, public sector employees favor applicants with which they have strong personal contacts?

These three variables all have fairly balanced cross-country means (at 4.0, 3.9, and 4.0), but again display substantial variation across countries (with standard deviations at 1.4, 1.1 and 1.3, respectively).

With all five measures of impartiality correlating strongly across countries (at 0.72 to 0.87), and clearly loading on one single factor in a principal components factor analysis, we have combined these five measures in an impartiality index constructed by adding each measure weighted by their respective factor loading. This factor index, with higher values implying more quality of government, by construction has a mean of 0 and a standard deviation of 2.1. The point estimates for each country are shown in Figure 2.1, together with bootstrap estimates of the 95 percent confidence intervals by country.¹

As can be seen, the impartiality index varies widely across countries. The countries perceived as having the least impartial public administrations are Honduras, Pakistan, Venezuela, Moldova and Bangladesh, whereas the most impartial ones are located in Australia, Canada, Norway, Hong Kong and New Zealand. As the confidence intervals indicate, these point estimates are of course somewhat noisy. Some countries are a cause of particular concern, such as Malaysia, Malta, Morocco, Mozambique, and Nigeria, having comparatively large standard errors due to a combination of small sample sizes and considerable disagreement among experts. The mean 95 percent confidence interval, however, is only 0.77, and the ratio of the between- over the within-country variance around 1.2.

The extent to which the impartiality index taps into a meaningful dimension of cross-country variation could also be assessed through a direct comparison to other measures of similar concepts. Quite reassuringly, the index correlates at 0.86 with a composite measure of public perceptions of the extent to which doctors and nurses, as well as the tax authorities, “give special advantages to certain people or deal with everyone equally”, in a sample of 28 countries from the European Social Survey (data from Svallfors 2012). Given their different origins, the fit between these two sources of data is pretty impressive (see Figure 2.2).

Moreover, the variation in the degree of QoG as impartiality across countries looks much as can be predicted from other measures such as the World Bank Governance Indicator (WBGi) produced by the World Bank Research Institute or the Corruption Perceptions Index from Transparency International (correlations at 0.87 and 0.86, respectively). Although this fit across data sources is again reassuring, Figure 2.3 makes clear that there are still subtle differences between the information contained in these commonly employed corruption indices and our new measure of impartiality. The 14 countries highlighted and labeled in the figure are the ones with the largest discrepancy between the impartiality index and the WBGi government perception scores.² The countries above the regression line, most notably Jamaica, Ecuador and Algeria, have higher levels of impartiality than one would expect given their perceived level of corruption. By contrast, the countries below the line, most notably the United Arab Emirates, Honduras, and the territory of Puerto Rico, have significantly lower levels of impartiality than their corruption scores would predict. Although corruption and a lack of impartiality tend to go hand in hand, these examples also make clear that these two concepts are not equivalent.

The answer to the question whether QoG as impartiality can be measured is thus in the affirmative. It is possible to construct questions that in a meaningful way tap into this concept. Country experts in public administrations answer questions about this issue in an intelligible way and they do not argue that the questions are meaningless, impossible to answer or uninteresting.³

CONCLUSIONS

In this chapter we have argued that impartiality provides a coherent, encompassing, universal and measurable conception of QoG. This leaves two very broad sets of questions on the table. The first concerns the consequences of impartiality. After all, the new research agenda on good governance and QoG has mostly been driven by a desire to understand what government institutions lead to preferable outcomes, such as peace, prosperity and general human well-being. Can QoG as impartiality live up to these expectations? In other words, can it be shown empirically that this novel theory and conception of QoG really is what produces these outcomes?

The other central question is, of course, what are the origins of impartiality? Why have some countries in the world been more successful than others in turning their nepotistic, clientelistic, patrimonial, and corrupt

Good government

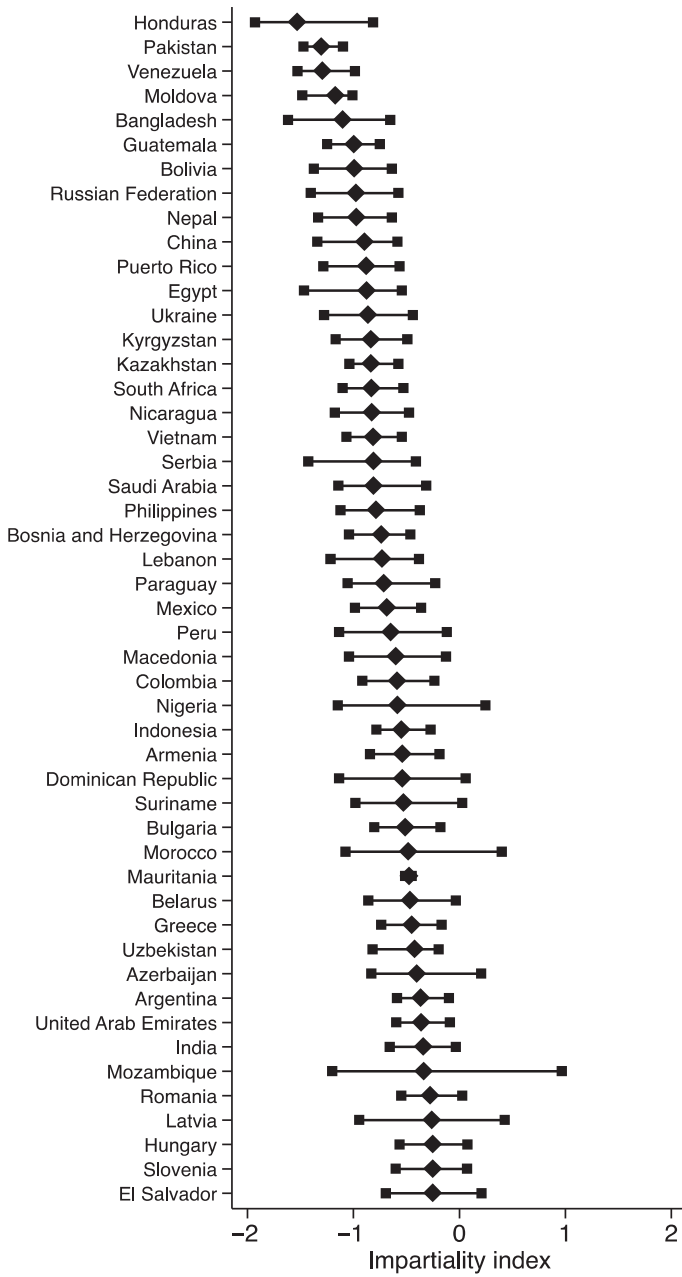


Figure 2.1 An index of impartiality

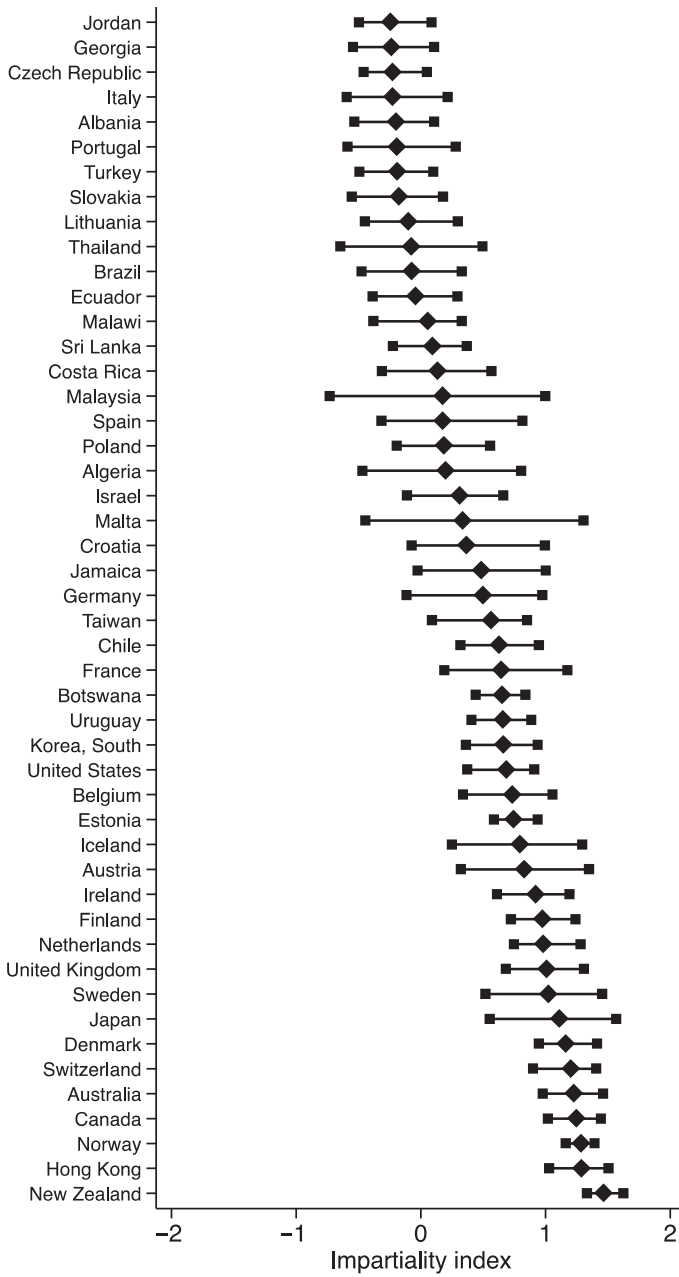


Figure 2.1 (continued)



Figure 2.2 Impartiality and public perceptions of institutional fairness

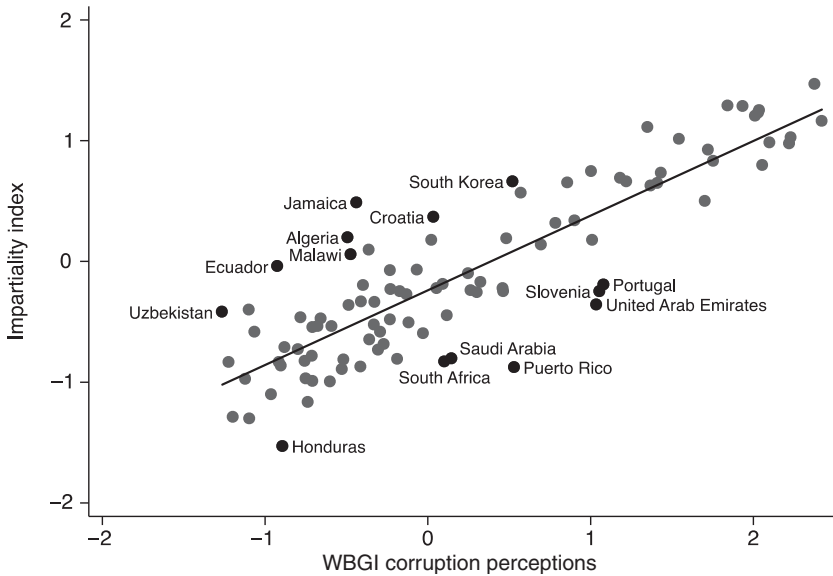


Figure 2.3 Impartiality and the World Bank Institute corruption index

government institutions into impartial state structures? Is there a common cure that could be transferred from previously successful cases to new political orders, or is each country trajectory unique, forever bound up in its own historically predetermined path dependence? As argued in Persson et al. (ch. 13 in this volume), one should not underestimate the problems in making transitions from low to high QoG. One important problem is that our knowledge about how such transformation has occurred is surprisingly scant. The economic historian Avner Greif states in the *Handbook of New Institutional Economics* that high QoG institutions “operate in a few advanced contemporary countries and only in recent times. We know surprisingly little, however, regarding the institutional development that led to these modern successes” (2005, p. 737).

One particular problem is that, precisely because high QoG institutions are impartial, they have no obvious interest group that is their natural supporter. The natural thing for any interest group, whether based on economic, ideological or ethnical orientation, is to strive for political institutions and regulations that serve their particular interests, and such institutions are by nature not impartial. Instead, QoG as impartiality must be seen as “public good” type of institutions and are thereby suffering from all the well-known problems of collective action in creating goods such as various forms of “free-riding” and other sorts of opportunistic behavior. An example of the magnitude of this problem is the Nobel Prize in Economics⁴ in 2009 which was awarded to the political scientist Elinor Ostrom for her studies on how QoG institutions can be established for preserving natural “common pool” resources. While we think this prize was very well deserved, it should be noted that Ostrom’s cases are relatively small local groups where the agents have known each other for a very long time and, as she states, have been able to develop norms about reciprocity, trust and social capital (Ostrom 1990, p. 35). Our project is to understand how such institutions can come about in much larger settings where one cannot assume the existence of such norms of reciprocity, social capital or interpersonal trust among the agents.

NOTES

1. Since the average sample size per country is slightly less than 10 respondents, nonparametric bootstrapped confidence intervals are deemed more accurate than parametric ones based on the normality assumption. The bootstrap estimates have been performed on the 936 respondents who have provided a response for any of the five items comprising the impartiality index. Bias-corrected 95 percent confidence intervals with 1,000 replications on a country-by-country basis have been estimated using Stata 11.0.

2. That no “high QoG–low corruption” countries are shown (in the upper-right part of the figure) is thus not intentional, but stems from the fact that the discrepancy between the two indices for these countries is comparatively small.
3. This is not to say, however, that there is lack of disagreement among different types of experts on the level of impartiality of their countries. A fixed-effects regression of the impartiality index on seven different respondent attributes reveals a significant effect of gender, education, of not living in the country one is assessing, and of having been recruited by another respondent. In the second (2010) wave of data collection, where this question was included, there is also a significant effect of being a government employee. Neither of these effects is large in substantive terms, however, and controlling for them causes only negligible alterations in the relative positioning of countries.
4. Formally, “The Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel”.

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3. Public administration around the world

Carl Dahlström, Victor Lapuente and Jan Teorell

It has been argued that bureaucratic structures have important effects on political, economic, and social outcomes. Scholars in economics and sociology argue that a strong and well-organized bureaucracy contributed to the economic growth in the Asian miracle economies of the 1990s as well as to the economic growth more generally in semi-industrial countries (Amsden 1989; Wade 1990; World Bank 1993; Evans and Rauch 1999). Other scholars claim that the way state bureaucracies are organized also strengthens poverty reduction in developing countries (Henderson et al. 2007). With reference to rich Western democracies, political scientists have long argued that bureaucratic structures directly affect policy making, both historically and today (Hecló 1974; Weir and Skocpol 1985; King and Rothstein 1993; Marier 2005; Dahlström 2009). Within the field of public administration, scholars have defended the bureaucratic organization, warned against the effects of new public management (NPM) reforms and are now predicting the “rediscovery” of bureaucracy (Suleiman 2003; Pollitt and Bouckaert 2004; Olsen 2006).

However, in spite of the attention paid to bureaucratic structures, there are very few large cross-country comparisons where the organization of the bureaucracy is actually incorporated. There are several reasons for this. First, the “sore point in the development of comparative public administration” is the lack of reliable data on bureaucratic structures (Brans 2003, p. 426; see also Lapuente 2007, p. 301). There are numerous cross-country indicators on the outcomes of bureaucracies, both from private organizations (such as the widely used Political Risk Services’ International Country Risk Guide (ICRG) indicator of “quality of bureaucracy”) and from public ones (such as the encompassing World Bank’s “governance indicators”). Yet no cross-country datasets on bureaucratic structure exist. The sole exception is Peter Evans and James Rauch’s pioneering work. Their innovative study resulted in several influential articles and a

dataset that has extensively been used in several cross-country comparisons (see, for example, Evans and Rauch 1999; Rauch and Evans 2000; Van Rijckeghem and Weder 2001; Henderson et al. 2007). However, the Evans and Rauch dataset has some limits since it covers only 35 developing or “semi-industrialized” countries and focuses on the 1970–90 period. While it provides pioneering insights into the bureaucratic structures of a particular group of countries which experienced unprecedented growth rates with the help of autonomous bureaucracies (such as Spain, South Korea and other Asian “Tigers”), it remains unclear whether the same results hold for other parts of the world.

A second reason why we do not see more cross-country comparisons of state bureaucratic structures is that it is not entirely clear what should be compared. Evans and Rauch address – and find support for – what they call the “Weberian state hypothesis”. This hypothesis refers to the effect of several different Weberian organizational features, such as meritocratic recruitment to the state bureaucracy and predictable careers for bureaucrats. However in a recent article, Johan P. Olsen points out that one of the main lessons from the “ups and downs of bureaucratic organization” is that the composite nature of bureaucratic organizations makes it probable that the different bureaucratic dimensions change in different ways and are “not always positively correlated” (Olsen 2008, pp. 13, 25). Olsen’s note reminds us that even if we limit the analysis to the Weberian features of the bureaucracy it might very well be multidimensional.

This chapter addresses these two obstacles for cross-country comparisons of the state bureaucratic structure. First, we present the Quality of Government Institute’s Quality of Government Survey (from here on the QoG-survey), a dataset on the structure and behavior of public administration based on an expert poll in 97 countries. It uses the conceptual basis of Evans and Rauch’s data on Weberian bureaucracies as a theoretical tool for guiding data collection, but other perspectives such as NPM and administrative “impartiality” have also informed the questionnaire design (Pollitt and Bouckaert 2004; Rothstein and Teorell 2008). The goal is to identify important structural characteristics that differentiate public administrations. Second, the chapter suggests two dimensions of bureaucratic structures, labeled bureaucratic “professionalism” and “closedness”, which correspond with established classifications in the comparative administrative history (see, for example, Silberman 1993 or Læg Reid and Wise 2007).¹ Interestingly, however, the “closedness” dimension appears in only parts of our sample, namely among developed Western democracies and post-communist countries, not in developing countries in Latin America, Asia or Africa. The “professionalism” dimension, by contrast, comes through as a more universal feature of bureaucracies.

KEY CHARACTERISTICS OF BUREAUCRATIC STRUCTURES

When it comes to measuring and classifying public bureaucracies, there are broadly speaking two strands in the literature: on the one hand economists, who are mostly focused on the “quality” of the outcomes produced by a given state apparatus (see, for example, the World Bank’s Governance Database); and on the other, comparative public administration scholars who have developed broad typologies based on theoretical concepts such as administrative legacies or civil service traditions (Barzelay and Gallego 2010; Painter and Peters 2010).

However, the subject for this chapter is somewhat different, and the important question is what are the key characteristics of bureaucratic structures. Following Evans and Rauch (1999), our answer is that the employment system in the public sector offers a useful way of classifying public bureaucracies in comparative public administrations. There are several reasons for this.

First, while employment relationships are at the theoretical core of the concept of Weberian bureaucracy, they have been empirically overlooked. In his pivotal essays, Max Weber (1922 [1978]) gave an overwhelming importance to public staff policy. The interactions between rulers and administrators were essential to understand a society (Kiser and Baer 2005). Weber saw an unavoidable organizational conflict within modern bureaucracies: “Historical reality involves a continuous, though for the most part latent, conflict between chiefs and their administrative staffs for appropriation and expropriation in relation to one another” (Weber 1922 [1978], p. 264). Personnel policy is the tool for managing that “latent” but key bureaucratic conflict and therefore we consider it to be a preferential object of study.

Second, scholars have pointed out important variations in how public employment is managed. In some public administrations, politicians are totally free to choose their public employees. In others, administrations have stringent civil service regulations or autonomous administrative corps that constrain the selection. These employment systems represent “the most striking” difference between public and private organizations (Frant 1993, p. 990; Lapuente 2007, p. 1).

These reasons are also the motivation behind Evans and Rauch’s (1999) data collection effort. Following Weber’s insight that the key for achieving good governance is replacing a patronage bureaucracy with a merit bureaucracy, Evans and Rauch develop the “Weberian state hypothesis”. Their data collection is guided by the idea that there is an underlying continuum between, at one extreme, patrimonial bureaucracy and, at

the other, Weberian ideal-type bureaucracy. In line with this, they build an indicator – the “Weberianness Scale” – and show that developing countries that score high on it grew faster in the 1970–1990 period. The Weberianness Scale, which includes information on 10 items, captures the degree to which bureaucracies employ meritocratic recruitment and give predictable, stable careers to civil servants.

Despite the strength of their findings, we wish to highlight an intriguing puzzle that is not captured by Evans and Rauch. As pointed out of by administrative scholars and historians, bureaucracies are not one-dimensional. Based on studies of civil service systems in Europe, scholars have observed several dimensions that are not always positively correlated.

If there were only one dimension capturing the Weberian ideal-type bureaucracy, one should expect bureaucracies more similar to the private sector (flexible and with few constraints to hire and fire) to be less meritocratic, and more patrimonial than bureaucracies where public employees enter the civil service via a formal examination system and enjoy special protections against arbitrary actions by their (political) superiors. However, in practice, the advancement of meritocracy does not necessarily go hand in hand with a higher protection of employment in the public sector (Olsen 2008).

Examples from Early Modern Europe suggest that there are at least two dimensions capturing how bureaucracy works. Britain and France represent two opposite models on how to achieve a meritocratic public workforce. In its state-building process, Britain did not develop an autonomous civil service. The non-formalized system of hiring and firing in Early Modern Britain was more private sector-like. As Fischer and Lundgreen (1975, p. 483) point out, Britain lacked legal regulations for public employment and “no merit system was formally established, but this does not mean that merit remained necessarily unrewarded”. Britain created a system of “hunting” and protection of talent, which “remained in a much more fluid, adaptable state than on the Continent”. On the contrary, in France, Prussia and Spain the transformation from a patrimonial to a meritocratic bureaucracy entailed the development of highly legalistic civil service systems. Public employees were covered by extensive special regulations and grouped into autonomous and self-regulated administrative bodies, generally known as “corps”. These bodies established formalized merit-based examinations to recruit new members, and monopolized the management of civil servants’ incentives and disciplinary measures (see also Finer 1997). It thus seems that Britain was able to develop a professional bureaucracy, without also introducing a closed recruitment system. This indicates that the professionalism and the closedness of the bureaucracy should be measured separately.

The historical differences were still present at the moment of expansion of state activities in Western countries during the late nineteenth century. In an analysis of the evolution of bureaucratic structures at that time, Silberman (1993) finds that in countries such as the US, the UK, Canada or Switzerland, public bureaucracies developed a “professional orientation”, since public employees, like private sector employees, were recruited to fill a given job.

A second dimension has been described by several authors. Building on experiences from civil service systems in Europe, they point out that there is a division between “open” (for example, the UK, Denmark and the Netherlands) and “closed” (for example, France, Germany and Spain) systems. In the closed system, public employees join the administration through formalized civil service entry examinations, enjoy life tenure and are frequently managed by self-regulated autonomous administrative corps. At the other end of the continuum we have the more open civil service systems, where most public employees are regulated by general labor laws like their private sector counterparts and selected according to the rule of “best-suited candidate for each position”, instead of generally joining an administrative body (Auer et al. 1996; Heady 1996; Bekke and van der Meer 2000; OECD 2004).

In sum, scholarly studies point towards the existence and importance of the employment system as a key characteristic for defining public bureaucracies. We have also explained why we expect at least two dimensions – referred to as professionalism and closedness – to occur in the data. However, note that these two dimensions are developed mainly based on the European experience, while we are testing them on a global sample of countries.

QUESTIONNAIRE DESIGN

The general purpose of the QoG-survey is to measure the structure and behavior of public administration across countries. The exact wording of the items analyzed in this chapter is provided in Appendix 3A. For the full questionnaire and more details, see Dahlberg et al. (2011). The data generated by the survey is available at the Quality of Government Institute’s web page (www.qog.pol.gu.se).

Despite being condensed, the questionnaire covers a variety of topics which are seen as relevant to the structure and functioning of public administration according to the literature, but on which we lack quantitative indicators for a large number of countries, such as meritocratic recruitment, internal promotion and career stability, salaries,

impartiality, NPM reforms, effectiveness/efficiency, and bureaucratic representation.

Two considerations motivating the questionnaire design deserve special attention. First, the questionnaire asks about *perceptions* rather than statements of facts. In this regard, it differs from Evans and Rauch (1999; Rauch and Evans 2000) and is more in line with the general surge in expert polls on quality of government worldwide. Thus, for example, whereas Rauch and Evans (2000, p. 56) ask their respondents to state “approximately what proportion of the higher officials . . . enter the civil service via a formal examination system”, with responses coded in percentages, we instead ask: “Thinking about the country you have chosen, how often would you say the following occurs today: public sector employees are hired via a formal examination system”, with responses ranging from 1 (“hardly ever”) to 7 (“almost always”).

The downside of this strategy is that the subjectively defined endpoints might introduce bias in the country-level estimates, particularly if experts have varying standards of what should be considered “common” or “uncommon”. The reason why we still opted for this strategy is twofold.

First, our method enables us to use the same response scale for a large number of “factual” questions, rather than having to tailor the response categories uniquely for each individual item in the questionnaire. The overarching rationale here is thus questionnaire efficiency: we save both space and response time by using a more standardized question format.

Second, we believe that even the most knowledgeable country experts are rarely in a position to correctly answer more than a handful of these questions with any precision. In other words, even the factual question format used by Evans and Rauch (1999) evokes informed guesswork on behalf of the experts. The QoG-survey makes this guesswork more explicit from the outset by asking about overall perceptions rather than “correct” answers.

The difference between the two question formats should not be exaggerated. Ultimately, most of the questions have a factual basis in the sense that some answers for a given country are more correct than others. We are not primarily interested in perceptions *per se*, but in the reality that underlies these perceptions. As indicated by the assessments of respondent perception bias reported below, there are few instances where personal characteristics of the experts systematically predict how they place their respective countries. In other words, subjectively defined endpoints do not appear to be a serious threat to the validity of these measures.

Moreover, by relying on more than one expert per country, the cross-country results rely on the convergence of different expert perceptions. In

practice, this involves relying on the mean estimate per country. Overall, these cross-country means are well correlated with other data sources with proxies for bureaucratic structure. As the section on cross-source validation indicates, there is no obvious support for the presence of systematic measurement error in our data. At the same time, respondent disagreement within countries (that is, the variation around the country mean) may be used as an indication of the uncertainty surrounding each country estimate, thus providing a gauge of the extent of random measurement error.

The second design issue concerns how to label and select the *dramatis personae* at center stage of the inquiry. More precisely, should one ask about the public administration in general or about specific sectors or agencies? The survey could have been focused on a “core agency” in public administration, as did Evans and Rauch, but it is challenging to define what should be considered the “core” of a state. Recall that Evans and Rauch had a particular bureaucratic outcome in mind when designing their study: that of attaining economic development. Our approach is more general. Apart from studying outcomes such as growth or economic well-being, the survey is designed to explore consequences for public opinion such as generalized trust and subjective well-being. For these types of outcomes the characteristics of street-level bureaucrats could be as important as those of senior officials, and which specific sector or agency within the public administration should matter most cannot be easily settled in advance (and might very well vary between countries). Thus, we opted for a holistic take on public administration, trying to gauge perceptions of its working in general (with one major exception: we explicitly exclude the military).

After pre-testing it in a pilot, the term we chose to designate those persons we surveyed within the public administration was a “public sector employee”. This is of course a debatable solution. Most notably, there might be large variations across different types of public sector employees in a country, and the expert respondents might then run into difficulties when asked to provide one overall judgment. To offset this problem somewhat, the survey contained the following clarification in the opening page of the questionnaire:

When asking about public sector employees in this survey, we would like you to think about a typical person employed by the public sector in your country, excluding the military. If you think there are large discrepancies between branches of the public sector, between the national/federal and subnational/state level, or between the core bureaucracy and employees working with public service delivery, please try to average them out before stating your response.

Of course, this is more easily said than done, as is also indicated by the numerous comments on this particular issue provided by the respondents. By exploring the consistency and face validity of the data, however, we conclude that this strategy worked well more often than not.

DATA COLLECTION

After a pilot conducted in the winter of 2007–08, the survey was administered in two waves, the first between September 2008 and May 2009, and the second between March and November 2010 (for details, see Dahlberg et al. 2011). In order to obtain a sample of experts, we drew up a list of persons registered with international networks for public administration scholars (such as the Network of Institutes and Schools of Public Administration in Central and Eastern Europe; the European Group of Public Administration Scholars; the European Institute of Public Administration; the Structure and Organization of Government Research Committee at ISPA; the Latin American Centre for Development Administration; the Central American Institute of Public Administration; the Institute of Southeast Asian Studies; and the Commonwealth Association for Public Administration and Management), complemented with searches on the internet, personal contacts, the list of experts recruited from a pilot survey, and a small snowballing component. All in all, this resulted in a sample of 1,361 persons in the first wave, of which 528 or 39 percent responded, and 1,414 in the second, of which 432 or 31 percent responded.² Added to this were 13 persons who responded to an open link distributed to a network of scholars (for which we could not track the number of potential respondents), so in total 973 experts provided responses for 126 countries (including two semi-sovereign territories: Hong Kong and Puerto Rico).

The distribution of experts across countries is provided in Table 3.1. While the number of respondents varies substantially, from only one for some countries to a maximum of 28 in the Czech Republic, on average eight experts per country took the time to respond to our survey. The countries more or less span the globe, including Western Europe and North America, the post-communist countries in Eastern Europe and the former Soviet Union, Latin America, Asia and even the Middle East. Two notable omissions in terms of geographical representation stand out: Sub-Saharan Africa, and island states in the Pacific and Caribbean. Although some of the poorest countries of the world are thus not included, our sample still covers a substantial part of both the developed and developing world.

Table 3.1 Number of valid responses to the QoG-survey by country

Country	<i>n</i>	Country	<i>n</i>	Country	<i>n</i>
Albania	11	Guatemala	18	<i>Panama</i>	2
Algeria	3	<i>Guinea</i>	1	Paraguay	6
Argentina	17	<i>Guyana</i>	1	Peru	9
Armenia	16	Honduras	3	Philippines	15
Australia	11	Hong Kong	12	Poland	11
Austria	5	Hungary	15	Portugal	9
Azerbaijan	6	Iceland	4	Puerto Rico	6
<i>Bahamas</i>	1	India	15	Romania	17
Bangladesh	6	Indonesia	19	Russia	6
<i>Barbados</i>	1	Ireland	16	<i>Rwanda</i>	1
Belarus	9	Israel	15	Saudi Arabia	4
Belgium	9	Italy	7	Serbia	3
Bolivia	9	Jamaica	9	<i>Seychelles</i>	1
Bosnia	7	Japan	9	<i>Sierra Leone</i>	1
Botswana	3	Jordan	4	<i>Singapore</i>	1
Brazil	8	Kazakhstan	7	Slovakia	7
Bulgaria	22	South Korea	15	Slovenia	11
<i>Burkina Faso</i>	1	<i>Kuwait</i>	2	South Africa	9
<i>Cameroon</i>	2	Kyrgyzstan	6	Spain	7
Canada	18	Latvia	7	Sri Lanka	8
Chile	17	Lebanon	3	<i>St Lucia</i>	1
China	4	<i>Lesotho</i>	1	<i>Sudan</i>	2
Colombia	15	Lithuania	11	Suriname	3
Costa Rica	14	<i>Luxembourg</i>	1	Sweden	10
Croatia	6	Macedonia	7	Switzerland	5
<i>Cuba</i>	1	Malawi	3	Taiwan	3
<i>Cyprus</i>	2	Malaysia	8	<i>Tanzania</i>	1
Czech Republic	28	Malta	4	Thailand	10
Denmark	13	Mauritania	3	<i>Timor-Leste</i>	1
Dominican Rep.	5	<i>Mauritius</i>	2	<i>Trinidad & Tob.</i>	1
Ecuador	5	Mexico	11	<i>Tunisia</i>	1
Egypt	3	Moldova	3	Turkey	20
El Salvador	11	<i>Mongolia</i>	2	<i>Uganda</i>	2
Estonia	10	Morocco	3	Ukraine	11
<i>Ethiopia</i>	1	Mozambique	3	United Arab Em.	4
Finland	11	Nepal	5	United Kingdom	12
France	6	Netherlands	14	United States	19
<i>Gabon</i>	1	New Zealand	12	Uruguay	10
Georgia	8	Nicaragua	17	Uzbekistan	3
Germany	12	Nigeria	5	Venezuela	22
Ghana	1	Norway	12	Vietnam	15
Greece	22	Pakistan	3	<i>Zimbabwe</i>	1
				SUM	973

Note: The table shows the number of valid responses to the QoG-survey. Countries in italics are not included in this chapter due to too low response rate.

BUREAUCRATIC STRUCTURES IN THE REAL WORLD

We now turn to the key result of this web survey. To enhance data quality, this section's analysis exclusively relies on the 936 respondents covering 97 countries for which at least three expert responses were obtained. Given the impossibility of accounting for all bureaucratic features in a comparative study, we concentrate on what could be referred to as the human resources dimension(s) of a Weberian bureaucracy, leaving other characteristics aside. By "human resources dimension(s)" we mean the recruitment, career, and reward system for public employees. It is important to emphasize here that, as Olsen (2008) notes, there are several other characteristics of an ideal-type Weberian bureaucracy such as the bureau organization, the hierarchical organization, and the rule-based authority. Nevertheless, following the theoretical reasons presented in previous sections and the empirical recommendation by Evans and Rauch, we consider staff policy or human resources to have an essential role for explaining bureaucratic capacity (Evans and Rauch 1999; Olsen 2008).

For the present purposes we explored the eight items that represent the main employment-related characteristics of a Weberian bureaucracy. According to the most prevailing view (confirmed in Evans and Rauch's 1999 dataset) one should expect these characteristics to go hand in hand. These items include the extent to which recruitment is based on merit (question 2a) and formal examinations (question 2c) rather than political criteria (questions 2b and 2d), as well as the extent to which promotion within the hierarchy is an internal affair (question 2e) and is based on lifelong career paths (question 2f). Competitive salaries (question 2k) and special protection from extraordinary labor laws (question 8f) are other components of this assemblage of features. (For an extract of the survey questionnaire including the items just discussed see Appendix 3A.)

These questions capture different bureaucratic characteristics, and could be seen as indicators of distinct bureaucratic dimensions. Table 3.2 reports the results from country-level principal components factor analyses of the above-mentioned eight items. The goal is thus to ascertain whether a set of underlying dimensions structure the differences in mean responses across countries.

As reported in the first panel (A) of Table 3.2, based on all 97 countries, meritocratic recruitment and internal promotion appear to be strongly connected in a first dimension with a non-politicized bureaucracy. Since these characteristics represent the ideal of a "professional" (*vis-à-vis* "politicized") administration, we call this dimension bureaucratic "professionalism".

Table 3.2 *Dimensions of bureaucracy*

	Professionalism	Closedness	Salaries
A. GLOBALLY (<i>n</i> = 97)			
Meritocratic recruitment (q2_a)	.91	.08	.07
Political recruitment (q2_b)	-.88	-.03	-.15
Political elite recruits senior officials (q2_d)	-.80	-.08	.09
Senior officials internally recruited (q2_e)	.70	.43	-.10
Formal examination system (q2_c)	.34	.74	-.06
Lifelong careers (q2_f)	.28	.78	-.24
Special employment laws (q8_f)	-.24	.78	-.03
Competitive salaries (q2_k)	.07	-.09	.97
B. EAST & WEST (<i>n</i> = 47)			
<i>Multidimensional:</i>			
Meritocratic recruitment (q2_a)	.91	-.15	-.01
Political recruitment (q2_b)	-.93	.14	-.09
Political elite recruits senior officials (q2_d)	-.85	-.13	-.09
Senior officials internally recruited (q2_e)	.82	.25	-.08
Formal examination system (q2_c)	-.08	.86	.08
Lifelong careers (q2_f)	.23	.76	-.30
Special employment laws (q8_f)	-.37	.59	-.20
Competitive salaries (q2_k)	.05	-.07	.97
<i>Unidimensional:</i>			
Meritocratic recruitment (q2_a)	.93	–	–
Political recruitment (q2_b)	-.94	–	–
Political elite recruits senior officials (q2_d)	-.85	–	–
Senior officials internally recruited (q2_e)	.80	–	–
C. SOUTH (<i>n</i> = 50)			
<i>Multidimensional:</i>			
Meritocratic recruitment (q2_a)	.89	.22	.10
Political recruitment (q2_b)	-.78	-.20	-.30
Political elite recruits senior officials (q2_d)	-.79	.05	.15
Senior officials internally recruited (q2_e)	.64	.45	-.27
Formal examination system (q2_c)	.81	.36	-.17
Lifelong careers (q2_f)	.43	.75	-.25
Special employment laws (q8_f)	.08	.87	.11
Competitive salaries (q2_k)	.01	-.04	.92
<i>Unidimensional:</i>			
Meritocratic recruitment (q2_a)	.92	–	–
Political recruitment (q2_b)	-.82	–	–
Political elite recruits senior officials (q2_d)	-.78	–	–
Senior officials internally recruited (q2_e)	.72	–	–

Note: Entries are varimax rotated factor loadings retained from principal components factor analyses at the country level. Loadings >0.5 or ≤0.5 are highlighted in bold, questionnaire items (see Appendix 3A) within parentheses.

Nevertheless, not all “Weberian” characteristics seem to go hand in hand. Specifically, some features form a second empirically significant cluster. In this second dimension, the use of formal examination systems is intimately connected to having lifelong careers and protection through special employment regulations. Since this dimension captures the distinction between open (that is, more “private-like”) and closed (that is, more “public-like”) civil service systems mentioned above, we call it bureaucratic “closedness”.

Thus, contrary to the intuitive view that a more public-oriented or “closed” administration would prevent politicization and enhance meritocracy, the analysis in Table 3.2 shows that the countries with more closed bureaucracies *do not* significantly have more meritocratic recruitment or less politicization of the civil service. The final component, competitive salaries, does not conclusively belong to either of these dimensions and should therefore be treated separately.

However, closer scrutiny shows that this dimensional structure is not universally applicable. Based on more fine-grained dimensional analyses performed region by region,³ the details of which we omit for space-preserving reasons, the global pattern seems to hold up fairly well in the 47 countries drawn from the “West” (Western Europe, North America, Australia and New Zealand) and the “East” (the post-communist regimes in Eastern Europe and the former Soviet Union) (see upper part of panel B). In the remaining countries from the “South”, however, stemming from Latin America, East, South-East and South Asia, the Middle East and scattered parts of Sub-Saharan Africa, there is a difference in the makeup of the two first dimensions (see upper part of panel C). More specifically, the use of formal exams as a mechanism for public sector recruitment is in these parts of the world a component of the “professionalism” dimension, leaving lifelong careers and special employment laws as the only indicators of closedness.

Here is not the place to determine exactly why this difference in public employment structures has emerged. We can only speculate on the possibility that, at the critical stage of state building, competitive exams became the primary mechanism for implementing meritocratic recruitment in the developing world. In Europe, by contrast, these exams only became the tool for establishing meritocratic recruitment in closed bureaucracies formed in the “Napoleonic” tradition, such as France and Spain, whereas other mechanisms of meritocratization were implemented in, for example, Britain and Scandinavia (Painter and Peters 2010, pp. 20–23). Whatever its origins, this dual nature of formal exams raises a problem of measurement equivalence for our efforts to compare bureaucratic structures systematically worldwide. Put simply, what the lower panels of Table 3.2 imply is that professionalism and closedness are not the same “species” in

Table 3.3 Descriptive characteristics of three dimensions of bureaucracy

	Country-level mean	Cross-country standard deviation	Within-country standard deviation	Ratio crossover within variation	<i>N</i> (<i>n</i>)
Professionalism	3.92	.99	.83	1.19	97 (936)
Closedness	4.92	.74	.87	.84	47 (486)
Salaries	3.21	1.02	1.42	.72	97 (910)

Note: Each dimension may theoretically vary from 1 to 7. The within-country standard deviation is based on *n* individual-level respondents; the country-level means and cross-country standard deviations are based on *N* countries.

different parts of the world. This in turn means that we cannot form an equivalent measure of the two across all countries.

The lower parts of panels B and C, however, also suggest a partial solution to this measurement problem by indicating that the four core indicators of the professionalism dimension, if studied in isolation and most critically without the item on formal exams, hold up well across contexts. As a consequence, we may safely compare this dimension across countries, although the remaining three indicators of closedness (formal exams, lifelong careers and special employment laws) may be combined into a meaningful measure of closedness only in the “Western” and “Eastern” sample of countries.

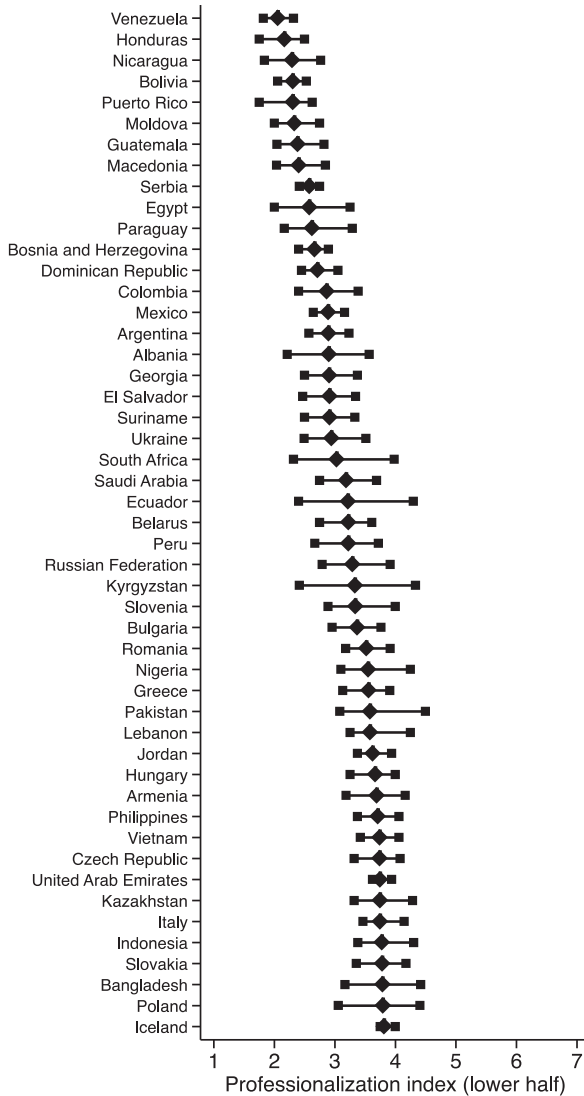
Based on these results we thus construct two additive indices, *professionalism* and *closedness* which link back to the theoretical expectations described in previous sections, computed by averaging the respective items to which these dimensions are strongly connected, but for the closedness index based on a more limited sample (only “Western” and “Eastern” countries). Theoretically these indices may vary from 1 to 7, with 1 representing completely unprofessionalized or perfectly open systems, and 7 corresponding to a perfectly professionalized or closed system. The basic descriptive information on these two indices, together with the remaining competitive salaries indicator, is presented in Table 3.3. As can be seen, the average bureaucratic system included in this sample is deemed to be slightly more professionalized and, even clearer, more closed than the midpoint (4) of the 1–7 scale. However, salaries are to a lesser degree perceived to be competitive. As the table also indicates, however, there are large discrepancies around these means, both among experts assessing different countries and among those judging the same country. These variations are presented in Figures 3.1 and 3.2 which, together with the country-specific

means, display 95 percent confidence intervals that take into account the underlying within-country uncertainty.⁴

In Figure 3.1 we find most countries belonging to the Anglo-Saxon tradition or strongly influenced by that tradition, such as Ireland, New Zealand, Hong Kong and the UK, or to the Scandinavian administrative tradition, such as Norway, Denmark and Sweden, at the top of the professionalism continuum, which is not very surprising. However, here we also find countries belonging to the East Asian administrative tradition, such as Japan and Korea, known for having a strong professional bureaucracy. In the middle of the scale we find European countries with known high levels of politicization of the civil service, such as Spain and Italy (Matheson et al. 2007; Dahlström 2009), and close to the bottom, several Latin American countries, which according to Painter and Peters (2010, p. 24) belong to an administrative tradition that is “patrimonial at its core”.

As the confidence intervals indicate, there is of course considerable uncertainty underlying these estimates. Of particular concern in this regard are Botswana, Mozambique, Nepal, Ecuador and Kyrgyzstan, where the expert respondents are in considerable disagreement over the extent to which the public administration in these countries is professionalized. However, the average confidence interval (on the 0.05 level) is 1.01, almost exactly the magnitude of the cross-country standard deviation. The ratio of the between- over the within-country variation, moreover, is approximately 1.19 (see Table 3.3). Despite expert uncertainty, and in some cases small country samples, we would thus argue that these data give meaningful estimates of the level of professionalization across countries.

Figure 3.2 captures how “closed” civil service systems are in the limited sample (only “Western” and “Eastern” countries), and, again, the ranking seems to correspond with established observations in small-*N* studies. Near the top are Spain and France, countries that already in the historical analysis of public administrations in the nineteenth century have been pointed out as the clearest examples of bureaucracies with “organizational orientation”, in opposition to the ones with “professional orientation” (Silberman 1993). Those countries (together with others such as Greece, Italy and Belgium) also rank at the top in more contemporary accounts of closed administrations, both by scholars (Painter and Peters 2010) and international organizations (OECD 2004). At the bottom of the ranking, we find countries regarded in those accounts as more open (or more professional or private sector oriented), such as New Zealand, Australia, Denmark or the Netherlands (*ibid.*). These countries lack the formal examinations more closed bureaucracies have (for example, French *concours* or Spanish *oposiciones*) as well as their guarantees of lifelong tenure



Note: The professionalization index is an additive index constructed by four indicators from the QoG-survey capturing the degree of meritocratic recruitment, political recruitment, political elite recruitments of senior officials, and internal recruitments of senior officials. The figure shows country means on the professionalization index together with 95% confidence intervals for 97 countries.

Figure 3.1 Bureaucratic professionalism (country means with 95% confidence intervals)

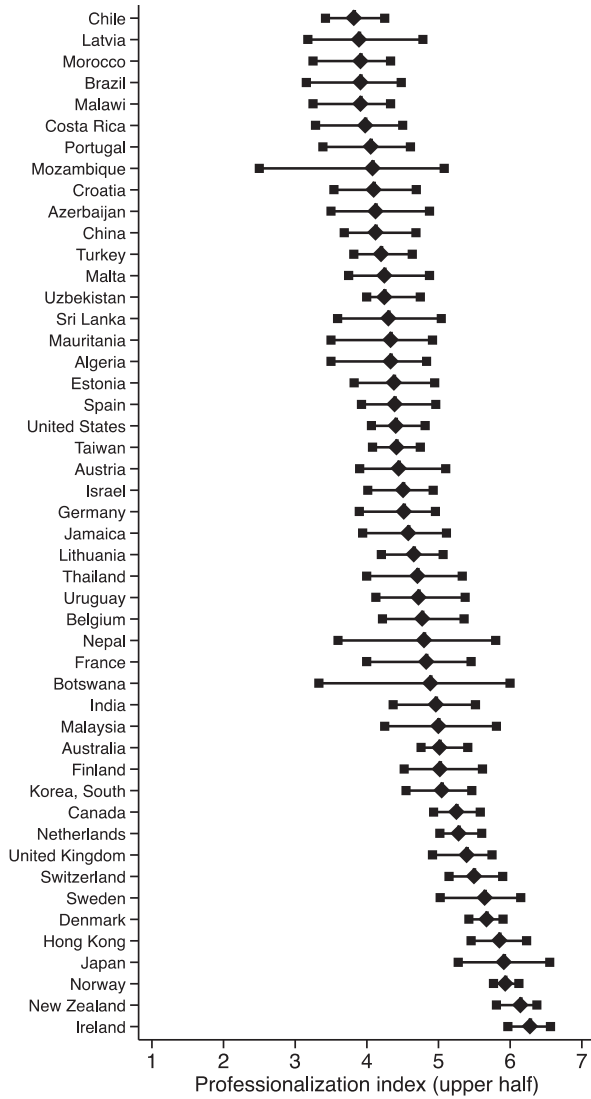
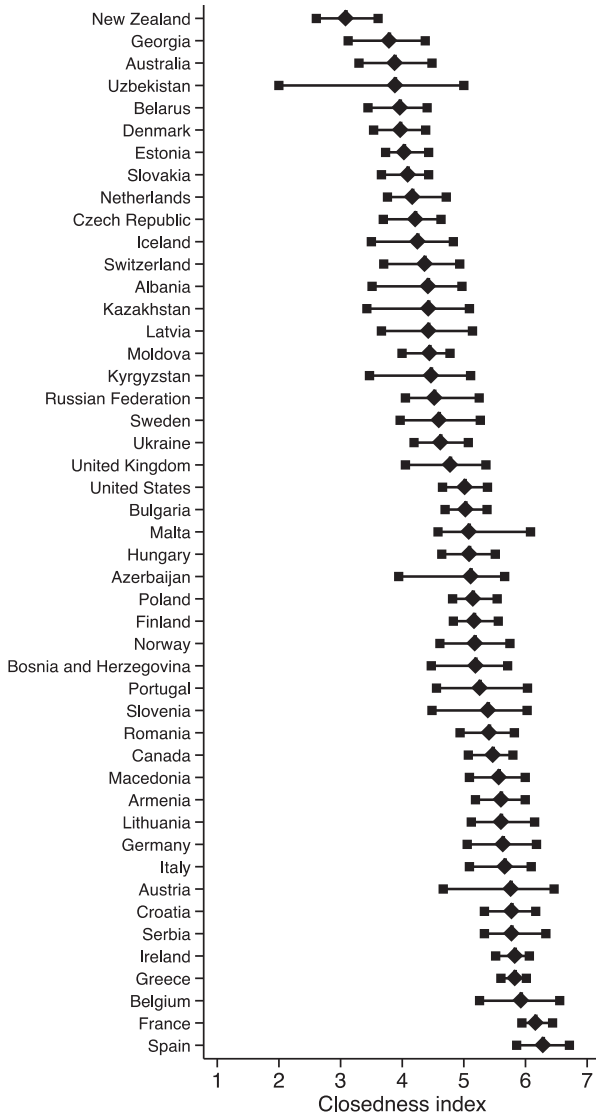
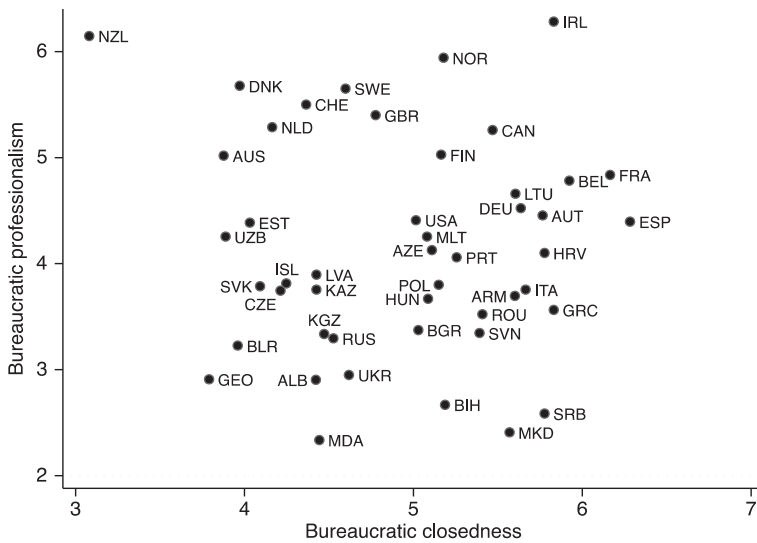


Figure 3.1 (continued)



Note: The closedness index is an additive index constructed by three indicators from the QoG-survey capturing the degree of formal examination systems, lifelong careers in the public sector, and special employment laws in the public sector. The figure shows country means on the closedness index together with 95% confidence intervals for 47 countries.

Figure 3.2 Bureaucratic closedness (country means with 95% confidence intervals)



Note: The figure summarizes the relationship between the professionalism and closedness index, for 47 countries.

Figure 3.3 *Bureaucratic professionalism and bureaucratic closedness*

and other civil service protections established in special employment laws (Lapunte 2007; Bezes 2010). At the bottom of the bureaucratic closedness scale we also see a very different group of countries – such as Belarus, Georgia and Russia – that were also at the bottom in terms of bureaucratic professionalism given their high levels of politicization and low levels of meritocracy. In other words, being at the bottom of this scale, a more open or private-oriented approach to public employment does not lead to a less (or more) meritocratic bureaucracy.

Again, these point estimates are surrounded by perception uncertainty. The average confidence interval (0.05 level) is here 1.10, and the between/within-country variation ratio only 0.84. Countries of considerable concern are Uzbekistan, where the uncertainty bounds are so wide as to render any meaningful inference almost impossible, but also Kazakhstan, Kyrgyzstan, Azerbaijan and Austria. Although this warrants caution for potential data users, the cross-country patterns are nevertheless sensible enough to suggest that these data tap into structural differences among bureaucratic systems.

The fact that professionalism and closedness are independent dimensions is graphically summarized in Figure 3.3, which plots the 47 countries from which we have data on both their degree of professionalism and closedness.

Unlike the usual unidimensional accounts of bureaucracies (that is, patronage versus merit based), we see here how four different types of bureaucracies emerge. Among the more open (or more private) bureaucracies, there are both patronage based (for example, Moldova, Georgia) as well as the top performers in merit (for example, New Zealand, Denmark). And among the more closed or public, there are some relatively meritocratic ones (for example, Ireland, Belgium and France), but there are also some with relatively high levels of politicization and lack of merit (for example, Greece, Italy). In other words, having a more public bureaucratic employment system does not mean having a more meritocratic bureaucracy (they correlate at -0.05). These findings have important normative implications for policy makers interested in developing more meritocratic bureaucracies.

CROSS-SOURCE VALIDATION

We now turn to check the robustness of the two dimensions, using four different alternative proxies of bureaucratic structure from various sources. These tests are reported in Table 3.4. The first source of validation is an expert survey on the number of politically appointed officials in the central government offices from 18 countries conducted by Dahlström (2011). Between two and four highly qualified country experts, all of whom were identified on the basis of their publication record in public administration, were asked to provide an estimate of this number. This survey is thus similar to ours in terms of the sample of experts (although the sample size per country is more narrow), but instead of using a subjectively defined

Table 3.4 Tests of cross-source validity

	Professionalism	Closedness
Log of no. of political appointees	-.67*** (18)	.42* (18)
Bureaucracy quality (ICRG)	.70*** (87)	.03 (41)
Index of recruitment system (OECD)	.08 (25)	-.66*** (21)
Degree of individualization (OECD)	.31 (28)	-.55*** (25)

Note: The table presents correlations with four alternative data sources. Entries are correlation coefficients, with number of countries in parentheses.

* Significant at the 0.10 level, ** significant at the 0.05 level, *** significant at the 0.01 level.

response scale, exact, and thus more objective statements of facts, were solicited. We have taken the log of the number of politically appointed officials to smooth out country outliers, the expectation of course being that more professionalized systems should have fewer political appointees. The degree to which a bureaucratic system is open or closed, on the other hand, is not expected to be correlated with this number.

The second source reported in Table 3.4 is the scale of “bureaucracy quality”, ranging from 1 to 4, as reported by the Political Risk Services (PRS) group’s “International Credit Risk Guide Methodology” in 2008, the latest year available. The ICRG staff produce a subjective assessment based on available political information from 143 countries in the world, 87 of which overlap with our country sample (ICRG 2009). We also expect this assessment to be correlated with the professionalism index, but not with bureaucratic closedness.

The third and fourth sources were selected to correspond to the closedness dimension. Data for both were collected by the OECD through a survey completed by senior officials from ministries/agencies for public employment/management of the civil service. The underlying data are thus again subjective perceptions, but now from the viewpoint of civil servants themselves rather than from outside experts. The first is the “Index of Recruitment Systems”, which theoretically varies from 0 (“Career-based system”, that is, “closed”) to 1 (“Position-based system”, that is, “open”). This index is constructed from four questions, two of which tap in to the use of competitive examinations versus direct applications in the recruitment process, and one of which concerns the extent to which positions in the civil service are open to external recruitment or not. These features closely correspond to our theoretical distinction between open and closed bureaucracies (OECD 2009).

The fourth (and second OECD) source is a measure of the “degree of individualization”, which denotes “the degree to which the management rules and practices vary according to the individuals and less according to the group” (OECD 2004, p. 17). In those systems defined as closed, public, organizationally oriented or career based, candidates join the civil service in relatively large-scale job competitions and their salaries and employment conditions are collectively bargained and their promotions collectively regulated and granted, that is, civil servants are, first and foremost, treated as members of a collective. On the contrary, in those systems known as open, private, professionally oriented or position based, candidates (like their private sector counterparts) are recruited to fill a particular position, and their salaries and employment conditions are more likely to be set on an individual basis. Thus, this is a measure we expect to be associated with the closedness of a bureaucracy, not to its degree of professionalism.

As Table 3.4 makes clear, our expectations are well borne out. Among the 18 countries for which there are overlapping observations, the professionalism index is negatively correlated with the number of political appointees (at -0.67), whereas the association with the closedness index is only marginally significant (at 0.42). Moreover, ICRG's "bureaucracy quality" is reasonably well correlated with professionalism (at 0.70), but completely unrelated to closedness. By contrast, the two OECD indices are most closely related to closedness (with correlations at -0.66 and -0.55), but their relationships with professionalism are weak and not statistically significant.

Equally reassuring are the results from correlating selected indicators in our data with those obtained by Rauch and Evans (2000) for 27 overlapping countries. Their "merit" indicator, which is a composite but mostly should tap into the use of formal examination systems, correlates at 0.83 with our corresponding formal exams indicator, and at 0.64 with our more general item on meritocratic recruitment. Their gauge of "career stability", moreover, correlates at 0.74 with our measure of internal promotion, and at 0.72 with that of lifelong careers. Finally, our measure of competitive salaries correlates at 0.46 with Rauch and Evans's (2000) corresponding indicator.

RESPONDENT PERCEPTION BIAS

The expert respondents taking part in our survey of course differ from one another. The average respondent in our more restricted sample of 97 countries with at least three respondents is a male (71 percent), 48-year-old PhD (72 percent), and an overwhelming majority of the respondents were either born (89 percent) or live (93 percent) in the country for which they have provided their responses. From the second wave of data collection, when a question on employment was first introduced, we also know that 56 percent of the respondents are university academics, 14 percent work for a non-governmental organization (NGO) or non-profit organization, and 15 percent are employed by the very government they are being asked to assess. Do these expert characteristics somehow affect perceptions of bureaucratic structures? If perceptions vary systematically by observable expert characteristics, the extent to which they reflect a common underlying reality would be in doubt. That would imply, for example, that the estimate for a particular country is determined by the makeup of the sample of experts rather than by its bureaucratic structure or practices.

To assess the risk of such perception bias, in Table 3.5 we have regressed the two dimensions of bureaucracy on all six expert characteristics for which we have data. The table contains three columns. The first reports

Table 3.5 Respondent perception bias

	Professionalism	Professionalism	Closedness
Female	-.033 (.072)	-.019 (.118)	-.137 (.104)
PhD	-.164** (.081)	-.105 (.120)	.018 (.130)
Year of birth	-.000 (.003)	.000 (.004)	.005 (.004)
Was not born in country	-.061 (.102)	-.030 (.153)	.115 (.161)
Does not live in country	-.362*** (.123)	-.283 (.194)	-.384** (.191)
Government employee in country		.350** (.159)	
Number of respondents (<i>n</i>)	874	370	457
Number of countries (<i>N</i>)	97	53	47

Note: The table presents six different and potential respondent perception bias. The first column reports results for the professionalism index for both waves (97 countries). The second column also presents results for the professionalism index, but this time only for the second wave (53 countries), because the sixth potential perception bias was only included in the second wave. Finally, the third column presents the closedness index for “Western” and “Eastern” countries (47 countries). Entries are country-fixed effects regression coefficients with standard errors within parentheses.

* Significant at the 0.10 level, ** significant at the 0.05 level, *** significant at the 0.01 level.

results from both waves for the professionalism dimension (97 countries), while the second reports the results for the professionalism dimension only using the second wave (53 countries). The reason for including the second column is that we can only analyze the effect of employment in the second wave. In the third column we report results for the closedness dimension, using information on “Western” and “Eastern” countries from both waves (47 countries).

In order to assess differences in perceptions across different types of experts while holding the object of evaluation (that is, the bureaucracy of a specific country) constant, these estimates exclusively rely on the within-country variation among experts (in technical terms, we control for country-fixed effects). With this control in place, as can be seen, there are no gender or age differences in the estimates of professionalism or closedness, nor does country of birth matter. However, a systematic tendency that does appear is that respondents assessing countries *in which they do not live* perceive bureaucracies to be less professionalized and more open (as compared to experts living in the country they assess). Thus, once

cross-country variation is being controlled for, respondents not living in the country they assess rate the bureaucracies 0.362 points lower than resident respondents on the 1–7 professionalism scale, and 0.384 lower on the 1–7 closedness index. There is also a hardly surprising tendency of about the same magnitude that government employees assess their bureaucratic structures as more professionalized than non-government employees. Finally, respondents having achieved a higher level of education (in effect PhDs) perceive bureaucracies as somewhat less professionalized.

Although we must acknowledge that these systematic differences appear in the data, they are at the same time not very large in absolute terms. When it comes to relative differences in country scores, moreover, the results we obtain are extremely robust to these controls for expert characteristics (average country scores with and without controls correlate at 0.99). By and large then, whereas these sources of perception bias introduce some extra noise in our data, they are not serious enough to question the overall validity of the dimensions of bureaucracy.

DIMENSIONS OF BUREAUCRACY

The field of comparative public administration lacks broad comparative data on many of its key variables, which of course hampers empirical analyses. This chapter has presented a unique attempt to provide such data on several relevant administrative features for a large number of countries. The data is publically available at The Quality of Government Institute's web page (www.qog.pol.gu.se) and will in the future hopefully help to explain differences in bureaucratic performance, state capacity and social outcomes such as corruption and economic growth.

The chapter makes both a theoretical and an empirical contribution. Drawing on the work of administrative historians, we argue that already on theoretical grounds one should expect several dimensions in a Weberian bureaucracy. While acknowledging that there are several other characteristics of an ideal-type Weberian bureaucracy not measured by our data (such as the bureau organization, the hierarchical organization, and the rule-based authority), we suggest two dimensions based on the recruitment and career systems in the bureaucracy. We refer to the two dimensions as bureaucratic *professionalism* (that is, to what extent are bureaucracies “professional” *vis-à-vis* “politicized”) and bureaucratic *closedness* (that is, to what extent are bureaucracies more “closed” or public *vis-à-vis* “open” or private).

However, the main contribution of the chapter is empirical, and we demonstrate that the recruitment and career features of the bureaucracy

follow the two dimensions in Western democracies and post-communist countries. By contrast, in other parts of the world, such as Latin America, Asia and Africa, only the professionalism dimension is applicable. These findings are interesting for at least two reasons. First, it demonstrates that analytic dimensions based on the European experience of administrative history cannot be assumed to work in developing countries without empirical scrutiny. Second, it also shows that while some bureaucratic features do not cluster together into meaningful dimensions for all parts of the world, others actually do. Maybe the most important finding in the chapter is that the professionalism dimension actually allows meaningful comparison of public administrations across different contexts. Finally, by way of validating the two dimensions against other independent data sources and demonstrating that the results only to a very limited extent are affected by respondent perception bias, the chapter secures data quality and points to the significance of the results.

NOTES

1. However, it should already at this point be noted that we do not claim that these two dimensions are the only important characteristics of a Weberian bureaucracy. We are aware that we are leaving features such as the bureau organization, the hierarchical organization, and the rule-based authority, aside and concentrating our efforts on recruitment and career systems.
2. The average response time was around 15 minutes when correcting for extreme outliers in the first wave, and 18 minutes in the second. We contacted these persons by email, including a clickable link inside the email leading to the web-based questionnaire. In the first wave, only an English-language questionnaire was provided, whereas respondents in the second were also offered the questionnaire in Spanish and French. The only incentives presented to participants were access to the data, a first-hand report, and the possibility of being invited to future conferences.
3. Although these regional-level analyses signify an important move down the ladder of generality, it would of course have been ideal to pin down the dimensional structure on a country-by-country basis. However, the very small sample sizes within countries do not allow that option.
4. Since the average sample size per country is slightly less than 10 respondents, nonparametric bootstrapped confidence intervals are deemed more accurate than parametric ones based on the normality assumption. Bias-corrected 95 percent confidence intervals with 1,000 replications on a country-by-country basis have been estimated using Stata 11.0.

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APPENDIX 3A EXTRACT FROM THE QoG-SURVEY QUESTIONNAIRE

Question 2. *Thinking about the country you have chosen, how often would you say the following occurs today?* [Response scale from 1. “Hardly ever” to 7. “Almost always”]

- a. When recruiting public sector employees, the skills and merits of the applicants decide who gets the job.
- b. When recruiting public sector employees, the political connections of the applicants decide who gets the job.
- c. Public sector employees are hired via a formal examination system.
- d. The top political leadership hires and fires senior public officials.
- e. Senior public officials are recruited from within the ranks of the public sector.
- f. Once one is recruited as a public sector employee, one stays a public sector employee for the rest of one’s career.
- g. Firms that provide the most favorable kickbacks to senior officials are awarded public procurement contracts in favor of firms making the lowest bid.
- h. When deciding how to implement policies in individual cases, public sector employees treat some groups in society unfairly.
- i. When granting licenses to start up private firms, public sector employees favor applicants with which they have strong personal contacts.
- j. Senior officials have salaries that are comparable with the salaries of private sector managers with roughly similar training and responsibilities.
- k. The salaries of public sector employees are linked to appraisals of their performance.
- l. When found guilty of misconduct, public sector employees are reprimanded by proper bureaucratic mechanisms.

Question 8. *To what extent would you say the following applies today to the country you have chosen to submit your answers for?* [Response scale from 1. “Not at all” to 7. “To a very large extent”]

- a. Public sector employees strive to be efficient.
- b. Public sector employees strive to implement the policies decided upon by the top political leadership.
- c. Public sector employees strive to help clients.
- d. Public sector employees strive to follow rules.

- e. Public sector employees strive to fulfil the ideology of the party/ parties in government.
- f. The terms of employment for public sector employees are regulated by special laws that do not apply to private sector employees.
- g. The provision of public services is subject to competition from private sector companies, NGOs or other public agencies.
- h. The provision of public services is funded by user fees and/or private insurances rather than taxes.
- i. Women are proportionally represented among public sector employees.
- j. Key ethnic and religious groups in society are proportionally represented among public sector employees.*
- k. Public sector employees risk severe negative consequences if they pass on information about abuses of public power to the media.*
- l. Government documents and records are open to public access.*
- m. Abuses of power within the public sector are likely to be exposed in the media.*

**Note:* Questions 8j, 8k, 8l, and 8m were only included in the second wave (2010). None of these questions, however, is analyzed in this chapter.

4. Need or greed corruption?

Monika Bauhr

Despite extensive international and national efforts to contain corruption, there are few successful anti-corruption programs. The major challenge for the anti-corruption industry is to understand the limited success and find more effective ways to deal with corruption. The problem of corruption has been popularized through the use of international rankings, where countries are ranked according to their level of corruption. These rankings also play a dominant role in comparative research, and in many ways guide our knowledge of the effects of corruption and its global evolution. However, the current emphasis on the scale of the corruption problem clearly limits our understanding of the societal effects of corruption as well as the effects of anti-corruption measures.

This chapter suggests that failing anti-corruption programs can partly be traced to an excessive focus on the scale of the corruption problem at the expense of a better understanding of its different forms. I make a distinction between “need” and “greed” corruption. Contrary to the most commonly used distinction, this distinction does not focus on how widespread or costly corruption is, but on the basic motivations for engaging in corruption in the first place. That is, the basic motivation for paying a bribe can be either need or greed. Need corruption occurs when services that citizens are legally entitled to, such as receiving a birth certificate or healthcare, are conditioned upon paying a bribe. Greed corruption occurs when the bribe is given to gain personal advantages to which that person is not entitled. The relationship between the actors involved in these two types of corruption is different. Need corruption often builds on coercion and extortion, greed corruption on collusion for mutual benefits. Greed corruption is thereby usually less obtrusive than need corruption, since it is more hidden and the cost of corruption is divided between a large number of actors and taxpayers.

I suggest that the balance between these different forms of corruption can determine important relationships between the government and the governed, including the influence of corruption on institutional trust, the strength of domestic opposition against corruption and the effects of increased openness and transparency.

Moreover, the need and greed distinction challenges the basic assumption of the central traditional theoretical understanding of the problem of corruption, the principal–agent framework. According to this framework, corruption should be understood as a problem that can be contained if only principals, such as government bodies, citizens or civil society, are given an opportunity to monitor agents, usually government bodies (Becker and Stigler 1974; Rose-Ackerman 1978). Following the logic of the principal–agent framework, the anti-corruption regime has adopted a large set of policies, or anti-corruption “toolkits” that improve the opportunities for these principals to monitor agents: increased transparency, a free press, democratization, checks and balances, decentralization and privatization. However, if corruption is unobtrusive, its effects indirect and its costs divided between a large number of actors or taxpayers, the very condition upon which these measures build may not be met. If corruption is unobtrusive, a very limited number of actors may engage in activities against corruption and anti-corruption measures will suffer from a lack of “principals”. The chapter also shows how the need and greed distinction helps us better understand how collective action theory, presented as an alternative and underused theoretical perspective in anti-corruption work (Persson et al. 2012), can be used to understand the effects of anti-corruption measures, and how its relevance can be extended to contexts where the overall level of corruption is low.

THE BASIC MOTIVE FOR CORRUPTION

The need and greed distinction builds on the notion that the motives for being corrupt vary between different settings. That is, the basic motives for paying a bribe or engaging in corruption can be either need or greed. As outlined in the introduction, citizens pay bribes either to receive services that they are legally entitled to and that are conditioned upon paying a bribe (“need”) (see Karlins 2005), or to receive advantages that they are not legally entitled to (“greed”). The relationship between actors involved in these two forms of corruption differs. Need corruption builds on coercion and extortion, greed corruption on collusion. The difference between collusive and extortive corruption has been rather extensively described and studied (Klitgaard 1988; Flatters and MacLeod 1995; Hindricks et al. 1999; Brunetti and Weder 2003), particularly in the literature on tax evasion. The need and greed distinction is closely related to this distinction, since differences in basic motivations for paying a bribe generally imply different relationships between the actors involved. However, insufficient attention is paid to the implications of the different basic

motivations for paying a bribe in these two forms of corruption. Thus, while most other typologies of corruption typically focus on scale (petty or grand/administrative or state capture), type of action (bribe/kickbacks/bid rigging/fraud), and type of actor (political or business), the need and greed distinction instead focuses attention on the nature of the basic motives for engaging in corruption.

At the root of the most commonly used distinctions between forms of corruption lies the scale or the profitability of different types of corruption. The distinction between petty and grand corruption, for instance, also involves the scale and level of the problem. Uslander (2008) uses this distinction in his study of inequality, and argues that petty corruption will have a lesser effect on inequality compared to grand corruption, since petty corruption is a form of low-level corruption that involves small sums of money. Grand corruption, on the other hand, takes place at the higher levels and involves bigger sums and therefore contributes more to inequality. Another common distinction is Heidenheimer's typology based on the moral acceptability of corruption, where petty corruption is more likely to be "white" (Heidenheimer 2002; Uslander 2008) as it is more acceptable among the public. However, the problem with defining the role of corruption in terms of its moral acceptability is that it does not escape a focus on the scale of the problem. Petty corruption can *become* white because everybody does it or because everybody knows that you need to do it, in order to receive services to which you are entitled. But petty corruption is not white in contexts where it is very uncommon. Similarly, a civil servant offering a relative a job despite the person lacking the required qualifications could be considered as white corruption in many parts of the world where it is the expected practice. In many low corruption contexts, however, this practice is considered as unacceptable behavior. The moral acceptability distinction is thus linked to the scale of the problem and therefore fails to give an account of the nature of the problem.

One additional problem with focusing on scale, profitability or the amount of money being traded is that both the costs and the profits of corruption cannot adequately be seen as the absolute sum of money being traded. Instead, it may be more adequately described as relative to the income of both the corrupt person and the one paying a bribe. Consequently, the personal costs of corruption for someone involved in need corruption, such as paying a bribe to receive the healthcare to which one is entitled, can be very high in relation to that person's income, even if the sum may appear as minimal in relationship to the sum traded in greed corruption. Conversely, extra income, however large, may have a minimal effect on the everyday life of a person who is already well-off, even if the extra income acquired by corruption appears high in absolute

terms. Therefore, the profitability or scale of corruption is inadequate for understanding the nature of these corrupt acts, as well as their obtrusiveness, since large-scale corruption is not necessarily obtrusive. As opposed to grand corruption, greed corruption can be both small and large scale (measured in both the absolute or relative sum of money being traded) and more or less common (defined as widespread among different persons).

A few examples may serve to illustrate the distinction between need and greed corruption. A typical instance of need corruption would be when an individual is forced to pay an extra sum of money to a civil servant in order to get services, such as the issue of his or her passport, or healthcare, despite already having paid all official fees. Examples of greed corruption would be an entrepreneur who offers a gift or service to a public servant in connection with a procurement process or a lobby group inviting an important politician to a luxury resort. While need corruption is most often illegal, greed corruption can be both legal and illegal. The difference between the two forms of corruption lies in whether citizens are legally entitled to the benefits for which bribes are paid. It should be noted here, however, that the need and greed distinction should be seen as a continuum, where some acts are more easily placed at either end of the continuum.

UNDERSTANDING GREED CORRUPTION

That countries have various levels of corruption has been popularized through a range of indices that rank countries according to their control of corruption. Countries such as Sweden, Denmark and New Zealand consistently rank high in the tables, while countries such as Afghanistan and Somalia find themselves named as the most corrupt countries in the world. While the rankings have focused attention on the differences in level of corruption across countries, few studies take into account how the types of corruption vary between different contexts and implications of this variation (see Johnston 2005).

The need and greed distinction builds on the notion that the motives for being corrupt vary between different settings. However, the international anti-corruption regime and the measures that it has produced rely extensively on assessments of the overall level of corruption, or on single dimensions of corruption, often the frequency of paying bribes to government official – a measure that tends to capture need rather than greed corruption. Thus, whereas several indices assess the overall level of corruption in society (for example, the Corruption Perceptions Index and the World Bank's Control of Corruption measure), specific measures of need and greed corruption in cross-country surveys are difficult to find.

Despite the different criticisms leveled against quantifying corruption into a single number (Johnston 2001; de Haan and Everest-Phillips 2007; Andersson and Heywood 2009; Warren and Laufer 2009), corruption rankings remain important for both academic and policy purposes. In order to develop a better understanding of the need and greed distinction, I use a study from Sweden, a country which consistently ranks as one of the least corrupt countries in the world in international comparisons (Transparency International 2010).

The problems caused by corruption in Sweden may seem insignificant in comparison to the problems caused by kleptocratic governments. However, while need corruption is virtually nonexistent in Sweden, greed corruption still exists. The advantage of studying low need corruption contexts is that the very existence of greed corruption clearly shows that need and greed corruption are two separate types of corruption. A better understanding of corruption in low need corruption contexts can thus provide additional insights into the forms and effects of greed corruption as well as the effects of efforts to contain it.

Below, I use a panel of Swedish citizens to explore our distinction between need and greed corruption. According to a representative public opinion survey from 2009, only 1.2 percent of the respondents said that they had been asked to pay a bribe to a government official during the last 12 months. The corresponding figure for bribes to the private sector was 1.3 percent (Oscarsson 2010). The very low level of corruption in Sweden is echoed by our web survey participants.¹ Respondents state that they have had no personal experience of corruption or quote international studies that show that Sweden has relatively low levels of corruption: “After all, I think Sweden is among the countries with the lowest levels of corruption. I don’t feel that it is a big, or even medium-sized, problem in Sweden”.

Nevertheless, respondents believe that while Sweden is spared from corruption in its traditional sense, trading favors is a form of hidden corruption that is relatively common, although difficult to capture in the statistics on corruption. The idea that corruption in Sweden is very different from corruption in countries with systemic corruption is expressed repeatedly by our web survey participants:

It is my opinion that corruption, even if it exists, cannot be compared with countries that are steeped in corruption, like countries in Africa, the Middle East and South America. The image we have of corruption is drawn from those countries and cannot be compared with the irregularities that occur in Sweden.

I think that the corruption that exists in Sweden is pretty harmless and in many cases people do not consider themselves to be corrupt since they do not accept lasting things such as money or things with a high value.

Several participants point to the low visibility of corruption in Sweden and link the lack of visibility to the type of corruption involved:

Not very visible – but that does not mean it does not exist.

I think that the corruption that exists in Sweden is more about providing others with advantages rather than pure money. In that way it can be easier to hide the bribe.

In the East, open corruption “give me something and I will do it”. In Sweden some sort of hidden corruption. For example get advantages through bonuses, cartel creations, monopolies, point systems, gift systems, discounts and so on.

Our interviewees thus often note that although the traditional forms of corruption may be low in Sweden, there are other types of practices that can be viewed as corruption. These types of corruption include both illegal and legal acts and closely resemble our definition of greed corruption. The legal practices that they refer to have traditionally received less attention, but have recently been discussed in the literature as “influence” or “legal corruption”. Hellmann et al. (2000, p. 6) define influence as occurring “when firms are able to affect the formation of laws in order to derive rents without recourse to illicit private payments to public officials”. Similarly, legal corruption “involves the manipulation of formal legal processes to produce laws (and thus legally sanctioned rules) that benefit private interests at huge expense to the general public” (Campos and Pradhan 2007, p. 9). Kaufmann (2008) writes: “corruption ought to also encompass some acts that may be legal in a strict narrow sense, but where the rules of the game and the state laws, policies, regulations and institutions may have been shaped in part by undue influence of certain vested interests for their own private benefit (and not for the benefit of the public at large). It may not be strictly illegal, but unethical and extra-legal”.

Examples of the occurrence of this form of corruption in Sweden are, according to our survey answers, politicians that favor certain large companies and lobby groups that dictate policies, and the appointment of high-level positions based on political color rather than merit. All of these represent some form of breach of the norm of impartiality (Rothstein and Teorell 2008). Thus there is a perception that the definition of corruption should include such practices that are not strictly illegal, but which could lead to undue influence by working around the rules. Interestingly, this is also seen to occur on the “input” side of politics:

Some politicians may favor a few large companies.

Politicians allow themselves to be flattered in different ways by lobby groups.

Several respondents point to the practice of bending the rules for individuals with a high position in society:

Appointments to higher posts, bonuses and “fringe benefits” in the moral grey zone for those who move in the right circles. Far away from the average Swede’s reality.

There is a more favorable reading of the rules and guidelines when it comes to “VIPs” than applied for “normal” Swedes.

There exists a lack of respect for the intentions and the strict meaning of the law.

Some respondents state that certain practices that can amount to corruption are “inbuilt in the system” and mention the close relationship between certain interest groups and labor organizations and political parties:

Sweden has a fairly low level of corruption. But there are instances of corruption in Sweden that do not violate the law. When certain organizations finance political parties and expect to gain influence over politics then this is corruption
...

The 2011 web survey in fact shows that the occurrence of greed corruption is considered to be more frequent than the occurrence of need corruption among survey participants.

Table 4.1 shows our panel participants’ perceptions of how common different forms of corruption are. The analysis shows that although the majority of Swedes perceives the overall level of corruption as very low, our panel participants perceive greed corruption to be substantially more common than need corruption. Similar questions were asked in our representative survey in 2010, but on the acceptability of different forms of corruption (Bauhr and Oscarsson 2011).² In this study we found a significant difference between the acceptability of need and greed in the Swedish sample. Thus greed corruption represents a serious challenge to current anti-corruption policies, the implications of which will be explored in the next section.

NEED, GREED AND INSTITUTIONAL TRUST

The detrimental effect of corruption on institutional trust is a well-established finding in empirical research. Although the relationship

Table 4.1 Perceptions of the prevalence of need and greed corruption

Question	Mean	Min	Max	No. of respondents
<i>Need Corruption</i>				
An individual is forced to pay an extra sum of money to the civil servant in order to get his passport issued, despite all official fees having already been paid	1.62	1	7	490
An individual is expected to pay an extra sum of money to the doctor in order to receive good care, despite all official fees having already been paid	1.97	1	7	503
A public official demands a fee to perform a duty that is actually part of his/her work	2.51	1	7	501
<i>Greed Corruption</i>				
An entrepreneur offers a gift or service to a public servant in connection with a procurement process	4.85	1	7	511
A politician lets his decision making be influenced by lobby groups that offer him free trips	4.90	1	7	521
An organization gains influence over the policy process thanks to its funding of a particular political party	4.92	1	7	507
A public official grants building permits more easily to high-level individuals and companies than to ordinary citizens	5.36	1	7	513

Note: The table shows the average answer of a web-based survey in 2011, conducted in collaboration with the Laboratory of Opinion and Democracy Research (LORe), University of Gothenburg. The panel participants do not constitute a representative sample of Swedes and should not be used to draw inferences to the entire Swedish population. The table shows participants' answer to the question "In your opinion, to approximately what extent do the following actions occur in Sweden today?" 1 (Never occurs) to 7 (Occurs very often).

between corruption and trust may be most adequately described as reciprocal (Hetherington 1998; della Porta and Vanucci 1999; Rothstein and Stolle 2008; Morris and Klesner 2010), the negative effect of corruption on institutional trust is strongly supported in recent studies (della Porta 2000; Selingson 2002; Anderson and Tverdova 2003; Chang and Chu 2006). However, most of these studies focus predominantly on the scale of corruption and do not distinguish between different types of

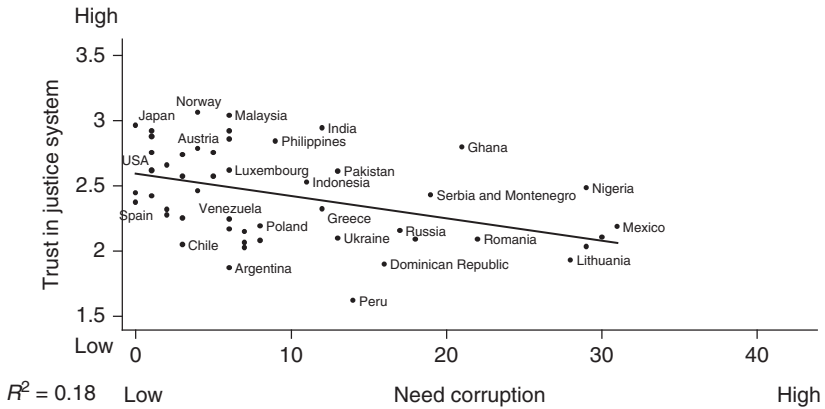
corruption. Studies typically use measures of the overall level of corruption in a country, such as the World Bank's Control of Corruption Index and Transparency International's Corruption Perceptions Index, or individual-level measures such as the frequency of bribes from the World Values Survey. In other words, corruption is seen as primarily varying in scale between countries, and not in type.

To the extent that institutional trust is indeed an evaluation of the performance of the government (Mishler and Rose 2001), the differences in obtrusiveness between different forms of corruption can be expected to influence their effects on institutional trust. Since greed corruption is typically less obtrusive than need corruption it may also have more limited detrimental effects on institutional trust than need corruption. Greed corruption may even, under some circumstances, coexist with high institutional trust, including trust in the institutions upholding the control mechanisms in society, such as the judicial system. More specifically, while need corruption reduces institutional trust, greed corruption may not necessarily follow the expected pattern.³

This relationship is illustrated in Figures 4.1 and 4.2. One reason for the importance of corruption rankings is the inadequate access to good cross-country data measuring other dimensions of corruption, and in particular the need and greed dimension. Therefore, one of the key problems with using the need and greed distinction in empirical research is the limited availability of good cross-country measures. The analysis below is based on World Values Survey data (for need corruption and institutional trust) and data from the World Business Environment (WBE) Survey (for greed corruption). The figures show the effects of need and greed corruption, respectively, on institutional trust.⁴

Figure 4.1 reconfirms the established finding in the literature and show a negative relationship between corruption and institutional trust (Anderson and Tverdova 2003). The more need corruption in a country, the lower the trust in the justice system. Figure 4.2 is more puzzling, however. The unobtrusiveness of greed corruption leads me to expect that greed corruption would coexist with high institutional trust. Figure 4.2 shows that greed corruption may even be positively associated with high trust in institutions. Although plausible explanations for this inverse relationship may be difficult to find, the figure clearly shows that the relationship between greed corruption and institutional trust may be fundamentally different from the often confirmed negative relationship between corruption and institutional trust.

Thus, the figures indicate that need and greed corruption may have different effects on institutional trust. Greed corruption does not seem to follow the expected pattern and relationship between corruption and institutional



Note: Need corruption is measured as the percentage of a country's population who answered "Yes" to the question: "In the past 12 months, have you or anyone living in your household paid a bribe in any form?" (Original source: Transparency International Global Corruption Barometer 2005). Trust in the justice system is measured as country averages of the answers to the question: "I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?" (World Values Survey 2005–2008). All data accessed through J. Teorell, M. Samanni, S. Holmberg and B. Rothstein. 2011. The Quality of Government Dataset, version 6 Apr 11, The Quality of Government Institute, University of Gothenburg, <http://www.qog.pol.gu.se>.

Sources: Global Corruption Barometer/World Values Survey.

Figure 4.1 Relationship between need corruption and institutional trust

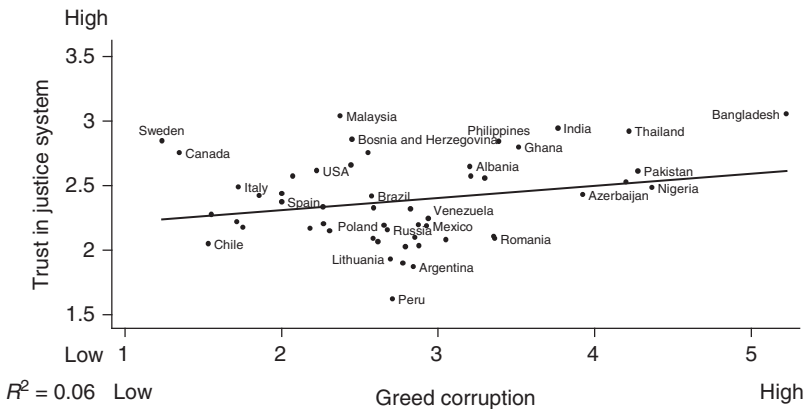


Figure 4.2 Relationship between greed corruption and trust in the justice system

Note: Variables are coded so that higher values mean higher need, higher greed and higher trust. Greed corruption is measured by the average response to the question “It is common for firms in my line of business to have to pay some irregular ‘additional payments’ to get things done”. Coded here as 1=never and 6=always (Original source: World Business Environment Survey 2000). Trust in the justice system is measured as country averages of the answers to the question: “I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?” (World Values Survey 2005–2008). All data accessed through J. Teorell, M. Samanni, S. Holmberg and B. Rothstein. 2011. The Quality of Government Dataset, version 6 Apr 11, The Quality of Government Institute, University of Gothenburg, <http://www.qog.pol.gu.se>.

Sources: World Business Environment Survey/World Values Survey.

Figure 4.2 (continued)

trust. Although the results make theoretical sense, a caveat applies. The measures used for need and greed corruption are proxies and neither of them provides an exclusive measurement of the concepts under scrutiny here. Although neither of these surveys produces measures that exclusively measure need or greed corruption, business payments to get things done, of the kind referred to in the WBE Survey, can be expected to capture greed rather than need corruption. However, it can also capture a fair amount of need corruption, as it is conceivable that part of these payments are used to obtain licenses and so on to which business may be legally entitled. Furthermore, if large parts of the population have paid a bribe, corruption can be expected to be linked to everyday services, and therefore more likely to capture need corruption. However, although the exact nature of the relationship between greed corruption and institutional trust warrants further studies, the relationship between corruption and trust can clearly be affected by what type of corruption is measured by empirical indicators.

NEED, GREED AND COLLECTIVE ACTION AGAINST CORRUPTION

The distinction between need and greed corruption also challenges one of the basic assumptions of current anti-corruption efforts, namely that corruption will lead to some level of mobilization and collective action against it. Most current anti-corruption efforts are based on the logic of principal-agent theory (Persson et al. 2012). Although this theory comes in a number of forms, the pioneering works of Becker and Stigler (1974) and Rose-Ackerman (1978) present corruption as a problem that can be controlled if

“principals” (citizens or government bodies) are given the opportunity to monitor “agents” (usually government agencies). In this view, corruption is seen to arise when the benefits of the corrupt act outweighs the costs of possible detection and punishment.⁵ In practice, this advice has resulted in public sector reform, privatizations and a push for democratization, transparency and a strengthening of civil society (World Bank 2000).

However, a growing body of studies suggests that the reason why anti-corruption efforts often fail to produce the expected benefits is the absence or lack of actors willing to enforce current anti-corruption legislation (Robinson 1998; Johnston 2005). Thus, even if anti-corruption legislation and formal structures are in place, this does not automatically mean that laws will be enforced. Using the terminology of principal-agent theory, most current anti-corruption measures assume the existence of “principals”, that is, actors, such as civil society, government agencies or citizens willing to enforce anti-corruption legislation. However, there are several reasons why this assumption may not be met, including the ineffectiveness of formal complaints mechanism and the high personal costs of engaging in anti-corruption work.

Less attention is given to the implications of unobtrusive corruption for civic engagement. Greed corruption can remain invisible for many years and its costs are diffuse and divided between large numbers of actors. Furthermore, democratic institutions erode very slowly. Thus, although actors in most parts of the world share a strong moral condemnation of corruption, effects of corruption that are not directly felt may not produce a strong engagement among government agencies or the broad public. Greed corruption does not necessarily engage and mobilize “principals”. The lack of civic engagement against greed corruption can be even further cemented if greed corruption coexists with high institutional trust, and in particular a trust in the ability of the political system to contain corruption. If greed corruption coexists with high institutional trust, citizens may have a (potentially unwarranted) high trust in the ability of the political system to contain corruption, and assume that the government is able to deal with the corruption. Our interviewees clearly expressed a trust in institutions’ ability to deal with corruption.

In the words of one of our Swedish interviewees: “Thankfully, quite rare in Sweden, traditionally – after Sweden became a real democracy – bribes and the like have not had a place in society”. Similarly, interviewees expressed trust in the control mechanisms of the bureaucracy: “I believe that our bureaucracy has many barriers and control mechanisms that impede corruption”. Trust in the ability of the system to contain corruption is not unwarranted in Sweden, and such trust can also be conducive to civic engagement if people see the need to influence the system.

However, greed corruption may only on rare occasions motivate civic engagement.

The need and greed distinction therefore helps us understand the difficulties involved in containing corruption. More specifically, it helps us understand why low need corruption societies may not produce effective civic engagement against greed corruption. If corruption is not clearly felt in everyday life and its effects are divided and diffuse, it may motivate less engagement among broad sections of the population. This is important, since it provides an explanation as to why certain forms of legal corruption can be allowed to remain unchecked for many years in countries that are seen as having a generally high control of corruption, despite its detrimental effect on the economy. Analysts claim that such dramatic international developments as the recent financial crises have their roots in legal corruption (Kaufmann 2009), and understanding the processes leading up to long-term indifference in relation to the developments leading up to the crisis is therefore important.

The key problem for anti-corruption work is therefore how to make actors engage against corruption in the first place. Recent studies highlight the social dilemma character of the problem of corruption (Gatti et al. 2003; Bauhr 2011; Bauhr and Grimes 2011; Bauhr and Nasiritousi 2012; Persson et al. 2012). Social dilemmas occur when individuals face choices where the maximization of short-term self-interest is detrimental to the common good, and hence leaves all participants worse off than they would otherwise be (Olson 1965; Ostrom 1998). A key idea in the large body of literature that attempts to find ways to overcome social dilemmas and promote collective action in such varying fields as environmental protection, international security and corruption, is that norms of reciprocity, reputation and trust are important for avoiding suboptimal outcomes (Ostrom 1998). In other words, what may ultimately keep actors from maximizing their own short-term self-interest and act for the common good is if they expect others to also act for the common good. If corruption is seen as a social dilemma, actors' willingness to pay bribes and engage in corruption should critically depend on expectations about others' behavior, or the entrenchment of corruption in their society (Persson et al. 2012).

Following this logic, an understanding of the effects of anti-corruption measures would necessarily have to include an analysis of how they alter expectations about others' behavior. However, our understanding of when and how established anti-corruption measures alter expectations about the behavior of fellow citizens is very limited. An increased transparency and exposure of corruption is one example of a policy measure with the potential to alter expectations about the propensity of people to pay bribes (Bauhr and Nasiritousi 2012). Transparency and increased

exposure of corruption is often praised as one of the key anti-corruption measures, since it allows abuses to be detected and punished. However, if an increased exposure of corruption makes the scale of the corruption problem more visible, it may alter expectations about others' behavior by making citizens perceive that their fellow citizens are more corrupt than they assumed (Bauhr 2011; Bauhr and Grimes 2011). In the worst-case scenario, transparency may therefore even increase corruption since it may reduce the social and moral threshold for paying a bribe.

The balance between need and greed corruption potentially conditions the effect of transparency on corruption. In high need corruption contexts, corruption is often experienced and felt in everyday life and the potential for transparency and exposure *per se* to alter expectations about others' behavior should thereby be rather limited. In contrast to high need corruption contexts, however, most people living in low need corruption contexts have no personal experience of corruption whatsoever. This makes the average citizen heavily dependent upon third-hand information about corruption. An increased transparency and exposure of corruption in these contexts clearly runs the risk of altering expectations about others' behavior, which may undermine the low corruption equilibrium. Since corruption allegations are not anchored in broad-based experiences, it may potentially disproportionately influence perceptions about the entrenchment of corruption in these contexts (Bauhr 2011).

Several participants in our web study express this concern about increased exposure of corruption and warn that an excessive exposure of corruption stories in the media may create the false impression that corruption is a major problem, which may in turn provoke more corruption. Interviewees commented that they perceived that corruption is more common than before, after mass media interest in corruption had increased: "It 'feels' as if it [corruption] occurs frequently or it is the media that focuses more on it today than before". The dilemma is nicely captured by another of our interviewees: "It is good that the problem is addressed. On the other hand, exaggerations in the press can make it appear as more common than it really is which can bring about more corruption".

The effect of increased transparency on corruption is complex and clearly requires more elaborate scrutiny. However, a better understanding of the social dilemma character of corruption and how anti-corruption measures alter expectations about others' behavior is important. In the logic of collective action theory, actors' willingness to engage in and against corruption should critically depend on how many others in that society are perceived to be corrupt (Andvig and Moene 1990; Ostrom 1998; Gatti et al. 2003; Persson et al. 2012). The need and greed distinction can elucidate the conditions under which anti-corruption measures alter expectations about

others' behavior, and thereby help us understand the potentially unwarranted effects of anti-corruption measures, and how to improve them.

IMPLICATIONS OF THE NEED AND GREED DISTINCTION

This chapter suggests that moving beyond a focus on the scale of corruption, and in particular making a distinction between need and greed corruption, has several implications for our understanding of the effects of corruption and the effectiveness of measures against it. In order to illustrate the implications of the need and greed distinction, I use it to make three interrelated propositions. First, the relative unobtrusiveness of greed corruption can make corruption coexist with institutional trust in low need corruption contexts. Studies on corruption and institutional trust typically find that trust is inversely related to corruption, that is, that more corruption reduces trust in institutions (della Porta 2000; Bowser 2001; Selingson 2002; Anderson and Tverdova 2003; Chang and Chu 2006).⁶ The need and greed distinction is used here to question whether corruption is always detrimental to institutional trust. Second, greed corruption does not necessarily motivate engagement against corruption. Greed corruption can produce moral indignation, but it may not motivate collective action. The influence of greed corruption on everyday life can remain almost invisible for extended time periods, since costs are divided and democratic institutions erode very slowly. Third, an increased transparency and exposure of corruption can have unwarranted effects on the level of corruption in low need corruption contexts. In such contexts, most people lack everyday experiences of corruption. Perceptions of corruption are thereby potentially disproportionately influenced by third-hand or mass-media accounts of corruption in these contexts, which may fuel expectations about other people being corrupt, and thereby legitimize corruption.

The more general conclusion that can be drawn from the analysis is that anti-corruption efforts would benefit from a better analysis of why and when the fundamental condition upon which most policy measures build, namely the very existence of principals willing to enforce anti-corruption legislation, is at all present. The basic motivation for paying a bribe, and the visibility and obtrusiveness of corruption is potentially important for the strength and engagement of principals. It thereby shows the difficulties involved in containing greed corruption in low need corruption contexts. Low need corruption societies suffer from a lack of principals, and policy measures aimed at increasing the visibility of corruption can potentially

backfire, since expectations about the entrenchments of corruption may be disproportionately influenced by third-hand accounts. In other words, anti-corruption efforts would benefit from taking into account how policy measures influence a society's expectation about the entrenchment of corruption, and how this may vary between different types of corruption and societies.

In sum, since the nature of the corruption problem varies considerably within and between countries, it is reasonable to expect that the policy implications derived from one set of theories cannot sufficiently target all types of corruption or that there is a one-size-fits-all solution to the complex problem of corruption. This chapter shows how a better understanding of the balance between different forms of corruption can be used to understand such important relationships as the effects of corruption on institutional trust, the level of civic engagement against corruption and the effects of increased transparency and exposure of corruption. In particular, it shows the benefits that can be reaped from moving beyond traditional principal-agent conceptions of the problem of anti-corruption and better exploring alternative understandings of the problem, most notably the social dilemma character of the problem of corruption.

NOTES

1. The analysis in this section builds on a web survey consisting of self-selected samples of respondents in Sweden. The surveys were conducted by the LORe (Laboratory of Opinion and Democracy Research) in collaboration with the Multidisciplinary Centre for Opinion and Democracy Research at the Department of Political Science, University of Gothenburg. The survey was conducted in January 2011 with 554 respondents. The panel data do not constitute a representative sample, and should not be used to draw inferences for the entire Swedish population. However, we have some indications that the answers may be relatively robust. For example, on the acceptability question of an entrepreneur offering a gift or service to a public servant in connection with a procurement process, the mean for the panel data is 1.53 and for a representative sample, conducted by the SOM Institute, it is 1.55 (Bauhr and Oscarsson 2011). Similarly, for the acceptability of a public servant demanding a fee to perform a duty that is part of his/her work, the mean for the panel data is 1.17 while it is 1.22 for the representative sample. The question asked in both the web survey and the representative survey conducted by the SOM Institute was "In your opinion, to what extent can the following actions be acceptable?" with answers ranging from 1 (never acceptable) to 7 (always acceptable).
2. This survey was conducted by the SOM Institute, University of Gothenburg.
3. This proposition may therefore be somewhat at odds with Uslaner (2008), who suggests that grand corruption has a stronger effect on generalized trust than petty corruption in Africa and Moldavia. The explanation offered for this is that grand corruption contributes more to inequality than petty corruption.
4. The justice system is used as a proxy for institutional trust as it is a fairly neutral institution (Campbell 2004; Rothstein and Stolle 2008). Although the justice system may not be involved in the type of corruption exposed, it is often seen as responsible for dealing with corruption.

5. According to this view, corruption can be understood according to Klitgaard's formula "discretion plus monopoly minus accountability equals corruption" (Klitgaard 1988).
6. The relationship is most likely reciprocal, where low trust in institutions may also produce more corruption (Hetherington 1998; della Porta and Vanucci 1999; Rothstein and Stolle 2008).

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5. Impartiality and the need for a public ethics of care

Helena Olofsdotter Stensöta

The theory that quality of government above all depends on impartiality, is an argument valid throughout the *entirety* of government, including welfare state policy areas such as education, healthcare, the environment, and law enforcement (Rothstein 2011). Quality of government theory resembles rule of law theory but with one important difference: the inclusion of the welfare state branches of government in its scope. Hence, this is exactly where the two theories divert. Thus, it is theoretically central to demonstrate precisely how welfare state-related areas are improved by applying impartiality as a principle and tool. This is an ambitious and difficult task as previous research into implementation has convincingly demonstrated that bureaucratic tools of government do not handle all problems in welfare state-related areas equally well (Pressman and Wildavsky 1984; Wilson 1989; Meyers and Vorsanger 2003). Hence, for the theory of quality of government as impartiality to hold, it is necessary to specify more precisely how quality of government can be created in the various welfare state policy areas.

The matter of quality government in welfare state-related areas is also crucial from a more everyday political viewpoint. Welfare state areas constitute a large part of modern states, in terms of both number of assignments and proportion of budget (Huber and Stephens 2001). Moreover, citizen trust in the state above all seems to be affected by how citizens perceive output and interaction with the state in welfare areas, as contact between public employees and citizens is most frequent here (Rothstein and Stolle 2003; Rothstein and Kumlin 2005). These are two important reasons for addressing the question of quality of government in welfare state-related areas.

In this chapter, I elaborate on how high quality of government can be promoted in the state as a whole, including in welfare state areas. I start by presenting general criticisms of the bureaucratic model formulated by previous research in the areas of implementation, management and feminist theory. I continue by suggesting that public ethics provides a useful

perspective and tool for improving general government quality and that a public ethics of care (PEC) provides this, especially in welfare state-related areas.

IMPARTIAL BUREAUCRACY AND ITS CRITICS

The theory of impartiality states that impartiality is crucial for government quality, impartiality referring to the procedural aspects of government and not to substantial concerns. The theory further suggests that impartiality on the output side of government is more crucial than impartiality on the input side. In this context, impartiality essentially means that government institutions treat similar cases in similar ways, and only pay attention to the particular circumstances of citizens insofar as such considerations are specified in advance in law (Rothstein 2011). The theory further states that public employees should be unmoved by personal affinities and gains in their daily handling of government tasks (Cupit 2000). Hence, the concept of impartiality as used here is heavily indebted to the Weberian notion of public employee impartiality, a central principle of bureaucratic government (Gerth and Mills 1946). At the same time, the concept of government quality as impartiality expands on the Weberian notion in challenging ways, as it arguably applies throughout government, including in its welfare state branches, which did not exist in Weberian times. Hence, the theory of impartiality needs elaboration if it is adequately to address quality issues in these newer areas of government.

The starting point for a critical discussion of bureaucracy must be that it is a highly successful model of government, considering its historical endurance and status as the most widespread model of government worldwide. Despite this, or even because of it, bureaucracy has faced considerable criticism, to which several theoretical perspectives have contributed:

1. *Human variety versus unitary bureaucratic systems* This criticism portrays bureaucracy as rigid, inhuman, and slow moving, detached from actual human concerns and needs. Popularized versions of this criticism are frequent, for example, in George Orwell's dystopia 1984. This criticism focuses on how the systemic features of bureaucracy per definition squeeze the vast range of human needs and concerns into a smaller set of predefined alternatives handled in predefined ways according to rules. As a citizen, this process might make one feel diminished and dehumanized, as one must adapt to the workings of the system. Furthermore, the slow-working procedures of lawmaking as well as hierarchical chains of command may prolong suffering

caused by bureaucracy's tendency not to meet human demands that do not fall neatly into predefined slots, as errors cannot be corrected swiftly.

The existence of predefined system-oriented slots for human needs poses especially severe problems in welfare state bureaucracy. The implementation literature has convincingly demonstrated that policies in street-level bureaucratic areas must pay attention to a vast number of parameters at the citizen level, in order to choose the right policy tools for specific cases (Lipsky 1980; Wilson 1989). Using rules to handle such situations becomes problematic, as exceptions quickly become too numerous to handle. One way to cope with this problem is to give employees considerable discretion to determine implementation, a practice that characterizes many welfare policy areas.

According to this criticism, the rigid structure of the bureaucracy needs to become more flexible through, for example, decentralization, which adapts central policy solutions to local needs, and/or discretionary power among employees, which makes individual policy decisions sensitive to the circumstances of individual citizens.

2. *Market versus bureaucracy* A second criticism states that bureaucracy is ineffective. This criticism refers in particular to the hierarchical chains of command and the slow working of the lawmaking system. It has been most radically formulated by the public choice school, which states that bureaucrats are driven by their desire to maximize their own budgets (Downs 1993). From this perspective, market-oriented solutions are preferable to bureaucracy as they promote competition and thereby efficiency. Market-oriented solutions have the additional advantage of inspiring entrepreneurship, whereas bureaucracy arguably suppresses individual initiatives and creative solutions. A final advantage of market solutions is that individual citizen preferences become more important for output, as the logic of the market is to satisfy customer demands. This criticism agrees with the current demand for particularized treatment in service provision, often referred to as the "personalization agenda" (Lloyd 2010).

According to this criticism, bureaucracies need to incorporate more market-oriented solutions because these are said to be more efficient and better cultivate the individual talents and leadership resources of public employees. These solutions also better satisfy citizen's individual preferences.

3. *Human interpretation and judgment versus objectivity* A final criticism can be directed against the principle of impartiality itself. Impartial judgment in itself is arguably impossible, as humans inevitably use their values and experience when making judgments (Young

2000; Stensöta 2010). According to this perspective, although decisions cannot be made impartially, we must find ways to compensate for the inherent bias of human judgment.

One way to handle the problem of human judgment being colored by individual human experience and values is to ensure that a vast range of human experience is represented in government, ensuring a diverse core group of public employees. It has further been argued that such diversity leads to better judgments: because we can only fully understand the living conditions of people with whom we share similar experiences, a diverse core group of public employees makes it more likely that citizens with particular experiences will be able to deal with a public employee sharing similar experiences, leading to more appropriate decision making in terms of meeting their needs.

Most of the above criticisms are especially applicable in human processing areas of government in which curative, care-, or service-oriented policy is acted on, for example, in education, healthcare, welfare, environmental policy, and law enforcement. These are also areas characterized by considerable employee discretion (Lipsky 1980) and in which new public management initiatives are most frequent (Pollitt and Bouckaert 2004).

IMPARTIAL WELFARE STATE IMPLEMENTATION

The argument that impartial welfare state implementation constitutes quality of government can be specified in two ways. First, impartial implementation does not necessarily mean that all policies must be accessible to all citizens (Olsen 2006). Policies may well target different segments of the population, as long as citizens belonging to the relevant segment are treated impartially in actual policy implementation. Second, impartial treatment does not necessarily mean that every citizen in the relevant target group is given the exact same amount of resources. On the contrary, most human processing policies rely on different citizens receiving different amounts of attention and resources in order to arrive at the same outcome (Rothstein 2011).

The first point must be regarded as widely accepted, as most policies do not target the entire population but rather segments of it. The second point is more problematic. How can decisions to give different amounts of attention, resources, and so on, to different citizens in a target group be justified? The rules on which the principle of impartiality rests are clearly not specific enough to sufficiently inform public employees regarding what tools should be used for what task and what resources devoted to a

specific case at a specific time. In this respect, impartiality works as a negative qualifier, stating that employees' personal preferences and unfounded likes and dislikes should not influence their decisions, but it gives insufficient positive guidance on how to actually choose policy tools and divide resources and attention as a public employee. Hence, the additional guidance needed to create quality of government in practice is likely to come from a different source.

PROFESSIONAL NORMS

Professional norms are usually regarded as guiding public employees in making high-quality implementation decisions. Professionalism is ultimately based on scientific knowledge or evidence-based experience, both of which say something about which policy tools are likely to render what outcomes. For a strong, scientifically based profession such as medicine, this is unproblematic, as diagnosis and treatment are based on rigid scientific research. In other more newly professionalized professions or semi-professions, the scientific basis is more disputed. In such areas, implementation research has demonstrated that professional norms are only one factor influencing street-level bureaucratic decision making and that other factors, such as number of cases handled, leadership, personal view of the policy goal, age, gender, and ethnicity, influence policy outcome (Lipsky 1980; Meyers and Vorsanger 2003). In these areas, professional norms do not govern implementation firmly enough to prevent disputes over what constitutes appropriate and less appropriate implementation. For this reason, we must look to other sources for additional help in achieving high-quality government.

THE VALUE OF PUBLIC ETHICS

In recent decades, the formulation of a public ethics has come to be widely proposed as a means to achieve high-quality government (Cooper 1990). Broadly speaking, public ethics is seen as strengthening public values that might otherwise be neglected in more formal models of government. The discussion of public ethics is closely connected to contemporary discussion of the publicness of public administration, which asserts that publicness distinguishes public administration from market-oriented organizations (Rainey 2009). Public organizations are seen as differing from private ones along at least three attributes: organizational goals, employee motivation, and organizational performance (Bozeman 2010).

I argue that public ethics supplements professional norms in providing guidance on how to promote government quality in welfare state-related areas in two clearly beneficial ways. First, it provides guidelines in areas in which professionalization is less mature, in the newly or semi-professionalized areas frequently represented in welfare state operations. Second, public ethics can serve as a unifying force that links various government subsystems by referring to a unitary ethical standard. By definition, particular professional standards usually apply to different professional subunits.

Public ethics is often defined through a variety of features such as commitment, accountability, integrity, organizational citizenship behavior, and some notion of public interest (Rayner et al. 2011). It is possible to specify the content of public ethics by referring to how it improves governance in relation to specific formal models. In relation to bureaucracy, public ethics has been conceptualized as a safety net that encourages “whistle-blowing” among employees in situations in which formal rules threaten to violate the more principled underlying values, for example, as expressed in the UN Universal Declaration of Human Rights (Lundquist 1988). In relation to new public management, public ethics serves to strengthen these same values, as they might be neglected in the quest for efficiency (Chapman and O’Toole 1995; Frederickson 1999; Brady 2003; Cooper 2004; Macaulay and Lawton 2006).

Here, public ethics is conceptualized as a set of value-oriented principles. Public employees can refer to public ethics for guidance in making effective judgments. Public ethics can thereby suffuse organizational bodies in the form of organizational culture.

Contemporary discussion of public ethics includes dispute over the proper content of public ethics. The broadness of the values of public ethics referred to above – commitment, accountability, integrity, organizational citizenship behavior, and some notion of public interest – might be problematic in practice, as it is difficult for public employees to decide which values to honor at a specific time. The vagueness of the broader concepts is also difficult, as the separate ethical values included in the definition might even contradict each other in practice. Hence, approaches that include longer lists of ethical values might not actually be useful for promoting government quality.

Several suggestions have been made regarding how to specify the concept of public ethics. Some scholars advocate returning to a traditional civil service ethos, with its emphasis on public duty (Chapman and O’Toole 1995; Frederickson 1999; Olsen 2006; Bozeman 2010). Others draw on democratic values, emphasizing citizen needs over the more technocratic norms of Weberian bureaucracy (Goss 1996; Denhart and

Denhart 2000). Still others argue that any debate on public ethics should take contemporary new public management trends into account, and that a “new” character of public ethics can be derived by melding traditional public values with newer managerial values (Pratchett and Wingfield 1996; Brereton and Temple 1999; Brewer et al. 2000; Grimshaw et al. 2002; Brady 2003; Lawton 2005; Macaulay and Lawton 2006). Other branches of research are more methodological in approach and emphasize the motivational basis of public ethics (Perry et al. 1996; Perry and Hondeghe 2009).

In relation to the central problem discussed here, that is, the quality of government in welfare state-related areas, more limited approaches to the content of public ethics are also problematic. Approaches situated too closely to the Weberian conception of impartiality do not solve the problem, as they add only limited value to the concept of impartiality. On the other hand, more managerial approaches to public ethics are also problematic. In the market, the mechanism for accountability consists of customers who “vote with their feet”. This mechanism might work very well in the market, but in the state, where accountability mechanisms are traditionally established among employees and the bureaucratic organization, this might be problematic. One mechanism ultimately underlying state legitimacy builds on the capacity to act impartially, which does not necessarily coincide with customer satisfaction. We need a solution that keeps public employees and the government accountable. What seems to be needed is a public ethics that focuses on issues important in welfare state-related areas, but that keeps the mechanisms of accountability among public employees (Stensöta 2010).

PUBLIC ETHICS OF CARE (PEC)

I suggest that a PEC provides a suitable framework for public ethics in welfare state-related areas in particular, and for the entire state (Stensöta 2004, 2010). Two arguments support this. First, if care is broadly conceptualized as everything we do to maintain and repair our world so that we can live in it as agreeably as possible (Tronto 1994), a vast number of policies can be considered care policies, including policies on schooling and pre-schooling, healthcare and curative policy, sickness and unemployment insurance, the environment, corrections, and law enforcement. Second, although these policies might seem very different from one another, they are similar in that they aim to provide care for citizens. According to ethics of care theory, certain things must be attended to for good care to be provided, because care activities can be distinguished from other types

of activities (Tronto 1994, 2010; Sevenhuijsen 2000; White 2000; Young 2000, 2006; Williams 2001; Sevenhuijsen et al. 2003; Hankivsky 2004; Robinsson 2006; Engster 2007; Scuzzarello et al. 2009; Stensöta 2010).

The ethics of care embraces a worldview in which people are seen as interdependent. This represents a break with the liberal worldview in which people are seen as either autonomous or dependent. As interdependent, all people are seen as both dependent and autonomous most of the time. We start out as dependent children and most of us die as dependent elderly. In between, most of us are sometimes sick or otherwise unable to provide for ourselves, and even at times when we are functioning at our best, life without other people would not be very pleasant. Care is not reserved for particular situations or people, but is a universal condition of humankind. In addition, in this ethics, all people are seen as capable of both giving and receiving care, not that some people are regarded as more “naturally” inclined to give care than are others.

This ethics also implies that care has a natural place at the center of our common affairs, as a public and political issue.

Carol Gilligan paved the way for considering an ethics of care as a morality in its own right, separate from the morality of impartial principled moral thinking (Gilligan 1982). She defined an ethics of care as an alternative way of looking at what constitutes moral problems and how we go about solving them. More precisely, Gilligan saw moral problems as arising from opposing responsibilities; she suggested that we take account of the context of moral problems in seeking to solve them, describing moral development as progress in our understanding of relationships and responsibilities. This morality was contrasted to the ethics of justice, which saw moral problems as arising from rival rights; this implies that moral problems are solvable via formal and abstract thinking guided by principles, and that moral development constitutes progress in our understanding of rights, rules, and principles (*ibid.*).

The field of ethics of care now distinguishes between the initial ideas of Gilligan and, for example, of Sara Ruddick (1995), and those of second-generation care theorists who treat care ethics as a political issue, regarding it as central to human survival and well-being for all people in the totality of life's circumstances as described above (Sevenhuijsen 1998; White 2000; Hankivsky 2004; Stensöta 2004, 2010; Tronto 2010). This second-generation literature argues that for care to achieve its true potential, it must transgress certain boundaries that have previously contained it: it has been contained within the private sphere and not penetrated the public sphere; it has been attached to women and not seen as an issue equally important to men; and it has been seen as an issue of morality and not one of politics (Tronto 1994). Although most of us understand

that the human race would not survive without giving and receiving care, care easily becomes subordinated to other goals and interests, in society, politics, and private life.

Theories of the ethics of care specialize in distinguishing between the activity of care itself and how care should be provided. This discussion is wide ranging, but scholars emphasize that to provide good care, two things must be acknowledged: first, sensitivity to the context of human needs is crucial; and second, responsiveness is required to determine whether the initial need has been taken care of. I elaborate below on these two points.

First, from the perspective of an ethics of care, sensitivity to context is a prerequisite. Hankivsky (2004) argues that what distinguishes the care from the justice perspective is that within the former, sensitivity to context is seen as a necessity, but as only optional from the justice perspective (Okin 1989; Kymlicka 1990). In care ethics theory, context is important in both giving and receiving high-quality care. In many policy areas, thorough knowledge of the citizen context is essential to arriving at the right policy solution, as has been demonstrated in implementation research.

Furthermore, the argument for context also claims that experience matters, which is related to the criticism of impartial judgment as an unrealistic option. If we think that our experience and values affect our judgments, then we must acknowledge and attend to our experience and values, and these are created in our context (Stensöta 2004).

Iris Marion Young has highlighted the importance of incorporating difference into politics. She argues that in an unequal world, politics cannot build solely on the similarities between people, but must also include their differences. She argues that if the political sphere acknowledges only our similarities, what distinguishes us and can actually pave the way to a more equitable society is excluded from politics. Hence, in an unequal society, experiences that constitute our difference must be included in political discussion if we want to create greater equality (Young 2000). As I see it, the argument for the necessity of difference is actually an argument about context.

Second, responsiveness is a necessary ethical component of an ethics of care (Tronto 1994; Hankivsky 2004; Stensöta 2004). To provide high-quality care, we need to be responsive to care recipients, so that they can communicate whether their needs have been met. In this sense, responsiveness also reduces the danger of paternalism inherent in all care relationships. Paternalism means that care providers act as though they better understand the care recipients' needs than do the recipients themselves. Responsiveness can also weaken any power hierarchies present in relationships; it provides a way to give the client voice, yet without handing over the mechanism of accountability to the customer, as in the market model.

Starting from these two theoretical claims as to what characterizes a PEC, I proceed by specifying how they relate more particularly to welfare policy implementation and institutions.

AN ETHICS FOR IMPLEMENTATION AND ADMINISTRATION

If care is regarded as important to all people in all situations, it must be integrated into our common affairs, politics, and the state machinery as a whole. How exactly does a PEC promote quality of government? All three criticisms of the bureaucratic model presented in the introduction can be informed by and discussed in light of the care perspective.

Previous research into public ethics has included attempts to discuss the ethics of care (Stewart et al. 2002; DeHart-Davies et al. 2006). These attempts largely start from a concept of care ethics that belongs to the first-generation concept of care, in which the ethics of care and justice are seen as opposites and ethical differences between men and women are a central point of interest. This research does not incorporate the concept of a PEC in public administration, as I attempt to do here.

BUREAUCRATIC SYSTEM VERSUS UNCONDITIONAL CARE

In a recent essay, Virginia Held discusses how a care perspective is characterized by unconditionality (Held 2010). She illustrates this by citing the example of people who are beaten at home by someone closely related to them. She argues that many policies for supporting such victimized people demand that the victimized person leave the battering person. As Held notes, this puts many victimized people under severe stress and can even make them reluctant to seek support. A care-oriented perspective would, in contrast, be unconditioned and support these people regardless of whether or not they choose to leave the battering party (*ibid.*).

According to bureaucratic logic, bureaucracy should deal only with types of problems specified in advance, and in ways that acknowledge only such individual circumstances of citizens as are specified in advance. Although this principle is the basis of the rule of law, it might also lead to problems of exclusion, when no appropriate predefined slot can be found for a specific need. This might lead to problems, for example, when a client is “tied up in red tape” or given the “bureaucratic run-around”, that is, when agencies use their gate-keeping power to exclude clients (Brodkin and Majmundar 2010).

Applying an ethics of care to such situations would reduce this danger of exclusion from public care. As the prime goal of an ethics of care is to ensure that needs are appropriately met, excluding someone because of a systemic inability to meet the need would certainly run counter to that goal. An ethics of care would urge public employees not to use their exclusionary power, but to find ways to incorporate a person with need into the files of one's agency, or to transfer the case to a more appropriate agency, ensuring that the agency really takes on the case.

Providing unconditional support does not entail always unconditionally saying "yes" to any need. Instead, it means that it is impossible to refuse support, though this might well entail the recipient being coached to achieve greater self-reliance by the right amount of push/pull. In all areas in which the goal is to change people or let them develop and grow, for example, in schools, kindergartens, and prisons, and in curative policy areas dealing with the transition from sickness or unemployment to restored function or successful employment, clients need to be both pulled and pushed. In these areas, the various professional norms could successfully interact with an ethics of care to prevent exclusion and provide the right amount of pull/push.

Institutional solutions are already in place that would support such a logic, for example, institutions in which agencies with overlapping tasks work together to better discharge their responsibilities.

THE CUSTOMER AT THE MARKET VERSUS THE RESPONSIVE EMPLOYEE

Bureaucracy is criticized for how it treats client/customer preferences, and in this area the market apparently offers a better alternative. More particularized treatment is currently in demand, and market-oriented solutions are believed to satisfy this demand better than bureaucratic ones. Customer choice, however, does not solve all problems. For example, some people in permanent need of care may now organize their own support, which can be regarded as increased customer choice. Although this might function well for some people, in other instances this might be far too demanding, for example, in a situation of personal crisis (Lloyd 2010).

An ethics of care suggests that responsiveness is central to an alternative way to make client needs more important, but without reference to the market mechanism. Responsiveness means that the public employee must ensure that the client's need has been satisfactorily met. This could well prevent paternalism, that is, public employees or professionals believing

that they better understand citizen needs than do the citizens themselves. As well, a focus on employee responsiveness might be preferable to a focus on customer preferences, as the former keeps decision-making power in the hands of the public employee. The public employee must be responsive, but decision-making power is not transferred to the client/customer as in the market arena.

Responsiveness mitigates the strict hierarchical chains of command that characterize bureaucratic structure. Responsiveness represents a way to give voice to clients, without necessarily handing over the mechanism of accountability to them. It can also be regarded as a good tool for improving quality in a wider range of relationships, outside the administration or at all levels within it.

Julie White (2000) has proposed institutional solutions in which responsiveness is upheld, in that care recipients are listened to and can express whether their needs have been met. White suggests that institutions be created in which dialogue occurs between care recipients and caregivers, a suggestion that touches on research into participatory democracy. Likewise, Joan Tronto (2010) suggests that one should evaluate how care needs have been met through a communicative process in which professionals and care recipients interact.

OBJECTIVITY VERSUS HUMAN JUDGMENT BASED ON EXPERIENCE

According to the theory of government quality, impartial case handling requires that employees be detached from personal affinities and disregard the particular circumstances of and consequences for individual clients. One line of criticism of this understanding argues that such impartiality is impossible in reality, because humans always make judgments based on their previous experience and identity belongings. It is only from the perspective of those in power that particular judgments may seem neutral; from the perspective of those with more marginalized experience and identity belongings, this is not so (Young 2000).

From the care perspective, experience is seen as important, because this is how we acquire values and learn, among other things, to care (Stensöta 2004). Furthermore, considerable evidence suggests that many care and curative policies work better when employees are not detached but are engaged. The detached and neutral bureaucrat, tasked with exerting control, does not go well with the client–employee trust that research says is necessary in helping people to grow out of their customary roles and achieve productive change (Brodkin 2007).

Engagement has been identified as characteristic of an ethics of care since the first generation of scholars. In my analysis of an ethics of care in public administration, the empirical dimension between engagement and neutrality formed the only dimension in which public employees found that the ethics of care and justice actually contradicted each other (Stensöta 2010).

By definition, engagement is responsive, as it involves attention to the contexts and particular experiences of both the client and the public employee.

The focus on the primacy of experience in ethics of care theory can also inform our view of public office recruitment. From an ethics of care perspective, diversity of experience is emphasized. For public employees to make good decisions, a broad range of experience is needed in a public administration. This is even more so when responsiveness is regarded as important for high-quality governance. Opportunities to ensure that public employees are responsive to a broad range of clients and situations increase when a broad range of experience is represented in an administration.

Numerous examples illustrate the application of such thinking to recruitment in contemporary public administration. For example, Swedish law enforcement has for several decades deliberately sought to make the core group representative of the Swedish population, excluding, of course, the criminal segment of the population (Stensöta 2004).

THE EMPATHETIC STATE

This chapter has discussed how quality of government can be improved in welfare state areas in which impartiality is clearly insufficient for proper implementation. I have suggested that a public ethics of care should permeate the state as a whole as it can resolve many of the problems of bureaucracy, such as rigidity, detachment, and the chimera of impartial judgment.

A PEC views people as interdependent; it highlights sensitivity to context in politics and implementation, and elevates the importance of responsiveness.

I have suggested, first, that the unconditional imperative (inherent in the care perspective) to meet needs, together with professionally grounded knowledge mixing push and pull factors in interaction with the employee, can reduce the problem of administrative exclusion. Second, I have further suggested that public employee responsiveness offers a better way to ensure customer choice than do more market-oriented solutions, and that

responsiveness also protects from paternalism. Third, from the perspective of a PEC, I regard experience as an important source of knowledge. Engagement by public employees grounded in experience is important for reaching care and curative policy goals. This highlights the importance of recruiting a diverse core group of public employees, which allows for representation of a diversity of experience.

The claim is that a PEC can provide guidelines for public employees throughout the public sector. While providing ethical guidelines, it is backed up by institutional solutions centering on collaboration between agencies and deliberative arrangements between public employees and citizens.

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PART II

How to get it

6. In democracy we trust, but how much?

Nicholas Charron and Victor Lapuente

This chapter deals with the very broad – as well as very highly contentious – question of which political regimes produce better quality of government (QoG). Is there a systematic empirical relationship between the type of political system (for example, multiparty democracy with free and fair elections, single-party regimes, monarchies, military dictatorships, ad hoc personalist systems) and the type of outcomes a political system produces in terms of QoG variables (for example, an efficient and impartial government with lower levels of corruption)? Do democracies always “work better” than autocracies in terms of QoG?

Regarding developed countries, it is easy to see that, out of the world top performers in QoG, the vast majority are democratic countries. In fact, long-lasting consolidated democracies such as Sweden, Denmark, the Netherlands or Australia usually top these rankings. Yet, this obvious correlation between advanced capitalist democracies and QoG does not tell us that it was because they were democracies that these countries were able to generate good governance practices. Quite the opposite, democratic consolidation could be the result of the prevalence – for whatever reasons – of certain characteristics of good governance, such as impartial treatment of citizens and the rule of law. Or, alternatively, both democracy and QoG could be the joint result of certain social, economic or cultural factors.

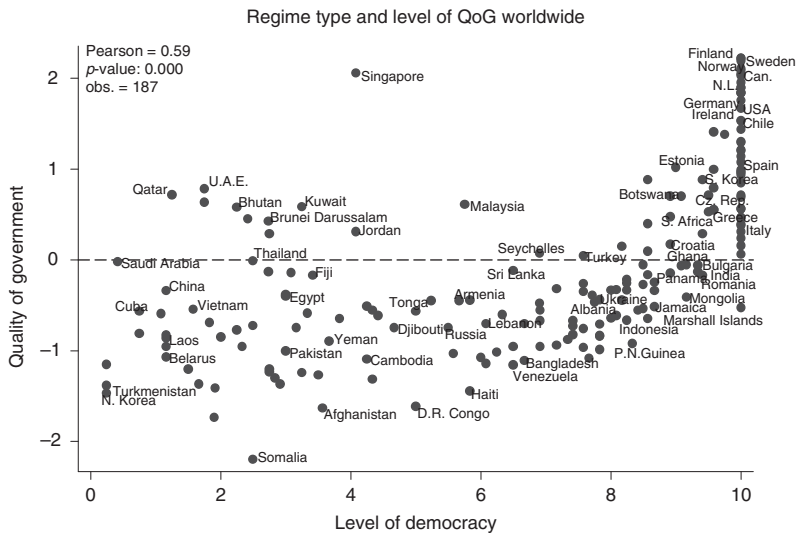
If we look at contemporary developing countries, a grayer picture emerges. In recent times, an intense public debate has arisen on this question. Democratic institutions do not seem to meet the expectations of good governance in developing countries all over the world. For instance, *The New York Times* notes how Kuwait – a remarkable democratic exception in the Persian Gulf – “has been overshadowed by its dynamic neighbors – Dubai, Abu Dhabi and Qatar – where economies are booming under absolute monarchies” (“In democracy Kuwait trusts, but not much”, 6 May 2008). It is perceived that democracy has brought a state of frustration (*halat ihbaat*) in large sectors of the Kuwaiti population. They consider the democratic government to be burdened by cumbersome rules,

to have neglected the provision of basic services, and that if it launches a reform effort it will be blocked by the parliament. Kuwait enjoys large oil reserves, but many Kuwaiti analysts argue that democratic politics “delays things” which results in a sclerotic welfare state as well as “an absence of business and investment opportunity” (ibid.).

Similarly, several comparisons between the world’s two probably fastest-growing powers, China and India, have revealed some paradoxical outcomes of these two different political systems. On the one hand, democratic India is currently exhibiting an economic power that is expected to surpass that of China in the near future. For example, India’s rate of economic growth (around 9 percent in 2011) may soon overcome China’s double-digit figures. On the other, autocratic China’s lead over democratic India in key indicators of human development – such as education, life expectancy and basic health – has increased during the last few years. For instance, a newborn Chinese can expect to live for 73.5 years (compared to 64.4 in India), study for 7.5 years (compared to only 4.4 in India), and is three times as likely to live until the age of five than a newborn child in India. While India’s impressive rate of growth is extensively praised both internationally and domestically, it can be argued that its social fruits mostly benefit a minority of the population. Urgent questions – such as undernourishment affecting a substantial number of children, the relatively low literacy rates for women, or the poor allocation of funds to public health – seem outside the political focus in what represents the largest – and quite consolidated – democracy in the world. On the contrary, as Sen (2011: 5) recalls, Chinese officials, despite being autocratic, “are strongly committed to eliminating poverty, undernourishment, illiteracy, and lack of health care; and that has greatly helped in China’s advancement”.

Should we, from these accounts, infer that, at least for developing countries, autocratic regimes produce better QoG than democratic ones? Like Sen (ibid.: 4), our answer is “clearly not”, democracy is not hostile to fast development. In Figure 6.1 we show this relationship visually. In the y-axis, we use a standard measure of QoG from the World Bank and in the x-axis a standard measure of the level of democracy from Teorell et al. (2011). On the one hand, we observe that the countries that provide the highest levels of QoG (such as Finland, Norway, Sweden, Canada, the Netherlands) also have democracies that are extremely free and fair. Yet, at the same time, there are autocratic regimes, such as Singapore, Qatar or Malaysia, that outperform many other established democracies throughout the world, including Italy or Greece.

In other words, the picture that emerges from Figure 6.1 is one of a non-linear relationship, between the level of democracy and the level of QoG. The relationship resembles more of a U- or a J-shaped curve. Even if it



Note: Level of democracy is a combined Freedom House and Polity measure, with higher scores equaling stronger democracy. “Quality of government” is the “government effectiveness” and “control of corruption” measures combined for all countries (averaged).

Source: Teorell et al. (2011).

Figure 6.1 Nonlinear relationship between democracy and QoG

could be argued that a relationship between the quality of democratic elections and QoG does exist from a certain level of democracy (for example, 5 out of 10) onwards, can we really talk about causality or is it simply a spurious relationship? For instance, perhaps a third variable (for example, level of economic development) is both driving the transition of a country from less fair and free elections to freer and fairer ones as well as pushing the move from an inefficient and corrupt administration to one with high QoG.

In order to address these questions in a systematic way, we need relatively ambitious empirical analyses – covering a significant number of regimes for a significant number of years – as well as relatively ambitious theoretical accounts on which potential causal mechanisms connect which characteristics of political regimes to the development of QoG. This chapter is the result of our common research efforts in these two directions: exploring larger cross-sectional and cross-time comparisons of political regimes together with underlining, on the basis of the different literatures, clear causal mechanisms linking regimes with governmental performance. Most of the findings presented here summarize the more extended and sophisticated (for example, regression analyses instead of

graphs) results published in two articles (Charron and Lapuente 2010, 2011) that focus on how to explain cross-country variation in QoG in different types of democracies and autocracies, respectively.

Generally speaking, and also similar to Sen (2011: 5), we consider that “what a democratic system achieves depends greatly” on a series of conditions. Nevertheless, unlike Sen, who believes that the main responsibility lies with the politicians who choose which social conditions become political issues, we argue that there are reasons to suspect that citizens’ demands may change from one democratic society (for example, a relatively poor country) to another (for example, a relatively rich one). In general, this chapter thus states that the QoG in a country is the result of both supply-side factors – that is, centered around the incentives of those who provide policies: are they democratically elected or autocrats? Moreover, within autocratic regimes, what type of dictatorial regime has the strongest incentives to provide QoG and why?

The chapter is organized as follows. The next section provides an overview of the extensive comparative literature on the effects of political regimes on QoG. The third section presents our theory, in which we put together the insights developed in our two previous papers and introduce a typology of implicit “social contracts” between rulers and citizens in different political regimes, based on the concepts of “exit, voice and loyalty” developed by Albert Hirschman (1971). In short, in order to impose their preferences on QoG (no matter what those preferences are: preferences for an impartial and efficient government that delivers public goods or, on the contrary, preferences for targeted private goods, rent-seeking and corrupt deals), citizens can resort to a mechanism of “exit” (that is, voting for an alternative candidate) in democracies with free and fair elections or to a mechanism of “voice” in single-party regimes (that is, channeling their demands through the party’s decision-making structure). In regimes without the possibility of either exit or voice – that is, monarchies, military dictatorships and personalistic regimes – the implicit social contract is simply based on “loyalty”: citizens – or, to be more precise, subjects – are expected to remain loyal to their rulers irrespective of the level of QoG he/she provides. The fourth section presents the empirical results for both democracies and authoritarian regimes, and the final section discusses future research and potential normative implications.

TWO KEY LITERATURES

During the last two decades there has been a sharp increase in the number of studies (for example, Clague et al. 1996; Montinola and Jackman 2002;

Sung 2004; Keefer 2007; Bäck and Hadenius 2008) analyzing the impact of different types of political regimes on different proxies for QoG, such as (the absence of) corruption, rule of law, protection of property rights or bureaucratic quality – variables which, as extensively shown in this book, are highly correlated. These studies compare, first and foremost, democratic *vis-à-vis* authoritarian regimes; and, second, differences within democratic systems. For example, whether we have a presidential or parliamentary regime or how many effective veto players our democratic system has.

Therefore, it should be noted that the remarkable differences in QoG among authoritarian regimes that we saw in Figure 6.1 have mostly been overlooked by this literature. For instance, some relatively highly autocratic regimes (like those of Qatar, Brunei or Bhutan) exhibit higher QoG than democratic countries (for example, India, Peru or Bulgaria), while other authoritarian states (for example, Belarus, Turkmenistan or Somalia) show extremely poor performances in terms of QoG. By analyzing all autocratic regimes along the lines of the same variable – that is, to what extent we see free and fair elections in a country – only an incomplete picture of the world variation in QoG can be provided. Therefore, we need to open the “black box” of authoritarian regimes to search for systematic patterns that can explain the large variations in QoG found in non-democracies. The third section of this chapter aims to open this “black box” in relation to the incentives that different types of authoritarian leaders may have to provide QoG.

The Institutional View: Supply-side Factors

Although it is beyond the scope of this chapter to offer a detailed account of the many studies that have explored the relationship between having a democratic system (*vis-à-vis* a non-democratic one) and QoG, we would like to underline the main contributions from two different strands of literature. Basic insights from these two literatures form the basis of the theoretical hypothesis that we shall present in the next section. A first literature, of a clear institutionalist nature, points out supply-side factors: what happens in the political institutions is what explains differences in QoG. A second literature, containing some elements of modernization theories, underlines the importance of demand-side factors: the QoG in a country reflects the “quality” of its society.

First, there are a large number of authors who, using a large variety of methodologies, have pointed out the existence of a “contradictory” relationship between democracy and corruption (Harris-White and White 1996: 3, Sung 2004: 179). There seems to be a significant effect of having free

and fair elections on the level of QoG (generally measured as the absence of corruption), but the effect is nonlinear (Montinola and Jackman 2002). Being a democracy diminishes QoG in the early stages of democratization, and from a given point in time onwards the effect becomes positive – defining a U-shaped relationship, as Montinola and Jackman show in their cross-sectional study of over 60 countries. An extensive qualitative literature has provided many case-study narratives pointing out that QoG seems to worsen when a country starts its transition to democracy, as in many different world regions right after decolonization (for example, Lemarchand 1972 on Africa; Scott 1972 on Southeast Asia; Wade 1985 on India; or Sayari 1977 on Turkey), in many post-communist countries after 1990 (for example, Varese 1997 on Russia), and, in several Latin American countries after the different waves of democratization that the continent has experienced (for example, Weyland 1998).

With a large quantitative analysis, Keefer (2007) shows how more years of democracy is correlated with better government performance. Keefer and Vlaicu (2007), developing a theoretical model in which they offer tentative micro foundations for understanding elected officials' behavior, present a theory to explain the nonlinearity between democracy and QoG.

In short, their theory argues that young democracies fall short of older democracies in QoG because of the inability of young democracies' candidates to make credible pre-electoral commitments to voters. Credible commitments are costly for politicians and they take time to establish. While politicians in consolidated democracies may enjoy a reputation as providers of public policies, their counterparts in younger democracies do not. As a result, the latter may resort to "patrons" who can be trusted by voters and act as mediators between them and politicians. This strategy for candidates in young democracies comes with an obvious cost, namely that young democracies are generally speaking more corrupt in that they tend to overprovide particularized goods benefiting patrons' core constituencies – such as jobs and public work projects corruption, while they tend to underprovide goods of a more public nature, such as universal education and protection of property rights. As a proxy for the mechanism of this theory – the acquisition of political credibility – Keefer (2007) uses the variable "age of democracy", which counts the consecutive years a country has enjoyed free and fair democratic elections. Keefer admits that this proxy could be potentially problematic because what should matter is not the quantity of years of democratic rule, but what qualitatively happens during those years in terms of reputation building.

Also using a large dataset, Bäck and Hadenius (2008) find a strong curvilinear relationship between the level of democracy and a proxy for QoG defined as "administrative capacity" and which, similar to the QoG

measure used here, captures the way in which a state governs in an efficient way and without corruption. Bäck and Hadenius not only provide an encompassing large- N analysis, but put forward an original hypothesis. The administrative capacity a state exhibits would be the result of two alternative mechanisms to steer and monitor a state apparatus. On the one hand, steering and control can come from above, with top officials preventing lower-ranked officials and public employees from taking advantage of their positions and giving them the appropriate incentives to deliver policies in an efficient way. If that is the case, authoritarian regimes should be better equipped than democracies because they enjoy both hierarchical and repressive capacities. On the other hand, steering and monitoring can originate from below – that is, citizens, or the users of an administration, exert the appropriate pressure on officials. This is the mechanism on which consolidated democracies can rely, thanks to press freedom and electoral participation. This implies that in-between or hybrid regimes – which have lost the top-down control capacities of a strong autocracy, but where, at the same time, the mechanisms for bottom-up control (for example, active voters, free media) are only partially in place – are the worst regimes when it comes to providing incentives for QoG. That would explain why regimes in the middle tend to rank the lowest in administrative capacity.

Bäck and Hadenius's theory is persuasive and helps us understand why consolidated democracies seem to outperform transitional ones in terms of QoG. Nonetheless, we consider that it lacks some causal mechanisms at the individual level that could make their case more convincing. When and why does an authoritarian ruler have incentives to provide administrative capacity? Regarding consolidated democracies, the explanation also remains at a structural level where individuals are absent. This leaves us with the question of which particular citizens decide to engage in the always challenging task of monitoring public authorities, sorting out what, at first sight, seems to be an important problem of collective action? Bäck and Hadenius's original theory requires a relatively strong underlying assumption about actors' preferences, which can be considered overly optimistic. Rulers and citizens are expected to be interested in increasing administrative efficiency and reducing corruption. None of them seems to derive utility from corrupt activities. If rulers (in a dictatorship) and citizens (in a democracy) cannot improve QoG it is not because they are not interested, but because the proper control instruments are not in place. Corruption and administrative mismanagement are assumed to mostly benefit state officials, yet these challenges are associated with fighting corruption, for instance, the numerous accounts of corruption at the highest levels of a large number of authoritarian regimes.

In addition, there are several examples of young democracies that do not seem to have suffered the significant worsening of administrative capacity or QoG in their transitions from autocratic to democratic rule predicted by both Keefer (2007) and Bäck and Hadenius (2008). As noted by some authors critical to the institutionalist approach to QoG (for example, Welzel and Inglehart 2008), many transitional countries – for example, Central European post-communist countries such as East Germany and Czechoslovakia, or, a few decades before, Spain – seem to exhibit moderate (or even relatively high) levels of QoG from the early stages of democratization. At the same time, and as described in the introduction, long-lasting democracies, such as India, present serious shortcomings in terms of QoG.

The Culturalist View: Demand-side Factors

If the major prediction of the institutionalist literature briefly summarized above is that transitional countries provide, on the whole, worse QoG than fully authoritarian regimes and much worse than the best political regimes – that is, full or older democracies – scholars within the culturalist literature emphasize another type of transition: one of *values* and not of institutions.

For institutionalist authors, the key players when it comes to delivering policies are the ones who supply them (that is, the rulers), while those who demand policies (that is, the citizens) play a mostly passive role. Citizens are assumed to desire high levels of QoG that will allow them to make the appropriate investments in, for instance, human capital or technology. As Clark (2007: 210) critically notes,

[T]he preferred assumption [by political economy institutionalists] is that the desires and rationalities of people in all human societies are essentially the same. The medieval peasant in Europe, the Indian coolie, the Yanomamo of the rain forest, the Tasmanian Aboriginal, all share a common set of aspirations and a common ability to act rationally to achieve those aspirations. What differs across societies, however, are the institutions that govern economic life.

Yet, is it realistic to think that institutions – and the incentives they provide to rulers – are the key difference for understanding why some countries enjoy higher levels of QoG than others? The underlying assumption of most institutionalist approaches to QoG – that is, that citizens are virtuous rational economic agents and that rulers will take advantage of them unless the proper institutions are in place – does not seem to be always convincing. Despite the fact that rulers are seen as the main

impediments to growth-enhancing policies according to many institutionalists, a look at the global evolution of societies makes us suspect, following Przeworski and Limongi (1993: 53), that “it is by no means clear that the villain is necessarily the ruler”.

There can be demand-side factors – that is, emerging from the citizens or consumers of policies – that help explain cross-country differences in QoG. In particular, cultural values are (re)gaining importance for explaining different social phenomena. As some economic historians argue, the available evidence indicates that the advent of democracy in Britain and the security of property rights that it implied – that is, the traditional institutionalist explanation of the industrial revolution – cannot be considered the only relevant factor. According to Clark (2007: 259), in pre-industrial Britain there was an unnoticed, but key cultural change: the spread of a “middle-class culture” throughout society. He offers evidence showing that the risk premium element of interest rates (that is, the one which could be affected by institutions) did not change decisively during the decades before the industrial revolution. Thus, what drove the decline in interest rates was the other relevant component: the time preference or subjective future discount rate. Following research by anthropologists and economists, Clark assumes that the future discount rate (or the degree of “impatience”) declines sharply with income: richer individuals have lower time preference rates than poorer individuals. Nevertheless, once individuals have lowered their future discount rate, meaning once they have become more patient, a fall in income will hardly alter it.¹

Instead of focusing on rulers (and how institutions shape their incentives), culturalist theories shift their attention to “ordinary people” (Welzel and Inglehart 2008). Which values prevail among ordinary people will determine what quality of policies a society will end up having. Obviously, several types of values have been emphasized by different waves of culturalist explanations. An early wave of scholars (Banfield 1958; Wraith and Simkins 1963) distinguished between those societies where “tribal loyalty” was the prevailing norm versus those societies where the rule of law was mostly accepted by its members. More recently, Welzel and Inglehart (2008), reinvigorating modernization theories, consider that the increased resources that individuals in a society enjoy with economic development allows them to be better equipped to participate in sophisticated collective actions such as putting pressure on rulers to deliver QoG – and, in general, to move from a dominance of “survival” values to a dominance of “self-expression” values. In response, rulers offer better governance in those societies where self-expression values rule.

Two robust statistical correlations are noted by Welzel and Inglehart as indications of their theory: first, the higher the level of economic

development in a society, the more prevalent are self-expression values in a society; and, second, the more prevalent the self-expression values, the higher the QoG in the country. We regard this finding, despite its simplicity, as an interesting one that points out an important missing element in institutionalist theories: to explore also the demand side of incentives to provide QoG. Yet, straight correlations among variables probe neither the existence of a causation – for instance, between the importance of self-expression values and a proxy for QoG – nor in which direction the causal arrow lies – for example, do certain values lead to a certain level of QoG or is it the other way around? In the article dealing with democracies and QoG (Charron and Lapuente 2010), we address these questions empirically by virtue of both controlling for alternative variables as well as looking at cross-time changes in the different variables. In the next section, we discuss these issues theoretically: under what circumstances do citizens' values (that is, demand-side factors) trump and/or complement institutional factors (that is, supply-side factors)?

AN “EXIT, VOICE AND LOYALTY” THEORY OF QoG

Here we build on the concepts of “exit, voice and loyalty” developed by Hirschman (1971) to put together the theoretical hypotheses and the main empirical results we have presented elsewhere (Charron and Lapuente 2010, 2011). We consider that exit, voice and loyalty help us understand the relationship – or implicit social contract – between citizens in a polity and their rulers. They are the conceptualizations we use to understand the interaction between the demand- and supply-side factors for creating QoG.

Hirschman's typology was devised to depict two main alternative mechanisms that organizations (whether they are public organizations, political parties or private firms or civil society associations) employ to prevent the deterioration of the quality of goods they provide. Members of the organization (for example, customers of a particular product of a particular brand, or citizens of a political system) can withdraw from the relationship – that is, they can “exit”. Alternatively, they can try to improve the quality of goods they receive (for example, the QoG in our case) via communicating their complaints or making a proposal for change – that is, via exerting “voice”. We adapt this core idea by Hirschman to the provision of QoG in the following way.

In democracies with free and fair elections, citizens can, *de facto*, resort to a mechanism of exit, since, if they are displeased with the quality of governance in their polity, they can vote for an alternative candidate/

party in the next election. That is, at the end of the day, citizens should be able to impose their preferences on QoG if elections are free and fair. It is important to note here that these preferences cannot be expected to be the same at different levels of socioeconomic development. As a country's standard of living increases, it is likely that citizens' policy demands will also become more sophisticated. We posit that citizens in lower-income societies will have a relatively high preference for goods for "immediate consumption". For instance, many voters will be satisfied if incumbents offer them patronage jobs in the public sector and extremely targeted – or straight clientelistic – policies.² On the contrary, in higher-income societies we expect voters to demand a different type of policy. Following the logic of the culturalist authors reviewed above, one can expect that in richer societies voters prefer incumbents to make – costly at short term, but beneficial at medium–long term – investments in administrative capacity that increase the QoG. In richer societies voters can more easily renounce patronage jobs in exchange for a merit-based administration that efficiently and impartially delivers public policies that contribute notably to the aggregate social welfare.

In relation to autocracies, we would like to start by noting that, as the extensive literature on these regimes has pointed out, there are relevant differences across what otherwise are non-democratic regimes. As Gandhi and Przeworski (2006: 16) graphically point out, "the authoritarian zoo exhibits bewildering variety"; and, as Geddes (1999: 121) emphasizes, the different types of authoritarian regimes may differ from each other as much as they differ from democracy. In this chapter we follow Geddes's (1999) classification, namely "personalist, military and single-party regimes"; which is generally regarded as the most influential classification of autocracies (Hadenius and Teorell 2007: 145) – and we add a fourth type – "*monarchy*" – which is also regarded as the main missing category in Geddes's classification (Ulfelder 2005: 314–15).

In particular, we posit that there is an important difference between single-party regimes and other types of authoritarian rule. Unlike other autocracies, single-party systems justify their rule by constantly emphasizing that they serve on behalf of "the people" (ibid.: 317). While military rulers may be accountable to the armed forces, monarchs to the royal family, and personalistic rulers to "personalist cliques", single-party regimes lack a pre-existing organization. They must create their own organization to mobilize popular support (Gandhi and Przeworski 2007: 1282–84). To a greater extent than other autocracies, single-party regimes tend to absorb all sorts of organizations, as Gandhi and Przeworski (p. 1292) note – including trade unions, youth organizations, women's organizations, sports clubs and even stamp collectors' associations. More

than other authoritarian types, the single-party regime collects the voices of larger societal sectors. They also give opportunities to “the most able, ambitious, and upwardly mobile individuals in society, especially those from peasant and urban marginal backgrounds whose social mobility might otherwise have been quite limited” (Geddes 1999: 134).

In other words, we thus expect single-party regimes to develop Hirschman’s alternative mechanism to “exit” for improving government performance: “voice”. That is, you cannot exit this government (unless you go into exile), but your voice, if articulated clearly, will be listened to. Following the same logic we have used for democratic systems, we should expect single-party regimes to meet citizens’ demands in the way predicted by culturalist theory – that is, low QoG in lower-income societies and higher QoG in richer ones. Both having a democratic system as well as being a single-party regime will impact QoG in divergent ways, depending on its level of economic wealth. The impact of *democracy* and a *single-party regime* on QoG will thus be contingent upon levels of economic development. At low levels, having a democratic or a single-party regime (in comparison with monarchies, military regimes and personalistic dictatorships) will have a negative effect on QoG, while at higher levels a positive relationship is predicted.

What happens in those regimes without the possibility of either exit or voice, such as monarchies, military dictatorships and personalistic regimes? We argue that the implicit social contract in those regimes is simply based on “loyalty”. Citizens – although in this case it would probably be more precise to use the term “subjects” – must remain loyal to their rulers irrespective of the degree of deterioration of the policies they are providing – unless they resort to exile or rebellion (possibilities that are not explored in this chapter, which is focused on the quality of governance and not in regime breakdowns). In regimes with exit (democracies with free and fair elections) and voice (single-party regimes), we should expect that the more sophisticated citizens’ demands are – which, because of the limitations of the data, are simply proxied by the country’s wealth – the higher the level of QoG. On the contrary, in those regimes based on loyalty, citizens’ “demands” are outside the equation and it is only “supply” factors that matter.

We posit that military dictators, monarchs and personalistic rulers follow the classical supply-side explanation developed by Clague et al. (1996). On the basis of Olson’s (1993) classical distinction of autocrats as “roving” or “stationary” bandits, Clague et al. argue that dictators will provide more economy-enhancing public goods the longer their time horizons. The reason is that this strategy will ultimately give them more revenue (via an increased tax base) than direct predation (for example,

confiscation of wealth, diverting public money to their private accounts, and the like). Instead, if you are a self-interested autocrat who is expected to rule for only a short period, you will probably prefer predation rather than public goods provision. We consider this supply-side argument to be a convincing one to explain the behavior of those autocrats who are not constrained by either “exit” or “voice” mechanisms, and thus can follow the first-best strategy according to their self-interest. In other words, we posit that military dictators, monarchs and personalistic autocrats – that is, all types of dictator except for those limited by a systematic mechanism to channel societal “voices”, such as single-party regimes – will provide higher levels of QoG the longer their time horizons.

To compute a person’s time horizon in any kind of job is always a challenging task and more so with respect to the top rulers in a country. The standard approach in the literature, especially since Clague et al., has been to infer that psychological predisposition, “time horizon”, from the years a ruler has been in office – more years being an indication of capability for remaining in power, and, thus, as a predictor of even more years in office. Despite its parsimony, this prediction has some limits – for instance, it is not so obvious that we should expect a ruler who has been in office for 35 years to have a longer time horizon than one who has been in office for, say, 15 or 20 years. For that reason, this chapter uses an alternative approach to measure time horizons developed by Wright (2008a) and based on the predicted probability of regime failure. This probability changes from ruler to ruler depending on the factors the literature has found as relevant for explaining the overthrow of autocrats, such as the levels of economic development and growth, the type of regime, the existence of either foreign occupation or civil war, as well as the percentage of Islamic population. As the empirical part shows, this proxy for autocrats’ time horizons – the higher the probability of regime failure, the shorter the time horizon – exerts a significant effect on non-single-party dictators’ willingness to provide public goods.

In sum, we argue that the central difference among political regimes in relation to QoG is that in those regimes with exit and voice options (that is, democracies and single-party regimes, respectively) the level of QoG will partially be the result of citizens’ demands. Again, it is important to note that those citizens’ demands cannot be expected to be always demands for higher QoG. Depending on the values prevailing in a society we can expect a higher or a lower demand for impartiality and good governance. On the contrary, in those regimes exclusively based on loyalty (that is, monarchies, military regimes and personalistic dictatorships) the level of QoG will mostly be the result of rulers’ self-interested calculus: higher QoG with longer time horizons and lower QoG with shorter time horizons.

EMPIRICAL EVIDENCE

Two published articles (Charron and Lapuente 2010, 2011) have subjected these theoretical predictions to several extensive empirical tests, with results generally confirming that the potential “supply” of QoG – be it democratic, semi-democratic or autocratic – is strongly conditioned by citizens’ demand. In this chapter, we summarize these findings in two stages for the sake of clarity. First, we show notable empirical support for the idea that democracy has no independent effect on the level of QoG in a country; and that only when demand is sufficient do we see clear and significantly higher levels of QoG in democratic states. Second, based on the coding of Geddes (1999), we test the levels of QoG in four different types of authoritarian regime – military dictatorships, monarchies, single-party states and personalist regimes. We find strong evidence that single-party regimes are the most responsive to demands for QoG relative to the other three non-democratic regimes.

The Impact of Democracy

First and foremost, how are such concepts as QoG and democracy measured? As with any abstract concept, this is of course a challenge for any researcher. However, there are several available measures from which to choose. In particular, trying to measure corruption in the public sector across space and time is particularly difficult due to its clandestine nature. Two approaches have been taken in the recent literature. The first uses a “hard measure”, employing indicators such as conviction rates or reports of corruption cases (Alt and Lassen 2003; Goel and Nelson 1998). The second and more prevalent approach, especially in cross-country studies, uses perception-based indicators to measure QoG or corruption. This has become the common way to capture QoG for a number of reasons.

To start with, the “hard measure”, if used in a cross-section analysis, might be a better test of a country’s legal system or its ability to detect corruption – not its actual level of corruption. Thus “hard measures” may lead to significantly biased results. Perception-based measures, which are either built on surveys or based on risk assessments of country experts, also have an inherent bias – in this case, an economic bias since most of them aim at assessing the risk of doing business in a country. Nevertheless, perception-based indicators are built with a comparative goal and much more widely available, thus becoming attractive to scholars seeking to maximize the number of countries in their analyses. In addition, as Kaufmann et al. (2008: 3) argue in a summary of this debate on corruption indicators, “perceptions matter because agents base their actions on their

perceptions, impression and views". If citizens or foreign firms perceive a given country's administration to be plagued with corruption and public sector mismanagement, then they are less likely to use its public services, with deleterious consequences for the country.

In Charron and Lapuente (2010), QoG is defined as a state that performs its activities in an *impartial way* and *without corruption*, and two measures are employed. The first comes from the Political Risk Services' (PRS) International Country Risk Guide (ICRG) data, built on the indicator from Bäck and Hadenius (2008). In the analysis, 140 states are included from 1984 to 2003. These two components are Bureaucratic Quality and Level of Perceived Corruption, and are combined into a single index that ranges from 0 to 10, with higher values indicating better QoG. The second is the World Bank's Government Effectiveness measure, which also includes surveys of country experts, households and business elites, and is currently available for over 200 countries. The drawback to this indicator is the limited length of time for which it exists: it dates back to 1996, was bi-annual until 2000 and is only available annually from 2002 and onwards. As a result, the analysis uses the World Bank measure for QoG in a cross-sectional robustness check of the PRS data used in the larger, time-series analysis.

On the other variables – “supply” and “demand” (for example, democracy and economic development) – we measure Democracy as a combination of Freedom House and Polity scores, taken from the Quality of Government Institute's dataset (Teorell et al. 2011). The Freedom House score is scaled 0–10 and Polity is also measured from 0–10. The two measures are then averaged together. The “level of economic development” is intended to serve as a proxy for the “demand side” – for example, the average future discount rate of citizens in a country. Although alternative measures, such as a more refined indicator of standard of living or education levels, might be superior proxies for a country's average subjective future discount rate, they are significantly less available across space and time. Due to a wide scope of availability, the country's level of gross domestic product (GDP) per capita (from the World Development Index) is used in this analysis. Combining the “supply” and “demand” of QoG to test the primary hypothesis of this chapter, we generate an interaction term between democracy and income.

In addition, we control for many other factors such as the possibility of nonlinearity between democracy and QoG. We also square the level of democracy from Bäck and Hadenius (2008) (for example, democracy-squared), and Keefer's (2007) hypothesis on the impact of time and experience with democracy in which we construct an indicator that measures how long a country has been considered fully democratic in the post-war era. We also include control variables consistently shown to be relevant in

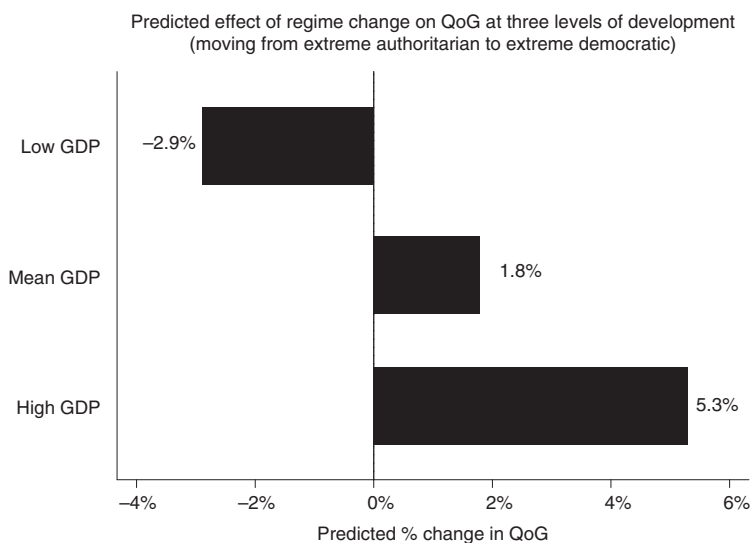
previous studies – and available for the period under study here – such as the country’s level of trade openness (for example, Sandholtz and Gray 2003), measured as imports plus exports divided by GDP, and a dummy variable indicating whether or not the country is a former British colony (La Porta et al. 1999; Bäck and Hadenius 2008), along with several more in a cross-sectional analysis, such as Press Freedom (from Freedom House); Level of Education (from Barro and Lee 2000); Ethnic Fractionalization (from Alesina et al. 2003); Number of Veto Players (from Beck et al. 2001). In addition, the cross-sectional analysis allows us also to include the Level of Income Inequality (GINI coefficients from Galbraith and Kum 2005), thus controlling for potentially varying demands for QoG within a country, using a measure of household income inequality. All cross-sectional variables are taken from the Quality of Government Institute’s cross-sectional dataset (Teorell et al. 2011).

In the time-series model with control variables and a lagged dependent variable to account for problems associated with serial correlation (see Charron and Lapuente 2010: 458), we use the coefficient estimates to predict the levels of QoG based on different levels of democracy and economic development (for example, supply and demand). In Figure 6.2, we summarize the findings of the interaction term. As an example of our results, we show the impact of democracy in three different groups of states; low economic development (bottom 5 percent), average level (50th percentile) and wealthy states (top 5 percent). Here we calculate the predicted change in QoG moving from “low” to “high” levels of democracy (1 to 10, respectively, on our Freedom House–Polity measure) in the three levels of economic development.

The data show that there is a clear negative effect of democracy on QoG scores at low levels of economic development, a positive, yet statistically insignificant, impact for states in the “grey zone” and transition countries, and a strong and positive effect at high levels of economic development, where we argue that demand for quality institutions is the highest. We find even when controlling for all other factors listed above as control variables that the positive impact of democracy on QoG is strongly conditioned by economic development (for example, citizen demand). Interestingly, the variables for “democracy-squared” and “age of democracy” are not statistically significant when our interaction term is in the model.

The Impact of Regime Type within Non-democracies

What about the effect of various types of authoritarian regimes on QoG? Recall that in Figure 6.1, we observed much variation within the non-democratic states, and our theory of supply and demand is again used



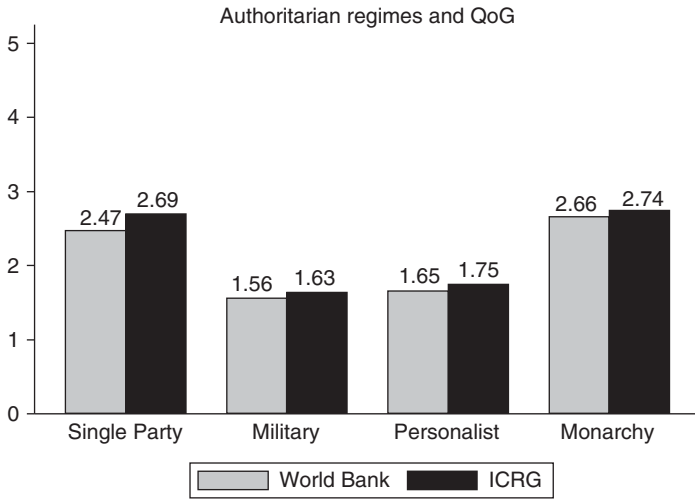
Note: High, Mean and Low GDP are 95th, 50th and 5th percentiles in terms of country-year GDP levels in the sample. A change in QoG corresponds to a move from 0–10 on the democracy scale (Freedom House and Polity combined measure).

Sources: Charron and Lapuente (2011); Teorell et al. (2011).

Figure 6.2 Effect of democratization on QoG at high, mean and low levels of economic development in authoritarian countries

to explain variation within this subset of countries. As stated previously, we are interested in parsing out whether certain types of non-democratic regime are systematically “outperforming” others with respect to QoG – and which, if any, are most responsive to citizen demand for greater levels of QoG, for which we tested in the previous section with all countries. Although there are several sources of non-democratic regime – none being perfect – one data source suits our theory best over other alternatives. We choose data from Geddes (1999) and Wright (2008b) and we separate approximately 1,100 observations (a total of 77 countries up to 20 years³) into one of four authoritarian state groups.

For example, in the *single party*, “access to political office and control over policy is controlled by a single political party” while in *military regimes* “a group of officers decides who will rule and exercise some influence on policy” (Geddes 1999: 121). Power in a *monarchy*, however, relies on hereditary passing of rule from one generation to the next. Finally, the essential feature of *personalist* regimes is that “although personalist



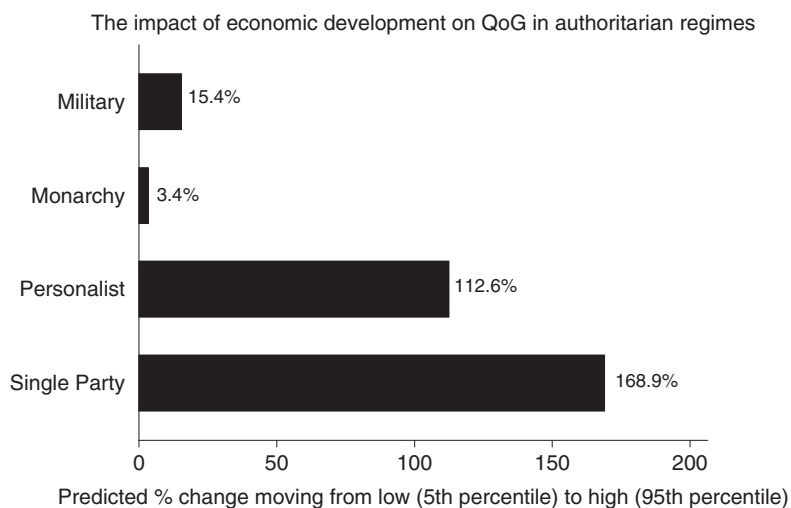
Note: World Bank data are the combined score of “government effectiveness” and “control of corruption”, and ICRG is the combined corruption and “bureaucratic effectiveness” scores. Both data are averaged for each regime type country-years for all years available between 1984 and 2003. Both data have been re-scaled to go from 0–5, with higher scores equaling higher QoG.

Figure 6.3 Levels of QoG by authoritarian regime type

regimes have parties and militaries, these organizations have not become sufficiently developed or autonomous to prevent the leader from taking personal control of policy decision and selection of regime personnel” (Geddes 2003: 273).

Figure 6.3 shows the distribution of the average level of aggregate QoG in the four different authoritarian regime types during the 1984–2003 period. We find that when running *t*-tests between the four groups, single-party and monarchies have significantly higher QoG on average for both measures (ICRG and the World Bank’s Worldwide Governance Indicator: WGI), yet cannot be distinguished from one another, nor can military regimes be statistically distinguished from personality regimes.

Similar to the test regarding “supply” and “demand” for QoG in the previous section, we also hypothesize that single-party regimes will be more responsive, on average, to demands for improved institutions than other types of non-democratic regimes that have smaller “inner circles”, and need less broad-based support to hold their power. Moreover, we would like to test whether “time horizons” has a unique impact in any one (or more) of the four regime types. Again, “time horizons” is intended to measure the predicted probability of regime failure. Wright (2008a) generates this



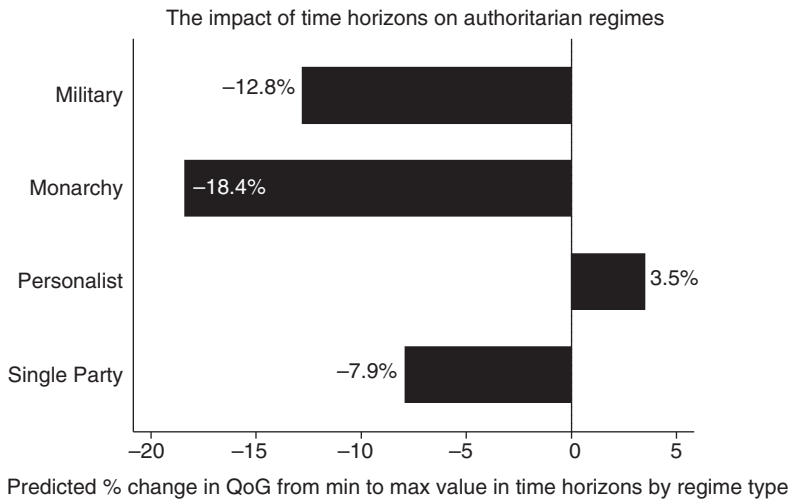
Note: Numbers represent the predicted average change in QoG (ICRG data) by authoritarian group based on a change in economic development from the low (5th percentile) to the high (95th percentile) economic development.

Source: Charron and Lapuente (2011).

Figure 6.4 Change in QoG from economic development in four types of authoritarian regimes

measure based on a number of factors: $\log(\text{GDPpc})$, economic growth ($t - 1$), percentage of population that is Islamic, civil war ($t - 1$), foreign occupation, regime type, area controls and time splines to control for regime duration. The measure at higher values indicates a higher likelihood of regime failure. Thus we interact the type of non-democratic regime with the level of economic development and “time horizons”.

Using a number of specifications, testing on both the WGI and ICRG QoG variables, along with controlling for oil reserves, the level of ethno-linguistic heterogeneity, population, the level of democratization, and running models which correct for first-order serial correlation, we find very strong, and robust support for the idea that within single-party regimes, the level of QoG is best explained – relative to the other three regime types – as a function of economic development (for example, “demand”). We also find this to be the case for “personalist” and “military” regimes, yet the effect is significantly less. Interestingly, the impact of GDP per capita on QoG has no significant impact in monarchies, demonstrating that these regimes are less sensitive to citizen demands than single-party regimes in particular. In Figure 6.4, we show the predicted change in QoG based on



Note: Numbers represent the predicted average change in QoG (ICRG data) by authoritarian group based on a change in time horizons from the minimum to the maximum value within each authoritarian group.

Sources: Charron and Lapuente (2011); time horizons data from Wright (2008a).

Figure 6.5 Change in QoG from time horizons in four types of authoritarian regimes

the estimates from Charron and Lapuente (2011: 418, figures from table 1, model 2) going from a change in a country in the bottom 5th percentile in terms of GDP per capita (for example, a very poor country) up to the 95th percentile (for example, a very wealthy country). In doing so, a single-party regime would increase levels of QoG by over 168 percent, while in monarchies, this change would be just 3.4 percent.

On the other hand, when testing for the interactions between time horizons and the four regime types, we find that in seven different model specifications, single-party regimes were the least sensitive to time horizons – in that QoG levels are not a significant function of them. However, in particular in military regimes and monarchies, as time horizons increase, the regimes tend to sacrifice broad-based investment – for example, QoG – and such regimes are most likely to invest in QoG when the risk of regime failure is low.

When looking at the impact of time horizons for each of the four regime types (Figure 6.5), we calculate the percentage change in QoG (ICRG) going from min–max effect for each group.⁴ We find that while QoG levels in single-party and personalist regimes are not significantly affected by time

horizons, QoG levels in monarchies and in particular military regimes are especially sensitive. For example, an increase from the min to max value of the time horizons variable within single parties (for example, from 0.001 to 0.19) is expected to decrease QoG by just 7.9 percent (p -value = 0.837), while a min–max change of the same variable within military regimes (for example, from 0.02 to 0.316) would result in a decrease in QoG by 12.8 percent (p -value = 0.024), and a min–max change in monarchies results in a decrease in QoG by 18.4 percent (p -value < 0.02). It is worth noting that the positive increase in personalist regimes is statistically insignificant. Thus we find that there are significant differences with respect to the ways in which GDP per capita and time horizons impact QoG in the four non-democratic regimes.

CONCLUSIONS

The findings elucidated in this chapter are relevant for scholars and practitioners alike. From a scientific point of view, Przeworski and Limongi (1993) opened a debate between democracy and dictatorship and the relationship between regime type and development. In the last two decades, several influential scholars have argued extensively about the virtues of democratic institutions for development-type outcomes. For example, Boix (2003) in *Democracy and Redistribution* argues theoretically and shows empirically that rent-seeking and government efficiency in democracies on average outperform non-democracies. Moreover, according to a widely accepted and persuasive argument spelled out by Bueno de Mesquita et al. (2005) in *The Logic of Political Survival*, we would expect a fairly clear-cut relationship between regime type and QoG. According to this logic, leaders in democratic countries have a larger “winning coalition” of people to whom they owe their power compared with dictators. This means essentially that leaders in democracies are most often accountable to a majority of their citizens via regularly scheduled elections and thus must meet their demands for quality and impartial public services, less corruption in the public sector and a strong rule of law that protects citizens’ property and upholds contracts in a court of law in order to maintain the legitimacy of their rule.

While these arguments are attractive and often persuasive, particularly to citizens from Western democracies, our analyses and several works on which this chapter builds find the relationship between regime type and QoG to be more nuanced than these highly influential scholars would have us believe. As Figure 6.1 clearly shows, there is wide variation in QoG at either end of the autocratic–democratic spectrum, while QoG tends to be

relatively poor and with little variation for states in the “grey-zone” regime type. Regime type thus has a J-shaped relationship with QoG, which is a function of leaders’ incentives to *supply* QoG and citizens’ *demand* for such mid- to long-term investments that QoG implies. The argument even fits when taking certain authoritarian regimes into consideration, namely single-party regimes, which rely on a larger coalition of support and thus are more sensitive to citizen demands than other regime types such as monarchies or military states.

These findings thus have wide implications for academic scholars as well as for practitioners who are interested in development. Building on the work of Amartya Sen and many other scholars, we must continually be aware of the notion that neither free and fair elections nor competitive party systems alone are the panacea for development. For example, as Drèze and Sen argue, for democracy to result in preferred outcomes from the standpoint of human development – in this case higher QoG – a certain threshold of equality among social groups needs to have been reached, since “a fair distribution of power is a basic requirement of democracy” (Drèze and Sen 2002: 353). Our argument and findings fit into the larger picture with this line of reasoning – at early stages of economic development, the introduction of democratic institutions can have seriously negative consequences for governance and lead to higher levels of corruption without the proper pre-conditions in place. Democratically elected politicians alone will not choose to supply often costly investments in QoG without a certain level of citizen demand, which results from a certain level of economic development and somewhat fair distribution of such resources. Thus in the “chicken and egg”-type debate regarding which comes first “democracy or economic development”, we argue that the latter must precede the former if QoG and less corruption are to be achieved.

NOTES

1. Economists have thought of time preference rates as being hard-wired into people’s psyches (Clark 2007: 172; for a full description of this approach, see Rogers 1994).
2. This prediction is similar to Kaldor’s (1955) classical idea in economics that poor people tend to have a higher propensity to consume *vis-à-vis* invest for future consumption. See Clark (2007: 172) for a review of this idea and potential evidence confirming it from both experiments and anthropologists’ fieldwork.
3. The reason why the number is 1,100 and not greater is due to the fact that states drop out of our data when exceeding a score of 6 on the Freedom House/Polity measure for democracy.
4. Since each group has a different min–max, a unique range was used for each authoritarian group. For example, while the min and max values for time horizons in military regimes for the entire sample were 0.02 to 0.316, the min–max values for monarchies were 0.00045 to 0.133.

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7. Press freedom and corruption

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A widespread and commonly held belief is that a free and independent press fulfills an important role in fighting corruption. International organizations, such as the World Bank and Transparency International, regard media and a free press as one of the major solutions in curbing corruption. In numerous policy proposals and general recommendations, the importance of media plurality, media freedom and competition is emphasized. Nonetheless, the knowledge as to how effectively media and a free press actually perform to combat corruption is still limited, albeit growing.

This chapter demonstrates that research on the relationship between press freedom and corruption is far from exhausted, and that additional and new approaches are needed to learn more. In this chapter, we present the most thorough robustness check of the relationship to date. We combine two different models of the relationship between press freedom and corruption and bring forward more and improved data using the Quality of Government (QoG) dataset. We include a number of different measures of corruption, and apply a new estimation technique in order to deal with well-known problems that arise when estimating models with many time-invariant or almost time-invariant variables.

The reexamination shows that the relationship between press freedom and corruption prevails in our extended analyses: the freer the press, the cleaner the country. We also confirm that the effects of press freedom on corruption levels are more pronounced in the most democratic countries.

PRESS FREEDOM AND CORRUPTION

The concept of press freedom is widely debated in the literature of mass communication. Early definitions reflect post-Second World War geopolitical constructions, and primarily focus on freedom from government control (see, for example, Lowenstein 1970; Weaver 1977; Picard 1985; Hachten 1987; Hagen 1992). Subsequently, definitions of the concept

differentiate between a classical liberal perspective on media freedom – that media should serve to protect the individual from the abuse of the state – and a more radical democratic perspective – media should seek to equalize the imbalances in society between the degree of freedom and independence enjoyed by the media, and the degree of freedom enjoyed by the citizens in their access to media content (see, for example, Curran 1996; Price 2002; McQuail 2005).

Citizens' access to media content and the *availability of information* are important underlying assumptions and crucial determinants for the efficiency of economic markets. Analogous assumptions are being made concerning political markets. For instance, citizens require information to become knowledgeable in order to make intelligent choices regarding their voting behavior. Economists have increasingly emphasized the crucial role played by information in order to avoid market failures and for achieving efficient allocations of resources (Stiglitz 2000). The principal–agent framework, commonly used by both economists and political scientists, is defined by the asymmetry of information between principal and agent (Besley and Burgess 2002; Aidt 2003; Coyne and Leeson 2004; Miller 2005; Teorell 2007; Lindstedt and Naurin 2010). In this case, the principals are typically citizens/voters and the agents are politicians/bureaucrats. The origins of corruption, in this two-model type, can be traced back to an information asymmetry where the agent has an information advantage over the principal.¹ A free press is supposed to contribute to more transparency and a freer flow of information which will decrease the information asymmetry.

Theoretically, causes and determinants of corruption can be found in a variety of characteristics of countries' economic, political, and social systems. Treisman (2000) argues that the countries' officials are balancing expected *costs* of a corrupt act against the expected *benefits*, and that countries' historical traditions might affect the perceived costs and benefits of corrupt actions (Treisman 2000, p. 403) (see also, for example, Root 1996; Rothstein 2011). The most obvious cost is the risk of getting caught and punished. For a number of reasons, the risk of exposure and getting caught is assumed to be larger where *free media* are able to provide citizens with impartial and sufficient information, and independently scrutinize holders of political power (see, for example, Norris 2000, 2006; Zaller 2003). Besides its apparent impact on democracy, economic development increases the spread of education, literacy, and depersonalized relationships. Thus, it can be concluded that corruption is less likely to occur in democratic and more economically developed countries with a freer press and where populations are more educated and literate (Treisman 2000, p. 405).

However, the probability of getting caught also depends on the effectiveness of a country's *legal system*. First, Treisman argues, legal systems differ in the degree of protection and the opportunity for recourse they offer to private property owners harmed by corrupt acts by officials, and additionally differ in the formulations and original intents of laws – *common law systems* and *civil law systems* (see, for example, David and Brierly 1985; La Porta et al. 1999).² Another difference is in the prevailing expectations and practices that preside over how they are enforced – what Treisman terms as “legal culture”. Second, the procedural aspects of laws also differ across countries. Treisman claims that in Britain and some of its former colonies, the focus is on the social role of law and the relative importance of law in preserving social order. In other cultures, social order is associated not so much with adherence to procedures as with hierarchy and the authority of offices. Thus, one might expect countries with different colonial traditions to have different legal cultures – and different degrees of susceptibility to corruption – irrespective of whether they have common or civil law systems.³ Based on this reasoning, one can expect that in countries with common law systems (especially Britain and its former colonies), the legal system is more efficient and the corruption level is lower (Treisman 2000, p. 402).

Another way in which countries' historical tradition might affect the perceived costs of corrupt actions is through the influence of *religion*. Treisman (2000, p. 401) argues that religious traditions have often been thought to condition cultural attitudes towards social hierarchy. Where more “hierarchical religions” – Catholicism, Eastern Orthodoxy, Islam – dominate, challenges to office-holders might be rarer than in cultures shaped by more egalitarian or individualistic religions, such as Protestantism. Nevertheless, religion can also affect corruption levels in the different relational settings between church and state. In religious traditions such as Protestantism, institutions of the church may play a role in monitoring and denouncing the abuse of power by state officials. In other traditions – such as Islam – where church and state hierarchies are closely intertwined, such a role may be uncommon (see, for example, La Porta et al. 1997; Serra 2004). This reasoning implies that corruption is likely to be less common in countries with a Protestant tradition.

An equally complicated set of factors might be the expected benefits from corruption, which a rational official would balance against the expected costs. As Treisman commented: “Most corrupt acts involve a bargain between the official and some private actor. The official uses the powers of office to create concentrated gains for the private partner beyond those he could earn without state intervention” (2000, p. 405). State actions, such as regulation and taxation, may be used to give the

private partner advantages over competitors in the market. In return, the private partner pays a part of the profit to the official.

Treisman means that several factors affect the scale of profits that the official can create for his/her partner by intervening in the market. Most obviously, there is a positive correlation between state control of the economy and the extent of corruption – the larger the state and the greater the extent of state control, the greater the availability of options for corruption (Tanzi 1994). Second, the ability of an official to provide a private partner profitable protection in some domestic market, will depend on countries' openness to trade and external competition from imports (Treisman 2000, p. 435) (see also, for example, Mauro 1995; Ades and Di Tella 1999). From this it can be concluded that corruption is likely to be lower in democratic and more economically developed countries with a freer press and where the citizens are more educated and literate, but also that historical aspects are very important determinants of corruption.

If we take a look at the previous empirical studies on press freedom and corruption, the main picture presents a clear correlation between these two variables (Stapenhurst 2000; Ahrend 2002; Brunetti and Weder 2003; Chowdhury 2004; Macdonell and Pesic 2006; Freille et al. 2007; Olken and Barron 2009; Lessmann and Markwardt 2010). Common indicators, such as newspaper circulation (Besley and Burgess 2002; Adserà et al. 2003; Pellegrini and Gerlagh 2008), media ownership (Djankov et al. 2003; Besley and Prat 2006) and media competition (Suphachalasai 2005), show strong and robust direct effects on levels of corruption, also with alternative measurements and when additional important explanatory variables are being accounted for. However, it is important to distinguish between the role of the free press in making information available to the public (transparency), and the public's access to sanctioning mechanisms and their ability to actually "kick the rascals out" (political accountability) (see, for example, Lindstedt and Naurin 2010).

One of the most ambitious and rigorous research efforts regarding the relationship of press freedom and corruption is that of Brunetti and Weder (2003), where they use alternative measures for both the independent and dependent variable, and where several robustness checks are performed (they test two different press freedom indexes and four different measures of corruption, across countries as well as over time). The results show significant positive effects of press freedom on three of the four corruption control indices, whereby they conclude that in countries where the media are reasonably free from any kind of restriction concerning their activities, corruption levels are likely to be low. Importantly, Brunetti and Weder also address and refute the suspicion that there could be a potential endogeneity problem involved with respect to the causality between press

freedom and corruption, this stemming from the incentives for corrupt governments to restrict press freedom (see, for example, Sussman 2001; Norris 2006).

On the basis of their statistical analysis, Brunetti and Weder conclude: “By way of illustration, in the case of Indonesia it would mean a reduction in corruption to the level of Singapore, for the Russian Federation it would imply reaching the corruption level of the Slovak Republic, and for Nigeria the level of Belgium” (2003, p. 1821). This exemplifies a rather naive notion of the nature of the relationship in previous studies. High levels of press freedom are not a quick fix. Instead, Lindstedt and Naurin (2010) argue that if we are to see any effects of diminished corruption, then reforms focusing on press freedom should be accompanied by measures for strengthening citizens’ capacity to act upon the available information.

Lindstedt and Naurin’s study of the relationship between transparency and corruption is an illustration of how a thorough elaboration of the focal relationship can qualify for our understanding of causal mechanisms. Their claim, which is substantiated by empirical results, is that just making information available will not prevent corruption unless there are favorable conditions already in place for *publicity* and *accountability*, that is, media circulation, free and fair elections, and an educated electorate.

Furthermore, Lindstedt and Naurin attempt to develop the principal–agent model. They argue that we cannot take for granted that transparent information regarding the agent will always reach the principal no matter how available or accessible the information is, and that economists have failed to acknowledge that there are costs involved in obtaining information. Lack of demand, lack of mediators, and citizens’ lack of capabilities to process the information, can hinder a development towards good governance. Lindstedt and Naurin (p. 315) conclude that “increasing the chances of publicity and accountability strengthens the power of transparency to reduce corruption”.

Lederman et al. (2005) explore the link between political institutions and corruption, and argue for the relevance of explanatory variables unique to corruption. The results show that corruption tends to decrease systematically with democracy, parliamentary systems, democratic stability, and press freedom. Additionally, the decrease survives the inclusion of the different sets of controls, with the exception of the press freedom variable, which captures the effect of economic development on corruption. The result is also interesting by signifying the only previous empirical study of the relationship between press freedom and corruption that indicates insignificant results.

An additional study demonstrating the necessity of estimating interaction effects in explanatory models of corruption from a wider perspective

is Ahrend's (2002) analysis of the impact of education on corruption. His analysis shows that the nature of the relationship depends on press freedom. He notes that a high degree of press freedom acts as a channel through which education decreases corruption. Only in countries where press freedom is well developed, is there a positive effect of education on corruption. The causal direction, according to his work, runs from a freer press to lower corruption and is a further example of elaboration which leads to improved or nuanced policy recommendations.

Lessman and Markwardt (2010) investigate the relationship between decentralization and corruption and whether public monitoring, reflected by press freedom, has an impact on the influence of decentralization on corruption. Their major finding is that benefits of decentralization in developing countries occur only if there is a supervisory body that strengthens the accountability of bureaucrats, with the freedom of the press as one such possible institution – decentralization counteracts corruption in countries with a high degree of press freedom, while countries with a low degree of press freedom suffer from decentralization (p. 632).

While many studies of the relationship between press freedom and corruption have dedicated substantial empirical contributions to the economic side of the openness–corruption nexus (trade, trade barriers, capital freedom, and so forth), Charron's (2009) analysis gives further insight into other components of globalization. Charron examines the relationship between two non-trade forms of international openness (social and political) and corruption while taking into account the countries' level of press freedom. The study pays specific attention to how international variables (socio-political openness) are conditioned by domestic institutions (the level of press freedom) concerning their impact on government corruption. The analysis shows empirically that socio-political openness (that is, openness to trade, international organizations, social flows of information) has little to no impact on corruption in the absence of press freedom. Additionally, while the empirical evidence suggests that political and social openness have a significant impact in fighting corruption given a free press, the impact of such international forces is negligible in cases where the level of press freedom is low.

Finally, Chowdhury (2004) presents a concise treatment of the topic. The objective is similar to Brunetti and Weder (2003), although Chowdhury also incorporates the effects of democracy on corruption. In his view, the media's role as an informative device and the standing of democracy acting as a punishing mechanism, should both help towards restraining corruption. The empirical findings of the paper support this conclusion. Both press freedom and democracy are powerful and significant controls on corruption and this result is robust in different settings.

While all these studies (with one exception: Lederman et al. 2005) reach the same basic conclusion – that press freedom is good news for corruption control – nearly all studies use an aggregate measure of press freedom, most of them focus on direct effects only, and do relatively little in matters of testing for sensitivity to changes in the set of conditioning variables.

In the most elaborate and complete analysis of the relationship between press freedom and corruption, Freille et al. (2007) also come to the same general conclusion regarding the effects of press freedom on corruption. Although, in addition to testing for the robust relationship between the aggregate press freedom and corruption, they use previously unexplored data concerning different forms of restrictions on press freedom. Additionally, their study entails a large time-series cross-section regression analysis in combination with an extreme bounds analysis (EBA) accompanied by the use of instrumental variables (IV) to test the robustness and the direction of causality of the relationship between press freedom and corruption. The results verify a close relationship between press freedom and bureaucratic corruption control, thus confirming the findings of earlier research. In their models, they control for a wide set of variables also found consistently related to corruption in previous empirical studies (see also Treisman 2000).

The Freille et al. study also confirms that analyses of *subcomponents* of inclusive press freedom indices are fruitful enterprises in pushing the research forward with regard to pinning down what mechanisms are driving the relationship. Interestingly, their analyses reveal that the subcomponent *laws and regulations* from the popular Freedom House–Freedom of the Press Index (see description on QoG homepage <http://www.qog.pol.gu.se>) fails to qualify as robust, while the other two subcomponents – political and economic pressures on the press – prove to be robust to changes in model specifications. In other words, the results suggest that it is the *political environment* and the *economic environment* (in that order), and not laws and regulations that drive the strong relationship between press freedom and corruption. The authors thus conclude that the improvements in certain categories of press freedom can have an important impact on corruption. Hence, reducing *political* influence on the media may be the most effective way to reduce corruption levels (ibid.).

To summarize, all the studies mentioned, with one important exception, reach the same basic conclusion: the importance of a free press in curbing corruption will serve to improve citizens' accessibility to information which in turn will make it more difficult for politicians and public servants to cover up, or get away with, corrupt behavior. In this chapter, we attempt to combine the approaches found in earlier research simultaneously in order to present a complete account of the relationship between press freedom and corruption. Our ambition is to pursue the approaches in previous

research and perform systematic robustness tests such as the use of multiple indicators and composite measures of press freedom and corruption, as well as error bounds analysis applied by Freille et al. In addition, we want to elaborate the relationship further by replicating previous studies with an expanded number of observations (*ibid.*), as well as introducing the interaction variables conditioning the focal relationship (Lindstedt and Naurin 2010). Lastly, we aim to apply new estimation techniques that can remedy some of the well-known estimation problems present in analyses of time-series cross-section data (Plümper and Troeger 2007).

DATA AND METHOD

The overall purpose of our empirical analyses is to check the robustness of findings from earlier studies of the relationship between press freedom and corruption. The general strategy applied in all the analyses includes (i) replication with an expanded number of observations, (ii) the use of three different measures of corruption, and (iii) the application of new estimation techniques that are tailored to handle estimation problems that arise from having many time-invariant variables when modeling regressions.

Replication

Regarding the replications, we shall reanalyze explanatory models of corruption from two earlier studies, Freille et al. (2007) and Lindstedt and Naurin (2010). These two studies are selected for being among the most elaborated analyses of the relationship between press freedom and corruption. In the first part of the empirical analysis, we shall use Freille et al.'s base model as a starting point. The idea is to replicate their analysis as closely as possible with more empirical observations.

With reference to the base model, nearly all the variables used as control variables in Freille et al.'s study are included, but with more extensive year spans.⁴ These variables portray among other things political rights, freedom from government intervention, democracy over time, as well as several dummies capturing countries' historical characteristics as well as present ones (see detailed information concerning the variables on the QoG homepage). Taken altogether, the number of observations in our analysis is a great deal larger (in the range of 831 to 1,283 observations) than in the Freille et al. study (approximately 487 observations). Regarding the main independent variable, we use the Freedom of the Press index, as in Freille et al.'s study, but with a wider, updated time span: 1994–2006 compared to 1994–2004.

In the second part of the empirical analyses, we are inspired by the models estimated in Lindstedt and Naurin's study. We find those models attractive because of their simplicity compared to the very large model of Freille et al. Originally, Lindstedt and Naurin estimated their model on cross-sectional data. Here, we shall expand the number of observations considerably by estimating the Lindstedt and Naurin model on time-series cross-section data from 1960 to 2009, from 81–110 observations to 662–859 observations. Note however, that our application of the Lindstedt and Naurin model is not an exact replication of their original cross-section-only model.

Multiple Indicators of Corruption

For the purpose of additional robustness checks, we let three highly correlated but different measures of corruption enter as dependent variables in the regression models one at a time: the "Corruption Perceptions Index" from Transparency International (1995–2009), the "Freedom from Corruption Index" from the Heritage Foundation (1994–2006) and the "Control of Corruption Index" from the World Bank (1996–2007). Note that, in the forthcoming regressions, the Corruption Perceptions Index has been standardized from the original scale of 0 (highly corrupt) to 10 (highly clean) to 0–1. Additionally, the Freedom from Corruption Index has been standardized from 0 (highly corrupt) to 100 (highly clean) to 0–1. The World Bank's Control of Corruption Index is standardized with the mean of 0 and standard deviation of 1 each year of measurement. With this coding, we expect a positive and significant relationship between press freedom and corruption: the freer the press, the cleaner the country.

All three measures of corruption originate from credible sources and are used regularly in empirical analyses of corruption. They all claim to assess variations of the incidence of corruption within and between countries.⁵ A scatter plot of the focal relationship between press freedom and the Transparency International measure of corruption (not shown here), using the time-series cross-section data that we have chosen to analyze, typically shows a curvilinear bivariate relationship between press freedom and corruption: moving towards a freer press becomes more important for reducing corruption levels in countries with relatively high levels of press freedom to begin with.⁶

New Estimation Technique

The robustness check with the highest potential to alter what we know about the relationship between press freedom and corruption is the rerun

of the previous studies with a new estimation technique that can handle problems that arise from having many time-invariant variables in the model. All analyses will be performed using both a standard OLS method and a new estimation technique called “fixed effects vector decomposition” (FEVD) – a technique that is more or less tailored for data analyses of time-series cross-section data enclosing many time-invariant variables (Plümper and Troeger 2007). Plümper and Troeger show that if a variable has low within-country variation and large between-country variation – which is typically the case in this type of time-series cross-section data – treating the variable as time invariant in an FEVD model gives more efficient and less biased point estimates.⁷

We believe that the proposed estimation procedure has a large potential to alter the understanding of the relationship between press freedom and corruption, as it has been shown to generate new findings that do not match with earlier results in studies of, for example, human well-being (Boyce 2009), crime (Worrall 2008), trade and foreign direct investments (Márquez-Ramos 2008), deficit spending (Schneider 2010), bureaucratic efficiency (Dahlström et al. 2010), and public policies (Plümper and Schneider 2007). In the coming analyses, 21 of the variables included in the Freille et al. (2007) model have been identified as time invariant using the rule of thumb provided by Plümper and Troeger.⁸ Our “democracy over time” variable contains each country’s average score on the Freedom House democracy index 1972–2009, and consequently this variable is also defined as time invariant since the within-country variation is zero (see appendix, QoG homepage). The stationary dummy variables for legal origin, colonial heritage, and religion are all time invariant by definition.

ROBUST EFFECTS OF PRESS FREEDOM ON CORRUPTION

Does the robust relationship between press freedom and corruption change when we add observations, apply multiple indicators of corruption, and take into account that many of the standard determinants of corruption are time invariant? Our results of the elaborated analyses show that the answer is no – the focal relationship remains robust and significant: *the freer the press the cleaner the country*.

In Table 7.1, we display three comparisons of the two estimation techniques, one for each measure of corruption. As expected from previous research, there are significant direct linear effects of press freedom on all measures of corruption in the OLS models 1, 3, and 5. For instance, the results from the table suggest that *ceteris paribus* moving from minimum

Table 7.1 Modeling the effects of press freedom on corruption (pooled OLS and FEVD, unstandardized regression coefficients)

	Corruption Perceptions Index OLS (1)	Corruption Perceptions Index FEVD (2)	Freedom from Corruption OLS (3)	Freedom from Corruption FEVD (4)	Control of Corruption OLS (5)	Control of Corruption FEVD (6)
Time-invariant variables						
Freedom of the Press (0-100)	0.004***	0.004***	0.002***	0.002**	0.015***	0.015***
Trade	-0.001	-0.001	0.002***	0.002**	-0.000	-0.001
Imports	0.003***	0.003*	-0.004***	-0.003**	0.005	0.007
Fuel	-0.001***	-0.001**	-0.002***	-0.002***	-0.005***	-0.005***
Log of GDP	0.106***	0.110***	0.104***	0.107***	0.420***	0.434***
Parliamentary system (0/1)	0.005	0.016	0.041*	0.049	0.110	0.154
Presidential system (0/1)	-0.001	0.000	0.048**	0.050	0.046	0.061
Maj. electoral system (0/1)	0.011	0.008	0.048***	0.046**	0.029	0.017
Political rights	0.020***	0.017*	-0.007	-0.009	0.022	0.011
Military expenditure (% of GDP)	0.005	0.009	-0.005	-0.002	0.030**	0.047**
Former French colony	0.015	0.031	0.040**	0.045	0.103	0.137
Former Spanish colony	-0.002	-0.016	0.018	0.005	-0.231***	-0.292*
Former British colony	-0.072***	-0.047	0.026	0.039	-0.116	-0.040

Ever a colony	0.001	-0.020	-0.078***	-0.086*	-0.111	-0.166
English legal tradition	0.053***	0.040	0.079**	-0.025	-0.032	-0.078
Socialist legal tradition	-0.199***	-0.197***	-0.127***	-0.221***	-0.836***	-0.838***
French legal tradition	-0.057***	-0.055	-0.014	-0.108**	-0.218**	-0.214
German legal tradition	0.000		0.094**		0.000	
Scandinavian legal tradition	0.082***	0.104	0.000	-0.083	0.256**	0.344
Catholicism as dominant religion	-0.054***	-0.041	-0.015	-0.006	-0.160***	-0.117
Protestantism as dominant religion	0.083***	0.083	0.207***	0.208**	0.240***	0.227
Democracy over time	0.002	0.002	-0.015***	-0.015*	-0.001	0.000
Time-variant variable						
Freedom from government	-0.001***	0.000	-0.001***	-0.000	-0.005***	0.001
Residuals		1.000		1.000		1.000
Constant	-0.689***	-0.836***	-0.413***	-0.417***	-3.976***	-4.524***
Observations	929	929	1283	1283	831	831
R ²	0.856	0.976	0.710	0.880	0.865	0.978

Note: In the analyses, the Freedom of the Press index has been reversed so that 0 equals "least free" and 100 equals "most free". * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

(0) to maximum (100) on the Freedom House press freedom index (model 1) will produce a change of 0.40 in our Corruption Perceptions Index (0–1). The estimated effects are robust across all three measurements of corruption. More importantly, when we expose the focal relationship for the alternative estimation technique, the effects of press freedom remain significant and robust across all three measurements.

Regarding the control variables, most of the indicators for countries' economic development maintain significant values through all six models. The results also confirm the by far strongest and most consistent finding of earlier research showing that lower perceived corruption correlates closely with higher economic development. However, some of the other time-invariant variables are no longer statistically significant when applying an alternative estimation technique. In models 1 and 2, the largest changes take place among the variables measuring countries' historical and cultural characteristics where, contrary to what one would expect, most of the covariates become insignificant when applying FEVD, which may of course be due to the moderately high correlations among them. Nevertheless, the socialist legal tradition covariate retains its significant value through all six models. In models 3 and 4, the same pattern is revealed among some of the countries' political characteristics, and in models 5 and 6, for some of the legal and religious traditions' covariates. Lastly, in all models, the FEVD procedure fails to retain significant values of the time-variant covariate freedom from government.

In Table 7.2, we estimate a much smaller model inspired by Lindstedt and Naurin (2010). In their model they estimate the effects of *rule of law* using a measure from the United Nations Development Programme (UNDP), which undoubtedly is the strongest determinant of a country's corruption level. However, even when taking rule of law into account, there are still effects of freedom of the press and level of democracy.

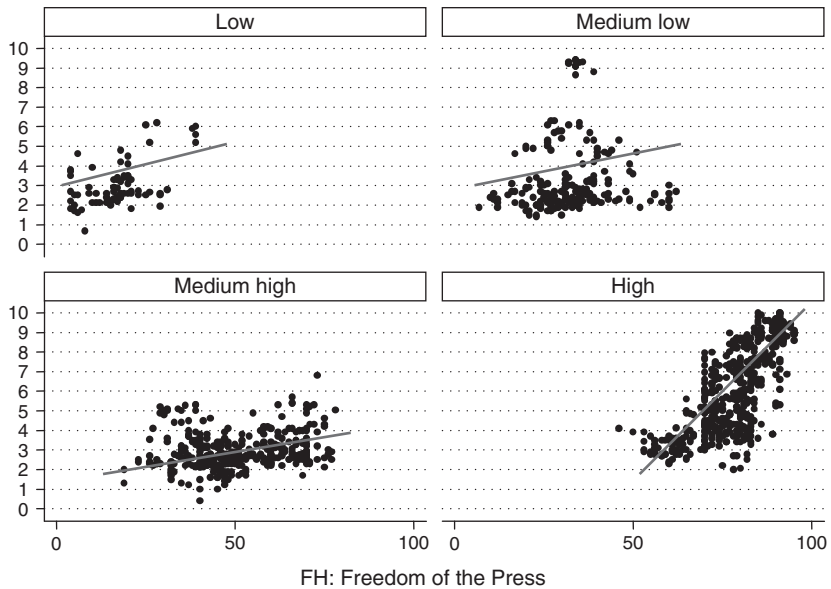
Recall that in this model, press freedom is modeled to interact with levels of democracy. The OLS effects of press freedom, levels of democracy and the interaction term on corruption levels are all highly significant for models 1 and 5. The interaction effect ($FP \times DoT$) is particularly strong; in fact, although the coefficients for freedom of the press (FP) and democracy over time (DoT) both have negative signs, the *combined* effect of the three variables become positive for all countries that score very high on both press freedom and levels of democracy.

The effect of press freedom on corruption starts off negative or insignificant for countries with very low levels of democracy, and becomes more positive the more democratic a country is. In other words, results confirm that there is a curvilinear relationship between freedom of the press and corruption. This finding can be illustrated by plotting the relationship

Table 7.2 Press freedom and corruption (pooled OLS and FEVD, unstandardized regression coefficients)

	Corruption Perceptions Index OLS (1)	Corruption Perceptions Index FEVD (2)	Freedom from Corruption OLS (3)	Freedom from Corruption FEVD (4)	Control of Corruption OLS (5)	Control of Corruption FEVD (6)
Time-invariant variables						
Freedom of the Press (FP)	-0.003***	0.001	-0.000	-0.001	-0.006***	-0.007
Former British colony	0.008	-0.026	0.043***	0.055	0.008	0.017
Trade	0.000	0.000	-0.000*	0.000	-0.000	-0.000
Democracy over time (DoT)	-0.021***	0.024	0.000	-0.005	-0.049***	-0.046
Interaction FP x DoT	0.000***	-0.000	0.000	0.000	0.001***	0.001
Time-variant variables						
Rule of law	0.181***	0.249***	0.182***	0.313***	0.862***	0.966***
Energy use	0.000	0.000	0.000	-0.000**	-0.000	-0.000
GDP	0.000***	0.000	0.000***	-0.000	0.000***	0.000
Residuals		1.000		1.000		1.000
Constant	0.469***	0.353***	0.379***	0.569***	0.134**	0.258
Observations	662	662	829	829	859	859
R ²	0.892	0.980	0.775	0.894	0.944	0.982

Note: More elaborate descriptions of the variables can be found in the appendix, QoG homepage. In the analyses, the Freedom of the Press index has been reversed so that 0 equals "least free" and 100 equals "most free". * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.



Note: The figures show the focal relationship separately for four groups of countries depending on the level of democracy (each country's average score on the Freedom House democracy index 1970–2009).

Figure 7.1 Relationship between press freedom and corruption at four different levels of democracy

between press freedom and corruption separately for four countries with different levels of democracy (see Figure 7.1).

The figure reveals how the relationship between press freedom and corruption is portrayed. At a low level of democracy, the relationship is slightly positive, carrying small effects. This pattern is sustained even with higher levels of democracy, although slowly advancing towards a positive relationship. Not until the democracy level reaches high levels, is there a strong and positive relationship between press freedom and corruption. The relationship is thus J-shaped. “Low” displays the relationship between our dependent and independent variables in countries with low levels of democracy, such as Nigeria and Cuba. In “medium low”, we find among others, Tunisia and the United Arab Emirates, as well as the outlier Singapore. In “medium high”, Bangladesh shows a high level of corruption but a medium level of press freedom. Chile is portrayed as the “cleanest” country in terms of level of corruption with an additionally high level of press freedom. In “high”, where the countries with the highest

democracy levels are presented, we find, for example, Finland and Iceland at the top, whereas Portugal portrays a country at the bottom.

LOOKING BEYOND DIRECT EFFECTS OF PRESS FREEDOM AND CORRUPTION

The justification for the analyses of this chapter was to summarize and robustness test the findings from earlier studies of the relationship between press freedom and corruption. We have replicated prior analyses with an expanded number of observations. Additionally, we have rerun the analyses with three different indicators of corruption and with a new estimation technique. We obtain results that largely confirm earlier findings from the studies we replicated.

The results stress the importance of looking beyond the simple models of direct effects of press freedom and the level of corruption, as the relationship seems to be more complicated than that. We wish to underline that the curvilinear relationship noted by numerous scholars seems best modeled with an interaction between the level of electoral democracy and the level of press freedom (which was also observed in Figure 7.1). The results suggest that the role of a free press in fighting corruption differs depending on whether the country at play has a well, newly, or non-established electoral democracy: among the well-established electoral democracies, the level of press freedom is very important for the ability to fight corruption. Among the newly established democracies, the level of press freedom is less important and, maybe most notably, among countries with weak electoral democracy, the level of press freedom has a relatively small impact in fighting corruption. Instead, a hierarchy of needs becomes evident. These countries are rather in need of, for example, a well-functioning legal system before they can indulge in a luxury such as a free and independent press.

NOTES

1. Corruption ordinarily refers to the use of public office for private gains, where an official (the agent) entrusted with carrying out a task by the public (the principal) engages in some sort of malfeasance for private enrichment which is difficult for the principal to monitor (Bardhan 1997).
2. La Porta et al. (1999) hypothesize that the greater protections of property against the state, embodied in common legal systems, improve various aspects of government performance, including reducing corruption.
3. Treisman (2000, p. 403) argues that legal system and colonial experience are highly correlated, but also considers that the overlap is not perfect. He argues that some former British colonies or mandates do *not* have a common law legal system: for instance,

- Jordan, Egypt, Iraq, Kuwait, Malta and Mauritius. And some countries that were never British colonies have nevertheless adopted common law systems, in whole or in part: Thailand, Western Samoa, Liberia, and Namibia.
4. The variables included in the models that appear in the first part of the empirical analyses are identical to Freille et al. (2007) except for the level of democracy. Since it was not possible to replicate the level of democracy variable from the original data, we have constructed a functional equivalent (see appendix, QoG homepage).
 5. The three measures of corruption show impressive covariation (Pearson's $r = 0.86\text{--}0.97$).
 6. Typically, a scatterplot of press freedom and corruption also reveals a number of outliers. Examples of countries scoring a high level of corruption and a low level of a free press using the Corruption Perceptions Index from Transparency International are, among others, Nigeria, Myanmar, and Libya. Scoring a value of a lower level of corruption, and as well a higher level of press freedom, are countries such as Italy, Zimbabwe and Jordan. Countries with low levels of corruption and a high level of press freedom are, for example, Finland, Canada and Austria. An outlier scoring low levels of corruption but with merely a medium level of a free press is Singapore, and an outlier with the opposite scenario – a high level of corruption but with a medium–high level of a free press – is characterized by Bangladesh.
 7. The FEVD estimation proceeds in three stages: (i) in the first stage, the procedure runs a pure FE model on the baseline model to obtain an estimate of the unit effects; (ii) in the second stage, the unit effects are decomposed into an explained and unexplained part (the error term of the second stage) by regressing the unit effects on the time-invariant explanatory variables of the original model; and (iii) the third stage estimates the original model by pooled OLS regression, including the time-invariant variables and the error term of the second stage.
 8. A prerequisite for successfully applying FEVD is to define whether variables are time invariant or rarely changing. Here, we apply the rule of thumb developed by Plümper and Troeger's (2007) simulations. To determine whether a variable is time invariant, calculations are performed to obtain the quota of the between-country and within-country standard deviation (bw-quota; see appendix, QoG homepage). If a greater part of the variation in an independent variable is *between* countries rather than across time *within* countries, the variable is a candidate for being defined as time invariant. Plümper and Troeger demonstrate that the quota thresholds depend on the correlation between the independent variable and the dependent variable in the model. For independent variables where the correlation with the dependent variable is higher than 0.30, the variable is defined as time invariant if the bw-quota is higher than 1.7. If correlations are higher than 0.50 the bw-quota threshold is 2.8, and higher than 0.80 the bw-quota threshold is 3.8. For independents that correlate lower than 0.30 the rule of thumb is to define the variable as time invariant if the bw-quota is higher than 0.2.

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8. Weberian bureaucracy and corruption prevention

Carl Dahlström and Victor Lapuente

As noted in several chapters in this book, corruption is a persistent problem in the world today. This is true not only for developing countries in Latin America, Africa and Asia, but also for many European democracies such as Italy and Greece (for an overview, see Holmberg et al. 2009). In the academic field of public administration and in national debates in several countries it has been suggested that corruption can be curbed by fostering a traditional organization of public administration, guaranteeing lifelong careers, formalizing recruitments, and introducing strong legal protection for civil servants. This chapter examines these suggestions and demonstrates that they are merely myths of corruption prevention.

The consequences of widespread corruption for economic development and social well-being are important in several ways. For example, factors related to corruption seem to be more decisive than traditional variables in economics for explaining sustained economic growth (Mauro 1995; Hall and Jones 1999; Rodrik et al. 2004). In addition, corruption has dramatic effects on social well-being as it contributes to worse educational attainment, lower levels of health and happiness, worse protection of the environment, impoverishment of social and political trust and higher levels of violence (Holmberg et al. 2009). Therefore, the quest for finding institutional recipes to curb corruption has become a goal for many researchers and policy makers.

Policy makers and academics have, for example, suggested that institutionally isolating public administration from politicians' interferences curbs corruption. A group of characteristics that have received attention are some fairly narrowly defined components of a Weberian bureaucracy such as formalized recruitment of public servants, lifelong tenure and special employment laws for public employees.¹ A common denominator of these bureaucratic features is that they aim to create a clear separation of the activities between public servants and politicians and, therefore, they have tended to go hand in hand.

The result is that we have some countries with more isolated bureaucracies than others. In studies mainly of OECD countries, scholars have noted a division between the “open” (for example, the US, the UK and the Netherlands) and the “closed” (for example, France, Belgium and Spain) civil service systems (Auer et al. 1996). Politicians in more closed civil service systems have limited discretion to manage public employees, although they often develop large bodies of politically appointed advisors instead (Painter and Peters 2010). Staff policy is in these countries often firmly controlled by autonomous administrative corps of civil servants, with recruitments made through formal examinations and life tenure guaranteed for those who pass those exams (Heady 1996; Bekke and Van der Meer 2000). In the more open civil service systems of Sweden, the UK, the Netherlands or Finland, public employees do not enjoy special employment laws, life tenure is less frequent, and public employees resemble their private sector counterparts more.

Before moving on, a word of caution is in order regarding this classification of national bureaucracies. As Dahlström et al. show in this volume (Chapter 3), characterizing public administrations as closed or open is mainly meaningful for Western and post-communist countries. In other parts of the world these different aspects of staff policy do not cluster together in the same way as in Europe. This chapter therefore treats the four components of an isolated bureaucracy, for which measurements are available, separately (these are salaries, recruitments, tenure and employment laws).

This chapter makes two contributions. First, we argue that one should make a distinction between two different ways in which politics and administration can be isolated from each other. Different arrangements can separate careers of politicians and administrators, or separate their activities. We explain why one should expect different effects on corruption, depending on which of these arrangements is dominant. Another paper in which both authors of this chapter have participated (Dahlström et al. 2011) shows a systematic positive effect of arrangements separating careers. In particular, that study notes a strong and significant effect of meritocratic recruitment to the administration, which is robust to stringent controls, such as the inclusion of the most prevailing institutional explanations, for example, the form of government or the characteristics of the electoral system.

However, we know less about the effects of separating the activities of politicians and administrators, which leads us to the other, and maybe most important contribution of this chapter. The chapter empirically analyzes the effects on corruption of four characteristics associated with administrations that separate the activities of politicians and administrators, using

a unique dataset based on a survey covering the administration structure of 97 countries. The empirical analysis demonstrates that these characteristics are not linked with low corruption, as traditionally alleged by the defenders of a closed bureaucracy.

The policy implications are thus relevant for any government interested in tackling systematic corruption: unlike the frequent interpretation of a Weberian bureaucracy as one that establishes a “stark line” between the activities of politicians and administrators, we claim that that stark line should instead be established between their careers, making it difficult for bureaucrats to become elected politicians and vice versa.²

THE BUREAUCRATIC DINOSAUR IS BACK

There is a long list of explanations for corruption levels and the quality of public institutions resorting to differences in cultural values, economic development or political institutions (for an overview, see Holmberg et al. 2009). In the empirical section we shall include one indicator from each of these as control variables. However, the main contribution of this chapter is not to offer a comprehensive explanatory model. Instead, our focus is to examine an explanation that has gained attention from both academics and policy makers, namely the institutional design of public administration.

The first generation of explanations concentrated mostly on cultural factors. Weber’s (1946 [1978]) well-known theory of Protestant work ethics and Banfield’s (1958) theory of “amoral familism” in Southern Europe are both classical examples of culture-based explanations for understanding the divergence performances of countries. Also more recent studies, focusing on differences in quality of government, have underlined the importance of cultural or religious values (for example, Putnam et al. 1993; La Porta et al. 1999; Treisman 2000, 2007).

These studies, however, present problems that encourage more institutional approaches. First, cultural factors are difficult to falsify, and, as some authors have noted, it is not intellectually satisfying to argue that people act in a corrupt fashion simply because they lack morals (Erlingsson et al. 2008, p. 600). Second, even the most sophisticated empirical analysis showing that Protestant countries exhibit lower levels of corruption fail to provide causal mechanisms (La Porta et al. 1999; Treisman 2007). Third, cultural explanations of corruption and quality of government suffer from the problem of reverse causality. One cultural factor often considered key for explaining good institutions is the degree of generalized trust, or social capital, especially after Putnam et al.’s (1993) influential study of

the differences between Northern and Southern Italy. As recent theoretical and empirical developments suggest, however, the direction of the causation could be the other way around (Rothstein and Stolle 2008).

This is also the problem of authors – such as Welzel and Inglehart (2008) – who emphasize the importance of economic development for understanding why some democracies perform better in terms of governance. It can be argued, echoing the main prediction of classical modernization theories, that increasing levels of economic development lead to higher demands from voters and, as a result, higher quality of government. However, there is an extensive and growing literature showing that the causal relationship arrow also goes in the opposite direction: the countries that are more capable of curbing corruption grow faster (see Mauro 1995 for an earlier test; see also Rodrik et al. 2004).

If we move to political institutions, it has been suggested that democracies, where incumbents are directly accountable via elections, should outperform unaccountable autocracies in curbing corruption. However, empirical evidence in favor of the democratic hypothesis is, at best, mixed (Holmberg and Rothstein 2010). Numerous scholars have explored what Harris-White and White (1996, p. 3) and Sung (2004, p. 179) define as the “contradictory” relationship between democracy and corruption, and concluded that corruption increases in transitional countries and that new democracies are able to effectively curb corruption only after a consolidation process (this is discussed by Charron and Lapuente in this volume, ch. 6).

In sum, we shall control for the main cultural variable according to the literature (that is, the degree of “Protestantism”), the level of economic development in the empirical analysis (GDP), together with the most explored political factor (that is, the level of democracy in a country).

The main focus of this chapter, however, is the public administration structure, which is a factor traditionally overlooked by the literature on corruption. Recent studies have provided increasing evidence pointing towards the importance of bureaucratic institutions *vis-à-vis* the conventionally examined political institutions for understanding corruption differences (Rauch and Evans 2000; Olsen 2006; Dahlström et al. 2011). As Olsen (2006, p. 1) puts it: Weberian bureaucracy does not seem to be an “organizational dinosaur helplessly involved in its death struggle”. Instead, “it is time to rediscover bureaucracy” (*ibid.*, p. 1). Nevertheless, as noted by numerous scholars, a Weberian bureaucracy may mean many different things and, in principle, it contains a large number of characteristics that potentially may have very different effects (Hall 1963; Olsen 2008).

In this chapter we focus on one core principle of a Weberian bureaucracy, namely the idea of separating the political sphere from the administrative

sphere within public organizations.³ This principle was the cornerstone of the British Northcote–Trevelyan Report of 1853, which is considered as the founding text of the modern meritocratic administration in the Western world (Mouritzen and Svava 2002, p. 3).⁴ For the purpose of this chapter it should be noted that already at that time these reforms aimed at tackling the extensive corruption, patronage and nepotism, in Britain known as “Old Corruption”.

The separation between politics and administration is also of essential concern for the two authors most frequently cited in the literature on administrative systems, namely Max Weber (1946 [1978]), who underlined the necessity of having a civil service that was politically independent, and Woodrow Wilson (1887), who advocated the establishment of a separate sphere for public administration. The idea of a strong bureaucracy that acts as a counterweight to the power of a democratic majority is also prevailing in the current scholarship. Gary Miller (2000, p. 325) concludes, for example, that “in order to be efficient . . . governments should establish mechanisms which constrain, and not only facilitate, popular democratic control over the bureaucracy”.

SEPARATING ACTIVITIES OR CAREERS?

In spite of the consensus about the beneficial effects of separating politics and administration, it is much less apparent how administration and politics should be separated and what effects the different ways of institutionalizing such a separation have. Schematically, politics and administration can be separated in two different ways, which potentially can produce very different outcomes: (i) the separation of activities and (ii) the separation of careers.

We shall use the example of the main administrative figure in Western local governments to illustrate the difference between the separation of activities and the separation of careers because this figure travels well and has been subject to some comprehensive large-*N* comparative studies (Mouritzen and Svava 2002). The literature refers to this figure as the “chief administrative officer” (CAO) because of its resemblance to the chief executive officer (see *ibid.*, p. 8). In the classic metaphor of good local governance offered by Peter Self (1972), the separation of politics and administration at the local level can be imagined as an arch, at whose apex the chief administrative figure (CAO)⁵ and the chief political figure (the council leader or the mayor) cohabit. Yet the same figure plays a quite different role in what otherwise may be relatively similar local entities.

For instance, Spain is a country with strict separation of the activities of elected politicians and CAOs. Mayors and councillors monopolize policy decision making while the *secretarios-interventores* do not take an active part in the decision-making process. Their involvement is restricted to a more passive role, as they mainly check the legal validity of the decisions by an all-political local executive. This is also the main purpose of local CAOs in other countries within the Napoleonic administrative tradition, such as France, Italy or Portugal.

In contrast, in countries with local governments organized according to what we call here the “separation-of-careers” principle, such as in the Nordic countries, CAOs play a more active role in policy making and management. Local CAOs may even launch their own policy initiatives as well as providing policy proposals elected representatives. The political neutrality of these local CAOs does not imply policy passivity, but rather an active role in policy design. CAOs are “professionally and morally obliged to furnish their political leaders with alternative policies which can be developed” (Asmeron and Reis 1996, p. 8). However, different formal and informal mechanisms prevent bureaucrats in countries organized after the separation-of-careers principle from engaging in political activities themselves and, particularly, from running for office (Dahlström and Lapuente 2010), while the opposite often occurs in countries organized after the separation-of-activities principle (for example, in France and Spain).

The separation-of-careers principle does thus not separate political and bureaucratic activities or responsibilities, but almost the contrary. This structure forces individuals with known different interests, some motivated by political re-election and others by their careers as professional managers, to take policy decisions together.

By contrast, the separation-of-activities principle emphasizes the need to keep CAOs as separated as possible from the activities undertaken by elected representatives. CAOs in such a model are limited to a passive role in policy making. Therefore, all relevant policy making and managerial activities fall into the hands of a team of individuals with a shared fate, namely the elected officials of the ruling party and their political advisors.

In settings where the careers of politicians and administrators are separated, CAOs act as a political brake on the party interests of the elected representatives in terms of, for example, giving greater consideration to the long-term objectives of public policies (Mouritzen and Svava 2002, p. 8).⁶ There are empirical indications of positive effects on local government of having two leaders that are accountable to different groups – the elected representative and the CAO – working in tandem. The tension derived from the division of political activity between agents with such different

interests has thus a healthy impact in terms of good governance, and permits a more balanced formulation of public policies.

Going beyond local governments, and looking at the general organization of public administrations in 52 countries, Dahlström et al. (2011) argue that making professionals who respond to different chains of accountability work close together, creates a coordination problem if they want to engage in corrupt activities. This means that when elected politicians are accountable to the party and public managers are accountable to professional peers, they have less margin for opportunistic behavior. According to the same study, public administrations with such characteristics are empirically associated with low levels of corruption.

Keeping different career interests in the two groups of professionals (politicians and bureaucrats) at the apex of leadership of a local government, or, more generally, of any public administration, is thus a deterrent of power abuse or corruption. In other words, the antidote against corruption and malfeasance in public office is to have individuals with different interests jointly taking the same decisions.

FOUR WAYS OF SEPARATING THE ACTIVITIES OF POLITICIANS AND ADMINISTRATORS

Paradoxically, most policy recommendations for curbing corruption through administrative design, however, do not aim at creating a separation of the careers of politicians and bureaucrats but rather at separating their activities. In short, politicians should monopolize decision-making activities while bureaucrats isolated from politicians' interferences should monopolize policy implementation. The former should not get involved in the activities of the latter and vice versa. This chapter identifies four widespread recommendations aimed at separating activities of politicians and bureaucrats that will subsequently be tested empirically.

The first recommendation is that a traditional public management organization consolidates a more effectively isolated bureaucracy than a new public management (NPM) organization, since the latter is based on the idea that politicians may introduce incentives (for example, performance-related payments instead of flat salaries) to make bureaucrats more accountable to their wishes. A prevailing argument in the literature on corruption is that NPM reforms open windows of opportunity for corruption. This would happen even in countries with high levels of quality of government. As Erlingsson et al. (2008, p. 595) argue regarding Sweden (although they admit that "hard empirical data do not yet exist"): "our conclusion is that there are reasons to suspect that retrenchment

initiatives and organizational reforms over the latest two decades, often labelled ‘new public management’, have increased the risk of corruption”. The basic idea behind this suspicion is that the principle of legality is the ruling principle in the traditional public management organization, while the principle of efficiency takes priority in a more NPM-oriented public sector (for a review of the literature on Spanish corruption cases, see Lapuente 2009). It is argued that the greater flexibility associated with NPM reforms and lack of administrative procedures that guarantee the principle of legality create opportunities for partial and/or corrupt policy decisions. For instance, a politician who wants to favor cronies in public procurement may create NPM-based agencies that are more directly accountable to that politician.

The other three recommendations stem from the idea that careers in the public sector should be isolated from private market flexibilities in order to create the best opportunities for impartial implementation of policies. Public jobs should therefore follow a “closed” system in contrast to the “open” or “position-based” public administration system. In such systems recruitments, careers and exits of public employees are firmly controlled and often formalized (Heady 1996; Bekke and Van der Meer 2000). At the other end of the continuum in more open public administrations (Auer et al. 1996), the public sector resembles the private sector more.

Scholars have noted the importance of career stability for how organizations work. In Gary Miller’s (1992) *Managerial Dilemmas*, the beneficial effects of medium–long-term strategies based on long-term employment commitments are shown. Yet, authors defending the closed civil service system go a step further in demanding almost total guarantees of job security in what, de facto, becomes life tenure for public employees. This is a key characteristic of the civil service status granted to the bulk of public employees in the closed administrative model (for example, the *funcionario* or *fonctionnaire*). For some administrative scholars, the closed public administration system would obey a more sophisticated conception of civil service than the open system because it involves life tenure and a step-by-step promotion based on seniority. In addition, civil servants achieve a maximum knowledge of the organization (Gutiérrez Reñón 1987, p. 66).

The positive views of a closed public administration system are common in European academia. For instance, the German autonomous public administration system is considered a “guarantor of the public good” (Goetz 2000, p. 87) and the French as essential to the “strong state tradition” (Meininger 2000, p. 189). At the same time, attempts in some countries, such as Spain, to introduce elements of a more open civil service system are seen as the “the sword of Damocles . . . hovering over their [civil servants’] heads” (Crespo Montes 2001, p. 114). Moving towards a more

open public administration would thus result in less efficient public organizations as well as create more opportunities for corruption. This is also the conventional view among public opinion leaders in many countries. For example, the major Spanish newspaper, *El País*, voiced its opposition to those elements of the new Civil Service Act that have tried to replace rigid employment arrangements with more flexible private sector-like conditions in local governments (Iglesias 2007, p. 127).

The argument for an isolated bureaucracy with firmly regulated recruitments, careers and exits in the public sector is thus that they limit the ad hoc flexibility of private sector-like contracts. The three main mechanisms to keep public employment as public as possible would be: recruitment via anonymous formal examination systems which eliminate the subjectivity (and thus, the opportunities for nepotism) that the private sector-like conventional procedures (for example, screening of CVs, face-to-face job interviews) allow; a guaranteed secure tenure, which prevents political superiors from removing inconvenient public employees; and special labor laws – different from the general labor laws covering private sector workers – protecting public employees and limiting the possibilities for punishing public employees by firing them.

In sum, four hypotheses can be derived from this view of a Weberian bureaucracy as separation of politicians and bureaucrats:

Hypothesis 1: NPM-oriented public sectors are associated with higher corruption levels.

Hypothesis 2: When recruiting public employees formal examinations are associated with lower corruption levels.

Hypothesis 3: Lifelong careers for public employees are associated with lower corruption levels.

Hypothesis 4: The existence of special employment laws for the public sector is associated with lower corruption levels.

The remainder of this chapter will be devoted to the empirical test of these four hypotheses.

METHOD AND DATA

In the empirical section we investigate the relationship between four ways of creating a separation of activities between politicians and public

administrators (traditionally organized public sector, formalized recruitment to the public sector, lifelong careers and special labor laws for the public sector) on the one hand and corruption on the other, in 97 countries around the world. The method we use is very straightforward. We start by looking at simple correlations between the four indicators and levels of corruption, illustrating the relationships with scatterplots. We then employ cross-section OLS with a minimum amount of control variables. We include three control variables in the regression from the spheres discussed in the theoretical section: one cultural (Protestantism), one political (level of democracy) and one economic (log of GDP per capita).

On the dependent side, the corruption level, we rely on the Corruption Perceptions Index (CPI) from 2010. This is a widely used aggregate corruption measure, ranking countries according to the corruption level in the public sector and provided by Transparency International. Some 178 countries are ranked on a scale from 10 (very clean) to 0 (highly corrupt). The CPI 2010 brings together data from 13 different data sources from 10 different institutions over a period of two years. The bulk of these sources are based on perceptions from either country experts or business leaders (Transparency International 2010, p. 15).

On the independent side we use a unique comparative dataset on the structure of public administration. The data is produced by the Quality of Government survey (from here on the QoG-survey). This is a country expert survey completed by 973 public administration experts from a total of 126 countries. The data have been collected in two different waves, one running from September 2008 to May 2009 and the other running from March to November 2010. In this chapter we use a merged dataset, combining both waves. The number of respondents per country in the QoG-survey varies from one to 28, with a mean of 8. However, in order to enhance data quality we include only the 97 countries for which at least three expert responses have been obtained (for a more detailed discussion, see Dahlberg et al. 2011; and Dahlström et al., ch.3 in this book).

We use four different indicators from the QoG-survey, one for each of the four hypotheses described in the previous section. The first, the NPM orientation of the public sector, is measured through a question where experts rank the degree to which salaries of public sector employees are linked to appraisals of their performance, on a scale from 1 (hardly ever) to 7 (almost always). See Table 8.1 for the exact wording of all questions used in this chapter.

Although NPM is a broad concept including much more than performance-related pay for public sector employees, it should be uncontroversial that performance-related pay is a core element of NPM, as it exemplifies a new component in rewarding systems not present in

Table 8.1 Indicators of the degree of NPM, formal examinations, lifelong careers and special labor laws for the public sector

Indicator of:	Question	Scale
Degree of NPM	The salaries of public sector employees are linked to the appraisals of their performance.	1 (hardly ever) 7 (almost always)
Formalization of recruitments	Public sector employees are hired via a formal examination system.	1 (hardly ever) 7 (almost always)
Career tenure	Once one is recruited as a public sector employee, one stays a public sector employee for the rest of one's career.	1 (hardly ever) 7 (almost always)
Special labor laws	The terms of employment for public sector employees are regulated by special laws that do not apply to private sector employees.	1 (not at all) 7 (to a very large extent)

Note: Questions are from the QoG-survey.

Sources: Dahlberg et al. 2011; Dahlström et al., ch. 3 in this volume.

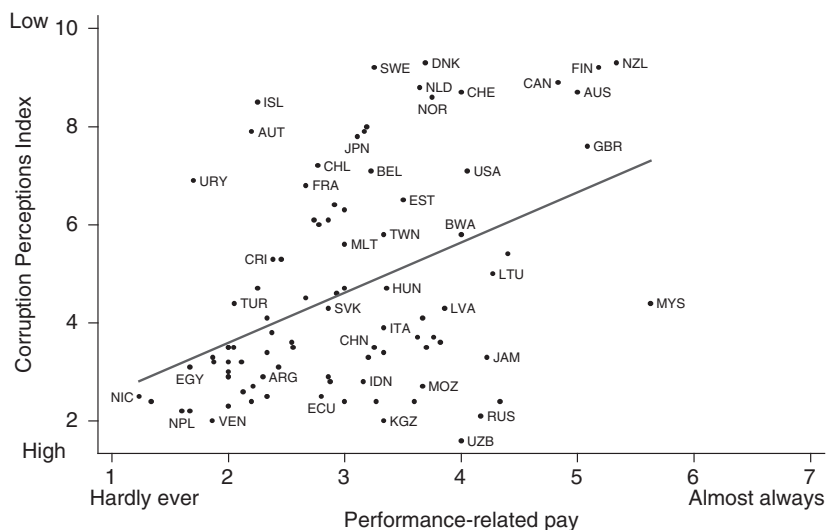
traditional public administration (Hood and Peters 2004; Thompson 2007; Dahlström and Lapuente 2010). The degree of performance-related pay in the public sector should thus give a good indication of the degree of NPM. The second indicator we employ relates to how commonly formal examinations are used when public sector employees are hired, again going from 1 (hardly ever) to 7 (almost always). The third indicator is a question about how frequent it is that one stays as a public sector employee for the rest of one's career once recruited, again measured from 1 (hardly ever) to 7 (almost always). The fourth indicator comes from a question relating to the regulation of public employees. More specifically, it asks whether public sector employees are regulated by special laws that do not apply to private sector employees, on a scale from 1 (not at all) to 7 (to a very large extent).

As already mentioned we use three control variables. First, on the cultural side, we use a control for the proportion of Protestants in the population 1980, from La Porta et al. (1999). Second, on the political side, we control for the level of democracy that is taken from Freedom House and Polity (from 2002 to 2006 varying for different countries).⁷ Third, relating to economic development, we control for logged GDP per capita, from the United Nations Statistics Division (2009). All control variables are taken from the Quality of Government dataset (Teorell et al. 2010).

EFFECTS OF SEPARATION OF ACTIVITIES

A prevailing argument in the literature on corruption is that NPM reforms open windows of opportunity for corruption, and that a traditionally organized public sector has stronger legal mechanisms and more routines for preventing corruption (Andersson and Erlingsson 2010). Previous literature thus suggests that we should find a negative relation between the degree of NPM and the CPI (remember that lower values in the CPI indicate more corruption).

When we examine the situation from a comparative perspective, however, it becomes hard to blame the new organizational modes of the NPM for corruption. Consider Figure 8.1, which reports the degree of performance-related pay (our NPM measure) on the x-axis and the CPI on the y-axis. The correlation between performance-related pay in the public sector and the CPI is positive, and not negative as suggested in the literature. The correlation is also fairly strong (0.42). Countries with a high score in the CPI are thus in several cases those that have adopted



Note: The y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). The x-axis reports the degree to which salaries of public sector employees are linked to appraisals of their performance on a scale from 1 (hardly ever) to 7 (almost always).

Sources: Y-axis: Transparency International (2010); x-axis: QoG-survey.

Figure 8.1 Performance-related pay in the public sector and corruption

Table 8.2 Four indicators of a closed public administration and corruption

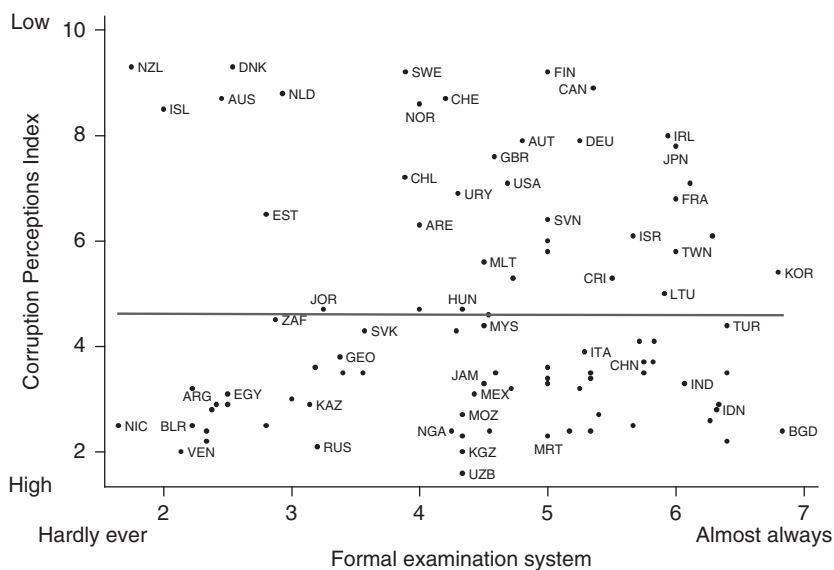
	1	2	3	4
Performance-related pay	0.146 (0.125)			
Formal examination system		0.070 (0.082)		
Lifelong careers			0.070 (0.082)	
Special employment laws				-0.117 (0.159)
Level of democracy	0.067 (0.047)	0.065 (0.047)	0.065 (0.047)	0.068 (0.047)
Protestantism	0.023*** (0.005)	0.026*** (0.005)	0.026*** (0.005)	0.023*** (0.005)
Log (GDP/capita)	0.999*** (0.096)	1.014*** (0.095)	1.014*** (0.095)	1.029*** (0.095)
Constant	-4.659*** (0.661)	-4.677*** (0.694)	-4.677*** (0.694)	-3.798*** (1.081)
Number of countries	91	91	91	91
Adjusted <i>R</i> -squared	0.798	0.797	0.796	0.796

Note: *** significant <0.01 level.

Sources: Data for performance-related pay, formal examination systems, lifelong careers and special employment laws are measured on a scale from 1 to 7 and come from the QoG-survey (Dahlström et al., 2011). Level of democracy is taken from Freedom House and Polity (2002–06 varying for different countries). Protestantism is measured as the proportion of Protestants in the population in 1980 and is from La Porta et al. (1999). Data on GDP per capita are from the United Nations Statistics Divisions (2009).

more NPM reforms. For example, Finland, New Zealand, and the UK are often considered as forerunners in terms of NPM reforms, while countries such as Spain, France and Italy are considered to be “laggards” (Hood 1996; OECD 2004; Pollit and Boukaert 2004; Dahlström and Lapuente 2010).

The first column in Table 8.2 reports the regression coefficients when we examine the same hypothesis but take into account that the relationship could have been suppressed by cultural, political or economic factors. Including the control variables, however, does not seem to change anything in substantive terms. The performance-related pay coefficient is also positive when the controls are included. However, it is not statistically significant. We are therefore unwilling to draw any conclusions from the positive correlation between the degree of performance-related pay and



Note: The y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). The x-axis reports how common it is that formal examinations are used when public sector employees are being hired on a scale from 1 (hardly ever) to 7 (almost always).

Sources: Y-axis: Transparency International (2010); x-axis: QoG-survey.

Figure 8.2 Formal examination system and corruption

the CPI, but the results clearly indicate that there is no negative relationship as suggested before.

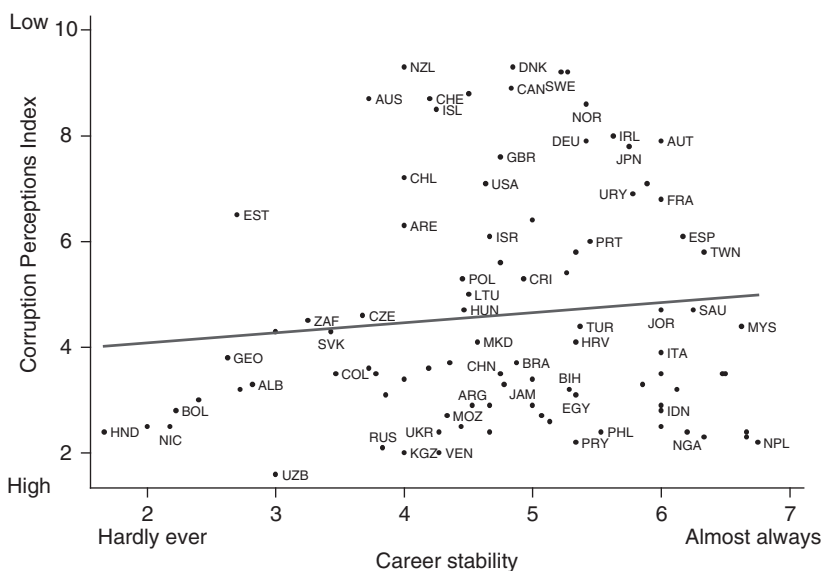
One important argument for formalized recruitments to the public sector is that anonymous formal examinations limit the opportunities for nepotism and politicization of public sector positions. More informal recruitments resemble the private sector, since positions are open for competition and filled with the most suitable candidate, often resorting to private sector-like recruitment systems such as screening CVs and personal interviews. The basic idea is that an informal system is more easily manipulated and should therefore offer more opportunities for corrupt behavior and, maybe more importantly, create close ties between politicians and administrators. Figure 8.2 reports how common it is that a public sector employee is recruited via formal examinations on the x-axis, and scores on the CPI on the y-axis. If the hypothesis from previous literature is right, the relationship between formal examinations and the CPI should be positive. As is evident from Figure 8.2, however, the

correlation is close to zero (0.02), indicating that the two phenomena are unrelated.

Column 2 in Table 8.2 reports the results from an OLS regression including the same three control variables as before (democracy, Protestantism and GDP per capita). The regression coefficient for formal examinations is positive but the effect is very weak and the coefficient is not statistically significant. Therefore, we are fairly confident that there are no positive relationships between formalism in recruitments and low corruption, as suggested in the hypothesis.

If we move from aggregate data and look at some specific countries, we find illustrative examples of the relatively counterintuitive result that public employment systems that are more similar to the private sector are not more prone to generate corruption. For instance, while face-to-face interviews belong to the standard repertoire of selecting public employees in a country such as Sweden (a country with a high CPI score), it has traditionally been rejected as a method for recruiting public sector employees in Spain (a country with a lower CPI score). When the Spanish administration needs to fill a vacancy, the standard procedure is the publication (in the official administration's bulletin) of detailed lists of desired characteristics of the would-be civil servants (and the respective points assigned to each characteristic). Unlike the Swedish procedure (theoretically more prone to subjective considerations), the formalized Spanish mechanism may lead to some – although hard data are unavailable to confirm it – abuses. For example, some heads of administrations, in order to favor their preferred candidate, simply insert some very specific qualifications in the legal job description published in the administration's *Boletín Oficial*. These practices of bending the formal exam in favor of a preferred candidate are, obviously, very difficult to uncover, let alone to prove before a court that a special requirement for a particular post was meant to favor a given candidate. Nevertheless, some scholars and civil society organizations have listed many striking cases that point towards an intention of nepotism and power abuse. For example, for theoretically standard managerial jobs, some official requirements have included bizarre conditions such as “knowing how to ride a horse” or “having been manager of a ceramics factory” (Iglesias 2007, p. 124). This example points out that it is also possible to manipulate formal recruitment systems, which would explain why they are not an effective protection against corruption.

The third hypothesis suggests a positive relationship between the length of career tenure for public sector employees and the CPI. Here the basic idea is that a secure position for public employees makes them more autonomous and therefore less dependent on politicians. Some scholars



Note: The y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). The x-axis reports how frequent it is that one stays as a public sector employee for the rest of one's career once recruited on a scale from 1 (hardly ever) to 7 (almost always).

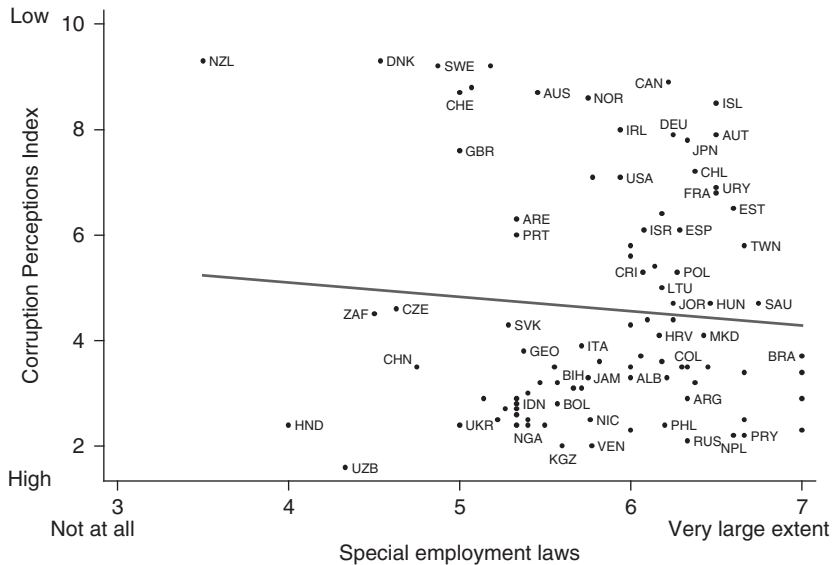
Sources: Y-axis: Transparency International (2010); x-axis: QoG-survey.

Figure 8.3 Career stability in the public sector and corruption

have suggested that a secure position creates an *esprit de corps* within the agencies that hampers corruption (Rauch and Evans 2000).

Figure 8.3 has the degree of career stability on the x-axis and again the CPI on the y-axis. There is a weak positive relationship between career stability and the CPI (0.13). An OLS regression without any controls shows that the relationship is not statistically significant (coefficients not shown). When the three controls discussed earlier are included in the regression, the career variable stays weak and statistically insignificant (reported in column 3 in Table 8.2).

Another way of creating a secure position for public sector employees and isolating them from political and public pressure is to have special labor laws for public employees. For the same reasons as just discussed, this has been considered an efficient way of combating corruption (Cádiz Deleito 1987, p. 113). If we believe this argument, we should expect a positive relationship between to what extent public sector employees are regulated by special employment laws and the CPI. Figure 8.4, however,



Note: The y-axis shows the level of corruption on a scale from 10 (very clean) to 0 (highly corrupt). The x-axis reports if public sector employees are regulated by special laws that do not apply to private sector employees on a scale from 1 (not at all) to 7 (to a very large extent).

Sources: Y-axis: Transparency International (2010); x-axis: QoG-survey.

Figure 8.4 Special employment laws in the public sector and corruption

reports a negative relationship, but the correlation is only -0.06 , and thus very weak. A regression without control variables included shows a statistically non-significant regression coefficient (not reported). When the same controls as in previous analysis are included in the regression the coefficient for special employment laws stays negative and statistically insignificant (see column 4 in Table 8.2). We are therefore reluctant to draw any conclusions from the negative relationship but are convinced that there is no positive relationship between special employment laws and the CPI.

There are two potential objections to the results presented in this section. First, characteristics of an isolated administrative organization could support each other and produce only the expected effects when they do so. Second, it is possible that the expected effects occur only at higher levels of development or in different parts of the world. In order to check the robustness of our results, we have rerun all regressions with an additive index of the four indicators as the independent variable (first objection) and divided the sample into four subsamples of OECD/non-OECD

countries and EU/non-EU countries (second objection). There are no substantial changes of the result when we use the additive index (results not shown). When we divide our sample into subsamples, the results change in two interesting ways. Both speak against the expectation in the literature and strengthen our results. In the OECD sample, the positive (not expected) effect of performance-related pay is statistically significant on the 0.10 level, and the negative (not expected) effect of career stability is statistically significant on the 0.05-level (results not shown). Since we have a minimum of controls and only observe significant results in one of our subsamples, however, we are unwilling to draw any conclusions from these unexpected effects.

To sum up, we have been able to contradict the expectations when it comes to the effects of an isolated administrative organization on the levels of corruption. We have used four different indicators of bureaucratic isolation and none of them has shown a statistically significant association with corruption in the expected direction.

SEPARATE CAREERS, BUT NOT SEPARATE ACTIVITIES

It is often stated that the public sector should be protected from politics and that an isolated bureaucracy, in this sense, is less prone to corruption. This chapter has tried to uncover the relationship between four characteristics of an isolated public administration and levels of corruption worldwide. It has previously been suggested that: (i) so-called NPM reforms should introduce more opportunities for corruption; (ii) a formalized recruitment system to the public sector should curb corruption; (iii) long career tenure for public employees should curb corruption; and (iv) strong employment laws for the public sector should limit corruption. Using a dataset including 97 countries around the world, we have tested these hypotheses. In sum, we show that there is no empirical association between any of these characteristics and low corruption.

We believe that two mechanisms explain why isolating the activities of the administration is not an efficient tool for curbing corruption. First, there are several examples showing that politicians in countries with a closed administrative model try to work around the rigidity of administrative procedures by designing *at will* flexible para-administrative structures (for example, public companies, foundations, and private–public joint ventures) which in turn may open windows of opportunity for corruption. Spain is one such example, but the same can be seen in Belgium and Italy (Cassese 1999; Dierickx 2004; Lapuente 2009).

Second, a strict separation of political and administrative activities between elected and bureaucratic officials leads to the monopolization of decision making in the hands of elected officials and the implementation details in the hands of bureaucrats, creating opportunities for abuses in both types of activities. For instance, in the strict separation of political and administrative activities, bureaucratic officials are restricted to “external control” of politicians’ decisions. That is, as is the case with bureaucratic officials in Napoleonic countries such as the Spanish local *secretarios*, they check whether politicians’ decisions follow the required legal and administrative procedures. Bureaucratic officials check politicians’ decisions *ex ante* or *ex post* and *from the outside*, but not *during* and *within* the decision-making process.

It is plausible to assume that, no matter what external controls decision makers are subjected to, they will always enjoy a margin of maneuver for corrupt activities. The reason being that it is logically impossible to eliminate the *residual* – that is, the opportunity for personal or partisan advantage – that is a part of all policy decisions (Miller and Hammond 1994). Decision makers always enjoy at least some opportunities for taking advantage at the expense of social welfare derived from their informational advantages (for example, how much a bridge – and all its feasible alternatives – really costs). Similar also to organizational economists (Miller and Falaschetti 2001), this chapter considers that it is key to create a relative (not absolute, since it would lead to complete gridlock) coordination problem among decision makers to minimize the probabilities of opportunistic behavior. We argue that the separation-of-careers model creates such a coordination problem, because we have agents responsive to two different chains of accountability (professional peers in the case of bureaucrats, and party fellows in the case of elected officials) forced to jointly take policy decisions.

Instead of creating a coordination problem, closed administrations actually *solve* the problem by dividing politicians and bureaucrats into two independent – and internally coherent – groups assigned to distinct tasks. The decision making falls exclusively into the hands of politicians and policy implementation into the hands of bureaucrats. In a closed administration, bureaucrats are, at best, “external legal checks” for politicians’ decisions. For example, in Spanish local administration, the chief administrative officer, the *secretario-interventor* reviews politicians’ decisions (for example, granting a public contract to a private provider) and checks whether the formal legal requirements have been met. Yet, within the limits of the existing legal framework, local politicians have a wide margin to take their most preferred policy decision (for example, which private contractor to benefit). In this context, individuals with shared interests

(for example, elected politicians of a given party) unilaterally set the level of the “residual” and who will eventually benefit from it.

In our view the most promising solution is to force people with different interests to take decisions involving the residual, as in open public administrations. This is the case, for example, in local governments in Continental and Northern European countries where unelected bureaucrats are involved in active policy making together with elected officials. In the more “open” public administrations the residual is thus in the hands of two types of officials (elected and bureaucrat) who respond to different chains of accountability (the party and the bureaucrat’s professional network). As a result, favoring some particular citizens or firms, violations of the impartiality rule, and other corrupt activities are less likely when individuals with different interests must take policy decisions jointly.

There is also empirical evidence showing that arrangements consistent with the separation-of-careers principle curb corruption. This idea is directly tested in Dahlström et al. (2011), who show that the critical factor separating good performing administrations from poorly performing ones is how the selection of public employees takes place: if merit trumps personal and political connections, the probability of curbing corruption hugely increases.

Judging from the results presented in this chapter and in related papers, policy makers and others interested in reducing corruption through administrative design should aim for reforms separating the careers, but should not have too high hopes when it comes to the effects of reforms separating the activities of politicians and administrators.

NOTES

1. For a discussion on other characteristics of a Weberian ideal-type of bureaucracy, see Evans and Rauch (1999); Olsen (2006); Dahlström et al. (2011). The particular bureaucratic characteristics studied in this chapter also belong to the “Weberian elements” of what comparative studies such as Ongaro (2008, p. 113) or Pollit and Bouckaert (2004, pp. 99–100) define as the Neo-Weberian State (NWS). Since the NWS is a concept difficult to operationalize – scholars admit that it is an *omega concept* and thus vague and incomplete (Pollit and Bouckaert 2004, pp. 100–102; Ongaro 2008, p. 113) – we focus our analysis on the individual characteristics for which we have measurements.
2. The “stark line” is a frequently used metaphor to describe the virtues of the Weberian or Wilsonian idea-type of bureaucracy (for a recent review of this view, see Lewis 2008, following Weber 1946 [1978], p. 95 and Wilson 1887, p. 210). The stark line would separate the activities of these two groups and “politicians should make policy and professional administrators should dutifully carry it out” (Lewis 2008, p. 6).
3. Therefore, similar to scholars in this administrative literature (Rauch and Evans 2000), we do not explore other hypothetically important principles long associated with a Weberian bureaucracy, such as the standardization of procedures or its hierarchical character.

4. The contemporary discussions in other European countries were very similar and, for instance, the Spanish Prime Minister Bravo Murillo, himself familiar with the problems of politicians' ad hoc interventions in the Treasury, aimed – unsuccessfully – at separating the political and administrative spheres in Spain via a Decree in 1852 (Lapuente 2007).
5. Examples of a CAO would be the city managers of the Anglo-Saxon world, the Swedish *kommunchef*, the Finnish *Kommundirektör*, the *segretari comunali* in Italy, or the *secretario-interventor* in Spain.
6. More on CAOs: how does a US *city manager* describe his/her role? “Mayors? I work with them, but I don’t work for them” (Mouritzen and Svava 2002, p. 47). CAOs also play another role, the “whistleblower” (Erlingsson et al. 2008, p. 601). The bureaucrat, as a potential whistleblower, thus maintains an informal control over the elected representatives.
7. We use the Freedom House/Polity version, which has imputed values for countries where data on Polity are missing by regressing Polity on the average Freedom House measure (see Hadenius and Teorell 2005).

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9. Do international organizations promote quality of government?

Monika Bauhr and Naghmeh Nasiritousi

In 1998, UN Secretary-General Kofi Annan identified good governance as “perhaps the single most important factor in eradicating poverty and promoting development” (Annan 1998). Following the growing consensus on the detrimental effects of bad government institutions (Mauro 1995; Evans and Rauch 1999; OECD 2001; Rothstein and Teorell 2008), several international organizations (IOs) have undertaken the task to address problems of bad quality of government (QoG) in member states as a matter of urgency. By virtue of their political and economic strengths, IOs are often expected to have the means to spread norms of appropriate behavior. However, the evidence presented so far on successes in this field has been mixed. While broad empirical studies have confirmed the link between international integration and reduced levels of corruption (Sandholtz and Gray 2003), numerous case studies fail to find a positive link between IO engagement and better government institutions (Kelley 2004; Schimmelfennig 2005).

One reason for this is the lack of systematic understanding of the different pitfalls that IOs may encounter when engaging with member states. Past studies have explained failures in IOs’ strategies by looking at conditions at the recipient end of the targeted action. Thus the focus has predominantly been on hampering circumstances within the member country, such as lack of political will or the weakness of institutions (Dollar and Svensson 2000). While such explanations are in many cases important, they are inadequate for explaining failures by IOs to promote norms. This is because it is a recognized fact that most countries that are the target of IO interventions for promoting QoG are characterized by three things: (a) low political will for reforms due to high vested interests, (b) weak institutions through which to implement reforms, and (c) limited resources for carrying out comprehensive reforms (Fjeldstad and Isaksen 2008). In other words, pointing out that a case of norm diffusion failed to meet its objectives because of lack of political will in the country fails to account for weaknesses within IO strategies themselves.

In this chapter, we instead attempt to cast the focus on the other end of the targeted action – namely the hampering factors that are internal to the IO's own efforts for government reforms in member states. We show that even if perfect external conditions were to exist (such as no domestic opposition to good government reform), the *strategies themselves* have drawbacks that can contribute to lessening their intended impact. In other words, in the process of transferring norms to member states, there are internal factors within these strategies that in practice reduce their effectiveness. In order to gain a better understanding of how IOs can promote QoG, we need to look more systematically at the internal weaknesses in the different strategies used.

We identify six such factors that may affect success or failure of IO efforts: imprecise data, market pressures, contested policy advice, lack of mainstreaming of governance norms within IOs, incomplete internalization of norms by member states, and a low priority of QoG issues. We show that while IOs can exert both material and ideational pressures that have significant potential for affecting state behavior, the strategies used to promote QoG can be weakened by factors which have little to do with circumstances within the targeted state. The chapter thereby contributes to the research agenda that explores factors that can impact on IO performance (Gutner and Thompson 2010). In sum, this chapter illustrates that there is a sharp divide between theory and practice on international integration.

HOW INTERNATIONAL ORGANIZATIONS PROMOTE QUALITY OF GOVERNMENT

IOs are typically expected to have a positive influence on global development. However, their precise role is contested. In the realist approach, IOs play primarily a coordinating role in international relations and states can choose to ignore them whenever they are in conflict with the pursuit of national self-advancement.¹ Others suggest, however, that IOs can have a deep impact on domestic policy making and assign a central role to IOs. Regime theorists, for instance, view IOs as a source of norms and legitimacy that can considerably impact on state behavior (Heinmiller 2007, p. 657). IOs enhance cooperation, provide a venue for policy formulation, and transfer models of governance internationally (Barnett and Finnemore 1999).

IOs use a wide variety of strategies to influence state behavior, including promoting interstate competition for international status and investments, providing direct and indirect conditions on economic assistance and aid,

socializing states through international interactions, and placing conditions for membership in IOs, such as the European Union (EU). IOs can therefore often employ both ideational and material strategies to influence states. IO strategies for norm diffusion consist of either attempting to convince member states of the rightfulness and appropriateness of particular international norms for obtaining a legitimate place in the social order of states, or trying to incentivize states into adopting these norms based on rational calculation of functional benefits. In short, whereas the former strategy is value driven and based on a “logic of appropriateness”, the latter is based on realizing self-interest or a “logic of consequentiality” (March and Olsen 1989).

Socialization theory offers a widely used understanding of how IOs can diffuse norms to member states. This theory treats IOs as “social environments” wherein states and state agents may be socialized through participation (Checkel 2005, p. 815). Socialization has been defined as “a process of inducting actors into the norms and rules of a given community” (ibid., p. 804). IOs have thus been seen as contributing to socialization by connecting countries in networks of values and cultural exchanges. Moreover, IOs can contribute to reform by providing specific technical expertise or offering normative ideas (Checkel 2001; Jacoby 2006, p. 628). According to Sandholtz and Gray (2003, p. 769), “the most important IO teacher of norms” in the field of good governance is the World Bank. Since the 1990s, the Bank has formulated a set of good governance programs that it seeks to implement in its lending practices.² These norms include, for instance, accountability, transparency, public participation, and anti-corruption and governance rankings have been developed as a tool to pressure states to conform to these norms. The World Bank’s good governance norms are thus an example of how IOs can establish standards of appropriate behavior that could affect domestic politics.

Several IOs also have significant political and economic resources to induce states to carry out reforms. Strategies that provide material incentives to states to comply with international norms, such as aid conditionality and IO accession processes, have received widespread attention because of their economic impact on states. Research on reform agendas in Eastern Europe, for instance, finds that IO strategies that do not offer both strong political and economic incentives for countries to adopt better government institutions often fail (Kelley 2004; Schimmelfennig 2005).

While several studies show the potential power of IOs to diffuse norms in the international system, there have been few attempts to assess more systematically the merits of the most common strategies employed by IOs to influence norm promotion in states. Studies on how IOs influence domestic norms have so far offered few systematic accounts of the

mechanisms at work when QoG is promoted.³ Sandholtz and Gray's (2003) empirical study of 150 countries suggests that being integrated into international networks of communication through IOs reduces the level of corruption. Their study, however, puts less emphasis on the causal mechanisms through which this occurs.⁴ Furthermore, their conclusion does not always find support in other empirical studies on the effect of international integration and government reforms. One explanation for this is that socialization effects are hard to measure (Johnston 2001; Checkel 2005; Hooghe 2005).⁵ Another reason, however, may be that there has been little analysis of the shortcomings in the strategies employed.

IMPRECISE DATA

One of the most successful strategies in recent years to draw attention to the differences in QoG between countries has been the development of governance rankings. These have been employed by IOs, non-governmental organizations (NGOs) and academics to analyze the effects of QoG on a range of factors, such as social well-being and sustainable development (Holmberg et al. 2009). The governance rankings are also used to promote a logic of appropriateness by placing pressure on governments to reform. While the impact of these rankings has been widespread, the strategy of placing normative pressure on states to reform using governance rankings is hampered by imprecise data.

There are a range of indicators and indices that attempt to measure governance and government performance, of which the best known is the World Bank's Worldwide Governance Indicators. Other partial systems of governance ratings, on which the World Bank's indicators are based, include for instance Transparency International's Corruption Perceptions Index and Freedom House's Freedom in the World ratings. These rankings are used to foster a naming and shaming process whereby states are pressured into improving their governments as a way to better their image in the world. It has been argued that these ratings serve an important role in encouraging government reforms. According to Rotberg (2004, p. 73), Transparency International's corruption rankings have "managed to shame countries and rulers in Africa and Asia to reduce corruption at the national level, leading more nations to seek to be perceived as less corrupt". The rationale for rankings is thus that they can draw attention to the state of governments in different countries and provide normative pressure for states to introduce reform. They may also contribute to embolden civil society organizations that work with these issues so that they can be more effective in their efforts (*ibid.*, p. 73). Thus, in theory,

rankings should work positively in encouraging quality of government reforms.

In practice, however, the difficulty in producing objective indicators may work against this strategy. This is because current rating systems are based on perceptions and can therefore appear as being biased (*ibid.*, p. 72; de Haan and Everest-Phillips 2007). Other studies have similarly pointed to the lack of transparency in some indicators, which can lead to the misuse of indicators when conclusions drawn from this data are translated into policies (Arndt and Oman 2006; see also Kaufmann and Kraay 2008). Thus, as objective criteria to assess QoG do not exist, countries at the bottom of the rankings can discard them as being political. Low-ranked countries that are strong enough to withstand the competitive pressures that this strategy brings into force may choose to largely ignore them. Such an example could be seen in certain Middle Eastern governments, where the commonly used rankings are dismissed as a case of Western bias against their country. This could therefore weaken the positive effect as described in the theory.

For the ranking tool to work at its full potential, then, the indicators need to be both accurate and authoritative – qualities that are hard to achieve in practice. Rotberg (2004, p. 81), for example, calls for the setting up of an independent NGO to collect and draw up reliable measures of good governance. Although this could potentially solve some of the above-mentioned problems, questions pertaining to the possibility of objective measures of QoG to be drawn up and find acceptance among a majority of states means that the normative pressure of government rankings may in practice not be as effective as envisaged in theory.

MARKET PRESSURES FOR INVESTMENTS IN LOW QoG COUNTRIES

Rankings can also be used in a more direct way by IOs, for example as a basis for IO investment decisions in member states. This type of strategy, however, faces a different type of hampering factor which, as will be shown below, has to do with the logic of market pressures.

IOs can use their significant material resources to pressurize states with low QoG by directing investments to countries with better QoG. Studies on foreign direct investment (FDI) argue that government quality is important in attracting investors to a country. The World Bank has produced research that points at investment benefits in countries with high QoG (see, for example, Isham et al. 1977, p. 237). This is consistent with studies that argue that respect for human rights is positively related

to increased FDI inflows (Blanton and Blanton 2007), and that find that democratic rights and FDI have a positive correlation (Busse 2004). Thus, in theory, if the World Bank predominantly invested in developing countries that have taken steps toward improving their governments and reducing corruption, the rate of return on those investments would be greater. Such a strategy would hence discipline countries into improving their governments so as to attract investment.

In practice, however, the Bank has a mandate that precludes it from taking political considerations into account when making investment decisions. This may explain why World Bank investments also go to countries with a very bad government record. As the redefinition of the term “corruption” from being a political issue to being an economic issue showed, however, the Bank has scope to direct its lending as it sees fit.

The actual problem may be that QoG variables play a lesser role in investment decisions than some research has suggested. Bénassy-Quéré et al. (2005) have, for example, shown that while government quality matters, investments are predominantly directed by economic factors such as market size. Similarly, an UNCTAD report on what governments can do to attract FDI mentions factors such as improving infrastructure and skills, but does not propose that countries increase accountability or strengthen anti-corruption work (UNCTAD 2008).

The most obvious cases when QoG and profitable investments clash are in many resource-rich countries. When natural resources are involved, the positive link between QoG and profitable investments often breaks down. The World Bank has made some attempts to reconcile this conflict by making an agreement with the resource-rich country stating that some of the profits will be used to improve government institutions and reduce corruption in the country. An example of this is the Chad–Cameroon oil pipeline, where the World Bank employed this innovative approach in an attempt to break the “resource curse”.⁶ The idea was that with World Bank assistance, the oil venture would result in reducing poverty and improving governance in Chad. However, the result of this project has shown that once contracts have been signed, the country has little incentive to comply with the agreement (Pegg 2006). These problems thus once again highlight that the disciplining effects of the investment tool can be hard to obtain in practice.

CONTESTED POLICY ADVICE

A different type of internal weakness that has received much attention in recent years pertains to the contested policy advice to low QoG countries

offered by IOs. This type of hampering factor is often associated with the strategy of placing conditions on economic assistance. These tools include structural adjustment programs, conditionality schemes and other types of financial assistance with strings attached. These strategies have frequently been practiced by both states (that is, the Millennium Challenge Account⁷) and IOs such as the World Bank and the IMF. They are similar to the ranking tool in that they add pressure on states to enact institutional reform. The difference, however, is that lending and aid are used as tools with a more direct approach taken to provide technical advice to bring about reform. As will be shown below, it is the contested nature of this policy advice that can reduce the effectiveness of this strategy.

The objective of conditionality and structural adjustment programs is to “enable donors to question aid-recipient countries’ policy structures and processes and to get them to alter them according to universal criteria and conditions established by the donors” (Doornbos 2003, p. 11). Key reform areas include public sector budgets, the legal system, civil service reform, and civil society support. The idea is thus that objective advice is given to governments who wish to receive foreign aid or borrow from international financial institutions. These financial benefits consequently hinge on good performance, so as to ensure that the disbursed resources come to best use (IMF 1997, pp. 8–9).

In practice, however, “good performance” is hard to achieve. The main problem is similar to the difficulties involved in producing objective indicators for which governments are good, and which ones are bad. The theory on which this mechanism builds assumes that objective advice is unproblematic. For instance, there is not even agreement on whether corruption is a cultural or a structural problem; even less is there agreement on which anti-corruption measures are most effective (Doig and Riley 1998). What is attempted in placing conditions on economic assistance is in fact a form of social engineering that is difficult to achieve in practice. Grindle (2004), for example, argues that the governance advice offered to developing states is often built on a weak theoretical framework that lacks contextual clarity.

Other critics argue that IOs too often focus on policies that are based in a particular ideology that aims at “rightsizing the state”, including trade liberalization and privatization, over other institutional factors (Campbell 2001; Khan 2002). Gerring and Thacker (2005) show that some of the neo-liberal policies that have been associated with organizations such as the World Bank and the IMF may be linked with lower corruption, but that downsizing the state does not have an effect on corruption. The authors therefore conclude that policy makers should be wary of policy prescriptions that are “overaggregated” and that do not look at distinctions or

make explicit necessary qualifications (*ibid.*, p. 251). The problematic policy advice by IOs is also raised in a review of the World Bank's anti-corruption strategy. According to Fjeldstad and Isaksen (2008, p. 13), the World Bank's policy advice in this field suffers from two weaknesses: "First, the anti-corruption strategies and policies seem to assume that the Bank knows what works or not, which is not the case. Second, it sometimes appears that the Bank uses as an argument (often superficially) that controversial aspects of its general macroeconomic and sector policies also help reducing corruption".

Thus an extensive body of literature contends that inappropriate policy recommendations have made these measures ineffective, and at worst even counterproductive. Three examples of counterproductive use of economic incentives have been pointed out as being particularly significant. First, structural adjustment programs can undermine democratic accountability as governments have to conform to the demands of the creditors (Whitfield 2005; Ksenia 2008). Second, to the extent that structural adjustment programs require reductions in national budgets, corruption could increase due to lower wages for civil servants (Ksenia 2008). Third, privatization undertaken in areas with weak institutions can increase corruption by increasing the opportunities of rent-seeking (*ibid.*; see also Rose-Ackerman 1996).

One solution to these problems that is often recited in the literature is to increase country "ownership", so as to give greater voice to domestic stakeholders. However, as Kapur and Naim (2005, p. 91) point out, "in a country where democratic checks and balances are weak, 'ownership' may be little more than a sign of the stranglehold that vested interests have on national policy". In other words, ownership does not guarantee better policies. If governments are corrupt or captured by vested interests, ownership may make policies neither better nor more legitimate.

So there do not appear to be any quick fixes to the problems that hamper this strategy from bringing about the desired institutional development. Perhaps when the theoretical foundations of policy advice have been strengthened, the strategy of placing conditions on economic assistance will work more like the theory posits.

LACK OF MAINSTREAMING OF GOOD GOVERNANCE NORMS WITHIN IOs

The lack of mainstreaming of QoG norms presents a different challenge to IO strategies – particularly to those that involve social learning. Strategies of social learning work by introducing international norms,

such as transparency and anti-corruption, to domestic audiences and elites through IO-led interactions such as workshops, capacity building, and knowledge sharing.⁸ The idea is that countries will emulate behaviors that they view as internationally respectable in order to fit into the community of nations (Landolt 2004, p. 582). However, as the analysis below will show, this strategy struggles to have the intended effects because of the lack of mainstreaming of norms within IOs.

According to the theory, agents can form new identities and shape alternative attitudes through interaction with transnational actors. Examples of this are the change in attitudes in many parts of the world after the negotiations of the Anti-Corruption Convention, capacity building in the field of human rights, and knowledge sharing about increasing transparency in budget processes. One of the mechanisms through which these kinds of international interactions can result in norm diffusion is individual attitude change as a result of persuasion and political pressure (Alderson 2001, p. 420).

However, the implementation of governance reforms has been neither universal nor complete. The lack of resonance with domestic understandings is usually given as one factor why this mechanism may fail to influence norms (Acharya 2004). What is less frequently discussed, however, are the internal contradictions of this mechanism. They can be viewed as stemming from a fundamental flaw in the literature, namely a “selection bias [that suggests] that the West promotes only liberal or progressive norms” (Landolt 2004, p. 581). The implication of this is that the literature omits the possibility that IOs project conflicting norms. Such a possibility arises not least when IOs engage in transnational interactions that do not explicitly have an objective of QoG promotion.

IOs perform a wide range of tasks in which they engage member countries. These interactions could lead to the promotion of sometimes conflicting norms (Bauhr 2009). The international climate change regime can be used to illustrate this point. IOs, such as UN agencies and the World Bank play a central role in promoting measures against climate change in developing countries, either through market mechanisms or more traditional aid. The system that has attracted the greatest international attention so far is perhaps the Clean Development Mechanism (CDM), the first global market mechanism in international environmental law and the largest market for offsets. The system allows developed countries to invest in developing countries in order to comply with their internationally agreed emission reduction targets. Thus, the CDM has no primary or explicit objective of transferring QoG norms. Nevertheless, through the number of interactions during the project processes, participants’ attitudes and norms may shift as a result of the new influences. Unfortunately, the

accounts of the institutional set-up of the CDM have not been very positive. Critics argue that the CDM rules are such that they create perverse incentives and that the mechanism promotes corruption and outright fraud (McCully 2008; Davies 2007).⁹

Thus, interaction with IOs does not necessarily promote better government institutions. The influence of IOs may be determined by important conditions including the effect of IO reforms on the impartiality and predictability of the international system (Bauhr and Nasiritousi 2012). Furthermore, when IOs do not consequently act according to the norms they officially promote when engaging in transnational interactions, mixed signals may be sent that reduce social learning on quality of government norms. This conclusion was echoed in an independent review of the World Bank's anti-corruption efforts. The study identified several shortcomings in the Bank's efforts to fight corruption around the world. One of the key findings was the lack of mainstreaming and leadership on the issue:

A lack of common purpose, distrust, and uncertainty has enveloped the anti-corruption work of the Bank. What is important in that effort is achieving a clear sense of direction, bringing into concert the disparate units of the Bank, some of which have failed to recognize the importance of anticorruption and governance efforts in working with client nations. (Volcker 2007, pp. 9–10)¹⁰

Thus the report recommends that the Bank integrates the good governance paradigm into its own programs in order to ensure the integrity of its projects. With better mainstreaming of QoG norms within IOs, socialization strategies may become more successful in diffusing these norms.

INCOMPLETE INTERNALIZATION OF NORMS IN MEMBER STATES

For other types of IO strategies, it is important not only that norms have been mainstreamed within the organization itself, but also that its member states have internalized particular norms. This type of hampering factor – the incomplete internalization of norms in existing member states – is particularly evident in the membership process of certain IOs.

Membership processes can employ the tool of political conditionality, whereby carrots and sticks are used to motivate countries to undertake government reforms. This strategy has frequently been studied within the context of EU accession conditions, which have proven relatively effective in bringing about the requested reforms in aspiring member states (Jacoby 2006, p. 646). Countries wishing to join the EU must, for example, comply with a set of political and economic conditions – known

as the Copenhagen Criteria. The political conditions include provisions about such issues as human rights, democracy, the rule of law, and minority rights (see Presidency Conclusions 1993). Because of the significant benefits associated with EU membership, an accession country faces both political and economic incentives to fulfill the membership criteria. In fact, this mechanism has empirically been shown to be the most effective in promoting norms (Kelley 2004; Schimmelfennig 2005).

However, even this mechanism suffers from shortcomings that may impede its effectiveness. Except for the fact that only a limited number of IOs (can) employ such rigorous conditions for membership (for example, because they already have universal membership or lack the means to impose conditions)¹¹ – thus reducing the applicability of this tool – two other issues can lessen its effectiveness. First, IOs vary in the degree of authority and capabilities that are required to succeed in promoting QoG. Ambrosio (2008, p. 1324) argues that there is a positive correlation between what he calls IOs with high “democratic density” – that is, where most members are democracies – and the success rate of promoting these norms. Analogous to this is that member states as well as the IOs that place conditions on new members must themselves have embodied the required norms. Studying the example of the EU’s effort to promote the norm of transparency to accession countries, Grigorescu (2002, p. 482) argues that it is more difficult for IOs to promote norms that existing member states have themselves not fully internalized: “This lack of a commonly accepted transparency norm in member states has led to difficulties in the adoption of mechanisms through which IOs can promote such a norm”.

This therefore means that the political conditionality tool may be weakened if potential member states perceive the IO’s efforts to promote specific QoG norms as having had little impact on the governance arrangements within existing member states. For this strategy to work effectively, therefore, IOs would first need to strengthen the internalization of QoG norms in the old member states.

LOW PRIORITY

The final hampering factor is also found in the membership processes of certain IOs and is related to the weakness identified above. The political conditionality approach has difficulties of another kind, which has to do with the low priority assigned to certain QoG issues. The priority assigned in IOs to QoG and anti-corruption can partly be explained by how much domestic constituents in donor countries prioritize corruption in relation to other development issues. Bauhr et al. (2012) show that corruption in

recipient countries reduces overall public support for development aid in donor countries. However, this effect is mitigated by country- and contextual-level effects and different understandings of the fundamental role of foreign aid. In a similar vein, when IOs prioritize some membership conditions over others, the less-prioritized reforms may not be implemented. Sandholtz and Gray (2003, p. 793) suggest that anti-corruption reform was not a prioritized area in the enlargement process involving the Eastern European accession countries. Although anti-corruption was a condition for membership, pre-accession reports about prospective members rarely dwelled on the topic. Instead, Sandholtz and Gray (p. 794) argue that the EU prioritized economic reforms and compliance with EU regulations over other reforms. Consequently, the EU had to deal with corruption problems in new member states after accession. It found the level of corruption in Bulgaria so alarming in 2008 as to warrant the withholding of some EU funds (Vucheva 2008).

The reason why corruption issues were not prioritized in the accession process may have been due to the thorny nature of the issue and the fact that corruption problems within the EU's own institutions are perceived as being widespread. Alternatively, it is conceivable that organizations have to prioritize certain conditions for membership when there are numerous reform areas that are considered important. Not giving equal attention to all conditions for accession in turn creates the problem of assessing when the membership conditions have in fact been fulfilled. Of particular importance for this mechanism to work effectively is that the granting of membership does not become a matter of diplomatic decision making where some countries get accepted based on political considerations without having fulfilled the conditions. Otherwise, if certain countries get accepted as a matter of political expediency rather than because they fulfill the accession criteria, the incentive to improve governments are weakened. This is particularly true if potential member countries come to the view that the membership criteria do not in fact matter.

In sum, what is important for the political conditionality tool to work effectively is that IOs and their member states internalize the norms that they put out as conditions for membership and that the conditions are assessed consistently and even-handedly.

THE POWER AND POTENTIAL OF INTERNATIONAL ORGANIZATIONS

In an age of globalization, where the barriers between national and international politics are increasingly blurred, it is not a simple task to

evaluate the effects of IOs on domestic governments. Whereas IOs are often assumed to play an important role in spreading international standards of government behavior, the empirical evidence that exists has produced a more mixed assessment.

The analysis in this chapter shows that even if IOs have powerful tools to influence QoG at their disposal, the strategies that they employ suffer from internal shortcomings that significantly limit their influence. Our analysis of case studies and comparative studies show that some of the most frequently used IO strategies to promote QoG suffer from a number of specific internal shortcomings that hamper their effectiveness: imprecise data, market pressures, contested policy advice, lack of mainstreaming of norms within IOs, incomplete internalization of norms by member states, and low priority of QoG issues.

The chapter thereby contributes to explaining the dissonance between the strong theoretical tenets for IO influence and the numerous case studies that fail to find a link between international integration and QoG reform. In contrast to much of the literature that attributes shortcomings or failures to country-specific particularities, such as the amount of domestic resistance to reforms, the chapter focuses on weaknesses that are internal to the mechanisms that the IOs employ.

Substantial benefits can be reaped by also looking into problems internal to the mechanisms of norm diffusion. Reforms focusing on internal IO weaknesses could potentially have an effect across different contexts and how IOs refine their own internal strategies will define their effectiveness. A challenge for scholars is to offer theories and assessments of how the internal limits of strategies aimed at promoting government quality identified in this chapter interact with domestic and other external factors. A stronger theoretical and practical understanding of the internal weaknesses of IOs is an important step towards understanding and improving the quality of governments.

NOTES

1. This view is often associated with the works of Krasner (1991) and Mearsheimer (1994).
2. The World Bank broadly defines good governance as “the traditions and institutions by which authority in a country is exercised. This includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them” (Kaufmann et al. 1999, p. 1).
3. For a classification of different methods in which external actors can influence domestic politics to bring about reforms, see Jacoby (2006). Jacoby offers three models of norm

diffusion: inspiration, coalition, and substitution. These focus more on defining the degree of intervention by external actors and the link-up with domestic groups than specifying the tools to achieve reform.

4. Similarly, Bearce and Bondanella (2007) present support for the international socialization theory, but do not identify the mechanisms through which this works.
5. Checkel (2005, p. 803) mentions a number of empirical challenges in studying socialization, such as how to operationalize socialization, develop reliable indicators and obtain good data.
6. The resource curse refers to the apparent paradox of resource-rich countries having lower levels of economic development than countries where natural resources are less abundant (Ross 2003).
7. The Millennium Challenge Account is a bilateral aid program created by the Bush administration in 2004. It works according to the principle that developing countries with good governance are able to make better use of the funds received. Countries that are eligible for development aid through the Millennium Challenge Account are therefore selected according to a number of criteria, including Civil Liberties, Voice and Accountability, and Rule of Law (<http://www.mcc.gov/selection/index.php>).
8. Another form of interaction with transnational actors is direct intervention in a country to promote specific reforms (Jacoby 2006). Such an example is the intervention in Kosovo and the subsequent set-up of an international authority. However, these efforts are more directly led by certain countries, that is, they are not initiated by IOs themselves.
9. Also “What’s CDM about” (2005); and “C is for unclear” (2007).
10. For a similar analysis, see Woods (2000).
11. The Council of Europe could be given as an example, where countries are rather accepted than rejected even if their human rights standards are not adequate.

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10. State legitimacy and the corruptibility of leaders

Anna Persson and Martin Sjöstedt

[W]hat the prince does the many will also soon do – for in their eyes the prince is ever in view. (Niccolò Machiavelli, as cited in Werner 1983, p. 149)

Referring to the powerful position of leaders, there is now a general consensus holding that any theory of the state must ultimately include the role played by the ruling elite. Especially, it has been argued that leaders play a crucial role in the fight against corruption (Klitgaard 1988; Theobald 1990; Harsch 1993; Doig and Riley 1998; Goldsmith 2001; Jones and Olken 2005; Acemoglu and Robinson 2006). This is because, when people evaluate the standard of operating procedures in a particular society, it is likely that the conduct of powerful groups will serve as their main heuristics (Rothstein 2003). That is, there is likely to be what Werner (1983, p. 149) refers to as a “leader–follower spillover effect”. Consequently, in a corrupt system of rule, the “fish” should be expected to “rot from the head down” (compare the German proverb “Der fisch stinkt vom Kopf her”). If the behavior of leaders is allowed to deteriorate, it will simply result “in the administrative equivalent of a permeable membrane through which corruption is diffused in an osmotic manner” (ibid., p. 150). That is, the corrupt behavior of political elites will in time be copied, complemented and reinforced by actors further down the hierarchy, making the situation even worse.

Given the importance of the behavior of leaders for a society free of corruption, it should be of greatest concern to understand what motivates leaders to behave corruptly and honestly, respectively. What explains differences in the corruptibility of leaders? Or, in the words of Michela Wrong (2009): why do some leaders eat in office and others not?

While there are potentially many different answers to this question, this chapter suggests that in order to better understand why some leaders spend their time in office appropriating state resources for their own self-enrichment while others instead use their power to enhance the welfare of their constituents, we need to take into account the ways in which state

legitimacy serves to shape and constrain the opportunities and incentives of leaders. While the literature on comparative state development provides a vivid discussion on the role played by state legitimacy in shaping the strategies of leaders, the contemporary literature on corruption has so far failed to integrate the knowledge generated by this field of research. This chapter aims to fill some of this gap and, as such, contribute to an increased understanding about what motivates leaders – that is, the key players in any fight against corruption – to behave corruptly and honestly, respectively.

THE LEADERSHIP EFFECT IN THE FIGHT AGAINST CORRUPTION

A vast majority of scholars and policy makers with an interest in corruption agree that the behavior of leaders plays a crucial role in the fight against corruption. Without a highly principled leadership, any anti-corruption reform attempt is simply bound to fail (Kpundeh 1998; Riley 1998; Johnston and Doig 1999; Langseth et al. 1999; Hope and Chikulo 2000). For example, in the World Bank's (2000, p. xxv) key policy document on anti-corruption – *Anti-Corruption in Transition: A Contribution to the Policy Debate* – it can be read that “committed political leadership of reforms is essential”. More specifically, according to the World Bank, “a serious anticorruption program cannot be imposed from the outside, but requires committed leadership from within, ideally from the highest levels of the state”. Similarly, the UN's *Anti-Corruption Toolkit* (2004, p. 18) argues that committed leadership “is required to develop, implement and sustain the strong measures needed to identify and eliminate corrupt values and behavior”. Similarly, Stephen Riley (1998, p. 153), a renowned anti-corruption researcher, argues that: “Political determination is a crucial aspect of any public integrity strategy. Without a strong commitment to reform and personal examples and commitments from the political leadership, governmental statements of intent, attempted reforms and strategies remain cosmetic devices”. Hope and Chikulo (2000) even go as far as to argue that *all* of the contributing factors to corruption are a direct result of unethical leadership.

In line with the conviction that non-corrupt and committed leaders are in fact the most critical starting point for effective and sustainable anti-corruption initiatives, a vast literature now blames anti-corruption reform failure on unethical and non-committed leadership, while the guidance by highly principled leaders is credited for the majority of success stories. For example, the African novelist Chinua Achebe (1984, p. 1) said of his

homeland: “The trouble with Nigeria is simply and squarely a failure of leadership”. Likewise, Christopher Agulanna (2006, as cited in VonDoepp 2009, p. 2) argues that “[v]icious, wicked, and grossly incompetent African leaders have been responsible for the undervaluing of their national economies and the near collapse of the continent as a whole”. This line of reasoning is in addition central in the well-renowned and much influential researcher and popular debater Robert Rotberg’s writings. According to Rotberg (2000, p. 47):

Venial leaders are the curse of Africa. If sub-Saharan Africa is “in a mess”, to quote Julius Nyerere, Tanzania’s founding president, it is a mess made by its leaders . . . where visionary leadership lifted Asia up out of poverty since the 1960s, too many African heads of state in the same period presided over massive declines in African standards of living while carefully enriching themselves and their cronies.

In a series of articles in *Foreign Affairs*, Rotberg further develops the argument that the underdevelopment of the African continent is much to be blamed on its inherently poor leaders. In fact, according to Rotberg (2004, p. 14), the underdevelopment of at least 90 percent of Sub-Saharan African nations can be attributed to “poor, even malevolent, leadership; predatory kleptocrats, military-installed autocrats, economic illiterates, and puffed-up postures”.

The few contemporary anti-corruption reform successes that in fact exist outside the industrialized parts of the world are, on the other hand, directly attributed to striking examples of effective leadership in recent decades. Especially the development success stories of Singapore and Hong Kong are commonly referred to as proof that a highly principled leadership is in fact vital in the fight against corruption. Like in the vast majority of other countries, from the 1950s to the mid-1970s, corruption was nothing short of a “way of life” in Singapore. As such, payments to public officers for the delivery of public goods was a “must” and “greasing their palm was the norm” (Abdulai 2009). Today, the vast majority of researchers and policy makers argue, the fact that Singapore stands out as one of the least corrupt countries in the world can to a significant extent be attributed to the deft guidance by the People’s Action Party (PAP) and its leadership, especially the leadership of the former Prime Minister Lee Kuan Yew (Klitgaard 1988; Quah 1995; Root 1996). Similar to in Singapore, corruption in Hong Kong’s public service was previously widespread, deeply rooted, well-organized and tolerated. Yet, primarily as a result of the government in Hong Kong being credibly committed to fight corruption in the mid-1970s, the level of corruption has been drastically reduced. In a similar vein, the roots of the few anti-corruption success

stories that exist in Sub-Saharan Africa have commonly been attributed to high-quality leadership. Especially the development success of Botswana is frequently ascribed to responsive and responsible leadership. For example, Robert Rotberg (2004, p. 15) argues:

It is Botswana's history of visionary leadership, especially in the years following independence, that best explains its success. Sir Seretse Khama, Botswana's founding president, came from a family of Bamangwato chiefs well regarded for their benevolence and integrity . . . Modest, unostentatious as a leader, and a genuine believer in popular rule, Khama forged a participatory and law-respecting political culture that has endured under his successors, Sir Ketumile Masire and Festus Mogae.

Drawing on the example of Latin America, Arnold C. Harberger (1993, p. 343) in a similar vein puts forward the conviction that government reform would "in all likelihood have failed (or never got started) but for the efforts of a key group of individuals, and within that group, one or two outstanding leaders" (a group which he refers to as a "handful of heroes").

In short, in line with this view, honest political leaders give anti-corruption activities the initial impetus and necessary credibility, whereas corrupt leaders risk setting a bad example to all public officials and citizens (Kpundeh 1998; Hope and Chikulo 2000). This is because leaders play an immense part in shaping public opinion and behavior. That is, the corrupt behavior of leaders – or the failure on behalf of leaders to condemn corruption and "walk the talk" – is supposed to serve as a rationalization for the dishonest conduct of subordinate officials and citizens. Empirical studies confirm the detrimental effects of corrupt leadership on the behavior of subordinate public officials, as well as of the general public. For example, Persson et al.'s (forthcoming) interview study conducted in Uganda and Kenya clearly reveals the logic of the leader-spillover effect. According to the informants in Persson et al.'s study, it is clear that leaders serve as role models for the rest of the society. The logic is convincingly captured by one of the informants: "Corruption somehow started from the top. When you had those ministers taking money . . . one who has been there for three years and is now a millionaire. So what can other people do? They join the rest".

In sum, a large literature now points at the crucial role played by leaders in the fight against corruption. In line with this literature, if leaders do not act as positive role models, anti-corruption reforms will invariably fail. Given the great importance of a farsighted leadership it should be of greatest concern to explore what explains differences in the corruptibility of leaders. In the next section, we take a look at the contributions made by the previous literature in the discussion on this matter.

THE VARYING CORRUPTIBILITY OF LEADERS

Why are some leaders eating in office and others not? Perhaps the most commonly put forward answer to this question is that some leaders are simply more predatory and kleptocratic *per se* than others – and hence more closely resemble what Robert Klitgaard (1990) would call “tropical gangsters”. While this certainly makes sense at least to some extent – it would be difficult to argue that, for example, Robert Mugabe and Nelson Mandela are even remotely guided by the same moral standards – many researchers would still hesitate to attribute all variation in corruptibility to the inherent qualities of different leaders. Especially, on theoretical and empirical grounds, there is now a growing consensus holding that leaders – at least to some extent regardless of their inherent qualities – will adopt institutions that promote economic growth and aggregate welfare when the benefits of adopting such institutions are greater than the benefits of establishing institutions that maximize only the welfare of the political elite (Bates 2001; Goldsmith 2004; Acemoglu 2006; Acemoglu and Robinson 2006). In short, the reason why some leaders are more corrupt than others is simply that they benefit relatively more from corruption than from acting honestly. In line with the same logic, the reason why some leaders behave honestly is because they benefit more from this kind of behavior than from corruption. On the basis of this argument, the main concern in the contemporary literature on corruption has been to understand what factors shape the outcome of leaders’ cost–benefit analyses.

As a response to this question, a large literature now holds that the reason why some countries have more corrupt leaders than others is that the leaders of different countries are to a varying extent constrained by formal institutions. This argument departs from the assumption inherent in the principal–agent model, which understands political corruption to be the result of an information and interest asymmetry between a so-called “agent” (in this case the ruling elite) – assumed to act in his or her own self-interest – and a “principal” (in this case the citizens), typically assumed to embody the public interest and hence being “a highly principled principal” (Rose-Ackerman 1978; Klitgaard 1988). More specifically, the principal–agent framework describes a situation in which a collective body of actors is assumed to be the principal who delegates the performance of some government task to another collective body of actors – the agents. As in any situation where authority is being delegated, the problem from the perspective of the principal is that the agents may acquire specific information about the task at hand that they are not willing to disclose to the principal, or that they have private motivations other than the goal of performing the delegated task. Thus, from the perspective of the

principal–agent framework, corruption occurs when the agent betrays the principal’s interest in the pursuit of his or her own self-interest (that is, when the agent abuses public office for his or her own private gain). To avoid such a situation, the principal–agent model suggests that the principal should control the agent through a number of different formal mechanisms aimed at increasing the accountability of leaders, increasing the transparency of the political system, and increasing the possibilities for public influence and participation (Stapenhurst and Kpundeh 1999; World Bank 2000). Thus, in line with this literature, what differentiates corrupt leaders from honest ones is, in the end, the number of formal institutional constraints they face, corrupt leaders facing a smaller number of such constraints compared to less corrupt ones.

Yet, while the idea that formal constraints should play an important role in shaping and constraining leaders’ opportunities and incentives for corruption certainly seems to make sense at a first glance, the introduction of such constraints has in fact only had limited – if any – effect in the vast majority of developing countries currently undergoing anti-corruption reforms. That is, despite the introduction of a large number of reforms aimed at reducing the number of opportunities and incentives of leaders to behave corruptly – for example, by reducing the discretion of political elites through privatization and deregulation; reducing monopoly by promoting political and economic competition; increasing accountability by supporting democratization; improving salaries, thereby increasing the opportunity cost of corruption if detected; improving the rule of law so that corrupt politicians can be prosecuted and punished; encouraging greater transparency of government decision making through deepening democratization, decentralization, as well as creating and encouraging civil society watchdogs (Ivanov 2007; Lawson 2009) – in the majority of these countries there are only limited signs of change in leadership behavior. For example, despite the fact that Global Integrity (2008) celebrates the institutional reforms enacted in many Sub-Saharan African countries, and even ranks the anti-corruption laws of some countries “very strong”, suggesting that the legal-institutional framework in these countries should be expected to have all it takes to pave the way for success, the leaders in the majority of African countries are still thoroughly corrupt. To name just a few examples, even though both Kenya and Uganda score 100 out of 100 (that is, “very strong”) on Global Integrity’s ranking of anti-corruption laws, few analysts would hesitate to describe the leaders of these countries – that is, Mwai Kibaki and Yoweri Museveni – as thoroughly corrupt.

The story of Kenya under the current rule of Kibaki stands out as a particularly illustrative one in terms of the lack of effect of formal constraints on leadership behavior. The installation of Kibaki as the new president of

Kenya in November 2002 brought with it a radical shift towards greater anti-corruption efforts. Especially, soon after winning the elections, Kibaki acted as a role model by appointing John Githongo as Permanent Secretary in Charge of Governance and Ethics – in effect meaning that Githongo was made an official “anti-corruption champion”, running a unit within the State House and enjoying direct access to the president’s office. However, as vividly described by Michela Wrong (2009) in her well-known book *It’s Our Turn to Eat: The Story of a Kenyan Whistle Blower*, soon enough Githongo became aware that – to the extent that he actually fulfilled his duties and acted like the watchdog he had signed up to be – not only his career but even his life was at risk. In 2006, Githongo eventually had to flee the country when he realized that even President Kibaki and his closest men had turned their backs on him. In an interview with Wrong (p. 220), Githongo describes how after many years of resistance he could no longer hide the truth about the real character of corruption in Kenya from himself: “Ultimately it became clear. I was investigating the president”. Githongo further describes how power in modern Kenya rests in the hands of a narrow elite: “I knew there was a mafia. Every mafia has a godfather, and the godfather was Kibaki”. Githongo was ultimately told that the Kenyan intelligence would “put something in [his] tea” if he went public with what he knew about the political elite’s involvement in corruption (ibid., p. 222).

The story of John Githongo clearly reveals the limited effect of formal institutional constraints on the opportunities and incentives of leaders to eat while in office. However, it is far from the only evidence that formal constraints are not sufficient in the fight against bad leadership. While in 1990 only three countries in Sub-Saharan Africa had held multiparty elections, today 43 out of 48 of the countries in Sub-Saharan Africa have held at least one such election. Yet, this dramatic change in terms of formal mechanisms of accountability so far does not seem to have dramatically changed the behavior of the leaders of those countries. As a consequence, corruption in the majority of African countries remains “the way of life” even today.

The general lack of a positive effect of formal institutional constraints on leadership behavior in many developing countries could be interpreted in at least two different ways. A first possible interpretation would be that the limited effect of formal institutions is reason enough to dismiss the argument that formal constraints matter altogether. A second possible interpretation would be to go with the argument that formal constraints should rather be understood as a possible necessary condition for invoking honest behavior in leaders, if yet not a sufficient one. In this debate, the majority of scholars have chosen to believe in the second

interpretation. Especially, policy makers and academic scholars have since the beginning of the 1990s increasingly emphasized that, in order to have the intended effect, formal constraints need to be backed up by economic and administrative capacity (Cohen 1995; Grindle 1996, 1997; Englebert 2002; Wubneh 2003). In this literature, resources have been identified as the “missing link” (Jaycox 1993), a necessary precondition for the success of major socioeconomic development strategies (Moharir 1994), as well as critical to the development of sustainable development programs (World Bank 1989, 1996; Wubneh 2003). Accordingly, there has been an explosion of capacity-building programs initiated by the international donor community (Wubneh 2003). For example, in an attempt to increase the capacity of African states, the World Bank, the United Nations Development Programme (UNDP) and the African Development Bank (ADB) have, together with African governments, set up the African Capacity Building Foundation (ACBF), aimed at “teaching Africans how to govern themselves” (for a critical discussion on capacity-building programmes, see Easterly 2006).

While the argument that capacity is key to the successful implementation of formal constraints certainly has some merit, it still suffers from the fact that there are plenty of countries that have significant amounts of resources – as well as all the “right” formal institutional constraints in place – but where the ruling elite is nevertheless involved in corrupt practices. That is, while many states are said to lack the resources necessary to conduct reform that will benefit the public, in many of these countries there still seems to be enough of both skills and resources for leaders to pursue highly kleptocratic rule. Moreover, as argued by André Mbata B. Mangu (2007, p. 1), politics of the belly (Bayart 1993), patrimonial politics (Joseph 1999), corrupted or predatory rule (Fatton 1992), criminalization of the state (Bayart et al. 1999) and massive human rights violations provide ample, although distressing, evidence of the capacity of many governments that are thought of as lacking the capacity to deliver the “right” goods to instead act and deliver the “wrong” goods. With such capacities to control, dominate, and subjugate, the states could surely be expected to have the capacity to uplift, improve, and develop as well. In a similar vein, Pierre Englebert (2009) distinguishes between what he calls “state capacity” and “legal command”, arguing that while many state leaders certainly lack the capacity to do much *for* the citizens, they still have the power to do a lot *to* them.

In sum, the previous literature can add valuable and complementary insights to the understanding of why some leaders pursue corrupt forms of rule and others not. Yet, the fact that at least some leaders seem to have the opportunities and incentives to act corruptly – even when they are

formally constrained and have significant amounts of resources at their disposal – calls for an exploration also of other potential explanations of variation in the corruptibility of leaders. In this discussion, we argue, the literature on state legitimacy has a lot to offer.

STATE LEGITIMACY AND THE PROPENSITY TO EAT IN OFFICE

In order to better understand why some leaders abuse public office for their own private gain while others rather spend their time in office enhancing the welfare of the citizens, there is a need to move beyond traditional explanations. In particular, we believe that the literature on state legitimacy has a great potential to add important insights to the puzzle of why some leaders eat in office and others do not. Yet, despite its great potential, the literature on corruption has so far failed to integrate the insights offered by this strand of research.

The literature on state legitimacy differs from more traditional perspectives on what factors shape leadership behavior in the sense that – instead of focusing on managerial and capacity dimensions of government – it emphasizes the ways in which deeper historical and political forces shape the incentives and opportunities of leaders and, hence, the level of corruption in a particular society. While there is no generally agreed-upon definition of state legitimacy (Gilley 2006, 2009), most scholars would still agree with the statement that a legitimate state is per definition characterized by the existence of a social contract between the society and the political elite (that is, the “state”), upon which the citizens have collectively agreed. For example, Pierre Englebert (2002, p. 4) defines a legitimate state as a state which “structures have evolved endogenously to its own society and there is some level of historical continuity to its institutions”. Bruce Gilley (2006, p. 500), in a similar vein, holds that “a state is more legitimate the more that it is treated by its citizens as rightfully holding and exercising political power”. Holsti (1996), in turn, distinguishes between vertical and horizontal legitimacy where vertical legitimacy is the strength of the relationship between society and political institutions and horizontal legitimacy concerns the agreement within society on what constitutes the polity. *Illegitimate* political systems are, on the other hand, understood as systems in which the majority of the population do not agree on the rules of the political game or that the political game should be played at all (Horowitz 1985; Englebert 2002). Thus, in line with this view, lack of state legitimacy implies that leaders have an insecure power base. This implication is not least reflected in Max Weber’s (1946, p. 78) definition of the ideal type of

a (legitimate) state as “a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory”.

In the end, regardless of the exact definition, according to the literature on the role played by state legitimacy in shaping leadership behavior, the lack of state legitimacy should be expected to gear the opportunity and incentive structure of leaders towards corrupt behavior, while the existence of state legitimacy should be expected to gear the opportunity and incentive structure of leaders towards honest behavior. This outcome is commonly explained by two different mechanisms.

The first mechanism holds that the lack of a shared social contract implies a weakening of societal control of power which, in turn, increases the opportunities and incentives on behalf of leaders to engage in corrupt behavior (Sandbrook 1972; Jackson and Rosberg 1984; Bratton and van de Walle 1997; Englebert 2000). This, in turn, is understood to be the result of the fact that the absence of a social contract between the society and the political elite upon which citizens have collectively agreed implies that leaders face no so-called “unified principal” (that is, they face “multiple principals”). As previously argued, a principal within this framework is understood as an actor (in this case the citizens of any particular country) with an interest in protecting the public good and, hence, holding corrupt leaders (that is, agents) accountable. When leaders face multiple principals, they may receive different and contradictory messages and expectations from their constituents. That is, what we may observe is that the citizens fail to coordinate their strategies, either because they do not observe the same variables, or because they cannot commit to collaborate. The effect is a severe decrease in the incentives of leaders to be accountable to their citizens, even in cases in which formal mechanisms of accountability are in place. In the end, the more the citizens’ interests diverge, the more room for leaders’ discretion, and the less effective the societal control of the leaders. Together, the supposed principals tend to cancel each other out, so the agent is at best confused and demoralized, or at worst feels that he or she can get away with abusing public office for private gain (Shapiro 2005). In fact, the lack of a collectively agreed-upon social contract between the citizens and the state sometimes even leads to a situation in which the agent (that is, the political elite) is *expected* to serve only some of the multiple principals (for example, one out of many ethnic groups). That is, office holders are not expected to act in the interest of the public good, but rather to be corrupt. The state hence becomes little else than a potential resource to be appropriated, or even an instrument to be used in the domination of other groups (Horowitz 1985). Michela Wrong (2009, p. 52) describes this in terms of a system in which competing elites alternately take power only to serve their own group’s interests according to a logic

that “it’s our turn to eat”. That is, in a state lacking state legitimacy – and, hence, a unified principal – politics invariably turns into a zero-sum game, with one group’s gain inevitably entailing another group’s loss. This leads us to the second, and intimately related, proposed mechanism.

The second mechanism focuses on the fact that a lack of a collectively agreed-upon social contract between citizens and political elites implies a shorter time horizon of leaders. This, in turn, is expected to increase the likelihood of policies aimed at self-enrichment. More specifically, within this framework, corrupt rule is understood as a rational – and in some circumstances in fact even the only possible – response to the conditions under which leaders govern. That is, corrupt rule is in this literature understood as “adaptations” by leaders who govern in the context of severe legitimacy crises (Sandbrook 1986). Joel Migdal (1988, 2001) even refers to such practices as “politics of survival”, referring to the ways in which leaders’ propensity to eat in office at least sometimes reflects the weak positions of states *vis-à-vis* their citizens. In particular, the argument holds that leaders with a weak power base have shorter time horizons – and hence discount the future more heavily – than leaders of more legitimate states. Thus, according to this perspective, an insecure power base is unlikely to serve to promote measured actions to obtain long-term returns (Goldsmith 2001; Migdal 1988, 2001; Acemoglu and Robinson 2006). Instead, ruling elites facing a weak power base should be expected to find it less costly and, hence, more convenient to resort to corruption, clientelism, nepotism, and other forms of bad governance (Sandbrook 1972; Jackson and Rosberg 1984; Englebert 2000). In line with this view, the appeal of kleptocratic rule is in other words argued to lie in its capacity to deliver immediate pay-offs. More specifically, kleptocratic policies are hypothesized to favor current government consumption at the expense of investments in physical and human capital, which have few – if any – short-term returns to the ruling elite in terms of power (Englebert 2000). Whether a leader acts for the short or long term should thus ultimately be expected to be influenced by his or her sense of security in office (or, in extension, the level of threat to his/her career) since there is no (credible) way of compensating *ex post* the political elites who lose their power in illegitimate state systems (Goldsmith 2001; Acemoglu 2003). Rulers with weak legitimacy – and, hence, a fragile power base – should, as such, be expected to bolster domestic support by directing public resources to private actors through unofficial channels and networks, allowing official development policies to languish. On the contrary, leaders of legitimate states should be expected to divert resources in favor of longer-term development (Englebert 2000).

The argument that state legitimacy plays an important role in shaping and constraining the opportunities and incentives of leaders to act

corruptly is supported empirically. As we have demonstrated elsewhere (Persson and Sjöstedt 2012), cross-sectional data reveal a fairly strong relationship between the degree of state legitimacy and the propensity to misuse public office for private gain (that is, to act corruptly). In fact, the correlation between Pierre Englebert's measure of state legitimacy and observed leadership behavior in terms of corrupt rule as measured by the World Bank's "control of corruption" indicator in a sample of 174 countries is 0.51.¹ According to this measure, all of the 30 least corrupt countries in the world are legitimate, while 23 out of the 30 most corrupt states are illegitimate. If we consider the region most commonly put forward as the one most severely plagued by thoroughly corrupt leadership – that is, Sub-Saharan Africa (to name just a few thoroughly corrupt leaders, think of Mobutu Sese Seko of the Democratic Republic of Congo, Idi Amin of Uganda, Robert Mugabe of Zimbabwe, Mwai Kibaki of Kenya) – this region harbors a larger number of states fitting the description of states lacking legitimacy than any other region in the world. Compared to other regions, in which thoroughly corrupt leadership is not as commonly observed, state creation in Sub-Saharan Africa was by and large an exogenous process. In fact, the leaders simply inherited the state rather than shaping it as an instrument of its existing or emerging hegemony (Englebert 2000). Consequently, most Sub-Saharan African countries were born lacking legitimacy. That is, very soon after African countries gained independence, the majority of African leaders realized how truly little power they had inherited. As argued by other scholars in the field (Sandbrook 1986; Migdal 1988; Englebert 2000), their problem was not merely to face "strong" or diverse societies, but the true challenge to their rule came from the competing institutional claims to sovereignty which their state harbored, that is, multiple principals with conflicting interests. As Clifford Geertz (1973, p. 261) wrote upon observing the lack of integration of the "new states" of the Third World, "we have not just competing loyalties, but competing loyalties of the same general order". As a result, a large number of citizens and political leaders alike came to conceive of the post-colonial African state not so much as the outcome of a social contract, an instrument of collective action based on "common ideological convictions" (North 1981, p. 44) or a shared national identity, but rather as an "alien" institution to be appropriated (Englebert 2000). As described by Horowitz (1985, p. 189): "Everywhere the word domination was heard. Everywhere it was equated with political control. Everywhere it was a question of who were the 'real owners of the country' and of who would rule over whom".

In sum, by focusing on the informal constraints leaders face in varying forms of social contracts, the insights offered by the literature on state

legitimacy have the potential to contribute with a more complete understanding of why some leaders eat in office and others do not (as well as why some countries seem to be constantly plagued by bad leaders while others constantly seem to enjoy more developmental forms of rule). In particular, the literature on state legitimacy provides important insights as to why, for example, Sub-Saharan Africa has been plagued by so many Mugabe-like leaders, while the great majority of Western European countries have instead benefited from considerably less corrupt leadership. In this discussion, important to note is that the perspective offered by the literature on state legitimacy does not suggest that previous explanations to why the corruptibility of leaders vary are necessarily wrong. Rather, it has the potential to serve as a complement to previous approaches. For example, the literature on state legitimacy does not suggest that some leaders are not *per se* more kleptocratic than others. What it suggests is rather that – without a social contract between leaders and their constituents upon which the constituents have collectively agreed – even inherently good leaders will have few opportunities and incentives to refrain from eating while in office. Nor does the perspective offered in this chapter suggest that formal institutions and administrative capacity are of no importance. Rather, what it suggests is that – in countries lacking state legitimacy – formal arrangements and a strong administrative and financial capacity will not work as intended or be used productively. Thus, irrespective of the perspective, the integration of the insights offered by the literature on comparative state development will significantly increase our understanding of the origins of variation in the corruptibility of leaders.

TO EAT OR NOT TO EAT IN PUBLIC OFFICE?

During the last decades, there have been very few leaders of the developing world who have not come to power on an anti-corruption platform. For example, in 1982 Nigeria's former President Shehu Shagari proclaimed an "ethical revolution" to combat corruption, recognizing the extensive problem of "bribery, corruption, lack of dedication to duty, dishonesty, and all such vices" in the government bureaucracy. This topic also dominated the subsequent regime's policies, as clearly expressed in its first press conference in early 1984: "It is necessary to reiterate that this new Administration will not tolerate fraud, corruption, squandermania, abuse of public office for self or group, or other such vices" (as cited in Klitgaard 1988, p. 1). Similarly, Kenya's current President Mwai Kibaki campaigned on a reform platform in the 2002 election, committing himself to reining in rampant corruption. In fact, in his inauguration speech, Kibaki

promised to “offer a responsive, transparent and innovative leadership”. Furthermore, he stated: “Corruption will now cease to be a way of life in Kenya and I call upon all those members of my government and public officers accustomed to corrupt practice to know and clearly understand that there will be no sacred cows under my government” (Kibaki 2002). In Uganda too, soon after taking power in 1986 President Museveni and his National Resistance Movement (NRM) made it clear that corruption was one of the evils they had inherited and a key obstacle to economic progress (Kpundeh 2002). Museveni (1985, p. 64), as cited in Kpundeh (2002, pp. 425–6) even made fighting corruption one of the pillars in the NRM’s political manifesto, the Ten Point Programme, which includes the following commitment:

Africa, being the continent that is never in shortage of problems, has also the problem of corruption particularly bribery and misuse of office to serve personal interests. Corruption is indeed a problem that ranks with the problems of structural distortions . . . Therefore, to enable the tackling of our backwardness, corruption must be eliminated once and for all.

In the end, the list of leaders of developing countries promising to put an end to the problem of corruption could be made long. However, far from all these leaders have kept their promises. In fact, what might be considered even worse, far from all these leaders have followed their own decree and acted honestly (Szeftel 1998; Mungiu-Pippidi 2006). For example, not in Nigeria, Kenya, or Uganda has the promise of reform translated into real political change. Rather, as in many other developing countries, the very leaders that promised reform have later turned out to be among the most corrupt actors, significantly contributing to corruption continuing to be “the way of life” in their respective countries. That is, while the ruling elites of those countries have denounced the corruption of their predecessors and given a promise to clean things up as part of the justification for their claim on office, they have still invariably behaved in the same way as those they succeeded.

Given the severe problems implied by corrupt leadership, the main purpose of this chapter has been to explore in more detail why some leaders – once in office – abuse the confidence given to them by the public by exploiting public resources while others behave honestly. While acknowledging the importance of previous explanations, in order to further increase our understanding of why some leaders are more prone to eat in office than others, this chapter has suggested that the deeper historical and political forces that shape and constrain leadership behavior should also be taken into account. In particular, the chapter calls for the importance of integrating the literature on state legitimacy into the contemporary discussion on political corruption.

Compared to other, more traditional, perspectives on political corruption, the literature on state legitimacy more explicitly emphasizes the important role played by underlying social contracts in shaping leaders' opportunities and incentives for engaging in corrupt behavior. More specifically, in line with this perspective, we should expect leaders of states lacking legitimacy in the form of a collectively agreed-upon social contract between the citizens and the state to have considerably greater opportunities and incentives to engage in corrupt practices compared to leaders of more legitimate states. This is because, in states lacking legitimacy, leaders are not likely to face a so-called "unified principal", willing to hold corrupt public officials accountable. In fact, as a result of the lack of legitimacy, in some cases, one or several of the multiple principals might even encourage and reward corrupt behavior on behalf of public officials (including political elites). Furthermore, leaders of illegitimate state systems should be expected to have an insecure power base – and, thus, a shorter time horizon – which, in turn, increases the likelihood of policies aimed at self-enrichment. In fact, in a context of severe legitimacy crisis, corrupt rule could even be understood in terms of "politics of survival" since, in the end, leaders of truly illegitimate states face only two options: to eat or to be eaten.

In conclusion, in line with the literature on state legitimacy, the differences in the internal logic of legitimate and illegitimate states, respectively, can to a significant extent explain the variation in the propensity of leaders to eat in office. In the light of this insight, one of the most important tasks for future research will be to further explore how vertical and horizontal social contracts can be established and/or strengthened. In the end, such a research agenda could potentially contribute to the development of more successful government reforms and, hence, to a much brighter future for the large number of people suffering under corrupt rule.

NOTE

1. Englebert's (2000) measure of legitimacy is a dummy variable capturing the idea of vertical legitimacy as understood by Holsti (1996). The measure is built on a series of five dichotomous outcomes: (i) whether or not a country was colonized; (ii) whether or not the country recovered its previous sovereignty upon independence if colonized; (iii) whether or not the country was created by colonialism and, if so, whether or not there was human settlement before colonialism; (iv) whether or not a civilization predating colonization was physically eliminated or marginalized in the process of colonization if colonized and, finally; (v) whether or not the post-colonial state in previously colonized countries exercises severe violence to the pre-existing political institutions. The World Bank's "control of corruption" indicator ranges between -2.5 and 2.5, lower scores indicating higher levels of corruption.

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11. Legislators and variation in quality of government

Staffan I. Lindberg

In Chapter 2 of this volume, Rothstein and Teorell elaborate on impartiality as the inherent meaning of quality of government. Their compelling argument extends that in Rothstein and Teorell (2008) and Teorell (2009) where the core conceptual meaning (Sartori 1984; Adcock and Collier 2001) of impartiality is captured by the statement “When implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law” (Rothstein and Teorell 2008, p. 170; see also Teorell 2009, p. 13). This chapter suggests two things: while these authors’ conceptualization makes a lot of intuitive sense, one problem is that lack of attention to that quality of government is not only a matter of bureaucratic impartiality. Bad quality of government not only arises from dysfunctions on the implementation side of politics and in the administrative arm of the state. It can also grow out of electoral mechanisms on the input side, and from politicians, not civil servants, acting with too much discretion in distributive politics. Second, and as Rothstein (2011, p. 15) stresses, the problem of bad quality of government is not only, or perhaps not even primarily, about corruption. The main issue is better thought of as favoritism, which is a broader phenomenon including most types of corruption but also many acts that are not corruption *per se*. This chapter’s contribution is principally to demonstrate these two points.

LEGISLATORS

In many countries, including in most developing nations, politicians play a decisive role not only by shaping whether policy treats citizens equally. Elected representatives at both local and national levels are often directly responsible for governing implementation of government policies and *de facto* for important aspects of distributive politics. Added to this is the expectation of performing constituency service in single-member

district-based electoral systems.¹ In its various forms, constituency service often compromises the principle of impartiality and constitutes favoritism to various degrees. When a legislator convinces the executive to allocate greater educational, health, or investment resources to that particular district outside the general principles of policy, it undermines the general principle of treating all citizens equally although the benefits accrue to all inhabitants of that constituency favoring some over others not based on a general rule but based on discretionary power even if it benefits a relatively large group.

However, there are also more narrowly defined, idiosyncratic, and hence even more adverse forms of constituency service. “Pork” in the form of tax exceptions for particular local businesses, a new school or clinic for one community, tarring of a local road, digging of wells in one place rather than another, funding of one area’s soccer team, and the creation of a local-specific job package, are examples of such “club goods”. Sliding down the scale, at the very bottom we find political clientelism proper in the form of individual benefits (private goods). This is the gravest form of favoritism, the worst case of infringement on every citizen’s equal treatment, and thus on the principle of impartiality. Private goods can come in the form of diverse things such as cash, a bag of rice, a job, roofing sheets, payment of hospital bills and school fees, and assistance with the police or other parts of the bureaucracy. The last issue may be particularly damaging in some countries by compromising the functioning of bureaucracies even if the staff there are honestly trying to provide good quality of government. In whatever form, the targeted collective, club, and private goods are typically exchanged for some kind of political loyalty and therefore useful to politicians in the short term but detrimental to society and the state in the longer term when extensive and occurring repeatedly.

This reasoning leads us to expect that legislators in new democracies, particularly those with single-member constituencies, play a role in shaping the quality of government. This chapter proposes a new way of measuring the extent to which legislators (in this context members of parliament, or MPs) compromise impartiality by engaging in favoritism (without it necessarily being corruption) and thus affect the quality of government. It analyzes the pattern of behavior of a strategically selected number of MPs in Ghana, one of Africa’s new democracies.

The results show significant variation in levels of favoritism. MPs in Ghana clearly differ in how much they provide quality of government as impartiality. To what extent pressures from voters will further induce politicians in new democracies such as Ghana to increase the quality of government rather than the provision of partially distributed personal and clientelistic goods remains to be established by future research. Besides the

implications for the quality of government, this variation within one and the same country is a finding that runs contrary to much of the established literature on African politics. A significant share of the incumbent MPs prioritizes provision of collective and club goods rather than more pure favoritism.

NEW DEMOCRACIES

Let me start with an observation on the empirical context in which this study of Ghana is situated. For some observers, the experiments with multiparty elections since the early 1990s did not change the fundamentals of African politics. It was elections without democracy trapped in a legacy of “big man” rule (for example, Chege 1996; Ake 1996, 2000; Bratton 1998; van de Walle 2002). Diamond and Plattner (1999, pp. 19, 32, 169) reported on “transitions without change” while Cowen and Laakso (2002, pp. 14–5, 23) saw “massive voter apathy” spreading. But the fact is that never before have virtually all countries in Africa held regular multiparty (if not democratic) elections over such an extended period (for example, Lindberg 2006), and never before have so many presidents relinquished power as a result of the exercise of people’s power at the ballot box (Posner and Young 2007). Even in places like the Republic of Congo, Mauritania, and Madagascar where the military has intervened in politics, multiparty elections seem to have become a “must”. Around 20 countries are now democracies and many of the rest are generally more democratic today than ever before. By implication, there is a body of politicians with more impact on the quality of government than ever before: the legislators.

The official role of legislators is typically viewed as to supply collective and public goods, such as executive oversight, or the scrutiny of legislation, or the making of public policy, or constituency representation – in short, the kind of roles that legislators in the established democracies are most closely associated with. In the eyes of many observers, part of the problem of African politics is that politicians spend too much time grabbing private rewards in the form of jobs, contracts, and kickbacks to sustain clientelistic networks, and too little time supplying public goods, or even club goods (for example, constituency service). The conventional wisdom is that in most African countries, informal pressures to provide private goods take precedence over public and collective goods provision for politicians and bureaucrats alike. The role of the African politician as depicted in much of the literature on African politics, is about providing small “club” goods to communities and private goods to supporters, the former by means of formal or informal relations with government

ministries and external donors, the latter by means of informal, sometimes illicit, ethnic, or personalized clientelistic networks.

While there is just emerging a small literature on legislatures and legislators (for example, Barkan 2009), it seems clear that in their day-to-day roles MPs face a variety of formal and informal institutional pressures to supply public, collective, as well as private goods. For example, the present author's recent explorative research in Ghana (Lindberg 2009a, 2009b, 2010; Weghorst and Lindberg 2009) suggests that MPs are subject to very strong contradictory pressures to supply both collective and private goods. These pressures take the form of powerful informal institutional expectations about the role of the MP as source of club and personal goods, expectations which will not change overnight.

Pressures and the strategic situation for candidates vary, for example with the level of competition. In safe havens, candidates of the incumbent party face no real threat of being "thrown out" by the electorate in the national polls. Rather, the pivotal events are the primary elections. In Ghana to date, only party constituency executives and party polling station executives have been allowed to take part in primaries, and this group consists of about 100 individuals per constituency. Hence, we would expect candidates to be held accountable much more closely by the local party executives than by voters in these areas. For candidates from the dominant party, the following election campaigns are more or less exclusively about mobilization: that is, bringing out the vote for the party's presidential candidate.² Candidates can be relatively sure (with a probability equal to the percentage of votes the party normally receives in that area) that an individual voter is going to vote for them and their presidential candidate if the voter just makes the effort to go to the polls. Hence, there is less need for either individually targeted private goods, or for monitoring and other enforcement activities. Club goods for the communities and/or collective goods for the constituency should therefore be a preferred electoral strategy.

The situation is different in a highly contested constituency in conditions of general poverty as is the case in much of Africa. While communities within such constituencies that are strongholds for a specific candidate may be treated in much the same way as safe havens, most areas are not. In a contested constituency, competition typically centers on the swing voter. Candidates will seek to identify potential swing voters and their preferences to be able to target clientelistic, private goods to them in ways that make monitoring and enforcement possible. This of course creates significant demands on candidates in terms of organization, but they have little choice given relatively limited financial assets. Whatever little they have available must be targeted in the most efficient

way possible. Everything being equal, we would expect a higher incidence of clientelistic practices in contested constituencies where the outcome of the election is unknown.

Not enough is known about how effectively MPs manage the different demands of formal and informal institutions, or about the circumstances that lead to better outcomes in terms of the quality of government. Yet, before a cause and effect analysis is possible, one must effectively map out the “lie of the land” with regard to how MPs actually behave in terms of resource allocation – but we still know very little. This chapter advances our knowledge regarding how much private, collective and public goods MPs actually provide – in the eyes of their constituents.

MEASURING IMPARTIALITY AMONG MPs

From the point of view of impartiality the preferred role of the legislator is arguably one in which MPs focus most of their time, energy and resource on the provision of public, and to some extent collective goods rather than on distribution of club and in particular private goods in clientelistic networks. The question is whether there is meaningful variation between MPs in new democracies in this respect and, if so, whether this can be measured systematically and in a reliable fashion. Unless these two conditions are fulfilled, the next step of assessing which factors promote the preferred situation is effectively impossible. My limited empirical goal is to first suggest a method and then show the results of a measurement strategy relying on survey responses that could in principle be replicated anywhere. How much of various types of goods do MPs in fact supply? Is there substantial variation among MPs’ impartiality?

A fruitful way of gauging MPs’ behavior can be based on evaluations made by citizens in their constituencies as reported in survey responses. This method is far from perfect but nonetheless has some advantages. Indicators of actual behavior would be the most preferred measure but for practical purposes it is not feasible. Activities of executive oversight, for example, are mostly not recorded in any formal sense in new democracies apart from questions on the floor of the house. Certain committees (including the public accounts committee) may have begun to play an important role in oversight in Ghana. A systematic measurement of individual MPs’ contributions to those could in principle be conducted. But access to closed committee meetings would be an issue, and even if it were not, there would be a substantial risk that the measurement (being present) would affect the subjects’ behavior. MPs’ other efforts such as visits to ministries, departments and agencies (MDAs) are not documented in

any systematic fashion; nor are constituency-level inspections of ongoing projects and activities that are part of executive oversight.

Legislative activities are equally shrouded in obscurity in many new democracies. Beyond the attendance register and Hansard's record of statements or amendments made on the floor during debates, the activities (or lack thereof) of individual MPs in the legislative process are typically not registered. When it comes to constituency service, as well as taking care of constituents in their role of what Ghanaians typically describe as being the "father/mother of the constituency" (Lindberg 2010), there are virtually no indicators that could even function as proxies. Hence, a behavioral approach would necessitate the recording of primary data by way of effectively shadowing individual legislators from morning to night over a given period. Even if this is doable in principle, it would be prohibitively expensive, methodologically questionable, and hence not feasible in more than a very limited number of cases.

As part of a larger project and in order to create a dataset for further analysis of MP–citizen accountability relationships, 10 out of Ghana's 230 constituencies were selected for intensive surveying of citizens' perceptions and attitudes.³ Ghana is a presidential democracy with single-member constituencies and single plurality rules for elections to legislative office, and it has a stable two-party system. There are a few smaller parties that usually win two to four seats. The 10 constituencies were selected based on a number of variables that we expect to be important in terms of representativeness as well as for variation on the dependent variable. I cannot claim that the selected constituencies are representative of the total universe of 230 constituencies, but as evidenced by earlier research (Lindberg and Morrison 2005, 2008) these 10 constituencies capture much, if not all, of the variation in terms of citizens–representative accountability relationships.

Performance of the MPs in terms of quality of government was measured using a battery of questions where citizens were asked to evaluate the incumbent MP in their constituency. The performance in terms of collective goods was measured with two questions: one asking how well, or how badly the incumbent had been doing in terms of executive oversight ("monitoring the president and his government"); and the other asking about the incumbent's legislative performance ("making laws for the country"). Club goods performance was measured by a question asking how well or badly the respondents thought the incumbent had done over the past years in terms of constituency service ("delivering community and constituency development"), while private goods performance was measured by a question asking how well or badly the incumbent had done in terms of "providing personal assistance". In all cases the respondents were

given the options: “very badly, badly, neither badly nor well, well, and very well”. The calculation of constituency means as well as percentages, rating the incumbent in terms of the bad/very bad, or well/very well ratings and producing rankings out of these measures (as displayed in Table 11.1), is relatively straightforward.⁴ The ordering of the constituencies is done by rank order on provision of collective goods.

Table 11.1 presents both a surprising and a predictable picture. It is surprising both that we find that some MPs are at least perceived to provide substantial amounts of collective goods and that there is such a variation across the measures, given the prevailing consensus on clientelistic strategies in the literature on African politics. It is predictable in that MPs who are investing more heavily in collective goods provision (targeting larger groups of individuals) spend less on provision for small groups and especially individual benefits. They may either be forced to do this given limited resources, or just decide to pursue a different strategy. But the picture is still incomplete without accounting for clientelism proper.

Measuring and producing an equivalent measure of clientelism is a little more tricky. Clientelism is a socially less acceptable practice and there is a risk of underreporting. It is also uncertain which indicators more truthfully measure it. Rather than arguing for one particular indicator as being better than others, it seems reasonable to accept that political clientelism can take different forms for different individuals. The objective here is to find a reasonable way of comparing the pervasiveness of clientelism in different parts of Ghana, and in constituencies with different levels of competition.

The survey included a series of indirect and direct questions about the present state of clientelistic practices as well as comparisons with previous elections.⁵ After extensive analysis and comparison of each of these as well as composite measures based on additive and multiplicative aggregation,⁶ it became obvious that the relative ranking of the 10 constituencies remains essentially unchanged regardless of measure. In other words, it became clear that measuring the extent of clientelism was far less complicated than expected and not at all particularly dependent on the choice of measure. This in itself is a significant and important finding. It is true that indirect measures result in higher reported levels of clientelism than direct measures and thus studies using one or the other cannot be compared with each other. But the pattern of reporting is consistent across different types of areas in Ghana at least, and hence, the differences between constituencies in terms of how widespread political clientelism is remain stable regardless of measure.

In the end, the analysis showed that the most intuitive measure of the extensiveness of political clientelism also performed the best in terms of

Table 11.1 MPs' performance in selected constituencies

Constituency	Type	Collective goods*			Club goods			Private goods		
		Category (1=High)	Rank (0=Low)	Performance (0=Low)	Category (1=High)	Rank (0=Low)	Performance (0=Low)	Category (1=High)	Rank (0=Low)	Performance (0=Low)
Tamale C	Intermed.	High	1	2.81 (.082)	High	1	2.48 (.110)	High	2	2.15 (.119)
Ho West	Safe	High	2	2.67 (.061)	High	3	2.36 (.095)	Medium	3	2.08 (.114)
Kwabre East	Safe	High	3	2.41 (.071)	Medium	5	1.86 (.110)	Medium	6	1.88 (.113)
Bolgatanga	Contested	High	4	2.52 (.084)	High	2	2.43 (.094)	High	1	2.59 (.092)
Jaman S	Intermed.	High	5	2.32 (.056)	Medium	4	2.04 (.074)	Medium	4	1.93 (.079)
Akim Swedru	Safe	Medium	6	2.04 (.086)	Low	8	1.60 (.104)	Low	10	1.14 (.105)
Evalue-G.	Intermed.	Low	7	1.78 (.085)	Low	9	1.29 (.107)	Low	9	1.21 (.104)

Table 11.1 (continued)

Constituency	Type	Collective goods*			Club goods			Private goods		
		Category	Rank (1=High)	Performance (0=Low)	Category	Rank (1=High)	Performance (0=Low)	Category	Rank (1=High)	Performance (0=Low)
Ablekumah S	Contested	Low	8	1.97 (.096)	Medium	6	1.83 (.108)	Low	7	1.61 (.129)
Kpone/Kat	Intermed.	Low	9	1.88 (.106)	Low	7	1.62 (.116)	Medium	5	1.91 (.122)
Cape Coast	Contested	Low	10	1.57 (.092)	Low	10	1.20 (.111)	Low	8	1.22 (.117)
Total				2.20			1.87			1.76
Chi2/Anova-F				1,343			1,502			1,260
p				25.15			19.83			19.99
				.000			.000			.000

Note: * Calculated as means of performance along the 2 public goods dimensions if missing values are 1 or 0; analyzed using Anova; values in brackets are standard errors; significance is F-value.

Source: Author's survey data 2008.

capturing the overall variation between the different measures. The chosen measure combines the response rate of “yes” answers to the question of whether the respondent knows anyone involved in political clientelism (that is, measuring the extension of individuals indirectly observing clientelism) and multiplies it by the average number of individuals that respondents said they knew who had de facto “got something” in the clientelistic exchange involving the incumbent MP as patron. The resulting measure is an effective proxy for actual extension of clientelism in a particular constituency.

Table 11.2 reports on the means and significant differences of means across the 10 constituencies and provides the index score, as well as the rank order of the constituencies.⁷ The final column translates the rank ordering into three main categories: low, medium, and high levels of clientelism. Again we find both significant variation and the surprising fact that some politicians in Ghana actually are *not* engaging that much in clientelistic exchanges. In four out of the 10 constituencies, the averages result in a categorical “low” on provision of clientelism while only three end up in the “high” category. But what does the picture look like if we combine the findings from Tables 11.1 and 11.2?

VARIATION AND PUZZLES

Table 11.3 displays the results of measuring MPs’ performance in terms of the provision of collective goods that are part of a high quality of government, to pure clientelism proper, which is an extreme part of favoritism and the opposite to high quality of government.

At the top of the table we find four positive cases where incumbent MPs focus on the provision of collective and club goods for groups of citizens, while they then can afford, or just decide, to spend less time and money on private goods and clientelism. The four constituencies with the expected positive relationship show an interesting pattern. First, two out of the three selected safe havens are found in this group, suggesting that low levels of competition can relieve MPs from an absolute need to engage in private goods provision on a larger scale in order to get reelected.

It may also be that these MPs are forced to spend so much on their primaries, where it is de facto decided who will become MP, that they are simply forced to focus on the less expensive strategy of collective goods provision during the official election campaign. It may be exaggerated by the pressure on them to mobilize (rather than persuade) party supporters to turn out in larger numbers on election day in order to strengthen the support for the party’s presidential candidate in the

Table 11.2 Clientelism in selected constituencies

Constituency	Type	Did you personally know anyone who got "small chops" in 2004? (>100 set at 100)	How many did you know that got "small chops" in 2004? (>100 set at 100)		Clientelism index**	Clientelism rank	Clientelism category
			"Yes"	(Harmonic mean)			
Jaman S	Intermediate	38%	4.44	1.69	1	Low	
Kwabre East	Safe	33%	6.37	2.10	2	Low	
Ho West	Safe	62%	3.50	2.17	3	Low	
Evalue-Gwira	Intermediate	33%	7.01	2.31	4	Low	
Kpone/Kat	Intermediate	53%	4.90	2.60	5	Medium	
Akim Swedru	Safe	51%	5.87	2.99	6	Medium	
Bolgatanga	Contested	50%	6.96	3.48	7	Medium	
Tamale C	Intermediate	55%	8.58	4.72	8	High	
Ablekumah S	Contested	50%	11.10	5.55	9	High	
Cape Coast	Contested	69%	8.60	5.93	10	High	
Total		49%	6.40	3.14			
	N	1,147	1,414	1,147			
Chi2		F=58.308	F=5.33				
p		.000	.000				

Note: ** Index = mean of how many known to have "small chops" x share of sample who knew at least one person.

Source: Author's survey data 2008.

Table 11.3 Variation from quality of government to favoritism

Constituency	Type	QoG				Favoritism		Outcome
		Collective goods	Club goods	Private goods	Clientelism			
Ho West	Safe	High	High	Medium	Low	Positive (expected)		
Kwabre East	Safe	High	Medium	Medium	Low	Positive (expected)		
Bolgatanga	Contested	High	High	High	Medium	Positive (expected)		
Jaman S	Intermediate	High	Medium	Medium	Low	Positive (expected)		
Akim Swedru	Safe	Medium	Low	Low	Medium	Mixed (unexpected)		
Ablekumah S	Contested	Low	Medium	Low	High	Negative (expected)		
Kpone/Kat	Intermediate	Low	Low	Medium	Medium	Negative (expected)		
Cape Coast	Contested	Low	Low	Low	High	Negative (expected)		
Evalue-Gwira	Intermediate	Low	Low	Low	Low	Puzzle 1		
Tamale C	Intermediate	High	High	High	High	Puzzle 2		

Note: For the first three types of goods (collective, club, and private), “High” indicates that the evaluation of the MP in that constituency is significantly better than a neutral response (the mean of 2.0 indicates a neutral response, that is, that the incumbent has done neither badly nor well in the provision of these goods), “Medium” indicates that the average response is statistically indistinguishable from the neutral position; and “Low” indicates that it is significantly lower or worse. Since the measure for clientelism does not have such easily identifiable anchor points, the division into categories has been created by inspecting the distribution in Table 11.2 and using a reasonable judgment to find meaningful differences.

simultaneous executive poll. From a candidate's rational perspective, this makes sense. In a safe haven, the candidate is guaranteed to win, so using limited resources on expensive clientelistic strategies in order to improve the vote return from, say, 76 to 82 percent should be considered a waste. These resources will have much higher marginal utility if saved until the election season is over and can be invested in either small-scale club goods for communities or private goods for individuals – in both cases delivering on election promises and signaling in symbolic terms that he/she is “taking care” of the constituents. So according to this reasoning, the candidate should spend as close as possible to zero on the official campaign.

However, if the party's presidential candidate were not to win, this implies a huge loss of resources available for constituency service and also patronage, especially in poor African countries such as Ghana where state resources are decisive. This makes it rational for the candidate to use some personal funds in order to enhance the chances of the party winning or retaining executive power. Yet, the stakes will not be as high for a candidate in a safe haven as in a competitive constituency. Safe haven voters tend to be less elastic in their vote choice and more forgiving of the fact that their representative cannot bring home “pork” and provide clientelistic goods when out of power, compared to voters in swing constituencies. Ultimately, candidates in safe havens are unlikely to face serious challenges to their reelection in the next election even if their party's presidential candidate is defeated.⁸

It is different for candidates in contested constituencies, whose reelection is much more likely to be dependent on having access to pork, patronage and resources for clientelistic networks that is provided by being the party in power. The outcomes, in terms of balancing and prioritizing between provision of collective and private goods and the level of clientelism in these constituencies, are consistent with the expectations from the theory discussed above. Yet, correlation is not causation, as we know. In order to validate these claims about the causal mechanisms involved, we need to investigate at least one of these cases more closely by means of political ethnography.

In any case, the empirical relationship corroborates expectations from the literature on clientelism and vote buying regarding the trade-off between different strategies. The logic is based on the assumption that MPs have constraints on time and resources and need to prioritize. A strategy based on provision of collective and club goods would then necessitate less emphasis on provision of private goods and clientelistic relationships. Public goods consume a lot of the legislator's time detracting from the capacity to engage too much in direct private goods provision. In

Ghana, the MPs not only lobby state MDAs for development projects for their communities but also contribute financially directly for bore holes, school building materials, construction of markets, scholarship schemes for gifted students to go on to secondary school, sanitation projects, and so on. Some of the funds come from what is known as the MPs' share of the Common Fund, the Ghana Education Trust fund, and in recent years debt relief from the Heavily Indebted Poor Countries agreement.⁹ But MPs routinely use large sums of their personal funds as well in order to meet demands for club goods of this nature. Hence, the more a legislator spends on public and club goods, the less time and resources will be left over to invest in private goods and clientelistic relationships. That is not to say that one should expect legislators to spend their time and money exclusively on collective and club goods. Most, if not all, of them can be expected to pursue mixed strategies and that is also what the data indicate. In all the 10 constituencies analyzed here, incumbent MPs do just that and the differences reflect relative emphasis.

We also find four mixed or negative cases that more or less mirror the positive cases. There is an unexpected instance with one safe haven constituency (Akim Swedru) where the incumbent has engaged in more private goods provision and clientelism (although less pronounced in the latter case) than seems necessary given the safe haven nature. However, it is less strongly a safe haven than the other two and that may explain the somewhat mixed picture in this case. Two other constituencies are hotly contested, which is exactly where we would expect a more pervasive clientelism. The last is a semi-contested constituency that has been targeted by the other party as one constituency they would try to take, hence a need for the incumbent to respond by increasing the amount of private goods and clientelism in order to make swing voters change their vote. The outcome once again tallies with theoretical expectations.

We end with two real puzzles. For one constituency (Tamale Central), the results indicate that the MP is providing relatively high levels of everything across the board, and in the other (Evalue-Gwira), it is the opposite – the incumbent is apparently doing very little of anything. There may be purely idiosyncratic reasons for these two puzzles and, once again, there may be as yet uncovered, but theoretically relevant, reasons. The Tamale case is particularly interesting, however. The incumbent was reelected in the last election and this raises several interesting issues. Why did the incumbent feel the need to pursue an across-the-board strategy? Has the incumbent found innovative ways of combining these strategies or even allowing for private goods provision to somehow assist in the provision of club and collective goods in the eyes of the citizens? These are questions that should be answered in the future using more in-depth data.

Thus, in eight out of the 10 constituencies, we find more or less the expected pattern where incumbents who pursue a strategy more oriented towards provision of collective and club goods give much less emphasis to giving personal assistance and gifts and engaging in political clientelism, and the reverse.

INFORMAL NORMS CAN HELP CREATE BETTER QUALITY OF GOVERNMENT

This chapter has outlined the contours of a new empirical method of measuring political strategies employed by legislators in single-member district systems using survey data. It could in principle be replicated on a cross-national basis. Building on established theories of clientelistic politics and incentives created by differing levels of competition in poor, new democracies, the analysis also shows significant variation in the quality of governing: favoritism in the form of clientelism and the provision of private goods vary greatly. This variation, within one and the same country, is a finding that runs contrary to much of the established literature on African politics, especially the finding that four out of 10 (almost half) of the incumbent MPs prioritize collective and club goods, associated with more programmatic strategies that by definition are more impartial, in their activities as MPs seeking reelection.

Facing the issue of provision of goods, whether in a principal–agent or a collective action situation, the MPs are exposed to pressures from both informal and formal institutions to which they respond. MPs can act in good or bad ways so as to create reactions from groups, change expectations among them, and thus at least in part shape the pressures to which they are subjected in the future. While idiosyncratic actions by individual MPs can be just that, it is also reasonable to consider their behavior to be in part a response to a set of incentives, disincentives, and norms that can be systematically assessed. A first step in this process is to measure how MPs actually behave – how they govern not only in the legislature or at party headquarters but also and perhaps more importantly, at the local level in the eyes of their constituents.

The informal side of the MP–citizen relationship in Ghana has a significant potential for making the agent (MP) act in accordance with the interests of the principal (citizens) to make them more impartial. For example, office holders feel the need to speak on the floor of the House to bring their constituency’s needs to bear on issues under debate, if pressured to do so. With increased information and civic education, this could potentially be a tool for effectuating democratic responsiveness, furthering programmatic

platforms that lead to a greater provision of collective and public goods, and making policy better adapted to the needs of constituents. If legislators are pressured to spend more of their time, energy and scarce resources on such collective goods, this creates greater (by no means perfect!) impartiality. Since resources for legislators are typically extremely scarce, this may lead to a double gain since they will be forced to reduce the equivalent sum of time and resources spent on “favoritistic” strategies.

Similarly, that office holders are also held to task for community development efforts and the informal institution of being a “father/mother” of the constituency, could come to play an enhancing role in making it a primary concern of MPs to bring local development to their communities. While such goods are far removed from pure public goods, they are at least impartial with respect to the “club” of citizens living in a particular area. Most goods and services are typically more or less impartial. Club goods are more impartial than pure private goods and clientelistic exchanges.

Based on explorative fieldwork, Lindberg (2009b, 2010) found examples of how the office of the MP in Ghana had developed a distinct hybrid character consisting of a combination of fairly standard formal expectations, and informal norms of being a “father/mother” of the constituency who provides private goods and some small club goods for communities (for example, roofing sheets for the school, a public toilet, and so on). The hybrid configuration of the MP’s office puts enormous pressures on office holders to be responsive to constituents’ needs and priorities and has also brought into play traditional tools of shame, collective punishment of the family, and loss of prestige and status as methods of sanction. In this sense, the accountability relationship between MP (agent) and citizen (principal) is in many ways even stronger than standard democratic theory would have us believe. This highlights the possibility of achieving better quality of government as impartiality by what we may consider unconventional means in various settings. The principle of impartiality as the meaning of quality of government may be best conceptualized as a universal norm (Rothstein 2011; see also Chapter 2 in this volume), but the means to achieve it may differ greatly.

The present analysis indicates that MPs in Ghana’s young democracy have begun to act on the implications of this accountability and that voters in this African country evaluate their political leaders not only on personal and clientelistic goods but also on the provision of small and large-scale collective goods. In effect, and without necessarily thinking of it in this way, citizens in Ghana are demanding greater impartiality not only from the bureaucracy in its implementation of public policy but also from legislators, and they use the electoral mechanism to achieve it. MPs in Ghana clearly differ in how much they provide quality of government

as impartiality. It is also clear that voters see the difference and put some value on impartially provided goods. To what extent pressures from voters will induce politicians in new democracies such as Ghana to further increase the quality of government rather than the provision of partially distributed personal and clientelistic goods remains to be established by future research.

NOTES

1. The extension of the law-like consequences of electoral systems first developed by Duverger (1954) and Downs (1957) have been testified by the work of scholars such as Sartori (1968, 1986, 1997, 2001), Rae (1971), Powell (1982, 2000), Bogdanor and Butler (1983), Lijphart (1984, 1994, 1999), Mair (1990), Lijphart and Waisman (1996), Reynolds and Sisk (1998), Bogaards (2000), and Lindberg (2005).
2. The extent to which safe havens exist in African countries varies widely both between countries and between different regions in the same country, as do turnout rates in general. In some countries mobilization is a major issue in virtually all constituencies (for example, Mali with an average turnout in national elections typically hovering around 30 percent), but on average turnout has been relatively high (67 percent in elections judged to be credible by international and local elections observers) in Africa's national elections since 1989 (Lindberg 2009c, p. 30).
3. The sampling procedure involved first stratifying constituencies in the 2008 elections by Ghana's 10 regions. Then, since a computer-generated, random selection procedure could lead to selection of extreme outliers, one constituency was strategically selected from each of the 10 regions by weighting a number of both quantitative and qualitative indicators in order to ensure a representative selection of constituencies as far as possible. The 10 constituencies were divided approximately equally between incumbents from each of the two main parties. For each of the main parties, we also selected one safe haven constituency, defined as one in which the party has consistently won 70 percent of the votes or more in the elections since 1996 as well as constituencies that used to be close to safe havens but have become swing constituencies. We also wanted to sample the behavior of the largest minor party, also representing a longstanding northern tradition in Ghanaian politics. In making these selections we made a conscious effort to get as much geographical variation as possible, as well as a rural–urban spread and ethno-linguistic representation. Once the 10 constituencies had been identified, a random sample of potential voters (everyone above the age of 18) was drawn using a two-stage procedure following the Afrobarometer Survey Methods (2009). This generated a sample of 160 respondents in each constituency and a total sample of 1,600 potential voters. For further discussion of the methodology used for the selection of the constituencies, including considerations of Ghana's political history, see Lindberg and Morrison (2005, 2008) and Weghorst and Lindberg (2011).
4. Each measure ranges from 0 to 5 with 2 as the midpoint. The rank ordering is self-explanatory. Average ratings clearly above 2 are ranked as "High", around 2 as "Medium", and ratings clearly below 2 as "Low".
5. First we had a battery of questions in the survey using a "normalization" protocol derived from criminology in order to counteract tendencies of underreporting socially less acceptable practices. The initial questions purposely treat clientelism as something that would be normal, showing that the interviewer speaks about it openly. The initial questions ask what the respondent thinks about clientelism in general – in this context Ghana – with subsequent questions moving down to the constituency, the local area, people the respondent knows, family and friends, then the respondent. Selecting the five

most direct of these questions as separate measures, and then calculating the average response rate indicating clientelism was one way to calculate an index measure. The first question asks whether the respondent perceives that more people “got small chops” during the elections campaign in 2004, compared to the 2000 campaign. “Chops”, and “to chop”, are local and universally understood expressions denoting clientelistic exchanges. The second question asks whether the respondent personally knows more people who got something in clientelistic exchange in 2004, compared to 2000, and the third question is the answer to whether the respondent was engaged in a clientelistic exchange. To be precise, these questions indicate whether the respondent witnesses and is subject to attempts to establish clientelistic exchanges. We cannot tell whether each such attempt of a politician or his/her party worker to create political loyalty by distribution of personalized goods is successful or not. But assuming that some attempts are successful and that this rate of success is relatively constant across these constituencies, measuring attempts to establish clientelistic relations should be a useful proxy for actual clientelism. Even so, we must be aware that the data are likely to overestimate the prevalence of *successful* clientelism. The final two questions, asked in August 2008, pertain to expectations about the prevalence of clientelism in the upcoming 2008 election campaign.

6. See the online appendix at The QoG Institute homepage, <http://www.qog.pol.gu.se>.
7. The rationale for using the rank order is that no matter how well justified these index scores may be, there is a substantial amount of uncertainty in the measures, and the interval measures probably give an undue impression of precision. It would be intellectually dishonest to treat them as known entities that can be analyzed using methods such as regression analysis designed for precise measures. But we can be much more certain about the position of the constituencies relative to each other (even if we know little about the distances between them), and therefore the relative ranking position is used as the main measure for the analysis.
8. One constituency in the group of “good cases” – Bolgatanga, held by one of the small parties (PNC) – is interesting. It is a contested area where PNC’s hold on the seat is very tenuous. We would thus have predicted a higher level of spending on clientelism than we see. A likely explanation for the relatively lower levels of private goods provision and clientelism in this case is that small parties simply tend to be very poor. While it is possible for an MP from a small party to get some development projects approved by MDAs in exchange for loyalty when it comes to voting in the legislature, they do not have access to big party coffers, kickbacks from contracts, and other sources of income that can be used to sustain clientelistic networks.
9. The Common Fund consists of 7.5 percent of state revenues that are distributed to local governments in the 110 districts. Districts typically enclose two or three constituencies and an MP in such a constituency has spending authority over a 5 percent share for community development purposes. Currently, MPs can use the equivalent of about \$34,000 annually from this source. In addition, when in the last few years Ghana was declared a “Heavily Indebted Poor Country” (HIPC), the same formula was applied, generating another approximately \$9,000 per year per MP for developmental projects in line with the HIPC guidelines. In contrast with the expectations on MPs from constituents in general, and supporters in particular, these sums do not amount to much. See Lindberg (2009a).

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12. Why women are less corrupt than men

Lena Wängnerud*

Why should we care about the link between gender and corruption? The short answer is that it tells us something about how societies progress. Cross-country comparative research has established that societies that elect large numbers of women tend to be less corrupt than societies that elect few women (Dollar et al. 2001; Swamy et al. 2001). In a similar vein, research at the individual level has presented evidence that women tend to be less involved in corruption than men (Bailey and Paras 2006; Treisman 2007; Melnykovska and Michailova 2009). Whether these patterns have anything to do with *gender*, however, is disputed. The suggestion has been made that liberal democracy is the denominator for good governance as well as for gender equality (Sung 2003). The suggestion has also been made that the crucial factor is the access people have to situations where corrupt transactions take place; that is, due to their responsibilities in the private sphere, women are filtered out in earlier stages (Mocan 2008). What is common to both these strands of research is that they tone down the importance of the gender factor.

The main argument of this chapter is that the way research in the field is currently developing suppresses theoretical progress. Scholars are far too occupied with constructing or rejecting monolithic theories, that is, theories with the ambition to offer a foundation for all cases within a certain area. There is a need to develop a framework where multiple theories are used to study the relationship between gender and corruption. The mechanisms at work might, for example, differ between the electoral arena and everyday life situations among ordinary citizens.

Scholars are also far too occupied with constructing gender-neutral understandings, that is, theories with the ambition to explain effects of gender with factors such as accessibility. There is a need to seriously consider gendered aspects of corrupt and non-corrupt behavior. The argument is not to abandon other theories, but to more fully explore the effect that societies' gender systems have on male and female behavior. Gender is decisive for behavior in many spheres of society. Criminologists,

for example, tend to find that women “always and everywhere” are less likely than men to commit criminal acts (Steffensmeier and Allan 1996; Mendoza 2003). Corruption is perhaps not that different from other forms of illegitimate behavior.

So far, cross-country comparative research has dominated the field, but recent research, focusing on the subnational level, adds new fuel to the debate. Findings from Mexico indicate that the pattern established in cross-country comparative studies is also visible at the subnational level: Mexican regions/states with a high number of women elected tend to be less corrupt than regions/states¹ that elect a low number of women. This result is a call for further elaboration of the gender perspective, since findings of within-country variation substantiate the view that there are more factors at work than those connected to general democratic developments.

The chapter starts with an examination of main threads in previous research. The conclusion of that section is that agency aspects have been underemphasized in earlier writings. The study then proceeds to the examination of the variation in corruption among the Mexican states and a discussion of the complexities that are revealed. The chapter ends with the launch of a rationality perspective that contributes a new understanding of women as actors in processes at the crossroads between democratic developments and old power structures. The concept of rationality implies conscious reasoning; the conclusion is that, when calculating costs and benefits, women more often than men *actively* choose to abstain from corrupt behavior.

PREVIOUS RESEARCH

“Are women really the ‘fairer’ sex? Corruption and women in government”, by David Dollar and colleagues at the Development Research Group of the World Bank, initially sparked off research on gender and corruption. The article presents a large cross-country study and establishes that the proportion of women in parliament has a significant effect on corruption, even when other factors, such as overall level of social and economic development, political and civic freedom, average years of schooling, and ethnic fractionalization, are taken into account (Dollar et al. 2001). In this first extensive study, the assumption that women are more honest than men was never tested, but it was underpinned by results from previous research findings pointing in the direction that women are more likely than men to exhibit “helping” behavior and to a larger extent base voting decisions on social concerns (Goertzel 1983; Eagly and Crowley 1986).

Note that there are few studies that reject the presented relationship.

However, a number of authors have criticized the study by Dollar et al. regarding their failure to address the issue of the possibility of reversed causality – political regimes committed to impartiality and probity might also provide opportunities for women to attain positions of political power. Hung-En Sung, one of the most fervent critics of the research initiated by Dollar et al. suggests that “gender equality and government accountability are both great achievements of modern liberal democracy” (Sung 2003, p. 718).

The main dividing line brought forward so far is between a theoretical perspective saying that gender and corruption are parallel phenomena without much connection, highlighting a *spurious correlation*, and a theoretical perspective highlighting effects of *gender differences/sex roles* in society. Swamy et al.’s (2001) article represents a typical work from the latter strand of research. They emphasize the use of “several distinct data sets” and “careful analyses” when they underpin their argumentation:

We are making a simple point: to question the central finding of this paper, one needs to argue that the results of careful analyses of several distinct data sets have, by sheer fluke, all been biased in the same direction. Our conclusion, that there is indeed a gender differential in tolerance for corruption, is more plausible. (p. 25)

The quote illustrates that the authors rely heavily on the strength of the empirical evidence. There is no thorough theoretical reasoning, but a number of hypotheses are brought forward in the concluding part of the study; however, most of these hypotheses concern socialization aspects, for example, that women are brought up to be more honest/law-abiding than men (*ibid.*, p. 26).

Later studies in the same vein have fleshed out the argument, but the mechanisms suggested continue to imply socialization aspects or, put differently, internalized instead of conscious behavior. In a study using data on eight Western European countries from the World Values Survey, covering the 1981–99 period, Torgler and Valev (2006) examine relationships between gender and age in the field of corruption. The results show that older individuals of both sexes were found to have similar stricter moral perceptions; young men are singled out as the deviant lawbreaking group. Torgler and Valev highlight lack of self-control among young men as an explanation for their tendency to be involved in illegal activities. They point to corruption as a criminal act and refer to the finding among criminologists that there is a rather universal gender gap in crime.

Another strand of research relies on a theoretical perspective saying that the relationship between gender and corruption has to do with opportunities to commit “reckless” acts (see *ibid.*, p. 138). Theories of *opportunity*

structures basically comprise two versions, one focusing on conditions in the everyday lives of citizens and one focusing on conditions in the decision-making arena. In a study from Ghana, Namawk Alhassan-Alolo (2007) concludes that, when exposed to an opportunity for corruption, women in public life do not prove less corrupt than men. This conclusion is supported by a study on clientelist practices among male and female political candidates in Thailand (Bjarnegård 2009; see also Stockemer 2011). Anne-Marie Goetz (2007, p. 99) opposes a “myth-making” about male and female nature in corruption research and suggests differences in recruitment to political positions as an alternative approach:

The point is that the ways women are recruited (or not) to the leadership and rank-and-file of political parties restrict their opportunities for engaging in corrupt activities. These restrictions have to do with women’s relative exclusion from male patronage networks, and the sexual danger associated with inclusion.

It is a common understanding in corruption research that it is important to focus on corrupt subsystems, sustained by the collective action of interest groups that benefit from the corruption. The expression “old boys’ networks” is sometimes used to illustrate the duration of these subsystems and the fact that in most countries, there are relatively few women in positions of power. There is an analogy here with the research on gender and crime that points to the fact that one of the most significant gender differences in crime is the overwhelming dominance of males in organized illegal activities (Steffensmeier and Allan 1996, p. 466).

Turning to the citizen level, what is highlighted in research on opportunity structures is that women usually earn less money than men and that, due to family responsibilities in the private sphere, they are also less involved in public matters. Naci Mocan (2008) develops the logic behind the argument:

All else the same, highly educated and high-income individuals should have higher exposure to being asked for a bribe by a government official because of their higher earning capacity and because they are likely to have more opportunities to interact with government officials. (p. 495)

The main argument in this strand of research is that gender has an indirect effect; women are less corrupt than men because they are not, to the same extent, found in certain layers of the population.² The term that can be used to describe women’s behavior is “passive rejection”.

Table 12.1 presents an overview of the main hypotheses in previous research on gender and corruption. What becomes evident is that theories in this field need to address mechanisms at different levels of society

Table 12.1 Main hypotheses in previous research on gender and corruption

Theoretical perspective	Effect of gender on corruption	Driving forces
Liberal democracy	Gender has no independent effect on corruption; spurious correlation	<ul style="list-style-type: none"> ● Liberal democracy is the driving force behind a high number of women elected, as well as good governance
Gender differences/sex roles	Gender has a direct effect on corruption	<ul style="list-style-type: none"> ● Risk behavior/lack of self-control: men dominate most criminal activities ● Role as caregiver: women exhibit more social/helping behavior
Opportunity structures	Gender has an indirect effect on corruption	<ul style="list-style-type: none"> ● Women are, due to family responsibilities, less involved in public affairs ● Women, when they enter decision-making arenas, tend to be excluded from “old boys’ networks”

Note: The different theoretical perspectives are presented more fully in the text.

– regarding both decision-making arenas and everyday life situations of ordinary citizens. The driving forces behind less corrupt behavior among women seem to differ depending on the arena studied.

Currently, more and more studies in the field use experimental designs to assess the relevance of the gender perspective. The overall impression from these studies is that gender in its pure or basic sense has little impact (McCabe et al. 2006; Alatas et al. 2009).³ Experimental studies are interesting, since they suggest that gender differences found in previous research may not be nearly as universal as stated in some of the early writings. Experimental research thus provides a ground for rejecting a unified gender perspective, but not for rejecting contextualized understandings of the interaction between gender and corruption.

THE MEXICAN CASE

The Mexican case constitutes fruitful ground for delving into matters of corruption. Although never under the control of a military dictatorship

as many other countries in Latin America, Mexico was ruled by a single party, the Partido Revolucionario Institucional (PRI), for more than 70 years. For much of this time, the PRI indiscriminately used state resources to serve its own needs (Bruhn 1996). It is far-fetched to single out the PRI as the only source of corruption in Mexico; however, the hegemonic situation fostered a climate where informal exchanges became ubiquitous and where power was in the hands of a few close to the president (Morris 1991; Magaloni 2006).

Since the mid-1990s, Transparency International and the World Bank have measured levels of corruption in Mexico.⁴ Results from both organizations display the same pattern: Mexico is consistently found at the bottom of the “control of corruption scales”, leaning towards the end category “highly corrupt state”. It should also be noted that results from both organizations show small fluctuations over time. In 2000 the hegemonic rule by the PRI came to an end, when Vicente Fox from the centre-right Partido Acción Nacional became president. Even though important changes towards democratization have been taking place, corruption is still a persistent phenomenon in Mexico. Stephen D. Morris, a prominent scholar of corruption in Mexico, reminds us that democratization in Mexico is an ongoing process:

In stunning contrast to just a decade ago, the effort against corruption and abuse of power has taken new adherents and, ideologically at least, has become the norm rather than the exception. Still, as Mexico struggles to address a range of pressing issues in its transformation from an authoritarian into a truly democratic state, corruption continues to shape the nature and course of Mexican politics. (Morris 2009, p. 239)

However, what is important for this study is that data from the subnational level indicate considerable variation. There is a Mexican chapter of Transparency International (TI Mexico), which since 2001 has regularly conducted a National Survey on Corruption and Good Governance, and this survey is designed in ways that enables subnational comparisons. The survey covers perceptions, as well as experiences, of corruption at the household level. The backbone of the survey is a set of questions that records the frequency with which acts of corruption take place in requesting or receiving public services. About 35 services are included, such as obtaining water, collecting garbage and receiving an approval for working or selling in a public area. Questions also concern payment of bribes in connection with “services”, such as avoiding a ticket from the transport police.

On the national level the data from TI Mexico, in accordance with the data from Transparency International and the World Bank, show a stable

situation. In the first study, in 2001, the national average in the National Survey on Corruption and Good Governance showed corruption in 10.6 percent of transactions. In subsequent surveys the national average has been 8.5 percent (2003), 10.1 percent (2005) and 10.0 percent (2007). Turning to the comparison among the states, the data from TI Mexico regularly single out Distrito Federal – the national capital Mexico City – as most corrupt.

To substantiate the picture of variation among the states, we shall look further at data from 2005. The National Survey on Corruption and Good Governance has served as the basis for constructing two indexes: (i) a “full” index which includes all 35 services in the survey (this is the index used by TI Mexico itself) and (ii) a “thin” index which excludes items that relate to bribe-paying in cases such as parking illegally or avoiding having one’s car towed away. The thin index has been constructed (Grimes and Wängnerud 2010) to get an indicator of corruption that purely concerns entitlements. The thin index also excludes services that are normally seldom required. The logic behind the thin index is thus to get an indicator that captures administrative corruption, taking place here and now, in citizens’ everyday lives (see Appendix 12A for items included in the thin index; see Grimes and Wängnerud 2010 for details of index construction).

The results from an analysis of these two indexes show that the full and the thin index differ in the estimate of corruption levels. The full index indicates that, on average, every tenth transaction in Mexico involves bribery, whereas the thin index indicates the same is true for every 25th transaction. However, both indexes display variation across regions – for the full index the variation ranges from 2.0 to 19.8 percent corrupt transactions, and for the thin index the variation is from 1.0 to 11.5 percent corrupt transactions. In both indexes, the state of Querétaro appears as least corrupt and Distrito Federal as most corrupt.

Morris (2005) has conducted a comparative analysis of corruption in Mexican states, using the full index from TI Mexico. The overall conclusion is that very few cross-national findings could be duplicated at the subnational level. For example, Morris finds only a weak hint that poorer states suffer more corruption than wealthier states, and corruption was largely unaffected by the level of electoral competition in the state. Moreover, despite the long reign of the PRI, PRI-controlled states were not shown to differ from states held by opposition parties. The only factor that showed a robust significant effect was population: the larger the population, the higher the frequency of corrupt transactions. Morris argues that population affects the level of corruption because of its impact on demand for government services, but what he really stresses is that the analysis, ultimately, provides little to truly account for the variation (*ibid.*, p. 17).

THE GENDER PERSPECTIVE

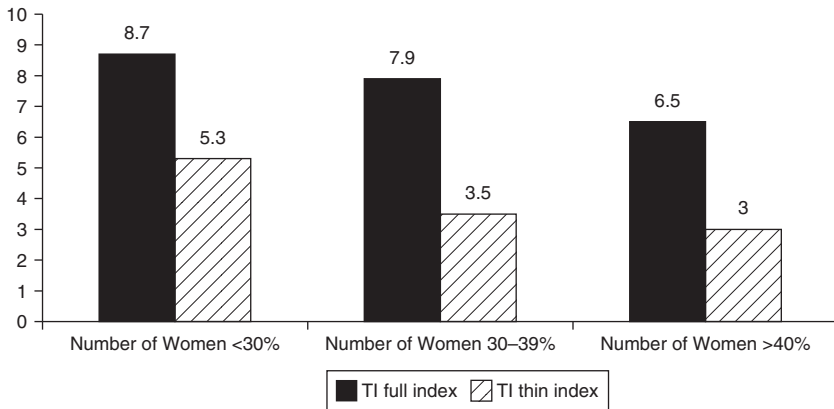
The aim of this study is theory development. Data from the subnational level in Mexico are used to illustrate shortcomings in previous research and to suggest a complementary perspective highlighting agency aspects. An important point of departure is the fact that variation exists among Mexican states not only in terms of corruption but also in terms of the number of women elected.

In the political sphere, the visibility of women has increased in Mexico since the 1990s. The United Nations Fourth World Conference on Women, in Beijing 1995, sparked a worldwide quota trend with significant impact in Latin America. In 1996 a temporary law was approved in Mexico recommending that political parties consider adopting gender equality policies in their party statutes. In 2002 the reform was made into legislation: at the national level, Mexican law stipulates that parties are to have no more than 70 percent candidates of the same sex (Dahlerup 2006; Jaquette 2009; Zetterberg 2009).⁵

Some Mexican states have enacted quota laws for the state legislative bodies, but the laws are sometimes very weak, and the presence of a quota law does not say much about the actual outcome. In fact, the average number of women elected is highest at the municipal level. In 2005 the national average for the number of women elected to municipal legislatures was 30 percent, and the national average for state legislatures was 20 percent.

However, in this study it is the variation among Mexican states that is interesting. In 2005 there were five states with an average of more than 40 percent women in municipal legislatures (Campeche, Tamaulipas, Chihuahua, Zacatecas, Sonora) and two with an average below 20 percent (Durango and Chiapas). With regard to state legislatures, in that same year there were no states with more than 40 percent women elected, but three had more than 30 percent (Quintana Roo, Distrito Federal, Campeche). At the state level, in 2005 there were 17 states with less than 20 percent women elected.

A closer look shows that there is no correlation between the number of women elected to state legislatures and the level of corruption.⁶ However, there is a correlation between the number of women elected to municipal legislatures and the level of corruption. Figure 12.1 shows the level of corruption in Mexican states by the average number of women elected to municipal legislatures. The level of corruption is captured through the full and the thin indexes presented previously. The states have been divided into three groups: states with less than 30 percent women elected, states with 30–39 percent women elected and states with more than 40



Note: Data from the National Survey on Corruption and Good Governance by Transparency International Mexico, which records the frequency with which acts of corruption are reported in requesting or receiving 35 public services (full index) or 18 public services (thin index). Number of persons interviewed ~15,000. Data on the number of women elected were provided by Sonia M. Frias. All data from 2005. Distrito Federal and Oaxaca are excluded. Distrito Federal (the national capital, Mexico City) does not have municipalities. The case of Oaxaca is not comparable to the other states, because the majority of municipalities in this state elect their governing body through “usos y costumbres”, which means that indigenous communities are allowed to use customary laws in elections, and these laws sometimes exclude women from participation.

Figure 12.1 Level of corruption in Mexican states by the number of women elected to municipal legislatures

percent women elected. For each group the average level of corruption is calculated.

Both indexes display a reduction in corruption as the number of women elected increases: in Figure 12.1 the full index shows 8.7 percent corrupt transactions in states with the lowest number of women elected compared to 6.5 percent in states with the highest number of women elected. The thin index shows 5.3 percent corrupt transactions in states with the lowest number of women elected compared to 3.0 percent in states with the highest number of women elected.

The results suggest that any of the two indexes could lay the ground for further scrutiny; however, the thin index will be the main indicator in the following sections, where the gender perspective is further elaborated. The argument is that the thin index focuses on entitlements and excludes those situations where, for example, a citizen has broken the law and pays a bribe to avoid a ticket from the police. Most of the services included in the estimation are handled by public authorities, but a few, such as connecting a telephone line, are in the hands of private concessions (see Morris 2009, pp. 195–6).

ELABORATING THE GENDER PERSPECTIVE

Hung-En Sung was previously presented as one of the most fervent critics of the gender perspective. His claim is that liberal democracy is the denominator for good governance as well as gender equality (Sung 2003). Alejandra Ríos-Cázares and Guillermo M. Cejudo have studied accountability mechanisms in Mexico. They found variation at the subnational level; however, most importantly, they found that accountability mechanisms are incomplete in all Mexican states: “Even in those cases where the legal framework has been updated and the institutions are in place, the incentives and capacities of those institutions fail to guarantee that governments will be held accountable” (Ríos-Cázares and Cejudo 2009, p. 27). This means that the situation we have at hand in the Mexican case is more complex than the liberal democracy perspective predicts.

In this study, a strategy of contrasting cases has been employed to further elaborate the gender perspective. The Mexican states were classified into different groups according to the number of women elected and the level of corruption.⁷ The strategy of contrasting cases means that we shall look at results from a comparison between the states with a high number of women elected and a low level of corruption (12 states) and those with a low number of women elected and a high level of corruption (9 states).⁸ The elaboration is thus founded on those cases that fit the pattern found in previous cross-country comparative research, but the deviant cases will be touched upon in the concluding discussion.

The first step in the analysis is to scrutinize four indicators regarding socioeconomic stratification. The comparison includes a measure of population size, since this factor has shown significant effect in previous studies on variation in corruption among Mexican states (Morris 2005). It also includes two indicators on the level of inequality, an index of marginality⁹ and a measure on the percentage of population with low income, since international findings tell us that inequality is fertile ground for corrupt behavior (Rothstein and Uslaner 2005). Furthermore, the comparison includes an indicator on the percentage of rural population.

The result of the comparison regarding socioeconomic stratification is quite clear: states with a high number of women elected and a low level of corruption are – in comparison with states with a low number of women elected and a high level of corruption – less populated, have a lower percentage of rural population, a lower percentage of population with low income, and a lower percentage of marginalized households. This result means that transitions towards a high number of women elected and a low level of corruption are intertwined with “general” equality/modernization processes.

For this analysis we use macro-level data on the situation in Mexico, but some of the hypotheses in previous research on gender and corruption concern mechanisms at the individual level. Macro-level data are, however, extremely useful for producing a bird's-eye view of society, and at least theories on opportunity structures can be reformulated to fit macro-level analysis. Theories on opportunity structures, focusing on the citizen level, stipulate that women are less corrupt than men, because they usually earn less money than men and, due to family responsibilities in the private sphere, are less involved in public matters. Following that line of reasoning, states with low levels of corruption should display more traditional gender roles than states with high levels of corruption. More traditional gender roles mean that a comparatively high number of women are excluded from the layers of population where corrupt transactions usually take place.

In a rich analysis on variation in gender equality at the subnational level in Mexico, Sonia M. Frias (2008) concludes that differences among the states are surprisingly small. She constructs a Gender Equality Index in Mexican States, assessing the level of gender equality in the economic, educational, political and legal spheres. The economic sphere includes measures such as employment and women's presence among business owners; the educational sphere includes measures such as college degrees and the presence of women in male-dominated areas such as natural sciences; the political sphere includes measures of the number of women in elected office, but also of those in appointed positions such as in the state-level administration; the legal sphere includes measures of legislation granting women's rights, such as access to abortion and publicly funded women's shelters.¹⁰

To facilitate comparisons, Frias standardizes all indicators and calculates a ratio where the score of 100 represents full equality between women and men, and scores tending towards zero reflect greater inequality favoring men (*ibid.*, p. 218). First, what the results in Frias's study tell us is that, even though women are making steady progress towards gender equality in the political sphere, there is a long way to go before there will be full gender equality. For example, the index on gender equality in the economic sector shows that for every 100 men there are, on average, about 40 women in equivalent positions. Developments have come a bit further in the educational sector, where there are about 60 women for every 100 men.

Second, and most important for this study, is that the ratio does not, on average, look different in the states with a high number of women elected and a low level of corruption than in the states with a low number of women elected and a high level of corruption. A flat pattern occurs,

regardless of whether the economic sector, the educational sector or the legal sphere is in focus. Frias (p. 242) herself concludes that “Mexican states are quite homogenous in terms of structural [gender] equality. As opposed to the situation in the US . . . there are not regional differences in Mexico”. Interestingly enough, she makes an exception for the political sphere: “[T]he indicators of political gender equality reveal higher levels of heterogeneity across states, and larger gender gaps compared to those of the economic and educational spheres” (p. 230).

One indicator in Frias’s study that actually gave rise to some difference between the cases selected for this study was the indicator on female *sindicados* (trustees), which is a highly visible and politically important position at the municipal level. The ratio (gender gap) for this position was, on average, lower in the states with a high number of women elected and a low level of corruption than in the states with a low number of women elected and a high level of corruption. In sum, there is little basis to say that variations in the prevalence of traditional gender roles among citizens are linked to the variation in corruption among the states. However, the argument that gender equality in the electoral arena might matter is somewhat strengthened through the data from Frias’s study.

THE LEGACY OF THE PAST

The main conclusion from the previous section is that the situation in Mexico is more complex than expected from findings in previous research. However, corruption is about deep structures in society. Before the discussion on gender and corruption is developed further, it is therefore useful to know to what extent the variation in corruption in 2005, the year in focus of this study, is a legacy of the past.

TI Mexico made their first survey in 2001 and that year will serve as a reference point. As stated previously, indicators on corruption concerning the national level in Mexico show small fluctuations over time. This pattern, small fluctuations between 2001 and 2005, is confirmed for the subnational level, when the full index from TI Mexico serves the role as an estimator of corruption. However, it should be remembered that the full index includes “services” such as preventing a car from being impounded by transport police or releasing an impounded car, which is the worst public transaction ever in Mexico from the perspective of corruption: in 2001 57.2 percent of transactions connected to this “service” involved bribery; in 2005 the corresponding figure was 60.2 percent.¹¹

The point is that the overall impression might be one of small fluctuations, or even a small increase, as in the case of the transport police, but

a comparison between 2001 and 2005 regarding the thin index concerning entitlements¹² reveals that there is progress taking place in the shadow of these extremely corrupt interactions. The thin index displays reduced levels of corruption, both in the states with a high number of women elected and a low level of corruption and in the states with a low level of women elected and a high level of corruption. But the reduction in the thin index is particularly striking for states with a high number of women elected: the number of corrupt transactions concerning entitlements is more than halved, from 5.4 to 2.6 percent, in this group between 2001 and 2005. The corresponding reduction in states with a low number of women elected is from 9.4 to 6.4 percent between 2001 and 2005.

The comparison across time highlights the importance of being cautious when turning notoriously contested concepts such as corruption into concrete indicators and indexes: is there a stable situation as indicated by the full index, or a reduction as indicated by the thin index? The answer is that it depends on which indicator you choose, but there is no reason to reject the idea that what is going on in Mexico is a multilayered development with changes in some arenas but not in others.

A RATIONALITY PERSPECTIVE

The link between gender and corruption tells us something about how societies progress, but the question is *what* does it tell us, more exactly? Ann-Marie Goetz, among others, has pointed out that electing an increased number of women is no simple shortcut to good governance (Goetz 2007; Vijayalakshimi 2008). However, the sheer fact that the finding established in cross-country comparative research is repeated at the subnational level in Mexico strengthens the relevance of the gender perspective.

The theoretical perspective currently gaining ground in research on gender and corruption is the opportunity structure perspective. This study does not close the door to this strand of research; the argument is rather that previous research is *insufficient* for understanding the interactions taking place. The suggestion that arises from this study is to supplement research on gender and corruption with a theoretical perspective that emphasizes agency aspects.

The point of departure for a rationality perspective is that the different positions women and men hold in society affect them in fundamental ways. Most contemporary societies are structured around sex, and that structure coincides with structures of power. The crucial question is whether this relationship means that there are particular reasons for women to abstain from corruption.

In her extensive study *Women in Contemporary Mexican Politics*, Victoria E. Rodríguez (2003) finds that it is common among women politicians in Mexico to have a background in social movements. It might be the case that women are not just locked out from old boys' networks, where corruption is part of the game. To reach and uphold positions of power, women might actively seek to build alternative power bases. Democratic developments open doors for women to enter the public sphere, but women's connections with the surrounding society might still differ from men's. In most societies social movements serve the role as a watchdog for abuse of public office (Grimes 2008a, 2008b). To engage in corrupt behavior would then be particularly risky for women, since it could ruin their chance of gaining support in future races.¹³

At a citizen level, one has to deal with the fact that women usually have fewer assets than men, whether in terms of cash, land or other resources. At the same time women are most often responsible for the well-being of the family. In her book, Rodríguez (2003) refers to a number of studies that highlight the difficulties women in Mexico face in trying to make ends meet. If corruption is viewed as an extra expense, leaving less money for food, schooling and clothing, it becomes quite understandable that it would be rational for women to abstain from corrupt behavior or "negotiate to pay the least they can" when confronted with bribe-paying.¹⁴

The mechanisms suggested here have to be tried out in future studies. Most important is that the rationality perspective implies that the perceptions and evaluations individuals have of society might impel them to act in certain ways (McNay 2008, p. 288). It will always be possible to find exceptions, the argument is not that all women abstain from illegal activities and all men are potential law-breakers, but experiences of being in a subordinated position can motivate women, both in the electoral arena and in daily life, to make different decisions from men about corruption.¹⁵ Thus, the recommendation for future research is to consider a rationality perspective more seriously. The recommendation is also to further develop a framework where multiple perspectives are used to study the relationship between gender and corruption. In Table 12.2 previous research is supplemented with the rationality perspective.

DEVIANT CASES

One advantage of the rationality perspective is that it highlights women as actors in democratic developments. In international studies there is a much-used distinction between *incremental* and *fast-track* models towards increased gender equality (Dahlerup 2006; see also Wängnerud 2009).

Table 12.2 Main hypotheses in previous research on gender and corruption supplemented with a rationality perspective

Theoretical perspective	Effect of gender on corruption	Driving forces
Liberal democracy	Gender has no independent effect on corruption; spurious correlation	<ul style="list-style-type: none"> ● Liberal democracy is the driving force behind a high number of women elected, as well as good governance
Gender differences/sex roles	Gender has a direct effect on corruption	<ul style="list-style-type: none"> ● Risk behavior/lack of self-control: men dominate most criminal activities ● Role as caregiver: women exhibit more social/helping behavior
Rationality perspective	<p>Citizen level: gender has a direct effect on corruption</p> <p>Decision-making arenas: gender has an indirect effect on corruption</p>	<ul style="list-style-type: none"> ● Women as a subordinate group in society: fewer assets makes it rational for women to actively avoid corrupt transactions ● Women's connections with the surrounding society tend to differ from men's: the need to uphold alternative power bases makes it rational for women politicians to actively avoid corrupt transactions
Opportunity structures	Gender has an indirect effect on corruption	<ul style="list-style-type: none"> ● Women are, due to family responsibilities, less involved in public affairs ● Women, when they enter decision-making arenas, tend to be excluded from "old boys' networks"

Note: The different theoretical perspectives are presented more fully in the text.

Sweden and Rwanda can be used to illustrate two typical cases in each category. During the 1970s Sweden crossed the threshold of 20 percent women in the national parliament, and this proportion climbed above 30 percent during the 1980s and 40 percent during the 1990s. The current figure, after the election in 2010, is 45 percent women. Whereas developments in Sweden span more than four decades, the number of women in the national parliament in Rwanda has increased greatly in just a few years. Gender quotas for seats in parliament were implemented as a part

of the reconciliation process after the genocide. In 1994 women made up 17.1 percent of the national parliament. After the election in 2008, the number was 56.3 percent.

Rwanda's situation is much different from Sweden's. The latter's twentieth-century history is characterized by political stability, economic growth and peace. In contrast, Rwanda is one of the poorest countries in the world and its modern history contains disastrous wars.¹⁶ It has been concluded that the increased number of women elected, so far, has had little effect on political output in Rwanda (Devlin and Elgie 2008). However, research on Sweden concludes that women politicians have played a substantial role in transitions towards a more gender equal society (Wängnerud 2009; Wängnerud and Sundell 2011).

There is variation at the subnational level in Mexico in terms of socio-economic stratification. Differences are perhaps not as striking as between Rwanda and Sweden, but what could be gained from the outlook above is that a high number of women elected can be related to far-reaching processes towards modernization and equality (Sweden); it can also be related to a wish to start such processes (Rwanda). This point leads to a discussion about deviant cases in this study, that is, the states that do not fit into the pattern with either a high number of women elected and a low level of corruption or a low number of women elected and a high level of corruption.

The deviant group that is most interesting includes states with a high number of women elected and a high level of corruption.¹⁷ What characterizes those states is a socioeconomic situation much worse than that of the states with a high number of women elected and a low level of corruption. States in Mexico with a high number of women elected and a high level of corruption could perhaps be categorized as "Mexico's Rwanda", and states with a high number of women elected and a low level of corruption as "Mexico's Sweden". The more general point is that it has to be recognized that actors who want to bring about progressive changes are sometimes faced with really severe obstacles; when inequality is pertinent and processes towards modernization slow, it might be extremely hard to pursue good governance.

NOTES

- * This chapter builds on Wängnerud (2010). The research was carried out while I was visiting research scholar at the Department of Political Science, University of California, Berkeley. I would like to thank the Bank of Sweden Tercentenary Foundation and the Swedish Council for Working Life and Social Research for providing me with necessary funding. Sonia M. Frias and Eduardo A. Bohórquez generously shared data with me and helped me during my stay in Mexico. I would also like to thank Bo Rothstein, Sören Holmberg, Marcia Grimes, Christina Alnevall and Aksel Sundström for useful comments.

1. Mexico is a federation of 31 states/regions plus the national capital Mexico City. I shall hereafter use the term “states” since this corresponds with official language.
2. A hypothesis advanced by Manuel Alejandro Guerrero and Eduardo Rodríguez-Oreggia, in a study about decisions among citizens in Mexico to commit corruption, is that women and men differ in their time values. Guerrero and Rodríguez-Oreggia (2005, p. 17) quote a male interviewee emphasizing that, if stopped by the police, “you save time and procedures by paying it [the bribe] there and then”, and a female interviewee emphasizing that “you try to negotiate and try to pay them [the police] the least you can”. The underlying assumption is that men, generally speaking, value a fast process more than women.
3. For example, it has been shown that egalitarian gender-role attitudes contribute to both women’s and men’s propensity to perceive unethical behavior as unethical (McCabe et al. 2006).
4. Transparency International uses a Corruption Perceptions Index that shows perceptions of corruption from businesspeople and analysts such as journalists and researchers. The World Bank indicator is Control of Corruption, which is based on a number of different datasets measuring perceptions of corruption. Both organizations use the following definition of corruption: “exercise of public power for private gain”.
5. Data from QuotaProject Global Database of Quotas for Women (www.quotaproject.org). In 2011, 26.2 percent of those elected to the national lower house in Mexico, the Cámara de Diputados, were women (www.ipu.org; situation as of 30 November 2011).
6. In her seminal book on stratification by sex, *Men and Women of the Corporation*, Rosabeth Moss Kanter (1977) launches the theory of a critical mass. The idea behind this theory is to seek to identify a tipping point at which the impact of women’s presence in a certain organization, such as a legislature, becomes apparent; a figure of ~30 percent is often mentioned. From that perspective, the absence of a correlation at the level of state legislatures is less surprising. However, the different results for state and municipal legislatures have to be studied further.
7. See Wängnerud (2010) for a more comprehensive presentation of the empirical evidence.
8. The 12 states with a high number of women elected and a low level of corruption have, on average, 30 percent women elected to municipal legislatures and the level of corruption (thin index, see main text) is below 3.5. The nine states with a low number of women elected have, on average, less than 30 percent women elected to municipal legislatures and the level of corruption (thin index) is 3.5 or above.
9. The index on marginality comprises data on four areas of socioeconomic development: (i) education (literacy and completion of primary school), (ii) income, (iii) size of rural population and (iv) housing (water, waste water, electricity, overcrowding and dirt floors. Data collected by Mexico’s National Commission on Population (CONAPO) in conjunction with the National Institute of Statistics and Geography (INEGI).
10. I shall not report on Frias’s (2008) study in detail; however, I shall list the indicators included in each subindex: (i) economic gender equality indicators are labor force, employed, civil servants, managers and administrators, business owners, health benefits and households above poverty level; (ii) educational gender equality indicators are average years of education, literacy rates, college degrees, graduates, engineering, agricultural and natural sciences; (iii) political gender equality indicators are mayors, city councillors, trustees, state representatives, magistrates, state secretaries and federal civil servants; (iv) the legal sphere counts approved legislation granting women’s rights or protecting already existing rights in the following areas: abortion, sexual harassment, political representation, theft of livestock punished more severely than offences against women, violence, family violence as a felony, rape within marriage, intrafamily violence as cause of divorce, abuser’s household abandonment, publicly funded shelters, no age difference for marriage, no time for re-marrying, domestic work and allowance in common-consent divorce.

11. For an overview of corruption in different services included in the National Survey on Corruption and Good Governance from TI Mexico, see Morris (2009, pp. 195–6).
12. A common denominator for the items included in the thin index is actually that none of them is handled by the police.
13. It should be noted that civil society in Mexico is reasonably strong. In a study on Western democracies, Kittilson (2006) has found that it is especially important for women politicians to have ties with organizations outside the party, since they provide points of access for women. In Mexico the political system prohibits re-election to the same position; however, it is common to aspire to other political positions after a finished mandate period.
14. In some cases – however, this is very rare, according to the director Eduardo A. Bohórquez and the personnel at *Transparencia Mexicana* – bribes can be paid in order to lower costs of, for example, electricity bills. In most cases bribes are paid to speed up processes or to receive a requested service.
15. An alternative interpretation is that the patterns presented here are about *reciprocity*. To some extent, corruption presupposes a kind of mutual understanding between the parties, and that can reasonably be easier to create if you belong to the same clan, ethnic group or – why not – sex. Especially in countries with large differences in terms of gender equality, it might be difficult to establish mutual understanding and necessary “partnership”. The reciprocity perspective is a middle course between a rationality perspective and a perspective highlighting opportunity structures. For research on reciprocity, see Gintis et al. (2005).
16. Perhaps needless to say, Sweden is among the least corrupt countries in the world, whereas Rwanda is severely corrupt. In a recent rank order, Transparency International placed Sweden as number three and Rwanda as number 89 among a total of 180 countries in the world. The same ranking from Transparency International shows that Mexico is also found in 89th place.
17. See Wängnerud (2010). There are two types of deviant cases: states with a high number of women elected and a high level of corruption, and states with a low number of women elected and a low level of corruption. The latter type consists of only three states, which differ markedly from one another.

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APPENDIX 12A THE THIN INDEX

The question used in TI Mexico's National Survey on Corruption and Good Governance reads: "Have you, or any member of your family, during the past year done any of the following (yes or no)? Did you have to pay a bribe, monetary or otherwise, to obtain this service (yes or no)?" . The items included in the thin index are:

- 1 . . . carry out a transaction to obtain documents related to your education or degrees from public schools?
- 2 . . . make arrangement for the immediate attention of a patient in a clinic or hospital?
- 3 . . . visit a patient in the hospital outside of visiting hours?
- 4 . . . carry out a transaction to obtain or expedite records of birth, death, marriage, or divorce at the civil registry?
- 5 . . . carry out any transaction related to your vehicle: car, truck, motorcycle, or other (for example, a transfer of ownership)?
- 6 . . . carry out a transaction to obtain government employment?
- 7 . . . apply for a scholarship for some type of education?
- 8 . . . apply for permits related to land uses or other transaction related to the public registry of land ownership?
- 9 . . . carry out a transaction related to the connection or reconnection of electricity to your home?
- 10 . . . carry out a transaction to obtain an official school enrolment card?
- 11 . . . carry out a transaction related to getting a driver's license?
- 12 . . . pay a tax?
- 13 . . . carry out a transaction to obtain a telephone line?
- 14 . . . carry out a transaction to register your vehicle?
- 15 . . . obtain a hook-up to the municipal water system?
- 16 . . . receive mail?
- 17 . . . request a municipal garbage truck to pick up your garbage?
- 18 . . . carry out a transaction related to starting a business?

13. Rethinking the nature of the grabbing hand

Anna Persson, Bo Rothstein and Jan Teorell*

A little more than a decade ago, Alan Doig (1998, p. 99) argued:

[W]hile there is substance to the belief that fire-engines cannot be designed without a thorough understanding of the fire they are intended to put out, there is also a sense in which the pervasiveness and tenacity of the current fires of corruption are such that action rather than refining theories and processes is what is now required.

Given the widely acknowledged negative effects of corruption on social, economic, as well as political development, Doig could probably not be more right about the great urgency of the corruption problem. However, having said this, this chapter strongly disagrees with Doig's claim that the refining of theories should now stand back in favor of action. In fact, quite contrary to Doig's claim, we hold that one of the main reasons why the vast majority of the world's population continues to suffer under thoroughly corrupt systems of rule is that not enough attention has been paid to the ways in which the theoretical characteristics of corruption vary with different contexts.

On the basis of this critique, this chapter calls for a more context-sensitive approach to the analysis of corruption. In particular, we argue that – to effectively be able to put out “the current fires of corruption” – we need to acknowledge the different theoretical characteristics of systemic versus non-systemic corruption. Until now, academics and policy makers have tended to treat those two phenomena as the same problem, that is, as a principal–agent problem. In this chapter, we argue that – while the principal–agent theory fits the analysis of non-systemic corruption quite well – systemic corruption in fact primarily rather resembles a collective action problem. This, in turn, has important policy implications with regard to how systemic corruption can most effectively be curbed.

The chapter is organized as follows. In the next section, we explore in more detail the standard conceptualization of corruption – systemic as well as non-systemic – as a principal–agent problem. In the next three

sections, taking as a point of departure the empirical observation that, in most countries, corruption is in fact the expected behavior rather than the exception, we then reframe the problem of systemic corruption into an institutionalist framework of analysis. In doing this, on the basis of empirical observations, we argue that systemic corruption fits the description of an informal institution resting on material foundations. On the basis of interview data from Kenya and Uganda – two arguably typical systemically corrupt countries – we then demonstrate how the material incentives produced by corruption as an informal institution turn systemic corruption into a collective action problem rather than a principal–agent problem. We conclude the chapter by summarizing the argument and spelling out some potential policy implications.

THE STANDARD CONCEPTUALIZATION OF CORRUPTION

Today, the principal–agent model – popularized especially by the work of Susan Rose-Ackerman (1978) and Robert Klitgaard (1988) – is the dominating theoretical framework used by scholars and policy makers in the analysis of corruption, systemic as well as non-systemic (Riley 1998; Andvig and Fjeldstad 2001; Médard 2002; Johnston 2005; Ivanov 2007). Within the principal–agent framework, corruption is commonly defined as “the misuse of public office for private gain” (see, for example, Rose-Ackerman 1978), and understood to be the result of an information asymmetry between a so-called agent and a so-called principal. More specifically, the principal–agent model situates the analysis of corruption in the interaction and interrelations that exist within and outside public bodies and is based on two key assumptions: (i) that a goal conflict exists between *principals* (who are typically assumed to embody the public interest) and *agents* (who are assumed to have a preference in favor of corrupt transactions insofar as the benefits of such transactions outweigh the costs), and; (ii) that agents have more information than the principals, which results in an *information asymmetry* between the two groups of actors (Rose-Ackerman 1978; Klitgaard 1988; Williams 1999). In particular, according to this view, a collective body of actors is assumed to be the principal who delegate the performance of some government task to another collective body of actors; the agents. As in any situation where authority is being delegated, the problem from the perspective of the principal is that the agents may acquire specific information about the task at hand that they are not willing to disclose to the principal, or that they have private motivations other than the goal of performing the delegated task.

Thus, from the perspective of the principal–agent framework, corruption occurs when an agent betrays the principal’s interest in the pursuit of his or her own self-interest. This betrayal is in turn made possible by the information asymmetry between the two groups of actors.

Depending on perspective, who is the agent and who is the principal in the principal–agent model may differ. In the classical treatment – which refers to situations of bureaucratic corruption – rulers are the principal and the bureaucracy the agent (Becker and Stigler 1974; Van Rijckeghem and Weder 2001). In line with the less classical perspective, on the other hand, it is not primarily the bureaucrats who need to be controlled, but the ruling elite. In this model – which mainly refers to situations of political corruption – rulers are hence modeled as agents and citizens as principals (Myerson 1993; Persson and Tabellini 2000; Adserà et al. 2003; Besley 2006). In the end, it is important to note that – regardless of how the principal–agent relationship is modeled – the model always rests on the assumption that there is at least one group of actors in any particular society that will take on the role of being the principal and, hence, control corruption (Galtung and Pope 1999; Rauch and Evans 2000; Andvig and Fjeldstad 2001; Mungiu-Pippidi 2006). Insofar as such a group of actors willing to monitor and punish corrupt behavior does not exist, the principal–agent framework will invariably become useless as an analytical tool.

It is in this discussion that the main argument put forward in this chapter enters the picture. By assuming that every society holds at least one group of actors willing to monitor and control corrupt officials, the principal–agent model is based on the implicit assumption that corruption is the deviant behavior – that is, cases of individual infringement, stemming from a few “bad apples” (Mungiu-Pippidi 2006; Ledeneva 2009). Since corruption is understood as a deviance from the manner in which things are expected to be done, this definition in other words implicitly reflects the view that a complete transition to Max Weber’s ideal of a rational–legal system of rule has taken place (Médard 2002; Mungiu-Pippidi 2006; Ledeneva 2009). However, as most people – including those taking part in the academic and policy debate on corruption – should now be aware, this is not the case in the vast majority of the world’s countries. Instead, the ruling systems of most countries are better described as neo-patrimonial systems, that is, systems in which the distinction between the public and private spheres is formally recognized but seldom observed (Médard 1986; Theobald 1999). That is, they are very far from the principal–agent theory’s tacit assumptions of “ideal-type” relationships between principals and agents. In fact, according to a large number of scholars, in the developing world – harboring the greatest majority of the world’s population – corruption has even reached “cancerous proportions” (Hope and Chikulo

2000; p. 1). Naomi Chazan et al. (1992, p. 180) quite tellingly describe the typical developing country administration as an administration in which “wrong-doing has become the norm” whereas the “notion of public responsibility has become the exception, not the rule”. Larry Diamond (1987, p. 581) in a similar vein argues that, in Africa, corruption “is not an aberration, but rather the way the system works”, while Jean-François Médard (1986, p. 124) comments on the striking ubiquity of corruption on the African continent by arguing: “If we take normality as what is statistically probable, then we can consider that with the scale of corruption we generally observe in African countries, it is corruption which is normal and the absence of corruption which is abnormal”.

However, while the majority of scholars and policy makers seem to be well aware of the fact that, in the majority of the world’s countries, corruption is the expected behavior rather than the exception, very few scholars have acknowledged the theoretical implications stemming from this empirical observation. This chapter takes a different stand as it argues that, where corruption is widespread, to a significant extent it shares the characteristics of an informal institution. As such, and as will be demonstrated later on in this chapter, systemic corruption is better understood within the framework of collective action theory than within the framework of principal-agent theory. In the next section, we explore in more detail the implications of reframing systemic corruption as an informal institution.

CORRUPTION AS AN INFORMAL INSTITUTION

Drawing on institutional theory, where corruption is widespread, it is not best described as individual cases of infringement, but as “the rule of the game” (North 1990). In line with this view, systemic corruption in other words constitutes the unwritten, socially shared rules (that is, expectations) – sometimes, but not necessarily, rooted in broader societal values – that are “created, communicated, and enforced outside of officially sanctioned channels” (Helmke and Levitsky 2004, p. 727). As such, it shares the characteristics of an informal institution or what in game theory is referred to as an “equilibrium phenomenon” (Bardhan 1997; Helmke and Levitsky 2004). Having said this, one might of course wonder what difference it would actually make if systemic corruption is reframed as an informal institution – that is, as a property of the structure of interactions among several actors – rather than an attribute of individual acts. The overarching answer to this question is that, by giving premium to corruption’s endemic nature in most parts of the world, the reframing of

systemic corruption as an informal institution simply fits reality better and can hence help us solve a number of unsolved empirical puzzles. In particular, the reframing of systemic corruption in terms of an informal institution will help us answer two important questions: (i) “Why are neo-patrimonial, thoroughly corrupt systems so robust despite their widely acknowledged, negative developmental effects?” and (ii) “Why have contemporary anti-corruption reforms – to a significant extent taking the departure in the principal–agent framework of analysis – had such a limited impact on corruption levels in thoroughly corrupt settings?”. Yet, before we can contribute with these insights, we need to explore the institutional perspective in more detail.

What ultimately differentiates corruption as cases of individual infringement from corruption as an informal institution is that corruption as an informal institution should be expected to be *self-reinforcing* since all motivation in institutions is endogenously provided. That is, each individual, responding to the institutional elements implied by others’ behavior and expected behavior, behaves in a manner that contributes to enabling, guiding, and motivating others to behave in the manner that led to the institutional elements that generated the individual’s behavior to begin with. As such, institutions can be understood as incentive systems or, in the words of Douglass North (1990, p. 367), “the humanly devised constraints that shape human interaction”. Thus, they provide individuals with the cognitive, coordinative, normative and informational micro foundations of behavior as they enable, guide, and motivate them to follow a specific behavior (North 1990; Greif 2006). In this sense, informal institutions can be understood as “social forces in their own right” (Grafstein 1992, p. 1). By mediating actors’ goals, they leave their own imprint on political outcomes (Thelen and Steinmo 1992; Hall and Taylor 1996). As such, institutions have the capability to foster distinct behaviors that fundamentally structure policy processes and hence make particular policy outcomes much more likely than others (Rothstein 2001). While some institutions tend to promote socially efficient outcomes, others have the opposite effect. Moreover, by systematically structuring actors’ behavior, informal institutions have the potential to either strengthen or weaken the performance of formal institutions (North 1990; Lauth 2000; Mahoney 2000; Helmke and Levitsky 2004). The literature typically distinguishes between four different kinds of informal institutions, depending on how they interact with formal ones: complementary, accommodating, competing, and substitutive informal institutions (Lauth 2000; Helmke and Levitsky 2004).

Complementary informal institutions fill in gaps either by addressing contingencies not dealt with in formal rules or by facilitating the pursuit of individual goals within formal institutional frameworks and, as such,

often enhance the efficiency of formal institutions. *Accommodating* informal institutions create incentives to behave in ways that alter the substantive effects of formal rules, but without directly violating them, that is, they contradict the spirit but not the letter of the formal rules. *Competing* informal institutions in turn structure incentives in ways that are incompatible with the formal rules; in other words, to follow one rule, actors must violate another. Finally, *substitutive* informal institutions – like complementary informal institutions – are employed by actors who seek outcomes compatible with formal rules and procedures. However, like competing informal institutions, they exist in environments where formal rules are not routinely enforced. Hence, they achieve what formal institutions were designed, but failed, to achieve.

Regardless of the specific relationship between informal and formal institutions, the former are typically highly resistant to change, possessing what Douglass North (1990) has called a “tenacious survival ability”. As previously mentioned, this is the result of the fact that institutions – formal as well as informal ones – are typically self-reinforcing or, in other words, *path dependent*. The theory of path dependence (North 1990; Thelen 1999; Pierson 2000) contends that, once actors have made an institutional choice and adopted a set of rules – or simply ended up with a particular set of rules – they are significantly constrained in their ability to leave the path and initiate institutional change. For example, if we re-interpret the phenomenon of systemic corruption in these terms, insofar as corruption is the expected behavior we should expect most actors to reinforce this pattern by acting like “agents” rather than breaking it by acting like “principals”. Consequently, institutions – such as the one of systemic corruption – tend to remain stable over time. That is, they cannot be changed instantaneously or easily (Hall and Taylor 1996; Thelen and Steinmo 1992; Mahoney 2000). In fact, with path dependence, the causes of institutional reproduction are distinct from the processes that bring about the institution in the first place. That is, path-dependent institutions persist even in the absence of the forces responsible for their original production (Mahoney 2000). In other words, it is not just single institutions that are subject to increasing returns. Rather, once in place, institutional arrangements induce complementary organizational forms, which in turn may generate new complementary institutions (North 1990; Pierson 2000). This characteristic could potentially explain why corruption has also tended to migrate to newly adopted institutions that were from the beginning meant to fight corruption (such as the democratic institution of free elections, for example) in thoroughly corrupt settings.

In short, following the theory of path dependence, to the extent that corruption is the rule of the game rather than the exception in some

contexts, we should expect it to be sticky such as it has proved to be in, for example, the African context. In other words, to the extent that corruption is an informal institution, it should in itself be expected to corrupt. Consequently, the level of corruption today is likely to depend critically on the level of corruption yesterday (Aidt 2003). From a game-theoretic perspective, corruption could hence be understood to represent what Bardhan (1997, p. 1331) calls a “frequency-dependent equilibrium”. In line with this logic, once corruption becomes systemic and the existence of widespread corrupt practices becomes “common knowledge”, we seem to have a case of an extremely robust inefficient equilibrium. If a society is stuck in such a high-corruption equilibrium, small efforts to reduce corruption will be overcome by the incentives which return the society to its initial pattern of behavior (Collier 2000). In the words of Robert Harris (2003, p. 63): “just as a predominantly non-corrupt system will self-correct to deal with corrupt individuals and the legislative or political flaws that facilitated their corruption, so will a predominantly corrupt system self-correct to maintain its corruption following a purge”.

How can we then understand this path dependency of institutions? Which are the mechanisms of reproduction that can explain why – once corruption has become the expected behavior in a particular society – that society is likely to stay corrupt? As already argued, at the most basic level, the main reason for institutions being path dependent is that all motivation in them is endogenously provided. That is, while on the one hand, institutions shape the behavior of individuals, on the other hand, individuals are also assumed to shape the behavior of the institutions (Peters 1999). However, while sharing the characteristics of path dependence, not all institutions rest on the same foundations (Thelen 1999; Mahoney 2000). The literature puts forward mainly three explanations to why institutions are reproduced, each emphasizing different underlying mechanisms of reproduction; functional, legitimation, and utilitarian ones. In the next section, we discuss these mechanisms in more detail.

THE MICRO FOUNDATIONS OF INSTITUTIONAL REPRODUCTION

Understanding the individual motivations underlying institutional reproduction is of great importance not only because it gives us increased insights in terms of why a specific institution is reproduced, but also since it gives us a greater knowledge of how patterns marked by path dependence can be reversed (Mahoney 2000). Recognizing that institutional change sometimes occurs, Thelen (1999, p. 397) has made a convincing

attempt to advance the path-dependence literature into a unitary framework that accounts for the stability, as well as the change, of institutions. More specifically, she argues: "Institutions rest on a set of ideational and material foundations that, if shaken, open possibilities for change. But different institutions rest on different foundations, and so the processes that are likely to disrupt them will also be different, though predictable". Thelen (p. 400) concludes that "the key to understanding institutional evolution and change lies in specifying more precisely the reproduction and feedback mechanisms on which particular institutions rest". Moreover, she suggests that a path is vulnerable to jumps when it experiences "collusions" or "intersections" with political processes that undermine its mechanism of reproduction (p. 396). Different reproduction mechanisms have vulnerabilities to different "collusions" or "intersections". Understanding which reproduction mechanism stabilizes the existing institutional design (logic of stability) in other words allows the researcher to identify the factors that weaken the mechanism and lead to change (logic of change) (Lindner 2003).

The literature identifies mainly three types of institutional mechanisms of reproduction: functional, legitimation, and utilitarian. *Functionalist* accounts of self-reinforcing processes can follow either a strong or a weak version. In the weak version, functionalism simply explains the reproduction of an institution in terms of its consequences. In the strong version institutional production is, on the other hand, explained as a result of its functional consequences (in the form of integration, adaptation or survival) for a larger system within which the institution is embedded (Mahoney 2000, p. 519). That is, the consequences of an institution for an overall system are also understood to be the causes of the reproduction of that institution.

In a *legitimation* framework, institutional reproduction is grounded in actors' subjective orientations and beliefs about what is appropriate or morally correct. Institutional reproduction hence occurs because actors view an institution as legitimate and thus voluntarily opt for its reproduction. Beliefs in the legitimacy of an institution may range from active moral approval to passive acquiescence in the face of the status quo (Mahoney 2000). Whatever the degree of support, however, legitimation explanations assume that the decision of actors to reproduce an institution derives from their self-understandings about what is the right thing to do, rather than from utilitarian rationality, functionality, or elite power. In the end, legitimation explanations maintain that, once a given institution is contingently selected, the institution will be reinforced through processes of increasing legitimation, even if other previously available institutions would have been more legitimate. Increasing legitimation processes are

marked by a positive feedback cycle in which an initial precedent about what is appropriate forms a basis for making future decisions about what is appropriate. As a result, a familiar cycle of self-reinforcement occurs. In the words of Mahoney (pp. 523–24): “the institution that is initially favored sets a standard for legitimacy; this institution is reproduced because it is seen as legitimate; and the reproduction of the institution reinforces its legitimacy”.

Finally, *utilitarian* accounts come in two versions, one liberal and one power-centered. In the liberal utilitarian version, actors rationally choose to reproduce institutions – including perhaps suboptimal ones – because any potential benefits of transformation are outweighed by the costs. Consequently, institutions will be reproduced only when it is in the private interests of individuals to do so (Hechter et al. 1990). According to the same logic, institutional change will occur only when it is no longer in the self-interest of actors to reproduce a given institution.

Power-centered utilitarian explanations of self-reinforcing institutions resemble liberal utilitarian explanations in the sense that they assume that actors make decisions by weighing costs and benefits. However, unlike liberal utilitarian analysts, scholars who adopt power-centered explanations emphasize that institutions distribute costs and benefits unevenly and that actors with different endowments of resources will hence have conflicting interests *vis-à-vis* institutional reproduction. Consequently, in line with the power-centered approach, an institution can persist even when most individuals or groups prefer to change it, provided that an elite that benefits from the existing arrangement has sufficient strength to promote its reproduction (Mahoney 2000). More specifically, as argued by Mahoney (p. 521):

[T]he institution initially empowers a certain group at the expense of other groups; the advantaged group uses its additional power to expand the institution further; the expansion of the institution increases the power of the advantaged group; and the advantaged group encourages additional institutional expansion.

The implication following from the power-centered utilitarian approach in terms of institutional change is that institutional change coincides with an increase in the relative bargaining power of the coalition of actors interested in institutional change. More specifically, when the relative bargaining power of the change coalition has reached a point where the anti-change coalition can no longer impose the status quo, institutional stability breaks down. In a similar vein, North (1990, p. 16) recognizes the importance of bargaining power not only in the process of institutional reproduction but also in the process of institutional change. According

to North, institutions are “created to serve the interests of those with the bargaining power to devise new rules”. As such, according to North (p. 68), although the institutional constraints may not be ideal or efficient for one set of individuals involved in a particular exchange and therefore those parties would like to restructure the institutions, the same set of institutions for another set of choices may still reflect as efficient a bargain as possible since it is ultimately the bargaining power that counts. Hence, only when it is in the interest of those with sufficient bargaining strength to alter the rules of the game will there be major changes in the institutional framework.

In sum, in line with the logic of institutional theory, once a society faces systemic corruption – for whatever reason – it will most likely stay corrupt, even if the original trigger for corrupt behavior has been removed. The literature on institutional reproduction and change typically argues that either functional, ideational or material foundations constitute the mechanisms of reproduction that stabilize an institutional setting (Thelen 1999). In the next section, on the basis of the discussion in this section, we explore the mechanisms of reproduction of systemic corruption.

THE MECHANISMS OF REPRODUCTION OF SYSTEMIC CORRUPTION

In order to successfully be able to reframe the discussion on systemic corruption into the framework of institutional theory, we need to be able to account for which are the mechanisms of reproduction of systemic corruption. As previously argued, the literature on institutional reproduction puts forward mainly three mechanisms that have the potential to explain the self-reinforcing character of institutions: functionalist mechanisms, legitimation mechanisms, and material mechanisms. In this section, we explore the explanatory power of these three mechanisms in relation to systemic corruption.

First, in terms of *functionalist mechanisms* of reproduction of systemic corruption, until quite recently (before the mid-1990s) the general consensus was by and large that systemic corruption persists because it serves to “grease the wheels” by facilitating capital formation, speeding up development, and “humanizing politics” (Leff 1964; Nye 1967). A central theme of the grease-the-wheels argument was that corrupt acts such as bribery could be an efficient way of getting around burdensome regulations and ineffective legal systems. Even where it is not, corruption was argued to play an important role in redistribution or in making the state accessible to otherwise excluded groups (Huntington 1968). Another school

of thought argued that corruption in the form of bribery – or so-called “speed money” – serves to enhance efficiency by cutting the considerable time needed to process permits and paperwork. Yet others saw corruption as an inevitable part of the modernization process. For example, according to Samuel P. Huntington (1968), corruption was mainly a symptom of modernization, or efforts made by entrepreneurs to circumvent the stultifying dead weight of oppressive states, to “cut red tape”. In the end, in line with this view, corruption is by and large argued to serve a positive function for the larger society.

However, today very few researchers and policy makers would agree with this “revisionist” view of corruption (Riley 1998; Doig and McIvor 1999). Instead, there is now a general consensus – as well as extensive empirical evidence – in favor of the argument that, rather than “greasing the wheels”, corruption puts “sand in the wheels” and is, as such, a negative force and a great obstacle to successful development. Thus, corruption – at least on the whole – seems to undermine rather than benefit the larger system. As such, it does not seem to rest on functional foundations or, in the words of Douglass North (1990, p. 68), be “socially efficient”.

Second, in terms of *ideational mechanisms* of reproduction of systemic corruption, a large number of studies argue that the reason why some countries remain more corrupt than others is that the public acceptance of what is commonly understood as corruption varies significantly across cultures (Bardhan 1997; de Sardan 1999; Heidenheimer 2002; Hasty 2005). In line with this view, Heidenheimer (2002) makes a distinction between what he calls “black”, “gray” and “white” corruption, indicating different levels of public acceptance of different corrupt activities. Black corruption here refers to a setting in which a majority consensus of both elite and mass opinion would condemn and would want to see punished a particular corrupt act on the grounds of principle. Gray corruption indicates that some elements, usually elites, may want to see the action punished, others not, and the majority may well be ambiguous. Finally, white corruption signifies that the majority of both elite and mass opinion probably would not vigorously support an attempt to punish a form of corruption that they regard as tolerable. In the end, in line with this perspective, systemic corruption in, for example, Sub-Saharan Africa continues to thrive simply because the population cannot separate “right” from “wrong” and hence choose to maintain rather than punish corrupt behavior. What is considered a bribe in the Western context is simply considered a gift in countries with widespread corruption (Bardhan 1997; de Sardan 1999; Rose-Ackerman 1999; Hasty 2005).

Yet, as common as this argument is, there in fact seems to be decisive moral disapproval of corruption in the majority of countries, including the

most corrupt ones. For example, when asked by the Afrobarometer (2006) whether they consider it “not wrong at all”, “wrong but understandable”, or “wrong and punishable” if a public official: (i) decides to locate a development project in an area where his friends and supporters live; (ii) gives a job to someone from his family who does not have adequate qualifications, and; (iii) demands a favor or an additional payment for some service that is part of his job, a clear majority of Africans deems all three acts both wrong and punishable. Studies conducted in other thoroughly corrupt settings reveal similar results (Nichols et al. 2004; Karklins 2005). This leaves us with *material mechanisms* of reproduction of systemic corruption as the most likely potential mechanism. As the next section reveals, it is also this mechanism that has the greatest potential to increase our understanding of why systemic corruption as an informal institution is so pervasive despite a large number of efforts to curb it. More specifically, on the basis of a comparative interview study conducted in Kenya and Uganda – two arguably typical thoroughly corrupt countries – in the next section we demonstrate how the material incentives produced by corruption as an informal institution turn systemic corruption into a *collective action problem* rather than a principal–agent problem.

THE COLLECTIVE ACTION PROBLEM OF SYSTEMIC CORRUPTION

Collective action theories do not necessarily question the potential relevance of effective monitoring and punishment regimes as means to curb corruption such as suggested by the principal–agent framework. Rather, they question the underlying assumption that all societies hold at least one group of actors willing to act as “principals” and, as such, *enforce* such regimes. This is because, quite contrary to what principal–agent theory suggests, collective action theory contests the view that strategic situations always in *themselves* give the actors the answer to the question what strategy is the most rational to opt for. This is particularly true for strategic interaction that takes the form of a multiple-equilibria coordination problem, within the framework of which the choice of action should be expected to depend on shared expectations about how other individuals will act (Sen 1967; Ostrom 1998; Aumann and Drèze 2005; Fehr and Fischbacher 2005; Gintis et al. 2005; Medina 2007).

In particular, the rewards of corruption – and hence the strategy any rational actor is most likely to opt for – should according to this set of theories be expected to depend critically on how many other individuals in the same society are expected to be corrupt. Insofar as corrupt behavior

is the expected behavior, *everyone* should be expected to act corruptly. Moreover, it is important to note that this should be the case even if the majority of actors morally condemns corrupt practices, as well as realizes that they as a collective stand to lose from the ongoing corruption (Karklins 2005). This is because in a “rotten game” in the form of a thoroughly corrupt setting the short-term costs of being honest are comparatively very high since this will not change the game (Della Porta and Vannucci 1999). Hence, unwilling to bear the costs, or incapable of bearing them – that is, being a “sucker” (Levi 1988) – people will instead continue to choose corrupt alternatives before non-corrupt ones. More specifically, as was nicely captured by the Swedish Nobel laureate Gunnar Myrdal (1968, p. 409) in his work about what he labeled the “soft state” problem in Asia, any self-interested actor will reason like this: “Well, if everybody seems corrupt, why shouldn’t I be corrupt”. Consequently, in a context in which corruption is the expected behavior, monitoring devices and punishment regimes should be largely ineffective since there will simply be no actors that have an incentive to hold corrupt officials accountable. In the end, as should be clear, this structure of incentives leads to what Elinor Ostrom (1998) calls a collective action problem of the “second order”.

In the remainder of this section, we demonstrate that systemic corruption – through the material incentives it infers – to a significant extent resembles a collective action problem, within the framework of which actors engage in corrupt behavior not because they morally approve of it or do not understand the negative consequences for society at large, but because as long as they expect everyone else to play foul they perceive the short-term benefits of engaging in corrupt behavior to be greater than the costs. In terms of one prototypical model of collective action, this game of corruption could be interpreted as an assurance game (Sen 1967; Hardin 1995). According to the logic of this game, everyone prefers that no one cheats (that is, acts corruptly) as compared to the outcome when everyone plays foul. However, being the sole “sucker” in a corrupt game is the even more costly outcome to everyone, which tends to lock the game into the suboptimal “corrupt” equilibrium as long as everyone expects everyone else to be corrupt. That is, as we shall see, quite in line with the assurance game, there are great negative pay-offs involved for all actors when it comes to acting fairly insofar as corruption is the expected behavior. However, it is important to note that the positive pay-offs for acting corruptly appear to vary considerably across groups. The underlying reproductive mechanisms of systemic corruption as an informal institution thus seem to be best understood within the framework of the power-centered, utilitarian perspective as described earlier in this chapter.

The Costs and Benefits of Corruption *vis-à-vis* Honesty in Thoroughly Corrupt Settings

Why do individual actors living in thoroughly corrupt settings choose not to report and punish corruption despite the existence of an institutional and legal framework designed to facilitate such actions and despite the fact that they morally condemn it? Quite in line with theories of collective action, the majority of the Kenyan and Ugandan informants bear witness to a real-life context in which there are high costs related to breaking “the rules of the game” and considerable benefits related to playing by the rules of the corrupt game. The costs of being honest range from a sense of meaninglessness to actual death threats, while the benefits of being corrupt range from relative ones such as minimizing the risk of getting no service to absolute ones such as a wealthy life. In terms of the costs related to the choice to break the corrupt “rules of the game”, a large number of informants argue that, for example, reporting corruption is simply meaningless – and hence costly in comparison to the alternative – since this will not make any difference anyway. It is simply the way “things work”: “There is complacency. Everybody does it, so whether it is bad or good everybody does it anyway. Am I the one who is going to change the world? Those are the kind of things you see in the behavior of people”. Or as two reporters (A and B) at a Ugandan newspaper describe the inherent logic of thoroughly corrupt contexts:

A: People see it [and think it is morally wrong] but have nothing to do. They see it as the order of the day. It has become normal. They don't care because they want to access something and if you want to ease the way of getting it you have to involve corruption and you solve your problems. So it is very hard to eliminate it.

B: . . . I feel guilty at the end of the day but it's the society.

A: Exactly. Because ethically we are not supposed to, but the circumstances . . .

B: Anyway that is life . . . Anyway, you look at the surroundings, it is the circumstances . . . It is that feeling that if I don't take it, it is going to be taken by somebody else.

It is important to note that while, for many people, a sense of meaninglessness is enough reason for not being honest, the costs of acting fairly seldom end with this alternative cost. Rather, many of the interviewees bear witness to a real-life context in which acting honestly is not only a waste of time, but brings with it considerable *de facto* costs for individuals at various levels of society, including public officials. For example, public officials who refuse to take advantage of their position to enrich themselves are regarded as stupid and may even face ridicule:

If you have an office but have not stolen – if you have not helped your family – they are actually going to curse you . . . So there is a pressure from everybody that you should take as much as possible. In fact, we who don't take are abused and told we are useless.

In fact, [people] laugh at you sometimes when they find you are at a certain level and yet you do not have as much money as they would expect you to have.

While stigmatization and social exclusion are to many too high a price to pay for fighting corruption, the costs of acting fairly in fact go far beyond this. The unwillingness on behalf of ordinary citizens in thoroughly corrupt settings – and especially the poor – to report corruption should be understood in a context in which the state, partly due to corruption, has long since lost the ability to provide public goods on a broader basis (to the extent that it ever had the ability). Instead, it is the “big men” that are the main providers of public goods. According to many of the informants, it is within the limits of this vicious circle that people find it too costly to punish corrupt behavior. In short, for the poor the alternative to punish the corrupt is often no alternative at all since they cannot afford to bite the hand that feeds them:

[P]eople are seeing their relatives and friends in high offices and they don't care how they get the money as long as the money is going to the village and they benefit . . . And in my view that creates a problem of fighting corruption so who will complain?

For someone in the position of need, if someone comes and sorts out school fees for your children which you otherwise could not afford, you are going to praise that guy and say “you are a great guy and doing a good job”. People look at him and say “he is our man”.

For the segment of the population lucky enough to have a job in the formal sector, the fear of losing one's job, or even life, seems to hold many people back:

[People do not report because] . . . they fear losing their jobs. They see it is bad but they fear reporting. The reporting system is corrupt itself.

The laws are there but the implementation is not easy . . . we have enough [resources] . . . but the environment is spoilt. We usually make recommendations that such and such public officer should be removed. Now the organisation where he is working sits together and defeats your recommendation so what is that? You go to court, they go behind you. You can see the magistrate frustrate you and buy off the witnesses. They can intimidate them. And too, because corruption is mainly a white collar crime, it means that my juniors

would be the ones to testify against me but they fear for their jobs and their lives.

A former public official in Uganda describes how he lost his job because he reported a corrupt colleague to the Inspectorate of Government. On the question whether it was worth it, the clear answer is “no”. And of course he would not do it again: “If you lose your job and no one protects you it does not make any sense”. In short, as predicted by collective action theory, being a whistleblower in a context in which corruption is the rule rather than the exception is related to unbearable sanctions for most people. In the end, according to the majority of the informants interviewed for the purpose of this study, the fear of repercussions – together with a feeling of being part of a vicious circle of corruption that nobody alone can afford to break out of – seem to be the main motivators for people not to report and actively challenge corruption. As long as most people expect most other people to be corrupt, the relative – and in many instances *absolute* – costs of playing fairly and actively challenging corruption are simply too high.

However, this is not to say that the benefits of being engaged in corrupt practices are equally distributed across groups. Rather, while the majority of the informants agree that the benefits related to being corrupt are often considerably greater than the costs, they still bear witness to a context in which there are huge discrepancies across groups in terms of the distribution of benefits derived from acting corruptly. The closer to the top you find yourself in the hierarchy, the more likely it is that you are going to benefit in *absolute* terms from engaging in corrupt practices, perhaps even in the long run. At the other extreme you find ordinary citizens, and especially the poor segments of society. Among the members of this group, corruption is not actively supported, but rather pragmatically accepted for the simple reason that it facilitates life, either by maximizing efficiency in achieving objectives which would otherwise be out of bounds, or by minimizing risks, such as avoiding trouble with, for instance, the police or the courts. In both cases, corruption is used as a means of bypassing unpredictable (or predictably inefficient) institutions:

[M]ost people will be doing it involuntarily, because if you look at the institutions which are taking the bribes, it's the police which means they are in a situation where they are threatened with some sort of punishment or some sort of pain if they do not pay the bribes. There's a little bit of coercion in it, but there's also the element that people are trying to maybe skip the queue or save time or whatever by paying bribes . . .

The only way to get a service is simply to pay a bribe:

It is becoming a culture that people have this idea in their head that if you are going to that office, you have to pay some money to get a service. Everyone has that, even me . . . Maybe I am promoting it, but if you don't do it you will lose. It will be at your own cost.

Bribes are bad but sometimes it is necessary to bribe, especially when you have attempted to get what you wanted and you could not get it. And if someone tells you "if you do ABCD you will actually get it". And when you do it and you get it tomorrow it will be the order of the day, the fashion.

Again, the collective action problem of corruption in contexts ridden with systemic corruption reveals itself:

[E]verybody knows that it is a wrong thing. But there is also the general consensus that it is a system . . . So it's not that people are not willing to participate in eradicating this, but the prevailing environment, the institution, the process that they go through in fighting this thing is in itself more costly than the bribe they give to the policemen.

For many ordinary citizens, it is especially expectations about what the elites will do that drive their corrupt behavior – that make them feel trapped:

[E]ven the people see that the state has failed to commit to its own pledges. Then they say "who are we?" If the state is allowing people like this [high-level public officials] to continue with looting, why should I be stopped from giving a clinical officer a hundred shillings to get faster health care services? People say "go to hell". It's a pragmatic . . . The way of living . . .

The regime is becoming oppressive and there is a lot of corruption with impunity and the rest of the public is saying "what can we do?"

Corruption somehow started from the top. When you had those ministers taking money . . . one who has been there for three years and is now a millionaire. So what can other people do? They join the rest.

In other words, if we are to believe the Ugandan and Kenyan informants, the behavior of elites also seems to serve as the main heuristics for other groups in society. Thoroughly corrupt systems can in this sense be described as systems in which the "fish rots from the head down". Yet, it is important to note that this does not make elites less affected by the "rules of the game" than any other group of actors. That is, even elites are in the end subject to a system in which the costs of acting fairly by far outweigh the costs of being corrupt. However, having said this, the majority of the informants still describe a situation in which the elites ultimately seem to

be the “winners” of the corrupt game. More specifically, a large number of informants describe a system in which particularly high-level officials benefit more than any other group in society from perpetuating the status quo. What ultimately drives high-level officials to engage in corrupt practices is, according to the informants, greed rather than survival. Money is simply “too sweet to resist”:

It is greed that makes officials become corrupt. They don't have feelings for others . . . They are self-centered.

They [that is, public officials] will just say “I will get something good out of it, I am going to buy a car, I am going to build my house”. It is a selfish thing, greedy. A greedy sense of attitude. Selfishness.

Another informant draws a similar picture:

[Political elites] see corruption as a paying enterprise. It is no longer risky, unless maybe you have misappropriated very little. The moment we are talking about huge sums of money, in case the scandal gets into the public limelight the only thing you can suffer is maybe that your name is appearing in the media reports. But it will stop at that. What you will only suffer is embarrassment. And that is not deterring many. If you look at the situation where I am able to misappropriate 500 million USH and that will enable me to do lifetime investments even for my children and grandchildren, the fact that you are going to talk about me and the public sees me as having done some unethical, it will be quickly forgotten. And I will be able to access my loot and start enjoying it. And even some of those people who would be against me I would even use some part of that money to buy them, to buy their loyalty, to buy their friendship back. So that is what is happening in this country.

Taken together, drawing upon the cases of Uganda and Kenya, this section has illustrated the collective action problem character of corruption in countries ridden with systemic corruption. As demonstrated, in such a context very few actors see any point in reporting and punishing corrupt behavior. The relative and absolute short-term costs of doing so are simply too high. In addition, at least in the short term, the benefits of passively or actively engaging in corrupt activities seem to outweigh the costs, making most people choose corrupt alternatives before non-corrupt ones. However, note that not all actors seem to benefit as much from perpetuating the corrupt system. Rather, quite in line with the power-centered utilitarian perspective on institutional reproduction, thoroughly corrupt systems seem to distribute the benefits of corruption unequally across groups, top officials being the group gaining the most in absolute terms and hence having the greatest incentives to perpetuate the status quo. In the final section of this chapter, we discuss the policy implications

following from the reframing of the nature of the grabbing hand into a collective action problem.

RETHINKING THE NATURE OF THE GRABBING HAND

With an increased awareness of the detrimental effects of corruption, strategies to fight it are now a top priority in policy circles around the world. As such, in recent years the fight against corruption has become a major industry, involving all the international organizations – as well as a significant amount of resources (Médard 2002; Mungiu-Pippidi 2006). To date, however, in countries ridden with rampant corruption, few successes have resulted from the investment. Instead, the world has witnessed what is best described as the remarkable resilience of systemic corruption.

The argument put forward in this chapter has the potential to explain both the overall failure of anti-corruption reforms in countries plagued by systemic corruption *and* the extraordinary persistence of systemic corruption. What the chapter has argued is that – insofar as corruption is systemic rather than non-systemic – to a significant extent it shares the characteristics of an informal institution (and, in particular, a *competing* informal institution). As such, via especially the material incentives it infers, it in fact more closely resembles a collective action problem than a principal–agent problem such as has commonly been assumed. Since a collective action problem is defined by the feature that – for each individual – “breaking the rules of the game” is always more costly than “playing by the rules of the game”, we should expect nothing but systemically corrupt systems (that is, systems in which corruption is the expected rather than the deviant behavior) to be resistant to change and, hence, sticky, such as has been empirically observed.

In terms of policy implications, if systemic corruption is not primarily a problem of an information asymmetry between so-called “agents” and principals” with different incentives, but rather generated by a social contract to which even the majority of supposed “principals” may – if yet unwillingly – agree, then the incentive structure of the supposed agents should not be the place to look for a “quick fix” such as suggested by the principal–agent framework, since there will simply be no principals willing to monitor and punish corrupt officials. Rather, to successfully curb rampant corruption the important thing will be to change actors’ beliefs about what “all” other actors are likely to do, so that most actors expect most other actors to play fairly. To do this, if we are to believe the work of other scholars, rather than “fixing the incentives” more revolutionary change will be needed. As argued by Larry Diamond (2007, p. 119):

Endemic corruption is not some flaw that can be corrected with a technical fix or a political push. It is the way that the system works, and it is deeply embedded in the norms and expectations of political and social life. Reducing it to less destructive levels – and keeping it there – requires revolutionary change in institutions.

In particular, in order to successfully reduce the level of malfeasance in countries plagued by rampant corruption, the whole system will need to be tilted from an equilibrium characterized by what is commonly referred to as “particularism” (Mungiu-Pippidi 2006), a “limited access order” (North et al. 2009), or a “partial” system of rule (Rothstein and Teorell 2008) to an equilibrium characterized by the opposite, that is, “universalism”, an “open access order”, or an “impartial” system of rule (Collier 2000; Johnston 2005; Mungiu-Pippidi 2006; North et al. 2009).

Yet, to the extent that revolutionary change is in fact the solution to the problem of systemic corruption, we still need to answer the question of how to change the basic modus operandi of a society’s institutions from “particularism–personalism–partiality” to “universalism–impersonalism–impartiality”. That is, we need to know how societies can break out of “social traps” such as the one of corruption. Unfortunately, as we have argued elsewhere (forthcoming), while there are in fact a few countries in which socially efficient institutions operate, we actually know very little about what led to these successes. Given the devastating economic, political, and social effects of systemic corruption, one of the most important tasks for future research will hence be to find out more about the factors that can explain why a few countries have indeed been able to make the transfer from a thoroughly corrupt system to a system of rule in which corruption is the exception rather than the rule.

NOTE

- * This chapter partly builds upon our co-authored article “Why anti-corruption reforms fail – systemic corruption as a collective action problem” (forthcoming in *Governance*). We gratefully acknowledge the permission given by *Governance* to publish a revised version of the article in this book. We would moreover like to thank Patrik Stålgren for preparing the interview part of the study, as well as Maria Jacobson and Anders Sjögren for the excellent interview data they collected in Uganda and Kenya, respectively.

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PART III

What you get

14. Part of the solution

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For more than a decade, international organizations such as the World Bank and the United Nations have emphasized the importance of *good governance* and *sound institutions* from a development perspective. The theory behind this is that only with a high quality of government (henceforth QoG), can a country reap the benefits of economic growth and social development. In this chapter we present a review of this research together with a basic benchmark empirical analysis of the bivariate relationships between three widely used measures of QoG (the World Bank's Government Effectiveness Index, its Rule of Law Index, and Transparency International's Corruption Perceptions Index) and 22 different measures of important societal outcomes in five areas: health, environmental sustainability, economy, social policy and life satisfaction. In the empirical analysis, we employ data from The Quality of Government Institute Dataset (Teorell et al. 2008). Our central question is simple and straightforward: does QoG matter?

The 2000 United Nations Millennium Declaration identifies good governance as a necessary requirement for countries to foster economic development and reduce poverty (United Nations 2000, para. 13). Similarly, the 2002 UN Human Development Report singles out democracy as a particularly important feature of good governance. It states: "For politics and political institutions to promote human development and safeguard the freedom and dignity of all people, democracy must widen and deepen" (UNDP 2002, p. 1). However, the report also warns: "The links between democracy and human development are not automatic: when a small elite dominates economic and political decisions, the link between democracy and equity can be broken" (p. 3). This warning was later expanded in the 2003 UN Human Development Report. Although still championing good governance and the importance of democratic institutions, the 2003 Report states that reforms in this area on their own are not sufficient for fostering economic growth and equitable development (UNDP 2003, p. 76). A closer look at data

from the Human Development Index (HDI) shows that in the 1990s, a time of democratization and reform, 21 countries saw a fall in their HDI ranking (measuring health, education, standards of living). This can be compared with the 1980s, before the big push for good governance had begun, when only four countries saw their HDI ranking decline (*The Economist* 2003).

The complex conceptual and empirical relation between QoG and economic and social development is manifest in discussions about whether the effects of good governance in fact are as important as has been stated by the international policy community. Critics have claimed that the benefits of good governance have been overstated. The lack of objective data and the absence of a universal definition for “good governance” mean that empirical results in different studies support both sides of the debate. For example, while some studies show that a high QoG leads to greater income inequality (Lopez 2004), other studies show the reverse (Gupta et al. 2002). The differences in these results stem partly from the authors measuring different aspects of good governance. While the first study uses the International Country Risk Guide (ICRG) index as a measure of its governance variable, the latter study uses six different indices of corruption (of which one is the ICRG index). Thus, because “good governance” is such a broad concept and encompasses a range of issues, empirical analyses hinge greatly on the definition of the term.

The development of a vast literature in this field now allows for a richer assessment of the effects and significance of QoG. In the next four sections, we present four salient debates within the field of good governance: the democracy, economic growth, corruption and rule of law debates. The following section uses the insights from the preceding sections to focus on the policy outcomes of QoG in the fields of social well-being, public health, and environmental sustainability. In addition to the review of previous studies on these topics, our own empirical analysis is presented.

THE DEMOCRACY DEBATE

Civil liberties and democracy are often championed as the antidote to everything from corruption to poverty. This is because the two are linked to accountability, which helps to reduce the discretionary powers of public officials (Deininger and Mpuga 2005, p. 171). Or to quote Albert Hirschman, “while markets create managerial discipline and induce efficacy through the exercise of choice, governments are principally disciplined through the exercise of voice” (quoted in Isham et al. 1997, p. 222). Empirical research on this topic, however, is rather mixed.

Several studies show a link between civil liberties and democracy on the one hand, and better development outcomes on the other (Halperin et al. 2004). For example, a World Bank study concludes that the greater respect for civil liberties a country has, the larger is the success rate of implementation of government investment projects financed by the Bank. The authors thus argue that the suppression of civil liberties is likely to have adverse consequences for government performance (Isham et al. 1997, p. 237). Similarly, Li et al. (1998) find that civil liberties are positively related to higher incomes for the poor and the rich, as well as decreases in inequality. Chong and Gradstein (2004) also find that civil liberties and political freedoms have a negative correlation with the Gini coefficient, meaning that civil liberties and political freedoms are positively related to equality. Another study which shows the importance of giving citizens a voice states that “those who know how to report corruption are significantly less likely to have to pay a bribe, to be more satisfied with service delivery, and to perceive greater improvements in education and health over time” (Deininger and Mpuga 2005, p. 183). It is thus argued that citizen empowerment is the key to creating effective institutions.

The problem is that empirically, there is no straightforward relationship between establishing electoral representative democracy and QoG in the exercise of public power. On the contrary, democracy seems to be curvilinearly related to the level of corruption (Montinola and Jackman 2002; Sung 2004). Empirical research indicates that corruption is worst in countries that have newly democratized. For example, some of the worst cases of corruption have appeared in newly democratized countries, such as Peru under its former president Alberto Fujimori (McMillan and Zoido 2004).

This issue – that electoral democracy does not necessarily lead to increased QoG – was raised at a conference held in 2007 celebrating the establishment 25 years earlier of the US-based National Endowment for Democracy. At this conference, where the spectacular success of democratization over the world was lauded, Larry Diamond, one of the most prominent scholars in the field of democratization studies, stated that democracy in the world today is haunted by the specter of bad governance, which he defined as “governance that is drenched in corruption, patronage, favoritism, and abuse of power” (Diamond 2007, p. 119). Furthermore, he argues that the idea that the pathologies of “bad governance” can be cured with more “democracy assistance” is not convincing because such assistance does not reach the deeper levels of the political culture in societies that are dominated by clientelism or endemic corruption. If corrupt practices are “deeply embedded in the norms and expectations” of how political and economic exchanges are perceived, improvement will require

nothing less than “revolutionary change in institutions” (ibid., p. 120). Here, Diamond echoes the Romanian political scientist Alina Mungiu-Pippidi, who has leveled a similar criticism against efforts by, for example, the European Union, to curb corruption in former East European countries. She argues that since “bad governance” is deeply entrenched in a “particularistic” political culture, the often very technical measures that have been launched do not reach the roots of the problem. According to Mungiu-Pippidi, the root of the problem is the lack of a “norm of universalism” in political culture (2006, p. 87). Finally, one should keep in mind that the two states that have made the greatest progress in promoting “good governance” – Singapore and Hong Kong – have not been and are still *not* democracies (Uslaner 2008).

THE ECONOMIC GROWTH DEBATE

The argument about the relation between QoG and economic growth comes from a variety of sources. One is what has been called “the institutional revolution” by Nobel Laureate economist Douglass C. North. However, it should be stressed that North has not focused exclusively on the importance of legal or semi-legal institutions for economic growth. On the contrary, there is a strong “cultural” line in his argumentation which includes things such as “shared mental models” and “the belief system of societies”. In many of his writings, North actually gives more weight to the informal (cultural) institutions for economic growth than to the formal ones. For example, he argues that for making impersonal productive economic exchange generally possible, societies need a certain set of institutional frameworks. However, “while formal rules can help in creating such frameworks, it is the informal constraints embodied in norms of behavior, conventions, and internally imposed codes of conduct that are critical” (North 1998, p. 494; see also North et al. 2006). Thus, North’s arguments are closely related to theories that stress the role of the basic political and social culture/norms in a society.

Development scholars in political science and economics have also contributed significantly to the institutional revolution. The idea that efficient markets could be created only by deregulations and/or privatizations has not fared well. Shock-therapy capitalism has, to put it mildly, run into a number of problems because its proponents did not pay adequate attention to the need for institutions that would hinder fraudulent, anti-competitive and other similar types of behavior (Kornai et al. 2004). If, for example, public contracts are given only to economic agents that are “well-connected”, belong to a specific ethnic majority, or have paid bribes,

the economy is likely to suffer. Similarly, if workers that are threatened by unemployment have no social protection nets (unemployment benefits, possibilities for vocational training and so on), they or their unions may prevent rationalization and structural change of the economy. This problem has been captured poignantly by economist Dani Rodrik who writes that “the encounter between neo-classical economics and developing societies served to reveal the institutional underpinnings of market economies” (Rodrik 2007, p. 153). Among such institutional underpinnings, Rodrik lists a well-specified system of property rights, effective regulation that hinders monopolies to dominate markets, uncorrupted governments, the rule of law, and social welfare systems that can accommodate risks. Interestingly enough, Rodrik (p. 153) also mentions the importance of informal societal institutions that fosters social cohesion, social trust and cooperation. He criticizes neoclassical economics for omitting the importance of such institutions by arguing that “these are social arrangements that economists usually take for granted, but which are conspicuous by their absence in poor countries”.

As part of this discussion, a large number of studies in the good governance field have focused on the economic effects of QoG. For example, Kaufmann et al. (1999, p. 15) find that “a one standard deviation improvement in governance leads to between a 2.5-fold (in the case of voice and accountability) and a 4-fold (in the case of political instability and violence) increase in per capita income”. Similarly, Kaufmann (2005, p. 362) finds:

[A]n improvement in rule of law by one standard deviation from the low levels in Ukraine to those “middling” levels prevailing in South Africa would lead to a fourfold increase in per capita income in the long run. A larger increase in the quality of rule of law (by two standard deviations) in Ukraine (or in other countries in the former Soviet Union), to the much higher level in Slovenia or Spain, would further multiply this income per capita increase . . .

According to Kaufmann, similar economic improvements would follow from changes in the level of corruption or protection of civil liberties. Critics of such findings, however, come from two directions. The first criticism comes from those who point to the issue of reverse causality. For example, Goldsmith (2007, p. 165) states that “counter to optimistic claims about how much ‘institutions matter’ . . . greater transparency, accountability, and participation are often a result, rather than a direct cause of faster development”. He arrives at this conclusion by analyzing the history of specific governance reforms and the economic development of the United States, Argentina, Mauritius, and Jamaica. He shows that in the United States and Argentina, economic growth took off before major

governance reforms had been adopted. Moreover, it is argued that despite Mauritius and Jamaica having similar sets of institutions, their development paths have been very different (*ibid.*, pp. 170–81). These observations lead him to form the conclusions that “meritocratic bureaucracies, independent judiciaries, and honest elections are worthy goals in their own right, but setting them up need not give a perceptible jolt to development” (p.181). He further argues that if other conditions are favorable, economic growth can be accomplished even in countries with low-quality government institutions. Moreover, Goldsmith maintains that high-quality institutions are more likely to be established as an effect of an increase in production and income but that governance reforms may be needed in the long run to sustain development (p. 181).

According to this view, then, it is the process of industrialization that has a tendency to give rise to better institutions. Similar conclusions are drawn by other researchers who point to an endogeneity problem that is inherent when linking good governance and economic growth. These methodological problems in the research, they claim, have contributed to an overestimation of the effects of good governance (Glaeser et al. 2004; Przeworski 2004). Nevertheless, seen from a nineteenth-century European perspective, the historical record can be interpreted to support both cases. The English case seems to give evidence for the importance of the “QoG causes economic growth” hypothesis (North 1990). The Swedish case also seems to indicate that a large number of institutional reforms in the “good governance” direction were implemented just before the start of industrialization that put the country on a path of economic growth (Rothstein 1998, 2001; Myhrman 2003).

It should be underlined that one is not likely to encounter a straightforward sequential logic here. It is very unlikely that a country can first set up a full-blown set of good governance institutions and as an effect of this would start to develop. First, as Grindle (2004) has argued, the “full-set” is a very tall order. It is not only independent courts and the rule of law, but also institutions for effective taxation, auditing, patents, an effective police force, an enforcement service, a bureau for land rights, inheritance law, a companies act, and so on. Second, from what we now think we know about how social causation works, we should expect to find factors such as “feedback mechanisms”, “auto-correlation” and “path dependency”, making what is the “independent” and “dependent” variable in this story very difficult to sort out (Hall 2003). To this we have to add that we are not likely to find effects of just the formal establishment of institutions, but instead of how people in general come to perceive the credibility of such institutions.

Despite these criticisms, there are those who support the idea that good governance leads to economic growth but still criticize the good

governance agenda. Their criticism focuses on how this economic growth translates into reduced poverty and income inequality. For example, there are those who argue that the policy implications of QoG tend to emphasize small governments, which could be viewed as being anti-poor (Shepherd 2000, p. 270). Shepherd, for example argues that while reforms of the civil service have been successful in reducing the number of government employees, the reforms have failed when it comes to fixing the problem of low pay. This has resulted in the continuation of “informal payment systems and other forms of corruption” which serve to drain the public sector employees of motivation to fulfill their duties (*ibid.*, p. 282). He further argues that the problem is that civil service reforms have not been coordinated with other policies such as universal primary education or basic healthcare, which implies that the “output” side (service delivery outcomes) has suffered as a result of cuts on the “input” side. His conclusion is that even though good governance reforms may be necessary, in themselves they are not sufficient to reduce poverty. Rather, universal policies need to be launched, particularly in sectors such as education and health (p. 283).

On the other hand, the supporters of the good governance agenda argue that the poor suffer most under bad governments, thus reforms toward good governance will benefit the poor. According to this view, taking action to reduce corruption, increasing access to legal services for the poor, improving ethics among the police to reduce discrimination against the poor, promoting democratic institutions, increasing the quality and efficiency of public good services, and managing the economy well will benefit poor people in the long term (*ibid.*, p. 270). In their cross-country study for the 1960–90 period, Chong and Calderón find support for this view. Their findings show a negative and significant relationship between institutional quality and poverty. They state that “the more efficient a country’s institutions, the lower the level, incidence, and severity of poverty” (2000, p. 130). The risk of expropriation and the quality of the bureaucracy are shown to matter most for poverty levels, while corruption and law and order play a less significant role. Chong and Calderón theorize that this is because the poor usually live in rural areas where the central government’s hold is weaker. Therefore what matters most is to affect those things that have a direct bearing on the poor, such as the insecurity of expropriations and the inefficiencies of service delivery (*ibid.*, pp. 130–31). Chong and Calderón also put forth the notion that institutional reform may at first increase poverty in a country because of high initial transaction costs until the new system has started to function efficiently (p. 125).

These views are in line with the argument made by development economist Hernando de Soto about what can be called “the social construction

of capital” (de Soto 2000). To give a short recapitulation of de Soto’s well-known argument: capital is not the same as assets or even property. For assets/property to become capital, it has to become a universally accepted legal construction by which ownership is generally respected. Through such a normative/legal institutional invention, assets/property that become capital can be used, for example, as security for loans for investing in small enterprises. The point is that de Soto shows that for this to happen in the Western world it took a long and very complex process of legal institutional building that in some cases lasted for several hundred years. The feudal idea of what constituted property was, for example, very different from the modern/capitalist idea. According to de Soto, assets cannot be transformed into and used as capital until it is recognized by “all” others. This, in turn, demands not only a strong legal “good governance” framework but also the type of general change in held belief systems that, for example, Douglass North has argued is necessary. Perceptions about the trustworthiness of those who are to be entrusted with responsibilities for securing property rights are perhaps particularly important to change in this regard.

Our general impression from this research is that there appears to be a consensus that a link between good governance and economic outcome exists, although the causality and the benefits to the poor are somewhat contested. Several commentators point to a need to develop more rigorous theoretical frameworks on how the good governance agenda can lead to pro-poor growth – that is, economic growth that reduces absolute or relative levels of poverty (Grindle 2004; Resnick and Birner 2006).

THE CORRUPTION DEBATE

In our view, QoG cannot be defined solely as the absence of corruption. The reason is that while a high degree of corruption is clearly an antithesis to QoG, the latter encompasses more than merely the absence of corruption. Many other practices that are usually not seen as corruption, such as clientelism, nepotism, cronyism, patronage, discrimination, and cases where administrative agencies are “captured” by the interest groups that they are set out to regulate and control, need to be included. Nevertheless, for many, achieving QoG is closely connected to anti-corruption policies. The opening pages of the United Nations Global Programme against Corruption report state that “the most significant achievement in governance during the 1990s was the shattering of the taboo that barred discussion of corruption, particularly in diplomatic circles and intergovernmental institutions”. It is difficult to say why this taboo existed for such

a long time – one idea is that pointing out the “C” problem in developing countries could be seen as “blaming the victim”. Another is that exposing corruption in developing countries would have decreased political support for international aid in many countries. Until the mid-1990s, the World Bank also saw corruption as an internal political problem, and since the Bank was forbidden to interfere in a country’s internal politics, corruption was deemed outside its scope. This all changed when former World Bank President James D. Wolfensohn simply redefined corruption as an economic problem. In an interview in 2005, he stated the following: “Ten years ago, when I came here, the Bank never talked about corruption, and now we are doing programs in more than a hundred countries, and it is a regular subject for discussion” (Wolfensohn 2005).

This resistance to engaging with corruption also prevailed in much of the social sciences. For example, the *Handbook of Development Economics*, published in four volumes between 1988 and 1995, does not have an index entry with the term “corruption”. Moreover, most undergraduate-level textbooks in political science and economics still do not give corruption any attention. During the last decade, however, corruption and other problems of dysfunctional governance have received increasing attention in the social sciences, not least as a result of the “institutional revolution” in economics and political science (Levi 2006).

Today, a vast literature on the effects of corruption exists. While some authors argue that particular types of corruption can have a positive effect on economic development (Nye 1967; Khan 1996, 1998), most studies point to the negative consequences of corruption (Mauro 1995; Gupta et al. 2002; Akçay 2006; Transparency International 2008a). According to the first view, corruption can take different forms, some of which is efficiency enhancing and some of which is efficiency reducing. Hence, a cost–benefit analysis must be carried out to establish the overall effect of corruption (Nye 1967; Khan 1996, 1998). According to the opposing view, corruption has negative effects on GDP growth (Mo 2001), income inequality and poverty (Gupta et al. 2002), human development (Akçay 2006) and health outcomes (Transparency International 2006). The mechanism here is that corruption acts like an illegal tax that distorts decision-making and economic processes.

By reviewing the literature on the effects of corruption on human development, Akçay (2006, p. 41) finds that “corruption can indirectly affect human development by lowering economic growth and incentives to invest”. Several studies also show that corruption influences what the government spends on education and health (Mauro 1998; Gupta et al. 2002). Akçay’s (2006, p. 41) own empirical results confirm this by showing that higher levels of corruption indeed lower human development as

measured by life expectancy, educational attainment, and standard of living. Kaufmann (2005) similarly finds that a one standard deviation improvement in control of corruption would reduce child mortality by 75 percent, as well as lead to significant gains in literacy. Moreover, as Rose-Ackerman has argued, “corruption also tends to distort the allocation of economic benefits, favoring the haves over the have-nots – leading to a less equitable income distribution. A share of the country’s wealth is distributed to insiders and corrupt bidders, contributing to inequalities in wealth” (cited in Akçay 2006, pp. 33–4). Thus, corruption generally has negative consequences for human development because it reduces economic growth and diverts money from social services.

THE RULE OF LAW DEBATE

At the opening of the 17th session of the UN Commission on Crime Prevention and Criminal Justice, the Executive Director of the UN on Drugs and Crime, Antonio Maria Costa, delivered a speech titled “Rule of Law: A (missing) Millennium Development Goal that can help reach the other MDGs”. In the speech he emphasized the need for stronger rule of law to meet the MDGs:

Economic analysis has consistently shown the clear correlation between weak rule of law and weak socio-economic performance. Clear correlation, I said, though some people actually see strong causality: in countries ravaged by crime and corruption, and where governments lost control of their land, the poor suffer the most, and the services provided to them get delayed, or never arrive. They – the so-called “bottom billion” – have no access to justice, health and education and face rising food prices: how can such countries meet the MDGs? (Costa 2008)

Empirical studies often support the view that the rule of law is important for economic development. Kaufmann and Kraay (2002, p. 18), for instance, show that a one-standard-deviation improvement in the rule of law indicator “raises per capita income nearly fourfold in the very long run”. Moreover, poor countries do not score well on the rule of law indicator whereas all rich countries do except for less well-scoring Italy and Greece (*The Economist* 2008). On the other hand, critics point to the example of China, which has witnessed unprecedented growth without scoring well on the rule of law indicator. In this view, rule of law cannot be seen as a universal economic recipe as it may not be a prerequisite for growth (ibid. 2008). Messick (1999) also offers a warning in viewing rule of law as a panacea. He argues that cross-sectional regressions do not

satisfactorily answer the question of causality. First, developed countries can spend more on their judicial system. Second, it may be that the same underlying variables that foster economic development also cause a better working legal system. On this point, Messick makes a connection to the debate about the importance of “social capital”, which has often been defined as historically established social norms of generalized trust and honest reciprocity. One can argue that social capital understood in this way is equivalent to the type of informal institutions put forward by North and Mungiu-Pippidi as presented above. However, as has been shown by Rothstein, Eek and Stolle, there are relatively strong empirical indicators showing that precisely the opposite may be the case, namely that social trust is caused by high-quality legal institutions (Rothstein and Stolle 2008; Rothstein and Eek 2009).

Keeping with the view that rule of law may be a “luxury good” which is hard to attain by poor countries, Messick (1999) further points to the evolution of informal institutions into formal institutions. Informal institutions such as credit associations are usually widespread at the village level in close-knit communities. Economic development tends to put these informal methods, which rely on personal trust, at a disadvantage compared to more formal mechanisms. Furthermore, building on Milgrom et al. (1990), Messick shows how the trading system in Europe during the medieval period was based on reputation, where traders had an incentive not to cheat, and how this informal system became too costly over time to maintain. As the number of actors rose, the transaction costs of verifying the reputation of the traders also increased. This, it is argued, eventually led to the formalization of the legal system (*ibid.*, p. 130).

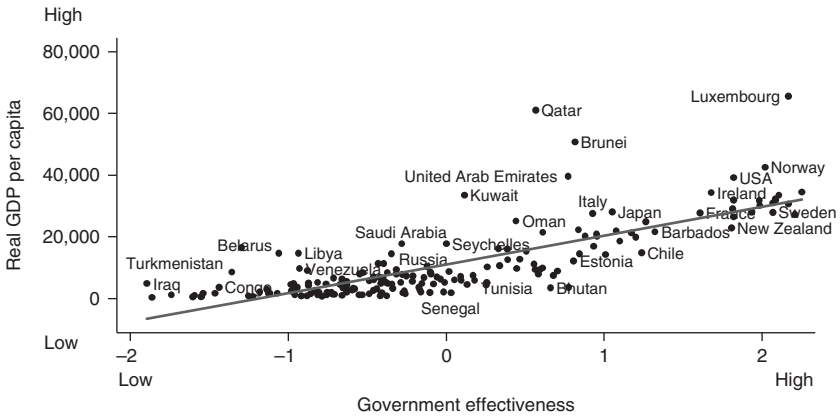
However, how such “efficient” institutions as the rule of law can be created remains somewhat of a mystery, at least if the starting point is transactions between agents that are utility-maximizers. The theory would predict that some agents, through the logic of the market, will eventually become much more financially strong than others. If rational utility-maximizers, they are likely to use their financial strength to bribe or corrupt people who work in the legal system in one way or another to gain economic advantages. They will also try to get their confidants in this sort of clientelism and corruption installed in positions in order to render verdicts in their favor. If the law merchants are also rational utility-maximizers, their integrity will be for sale as long as the price is right and the transaction can be kept secret. Such a scenario seems to be a rather apt description of events in Russia after the “shock-therapy” privatizations of the 1990s. The economic oligarchies seem to have become so financially strong that they have managed to buy attempts to build universal trust-worthy rule of law institutions out of existence (Glaeser et al. 2003). This

problem, how “effective” institutions can be created, which is fundamental to this discussion, has been addressed by economic historian Avner Greif in a chapter in the *Handbook of Institutional Economics* (Greif 2005). His first argument is that such effective public institutions that act to support efficient markets are an investment with high fixed costs, especially if they are going to be seen as both efficient and trustworthy. The implication is that establishing such institutions constitutes a classic “collective action” problem. Second, Greif reminds us that such institutions merely “operate in a few advanced contemporary countries and only in recent times”. Third, he argues that our knowledge, theoretical as well as empirical, about how such successful institutions have been established is surprisingly meager (p. 737).

Thus, although the empirical evidence points to a relationship between rule of law and economic development, the causal nature of this relationship remains open to debate. It may be, however, that the rule of law is good in its own right, as it is believed that the rule of law improves human rights and reduces conflicts (*The Economist* 2008). One criticism is that in many areas, such as service delivery, environmental protection, and education, the rule of law “script” is too restricted for describing the operational logic of “street-level bureaucrats”. Public employees in these sectors are more inclined to use a combination of professional norms and policy goals instead of following clearly defined legal rules. The implication is that what should count as QoG must be based on a norm that incorporates what takes place in the exercise of public policies where the rule of law concept is either insufficient or simply inadequate (Rothstein and Teorell 2008).

POLICY OUTCOMES

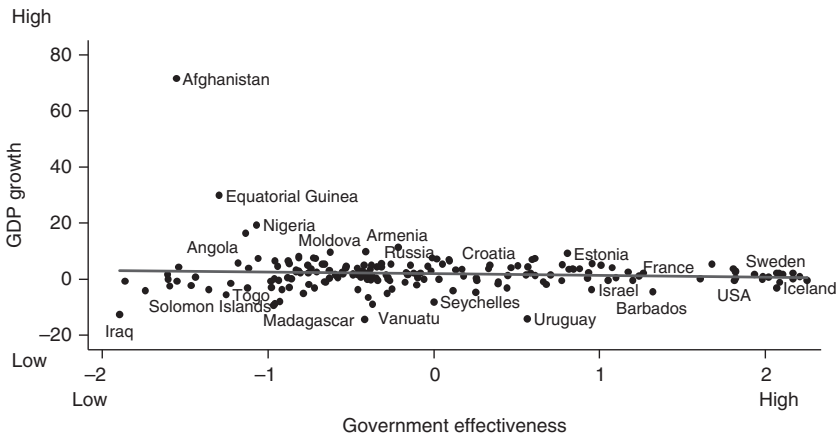
As the preceding discussion has shown, QoG is a broad topic that in recent years has been the focus of much research. Nevertheless, many of the debates in this field are still in question due to the lack of strong and robust empirical indicators. Our own results, as presented in Holmberg et al. (2009) as well as in Figures 14.1 and 14.2, show that the three QoG variables (rule of law, corruption perception and government effectiveness) have positive but surprisingly weak correlations with economic growth, while the correlation with GDP/capita is very strong. One interpretation of this result could be that the causality between economic growth and QoG is more like a “virtuous circle” where “feed-back mechanisms” play an important role. As Rodrick (2008, p. 19; added italics) has stressed, “I am not aware of any strong econometric evidence that relates standard governance criteria to *growth* (all the evidence is about *income levels*)”.



Note: R -squared = 0.61.

Sources: The QoG Databank; Penn World Table (2002–2005), World Bank (2002–2006).

Figure 14.1 Real GDP per capita versus government effectiveness



Note: R -squared = 0.01.

Sources: The QoG Databank; Penn World Table (2002), World Bank (2002–2006).

Figure 14.2 GDP growth versus government effectiveness

These results are central to the wider question of what the policy outcomes of QoG are. As will be evident in the following section, a country's GDP is one of its major determinants of policy outcomes in such fields as social well-being, public health, and the environment. Building on the discussions of the previous section, we shall therefore explore in greater detail the effects of QoG on these policy areas.

For the topic of *social well-being*, we include such indicators as poverty, economic inequality, the existence of effective social insurance systems, subjective measures of life satisfaction, and the United Nations' measure of human development (HDI). As was mentioned above, there is a debate about whether QoG necessarily leads to pro-poor growth. Kraay (2004) explores this using household survey data on average incomes from 80 developing countries mainly from the 1990s. He shows that what matters most for poverty reduction is growth in average incomes. However, poverty reduction is also affected by distributional changes. Using the World Bank's rule of law indicator as a proxy for institutional quality, he finds that "poverty increasing distributional change is more likely to occur in countries with better institutional quality". Nevertheless, he argues that this negative distributional effect on poverty in countries with high QoG is outweighed by the positive effect of institutional quality on economic growth (*ibid.*, p. 20). Using a different methodology, Blaydes and Kayser (2011) arrive at the opposite conclusion when examining the link between democracy and pro-poor growth. They argue that even though democracy may not promote economic growth, democratic countries are more likely than autocratic states to promote economic redistribution that is beneficial to the poor. Blaydes and Kayser accredit this to democratic countries' investments in human capital development, and the benefits of competitive elections to poor voters who are often marginalized in autocracies. The corruption literature makes similar inferences on the link between QoG and poverty. Research shows that corruption affects poverty through its consequences on economic and governance factors, such as through lower quality of public infrastructure, decreases in tax revenue, and poorer targeting of social programs (Chetwynd et al. 2003).

Other studies focus more directly on the empirical link between governance and inequality. For example, Chong and Gradstein (2004) find that better ranking on the political stability and the rule of law measures, as well as the ICRG index, lead to a decrease in inequality. Lopez (2004), on the other hand, finds the opposite result using the ICRG index (Resnick and Birner 2006, p. 19). However, Chong and Calderón (2000) find a nonlinear relationship – for richer countries, quality of institutions and income equality have a positive relationship while in poorer countries the relationship is negative. They argue that this may be because institutional

reforms first increase income inequality before decreasing it when institutional efficiency improves. Borrowing from Olson's (1996) theories on economic development and institutions, they theorize that bad governance often entails state capture by specific groups who prosper at the expense of the poor. Thus, in the long run, governance reform will reduce inequality by removing discrimination against the marginalized section of the population (Chong and Calderón 2000, pp. 124–5). As shown in Holmberg et al. (2009), the relationships between the QoG variables and measures of inequality (unemployment and relative poverty rate) are reasonably strong. The results also show positive correlations between the QoG variables and policy measures for reducing inequality such as “benefit generosity index” and the measure of social security laws.

Overall, therefore, the effect of QoG variables on social well-being appears as a complex pattern that is affected by intermediaries such as economic and institutional factors. Nevertheless, most evidence – including our own empirical results – points to positive outcomes of QoG on policy areas such as reduced poverty and higher degrees of life satisfaction.

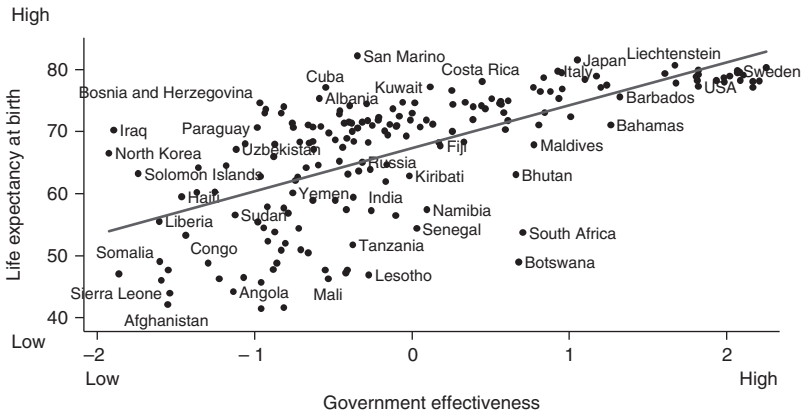
Turning next to the *public health* field, there is a large body of literature that testifies to the negative consequences of corruption in the health sector. The Global Corruption Report 2006, for example, explores why the health sector is particularly prone to corruption and shows how the problem impacts upon health systems in both developed and developing countries. As three of the Millennium Development Goals relate to health outcomes (reducing child mortality, improving maternal health, and combating diseases such as HIV/AIDS and malaria) reducing corruption in this sector is imperative (Transparency International 2006, p. xii). Embezzlement and theft, corruption in procurement, corruption in payment systems, corruption in the pharmaceutical supply chain, and corruption at the point of health service delivery are all identified as major challenges for the health sector (*ibid.*, p. xviii). The effects are that service delivery is impaired through increasing the costs of key services, creating obstacles for those who are least able to pay, and limiting the scope for reforms to raise healthcare quality and efficiency (Cockroft et al. 2008, p. 2).

Empirical studies are made difficult by the range of healthcare systems that exist in the world – the difference being particularly noticeable between developed and developing countries – which lead to a scarcity of comparable data. However, a review of the literature shows that significant dividends can be gained when reducing corruption in the health sector. Gupta et al. (2000), for example, study 89 countries between 1985 and 1997 and find that corruption has adverse consequences for child and infant mortality rates and percent of low-birth weight babies (pp. 24–5).

Similarly, Swaroop and Rajkumar (2002) use cross-sectional data of countries over two years and find that in countries with less corruption and better quality of bureaucracy, health spending has a negative correlation with child and infant mortalities. Thus with an improvement in control of corruption, public spending on the health sector becomes more effective in reducing child and infant mortalities (*ibid.*, p. 23). These results also hold in the education sector in terms of increasing primary education attainment. Moreover, Eslava-Schmalbach et al. show that inequity in health is higher in countries with more corruption (2008, p. 146).

Another study, conducted by Besley and Kudamatsu (2006), explores the link between democracy and health by employing panel data from a cross-section of countries. They find that health policy interventions are superior in democracies. Further, their results show that countries that have been democratic from 1956 onwards have a life expectancy that is about five years higher than that for countries that have been autocratic in the same period. The democratic countries also have about 17 fewer infants dying before the age of one per 1,000 births as compared to countries that have been continuously autocratic since 1956. They accredit this to democracies having greater representation and accountability, so that health issues are promoted, and voters in democratic countries can elect competent leaders. Another of the results in the study indicates that democracies prioritize water and sanitation issues, which according to the *Global Corruption Report 2008* are responsible for about 80 percent of the health problems in developing countries (Transparency International 2008b). The Report singles out corruption as one of the root causes for the water crisis in many countries. It states that “corruption in the water sector is widespread and makes water undrinkable, inaccessible and unaffordable” (p. xxiv).

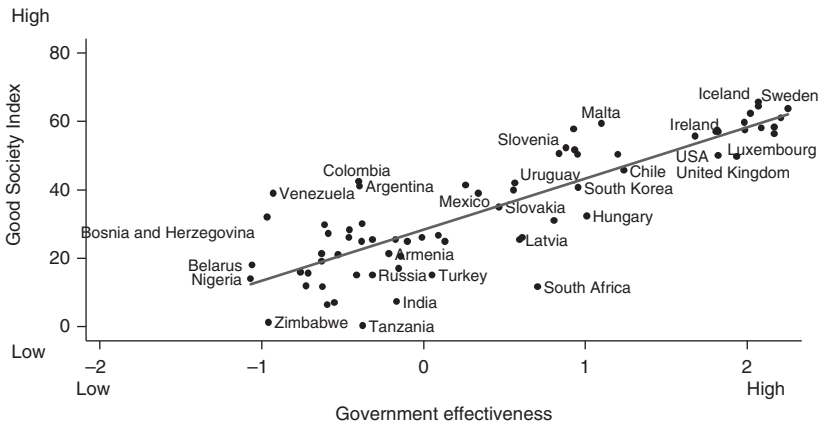
As shown in Holmberg et al. (2009) as well as in Figure 14.3, there are strong positive relations between the three QoG variables and four widely used measures of health outcomes (subjective health, life expectancy, infant and child mortality). This may be caused in part by the relatively strong correlations between QoG variables and the measures of water quality (see *ibid.*) Since health seems to be causally connected to survey measures of life satisfaction and happiness, it is not surprising that we also find positive correlations between these measures of “how’s life” and the QoG variables. This is especially highlighted in Figure 14.4, where we have combined three quality of life variables from the health studies literature (life expectancy, infant mortality, and life satisfaction) into a Good Society Index (GSI), which is strongly related to the QoG variables. The results indicate that high QoG increases our chances of achieving the “Good Society” (Holmberg 2007).



Note: R-squared = 0.44.

Sources: The QoG Databank: World Development Indicators (2000–2006), World Bank (2002–2006).

Figure 14.3 Life expectancy at birth versus government effectiveness



Note: R-squared = 0.75.

Sources: The QoG Databank: Good Society Index (1999–2003), World Bank (2002–2006).

Figure 14.4 Good Society Index versus government effectiveness

While most studies find a causal relationship between QoG and public health outcomes, the same cannot be said for the effects of QoG variables on *environmental outcomes*. Here the debate is complicated by the lack of an unambiguous definition of the concept of environmental sustainability. This is because it is a broad term that encompasses a range of issues, which has led to the creation of a plethora of competing sustainability indexes (Böhringer and Jochem 2007). Consequently, empirical results are largely determined by the choice of the sustainability index used in the study. For instance, while Morse (2006) finds that corruption has a negative correlation with environmental sustainability (as measured by the Environmental Sustainability Index [ESI]), Ewers and Smith (2007) obtain an opposite result using the Ecological Footprint index. The differences arise because the Ecological Footprint emphasizes measurement of a country's impact on the planet through its consumption patterns, in contrast to the ESI's broader measurements, which include a country's pollution levels, environmental management, capacity to improve environmental performance, and so on. The question therefore appears to be whether one should assign a high significance to ratifications of environmental agreements, technological advances, and reductions in pollution levels, or to a country's impact on the planet in total. In other words:

If sustainability is viewed in terms of capacity and global stewardship, then the richer countries do well relative to the poorer ones, while if sustainability is seen in terms of the stress placed on the environment, then the richer countries come out worse. (Morse and Fraser 2005, p. 633)

Nevertheless, if one focuses on a country's level of water and air pollution, then empirical studies have revealed a number of mechanisms through which QoG variables can have an effect on environmental outcomes. The so-called "environmental Kuznets curve" has been shown to hold for some pollutants, particularly those that have local impacts; pollution increases as countries develop from a low level of GDP per capita and subsequently fall when people's preferences change in favor of preserving the environment at higher levels of income. This means that corruption can play a direct and an indirect role in affecting pollution levels. The direct effect takes place by increasing pollution at any given income level through, for example, the practice of bribing officials to bypass pollution laws. Another example is the *Global Corruption Report 2008*, which emphasizes the link between corruption and water pollution, which has been associated with the degradation of wetlands and other important ecosystems, desertification, as well as negative consequences for wildlife preservation (Transparency International 2008b). The indirect effect of corruption, on the other hand, can be either positive or negative,

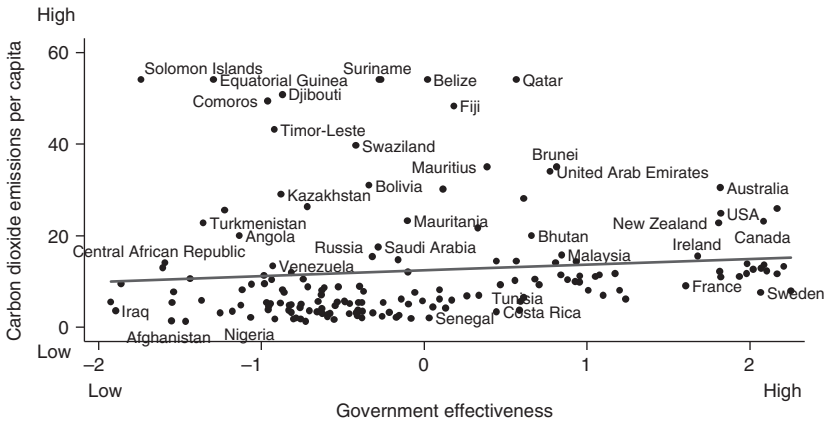
depending on how pollution interacts with economic development at a certain level of per capita income (López and Mitra 2000; Welsch 2004). Empirical investigations are thus required in order to determine which effect plays a larger role in the equation.

Fredriksson and Mani (2002) explore the interaction of rule of law with corruption, and demonstrate that environmental policy stringency is lowest in countries with a low degree of rule of law and a high level of corruption. They also show that with a high degree of rule of law, the negative effect of corruption on environmental stringency grows, due to the increased incentives of bribing officials in order to circumvent environmental laws. Fredriksson and Mani therefore conclude that greater policy stringency must go hand in hand with efforts to reduce corruption if environmental policies are to have the intended effects. Esty and Porter (2005) also find that institutional factors play a role in explaining environmental performance in terms of urban particulates and energy efficiency, although income levels appear to be the dominant factor in determining environmental outcome. They therefore conclude that environmental policy makers should prioritize poverty alleviation.

Other studies have focused on the link between democracy and environmental policy. Neumayer (2002), for example, finds evidence of a positive association between democracy and environmental commitment, in terms of the ratification of environmental agreements, participation in international environmental organizations, assigning protection status to a greater percentage of their land area, and so on. He warns, however, that this does not necessarily translate into better environmental outcomes:

The link between democracy and environmental outcomes is likely to be weaker the more factors outside a government's control impact upon outcomes, the longer the time-span between environmental commitment and its effect on environmental outcomes is and the more difficult environmental outcomes are to monitor. If these conditions hold true, then the electorate in a democracy will appreciate the difficulty of holding governments accountable for environmental outcomes rather than commitment and will look for commitment instead. (p. 145)

Barrett and Graddy (2000) look at the link between civil and political freedoms and environmental quality and find that some of the pollutants that have the most adverse effects on human health are lower in countries with greater civil and political freedoms. In a different study, Fredriksson and Wollscheid (2007) look at environmental policy stringency and democracy and show that democracies have stricter environmental policies than autocracies. However, they argue that this result appears to be driven primarily by parliamentary democracies, whereas presidential-congressional systems often do not set environmental policies that



Note: $R\text{-squared} = 0.01$.

Sources: The QoG Databank: Environment Performance Index (2000–2005), World Bank (2002–2006).

Figure 14.5 Carbon dioxide emissions per capita versus government effectiveness

are significantly different compared to those of non-democracies. They accredit this to the lower degree of separation of powers and greater legislative cohesion in parliamentary systems (*ibid.*, p. 390). In addition, there appears to be some evidence as well that the transition from autocracy to democracy may result in widespread environmental degradation if the period is marked by political instability. Examples of this could be seen in Indonesia after the fall of Suharto in 1998, when the rate of deforestation increased (Matthews and Mock 2003, p. 32).

Results in Holmberg et al. (2009) show that environmental outcomes correlate positively with QoG, which confirms some of the associations found in the previous literature. On the other hand, the QoG variables can be seen to have a negative effect on carbon emissions, which is also in line with previous studies that find that the less local a particular type of pollution is and the more externalities it has, the less likely governments are to tackle the pollution (see Figure 14.5).

Overall, therefore, although significant relationships can be found between QoG and environmental outcomes, care should be taken in interpreting these results. As many studies point out, this is due to the broadness of the concept of environmental sustainability, the weakness of some of the data, and the difficulties in assigning cause and effect because of the many interactions with economic performance and other contextual factors.

QUALITY OF GOVERNMENT IS PART OF THE SOLUTION

Our research review merely presents a small section of the now vast literature that exists on QoG. Nevertheless, some general observations can be made. First, while QoG appears to be a worthy cause to pursue, the research on the topic remains thin in a number of areas. For example, Resnick and Birner (2006, p. 18) mention cross-country studies focusing on the political process as an interaction variable as being absent from the literature. Others point to the weakness in theoretical foundation in some areas, such as the interdependent nature of institutions. Goldsmith, for instance, seeks greater efforts in “capturing nonlinear and lagged relationships in governance” (2007, p. 182). A related point of criticism is that the research on good governance does not easily translate into simply executed policies. To start with, there is little agreement for example on *what type* of rule of law or *what form* of democracy is required for a country to reap the full effects of QoG. Instead, recent studies indicate that institutional arrangements have to be anchored in the particular history and culture of their country in order to achieve political legitimacy. This suggests a need to focus on a “basic norm” for QoG from which different institutional arrangements anchored in each country’s historical trajectory can be established.

In the literature we have found three terms that we think describe a “basic norm” for QoG. “Universalism” is suggested by Mungiu-Pippidi, a term that she defines in opposition to a political culture dominated by “particularism”. She defines universalism as “equal treatment of citizens” (2006, p. 88). Another suggestion has been presented by North et al. (2006), namely “the open access orders” which they contrast to “limited access orders”. In the former, competition in markets and politics is open to everyone and based on equal terms. A third suggestion for such a “basic norm” has been put forward by Rothstein and Teorell, namely “*impartiality*” in the exercise of public power, which, following Brian Barry and Håkan Strömberg, they define in the following way: “When implementing laws and policies, government officials shall not take anything about the citizen/case into consideration that is not beforehand stipulated in the policy or the law” (Rothstein and Teorell 2008, p. 170). The differences between these three are in reality only terminological since they all point to the same basic norm for the relation between the government and its citizens.

To conclude, while there are a multitude of studies showing the value of good governance, research remains to be done on what good governance really entails, what specific institutional forms can follow from the above-mentioned basic norm, and how change from low to high QoG can

be obtained. A lack of solid understanding exists for questions such as causality and what is key for QoG in different political, economic and cultural settings. Thus, although research points to the value of achieving QoG, a “one-size-fits-all” approach is likely not the way forward. More context-specific and historic time-series studies may aid in resolving the ambiguities that exist in the present state of research on the policy effects of QoG.

NOTE

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15. Access to safe water

Sören Holmberg and Bo Rothstein

On June 16, 2006, *The New York Times* had a front-page article about Angola. The article is introduced by a large picture showing two young boys and one young girl – a fair guess is that they are about 10 years old – fetching water from a stream that runs through what looks like an incredibly large garbage dump. The article starts with the following words: “In a nation whose multi-billion dollar oil boom should arguably make its people rich enough to drink Evian, the water that many in this capital depend on goes by a less fancy name: Bengo. The Bengo River passes north of here, its waters dark with grits, and its banks strewn with garbage”. The article goes on to describe how poor Angolans living in the slums of the capital Luanda have no other option than to use the polluted water from the Bengo river. This is the reason why one of the worst cholera epidemics to strike Africa occurred; it has made over 43,000 people ill and killed more than 1,600 since its outbreak in February that year. Cholera is typically spread through contact with contaminated water and, according to the article, this problem exists everywhere in Luanda’s slums. As the picture shows, “children stripped to their underwear dance through sewage-clogged creeks and slide down garbage dumps on sleds made of sheet metal into excrement-fouled puddles”. The article continues by stating that economists say that the oil boom has resulted in a situation where the Angolan government has a huge budget surplus and more money than they can spend and yet they seem unable to provide the population with such basic things as safe water and sanitation that could prevent cholera epidemics. The article concludes by citing experts from various international organizations who argue that the situation is caused by two factors – the lack of infrastructure and the huge influx of people to the capital due to the civil war that ended in 2002, and the high level of corruption.

A CHANGING AGENDA

When the international anti-corruption organization Transparency International published its annual Global Corruption Report for 2008, the

specific focus in the report as well as the title was “Corruption in the Water Sector”. The report contains no less than 23 chapters covering more than 100 pages analyzing this specific connection between corruption and the provision of safe water. Furthermore, a semi-public international organization, the Water Integrity Network, was established in 2006 and is funded by grants from the international development authorities in Germany, the Netherlands, Sweden and Switzerland.¹ In addition to policy initiatives, this network brings together anti-corruption civil society movements and water professionals. Thus, both in the media and in leading policy and advocate organizations, there is an increasing comprehension that lack of safe water is a major obstacle to human well-being and people’s health worldwide and that this problem is to a large extent caused by factors that can be defined as “quality of government” (QoG) issues (Earle et al. 2008; see also Rothstein and Teorell 2008). A number of studies have shown a correlation between environmental protection in general and factors related to the structure or quality of political institutions (Jahn 1998; Welsch 2004; Morse 2006). When asked to review the lessons of the World Bank policies for alleviating poverty in developing countries, Lawrence Summers – former Chief Economist of the World Bank, President Emeritus of Harvard University and former Director of the White House’s National Economic Council under President Barack Obama – argued that “an overwhelming lesson that I think we have learned in the 1990s is . . . the transcendent importance of the quality of institutions and the closely-related questions of the efficacy of political administration” (cited in Besley and Ghatak 2007, p. 128).

The magnitude of the QoG problem regarding the specific issue of people’s access to safe water can be illustrated by the following example. According to a conservative estimation by the World Health Organization, 1.2 billion people lack access to sufficient quantities of safe water, and 2.6 billion people are without adequate sanitation. Consequently, 80 percent of all illnesses in the developing world are estimated to be the result of waterborne diseases, claiming the lives of 1.8 million children every year (UNDP 2006). A conservative estimate is that 12,000 people die every day from water- and sanitation-related illnesses (Postel and Mastny 2005; Stålgren 2006a; Cunningham and Cunningham 2008; Krause 2009). An increasing number of experts in the area no longer see this enormous problem as an engineering problem, that is, it is not lack of technical solutions (pumps, reservoirs, dams, and so on) that is the main obstacle why such large numbers of mainly poor people in developing countries lack access to safe water. Nor is it seen as a problem caused by lack of natural supply of clean water. Instead, the problem seems to be related to the existence of dysfunctions in the structure of the legal and administrative

institutions. More precisely, the problem is seen as caused by a lack of adequate institutions for maintenance, pricing and distribution of rights to land and water (Burns and Meinzen-Dick 2000; Meinzen-Dick 2007; Anbarci et al. 2009; Krause 2009). A related problem, according to Sjöstedt, is that people in poor countries often refrain from investing in water infrastructure because, due to unreliable legal and administrative systems, they cannot be sure that their investments will not be confiscated by the authorities or claimed by other people. Thus, low QoG that takes the form of a lack of secure legal and property rights hinders private investments in water infrastructure (Sjöstedt 2008, 2010). A similar argument has been put forward regarding associational forms of water management, namely that in order to function they need to be supported by government institutions that have the capacity to enforce accountability between the governing boards of the associations and their members (Wegerich 2008).

According to the report by Transparency International (2008), there are an almost infinite number of reasons why corruption and other forms of low QoG can be detrimental to the provision of safe water. Among these are private companies that illegally pollute natural water resources and thereby destroy the ecological system and that by paying bribes may avoid being prosecuted and punished by the justice system. Water resources management, not least in delicate ecosystems, is often a complicated matter both technically and conceptually and therefore prone to be an area where different interests may collude (see Stålgren 2006b; Krause 2009). In the struggle over the use of natural water resources, kickbacks as well as forms of patronage and clientelistic politics may play a large role. Similarly, ordinary people's lack of legally documented and guaranteed property rights to the land they use may prevent them from investing in necessary technical equipment (Sjöstedt 2008). Provision of safe water often requires huge investments in dams, water-cleaning equipment and sewage systems that are carried out by private contractors. Public procurement for big contracts is a well-known source of large-scale corruption resulting in too high costs and too low quality of the constructions that, eventually, are put in place.

For example, in India, it is estimated that more than 25 percent of the costs for irrigation systems are lost in bribery. Many of these installations are technically very complicated, which is likely to increase difficulties for transparency in the procurement process. Petty corruption at the point of service delivery may deter people from using safe water and may also lead them to be reluctant to pay for water at all, since they may suspect that the money will be stolen instead of being used for maintenance of the safe water equipment. This in turn may lead to water managers having far too little money for keeping the installations running. In some countries, this

is a huge problem. For example, one study from India showed that during the previous six months, 40 percent of water customers had been making small payments to falsify meter readings so as to lower their water bills (Davis 2004). Similarly, a national survey in Guatemala showed that more than 15 percent of the population reported that they had paid a bribe in order to get a water connection. In Bangladesh and Ecuador, “private vendors, cartels and even water mafias have been known to collude with public water officials to prevent network extension” (Sohail and Cavill 2008, p. 44). In subsidies for irrigation systems, there are also many known cases when policy influence by large and strongly organized interest groups with large economic resources has resulted in policy outcomes that are heavily geared towards benefiting their own interests at the expense of “the common good” and of agents that are not so easily organized or economically strong. For example, a study in Mexico shows that 20 percent of the largest farmers get more than 70 percent of government subsidies for irrigation (Rijsberman 2008).

A LACK OF EMPIRICAL ANALYSES

The above-mentioned analyses are theoretically as well as empirically convincing in their claim that there is a causal link between QoG and quality of water (QoW). One problem is that, for the most part, the empirical analyses presented are based on case studies from specific countries or regions. While useful, there is a lack of large-*n* empirical studies in this area that would (or would not) substantiate the many findings from case and field studies (see Holmberg and Rothstein 2011).

In political science and environmental studies there is a debate about the effect that democracy has on the environment. Some scholars claim that democracy reduces environmental degradation, whereas others argue that this is not true and that democracy in fact can have a negative impact on the environment. Using different methods and data, the results are inconclusive since there is empirical evidence in support of both arguments (Midlarsky 1998; Neumayer 2002; Karlsson et al. 2010). The study by Pellegrini (2011, ch. 5) is of direct interest for our argument. His dependent variable is an index called “Environmental policy stringency” and as independent variables he uses two standard measures of democracy and corruption.² His strategy is to compare democracy and corruption as determinants of the stringency of a country’s environmental policy. The result of the analysis is that control of corruption is more important than democracy as an explanatory variable. Thus, in his analysis, democracy has a limited impact on environmental policies, and he argues that several

other studies tend to overemphasize the importance of each variable. Pellegrini concludes that it seems likely that previous empirical work has been overemphasizing the role of democracy for environmental policies and environmental quality because of the omission of a corruption index as a control variable. His conclusion is thus that reducing corruption would result in stricter environmental policies, and that democracy on its own would not be sufficient. This is in line with many other studies that show that the impact of the degree of democracy on different measures of human well-being is surprisingly small and even in many cases nonexistent, while the impact of measures of QoG is often quite substantial (for an overview of this research, see Råby and Teorell 2010; Rothstein 2011).

One problem in the existing literature on the relation between QoG and people's access to safe water is that many studies are either country specific or even regional/local case studies. The few comparative studies that exist have either only compared a relatively small set of countries or not used various QoW measures as their specific dependent variable.³ In this study, we intend to remedy this lack of knowledge by analyzing data from a larger set of countries to see whether, and if so how much, different QoG variables can explain human access to safe water.

CROSS-COUNTRY WATER QUALITY

We shall begin the empirical analysis by looking at some basic cross-country bivariate relationships between QoW measures on the one hand and QoG, levels of democracy, and GDP per capita measures on the other.⁴ The data come from the QoG open source dataset (Teorell et al. 2009). Arguably, water quality is one of the most important factors relevant to ecosystem health as well as to human health. However, in this context we shall focus on QoW measures most relevant to human health.

The human-oriented QoW measure that we use is based on two indicators provided by UNICEF–WHO, combining the percentage of a country's population with “reasonable access” to an improved source of sanitation and an improved source of drinking water (see also Sjöstedt 2008, pp. 11–12). The latter is defined as having at least 20 liters/person/day from a source within one kilometer from the dwelling. This is, we think, a very modest standard of what should count as “access” to safe water, at least compared to what is taken for granted in most industrialized countries.

We employ two QoG measures as independent explanatory variables: the World Bank's government effectiveness scale and also its control of corruption index. In theory the two QoG variables stand for different

things. In practice, however, they are very closely related with a correlation of about +0.94. Levels of democracy as measured by Freedom House/Polity and GDP per capita (Gleditsch 2002; Marshall and Jaggers 2002) are two obvious control variables. We know from previous research that both of them have a relationship with water quality (Emerson 2010). Rich democracies tend to have better water quality than poor non-democracies. In testing the eventual effect of QoG on access to safe water we want to control for the known and more general effects of democracy and economic development. Our question is: can we find an independent effect of QoG on top of or besides the effects of democratic rule and good financial resources?

Appendix 15A contains four bivariate scatter plots with the access to safe water index run against the two QoG variables (government effectiveness and control of corruption), the level of democracy variable and the variable measuring GDP per capita (log). The results are summarized in Table 15.1.

The outcome indicates a promising beginning. The relevant correlations are positive and rather strong. Access to safe water is clearly related to government effectiveness as well as to control of corruption. High government effectiveness and low corruption are related to good QoW for humans. However, good water quality is also strongly related to economic development and level of democracy. Rich and democratic countries tend to have better water for humans than poor and autocratic countries.

Table 15.1 Relationship between water quality (access to safe water) and government effectiveness, control of corruption, level of democracy, and GDP per capita (correlations (r))

	Correlation
Government Effectiveness	+ .64
Control of corruption	+ .60
GDP per capita (log)	+ .76
Level of democracy	+ .39
Number of countries	About 190

Note: The variable “water quality” (access to safe water) is part of the 2010 Environmental Performance Index constructed by the Yale Center for Environmental Law and Policy. The variable is based on two indicators provided by UNICEF–WHO: the percentage of a country’s population with access to (i) an improved source of sanitation and (ii) an improved source of drinking water. The positive correlations indicate that good water quality is related to high government effectiveness, to low levels of corruption, to high GDP/capita and to high levels of democracy.

In Table 15.2 we control the linear effects of level of democracy and GDP/capita (log) on access to safe water by jointly regressing them on the water variable together with the government effectiveness variable.⁵ The question is whether the QoG variable survives such a control? To play it extra safe, we have run the regression among all countries as well as among non-OECD countries separately. The latter analysis is done to ensure that eventual effects among poorer countries have a good chance of being detected.

Table 15.2 Regressing water quality (access to safe water) on government effectiveness, level of democracy, and GDP/capita among all countries and among non-OECD countries only (regr. coeff.)

	All countries		Only non-OECD countries	
	Regr. coeff.	Std err.	Regr. coeff.	Std err.
Government effectiveness	-.8	2.9	2.3	3.4
GDP per capita (log)	14.4***	1.7	15.0***	1.8
Level of democracy	.3	.6	.2	.6
Constant	-40.7***	13.6	-42.5***	14.7
Adj. R-squared	.57		.52	

Note: $p > |t| = .01$ ***; $= .05$ **; $= .10$ *. The number of cases is 188 for all countries and 158 for non-OECD countries. See also Table 15.3.

At a first glance, the results may seem a bit disappointing. There is no significant effect of government effectiveness on access to safe water, neither among all countries nor separately among poorer non-OECD countries. The only significant effect is found for economic development. Not surprisingly, rich countries have the capacity to provide better water than poor countries, and this economic variable completely overshadows the eventual linear effect of the QoG variable. However, since economic development is very strongly related to the QoG variables, we have a serious case of multicollinearity. It is difficult to distinguish between the effects of the two variables. One interesting example of that is that the effect of the QoG variable in Table 15.2 becomes highly significant if we substitute the GDP/capita (log) variable for an unlogged GDP/capita variable. One of the reasons for this is that the logged GDP/capita variable among all countries has a stronger correlation with the government effectiveness variable ($r = 0.83$) than the unlogged version of the GDP/capita variable ($= 0.73$). The conclusion is that the QoG and GDP variables are so closely related that it is highly problematic to talk of separate effects.

INTERPLAY BETWEEN MUCH MONEY AND QUALITY RULE

One way of not solving the problem, but at least highlighting the interconnectedness between economic development and QoG in providing people with healthy drinking water, is to introduce the notion of an interplay between the two variables (QoG and GDP) and a possible interaction effect on access to safe water. In Table 15.3 we have done that by introducing an interaction term between GDP/capita (log) and the government effectiveness variable in our previous model from Table 15.2. The idea is that it takes an interplay between money and QoG (or “state capacity”) to achieve high levels of access to safe water.⁶

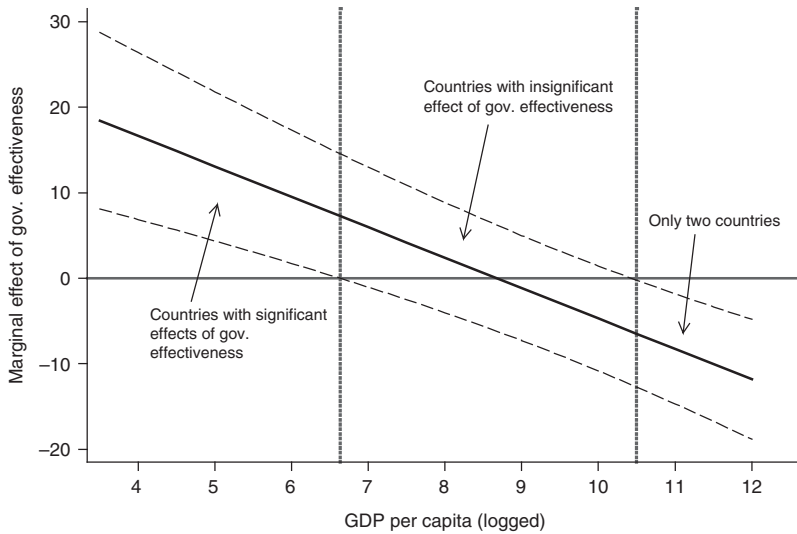
Table 15.3 Regressing water quality (access to safe water) on government effectiveness, GDP/capita (log), level of democracy, and an interaction term (regr. coeff.).

	All countries		Non-OECD countries	
	Regr. coeff.	Std err.	Regr. coeff.	Std err.
Government effectiveness	30.8***	8.3	26.4**	11.5
GDP/capita (log)	13.5***	1.6	14.0***	1.9
Interaction gov. eff. * GDP/capita (log)	-3.6***	.9	-3.0**	1.4
Level of democracy	-.0	.5	-.0	.6
Constant	-26.8*	13.6	-30.8**	15.5
Adj. R-squared	.61		.53	

Note: $p > |t| = .01$ ***, $= .05$ ***, $= .10$ *. The number of cases is 188 and 158 countries, respectively. See Table 15.2.

Now things become clearer. To the extent that we can talk about significant effects in regression models with interaction terms, there is an effect of government effectiveness and there is a significant interaction effect. And, as the coefficients indicate, the effect of the QoG variable is especially strong among less-developed and poor countries (see Figure 15.1).

The effect is smaller among richer countries. This is an important result. It can functionally be interpreted as indicating that human access to safe water cannot only be improved with the help of money. It can also be improved by better QoG, especially in poorer countries. Thus, we arrive at the conclusion that – as with so many other things that are important for human well-being – QoG matters and it matters for quality of water.



Note: Analysis based on results from the interaction model in Table 15.3. The solid line represents the marginal effect of government effectiveness on access to safe water at various levels of GDP per capita. Dashed lines around the solid line represent 95% confidence interval. Based on the results, we find that the effect of government effectiveness on the dependent variable is significant and positive for approximately 25% of the countries in the sample. These countries are low income and have on average GDP per capita (2002) of about \$600 or less.

Figure 15.1 Marginal effect of government effectiveness on access to safe water

NOTES

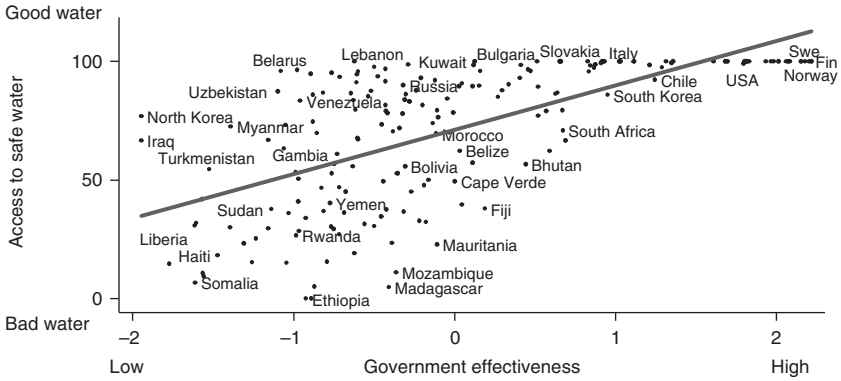
1. See <http://www.waterintegritynetwork.net/>.
2. "Democracy" is taken from Polity IV, produced by ICSR of the University of Maryland and their measure of "corruption" is Transparency International's Corruption Perceptions Index from 1995.
3. Thanks to Veronica Norell for help with the literature search.
4. This chapter is a shortened revised version of Holmberg and Rothstein (2010). Thanks to Marcus Samanni for all data runs.
5. If we substitute the government effectiveness variable with the control of corruption variable in the analysis in Table 15.2 (and subsequently in Table 15.3) the outcome stays the same, except in two cases. In the analysis in Table 15.2 for all countries the control of corruption variable has a significant effect at the 0.10 level. Looking at the analysis in Table 15.3, the control of corruption variable yields no significant effect among non-OECD countries. In all other aspects, substituting the two QoG variables gives the same results. Thus, the two QoG variables are basically interchangeable in this context.
6. A special thanks to Nicholas Charron for helping us to specify the model and for interpreting the results.

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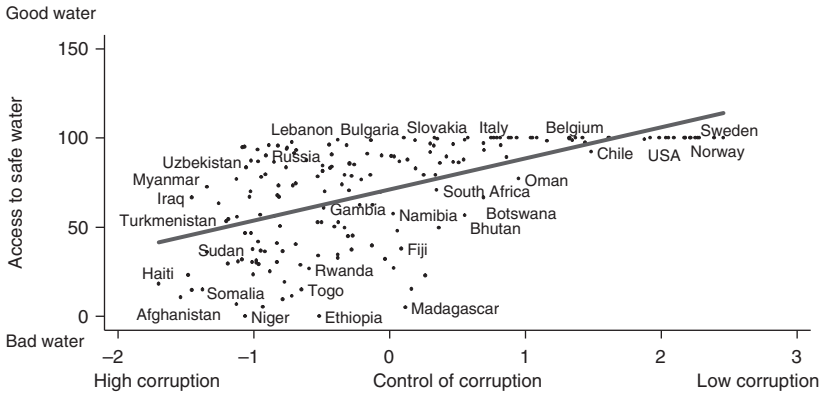
APPENDIX 15A BIVARIATE SCATTER PLOTS



Note: R-squared = 0.41.

Sources: World Bank (2002); Esty et al. (2010); see Table 15.1.

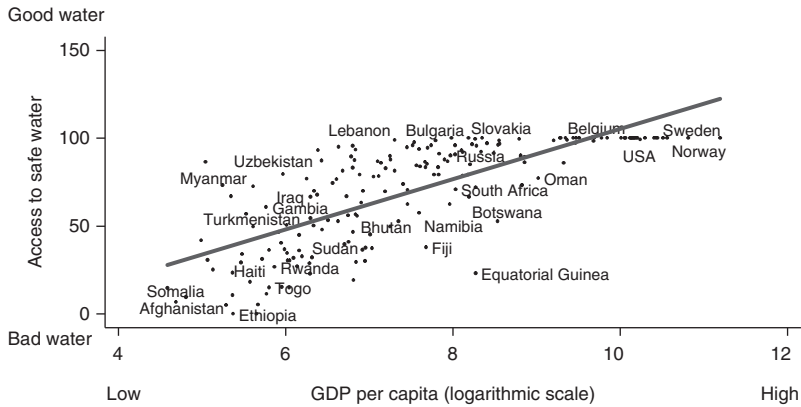
Figure 15A.1 Access to safe water versus government effectiveness



Note: R-squared = 0.36.

Sources: World Bank (2002); Esty et al. (2010); see Table 15.1.

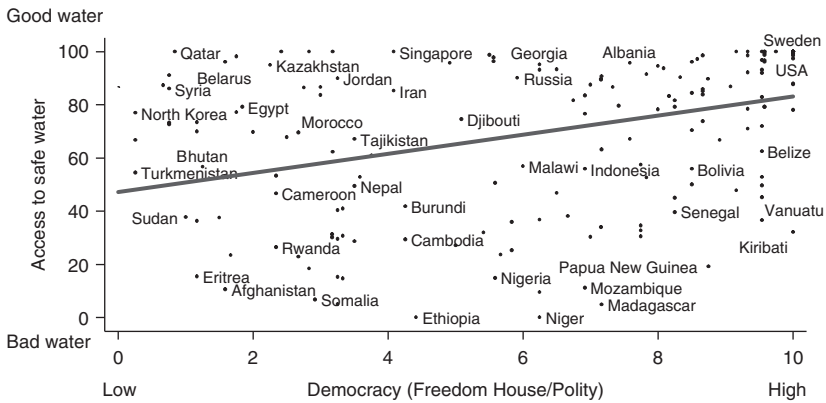
Figure 15A.2 Access to safe water versus control of corruption



Note: R-squared = 0.58.

Sources: United Nations Statistics Division (2002); Esty et al. (2010); see Table 15.1.

Figure 15A.3 Access to safe water versus GDP per capita



Note: R-squared = 0.15.

Sources: Freedom House/Polity 2000–2005; Esty et al. (2010) see Table 15.1.

Figure 15A.4 Access to safe water versus democracy

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16. Happiness

Marcus Samanni and Sören Holmberg

The hypothesis in this chapter may seem a little strange, especially to neo-liberal economists. We shall test whether government could be part of the solution and not part of the problem, as is so often the case in some economic theories. Our hypothesis is that quality of government (QoG) – defined as effectiveness, impartiality, rule of law and no corruption – is a factor, a prerequisite, behind aggregate levels of feelings of happiness and satisfaction with life among populations across the world. QoG makes people happy. And it makes people happy in rich countries as well as in poor countries. Maybe not “big government”, but certainly “good government”, is an essential recipe for making citizens more content with their lives. That is our strange hypothesis.

EARLIER RESEARCH

Earlier research clearly indicates that, on a general level, QoG has a positive effect on happiness. The more effective, incorrupt and impartial government institutions are, the happier and the more satisfied with their lives are citizens (Bjørnskov et al. 2008; Helliwell and Huang 2008; Ott 2011).

A debate in the literature is whether there is an interaction of QoG with economic development. It is sometimes argued that QoG has an effect only in poor countries. In models with only richer countries the QoG variable often, but not always, fails to reach significance.

Helliwell and Huang (2008) analyze a total of 75 countries and find that QoG has a significant and positive effect on subjective well-being. However, when dividing the sample into countries that have below and those that have above half of the GDP of the United States, QoG is significant only in the group of poorer countries. A possible explanation put forth by Helliwell and Huang is that QoG increases happiness via economic growth, and that economic growth does not have any effect on happiness when economic wealth has reached above a certain level (Blanchflower and Oswald 2004; Layard 2005).¹ However when controlling for GDP, the

coefficient of the QoG variable declines by only 10–20 percent, so that it cannot be that QoG only “contributes to well-being by producing higher per capita incomes” (Helliwell and Huang 2008, p. 603).

A similar result is reached by Bjørnskov et al. (2008). In their full sample of both rich and poor countries, the QoG variable is significantly related to greater happiness in all their different models. However, when dividing their sample into countries above and below a GDP per capita of US\$8,000, the QoG variable again loses its significance in the group of richer countries when one of their two different operationalizations of happiness is used. One could argue, though, that Bjørnskov et al. put the QoG variable to a test that is too hard. They include interpersonal trust in their models and there is reason to believe that interpersonal trust could be one of the mechanisms through which QoG produces greater subjective well-being. Incorrupt and effective governmental institutions have been shown to produce trust between citizens (Rothstein 2003; Rothstein and Stolle 2003), and there is evidence that interpersonal trust increases happiness (Diener and Suh 1999; Helliwell and Huang 2008). Including interpersonal trust in the model might then lead to an underestimation of the effect of QoG.

That interpersonal trust is one of the mechanisms through which QoG increases happiness is exactly what is found by Teorell (2009). First he finds that QoG has a significant effect on happiness. This is the case both when using his (2009) original measure of QoG as impartiality of government institutions, and when using governance indicators from the World Bank. Second, he also finds a few mechanisms for this effect: interpersonal trust, economic growth and a low propensity for civil war are all linked to QoG. And when these three variables are introduced as controls in the model of subjective well-being, the QoG effect is no longer significant when the impartiality measure is used. When using the different World Bank operationalizations of QoG, however, the effect is significant even when controlling for growth, trust and civil war, but it is weakened. Teorell does not analyze poor and rich countries separately. His sample consists of only 52 countries, with a slight overweight of countries from the OECD.

Finally, Samanni (2009) does a time-series cross-section analysis of 12 rich West European countries. In one of his models QoG has a significant and positive effect on happiness, but it fails to reach significance in a harder test with a lagged dependent variable.

In sum, earlier research shows a clear connection between QoG and happiness in poorer countries. In richer countries the results are mixed, sometimes indicating a positive effect on happiness, but often not. Thus, whether QoG is also good for happiness in more affluent countries is still an open question. One of the goals of this chapter is to try to close that question.

OTHER FACTORS AFFECTING HAPPINESS

Among other variables that have been shown to have an effect on subjective well-being, GDP per capita is of course one. Being poor is bad for happiness (Graham 2009, 2011). However, whether higher GDP has any effect above a certain level is, as mentioned earlier, not entirely clear. Some claim that the rich part of the world has not seen an increase in happiness in the last few decades, although GDP has risen considerably (Easterlin 1974; Blanchflower and Oswald 2004; Layard 2005). Others claim that we have indeed seen an increase in happiness when GDP rises, even in the rich part of the world (Hagerty and Veenhoven 2003; Stevenson and Wolfers 2008). It therefore seems reasonable to include GDP as a control variable in the analysis.

Another important factor stressed in the literature is individualism. The more individualistic the culture of a country is, the happier the citizens are. In individualistic countries people are to a higher degree free from social constraints and can choose their own lifestyle, resulting in greater happiness (Diener and Suh 1999; Ahuvia 2002; Brülde 2007, p. 149). We do not have access to any direct measure of individualism. Instead we use a measure of post-material values from the World Values Survey as a proxy for individualistic culture.

Religion has been shown to have an effect on life satisfaction on both the micro and macro levels. Religious persons have higher subjective well-being than non-religious persons. The more religious a population is, the higher the average subjective well-being in the country is (Argyle 2001; Brülde 2007, p. 223; Helliwell and Huang 2008).

Democracy is also conducive to happiness. When people are able to select their leaders, subjective well-being is higher (Veenhoven 1984; Dorn et al. 2007; Helliwell and Huang 2008).

Health is another important factor behind the feeling of happiness. Countries in which people live longer and are healthier do better in terms of subjective well-being. Health is also thought to be one of the mechanisms through which higher QoG leads to more happiness. Where QoG is higher, the healthcare system works better and people are healthier. This is at least the case for poorer countries (Helliwell and Huang 2008, p. 611).

OPERATIONAL VARIABLES

We start with a basic benchmark looking at bivariate relationships between, on the one hand, happiness and life satisfaction as dependent variables and, on the other, a set of independent explanatory variables

that have been deemed important in the literature. The two dependent variables are subjective measures taken from the World Values Surveys indicating degrees of personal happiness and life satisfaction on self-placement scales. The two feel-good variables are intended to capture two different theoretical constructs, but in practice the correlation between the two measures is quite high: +0.73 for the 90 countries covered by the World Values Surveys.

Since the main purpose of our analysis is to test whether, and to what extent, QoG matters for how happy and satisfied people are with their lives, we have included three different QoG variables in the study: the World Bank's government effectiveness variable, Transparency International's Corruption Perceptions Index, and The Quality of Government Institute's new government impartiality measure. The last is based on expert judgments collected by The QoG Institute in about 50 countries around the world (Teorell 2009; see also Chapter 5). In theoretical terms, the three indicators are meant to cover slightly different phenomena. However, in practice they are all very highly interrelated with correlations of around +0.85 between them.

As control variables we have included a long series of variables that are frequently present in the theoretical as well as in the empirical literature on happiness and life satisfaction. Since money always matters, three economic variables are included, one measuring degree of richness (GDP per capita) and two measuring economic equality (Gini index and income share of poorest 20 percent). The latter variables are very important to study if we believe Wilkinson and Pickett's (2009) argument that degrees of societal equality have a profound impact on most things in a modern society, including happiness.

On the individual micro level, health is one of the strongest factors explaining people's life satisfaction and happiness (Argyle 2001; Klein 2002; Holmberg and Weibull 2005; Hellevik 2008). In our aggregate-level study we have included the two most often used health indicators – healthy life expectancy and infant mortality.

To feel reasonably secure is one of many psychological prerequisites for feeling happy (Brülde 2009). Consequently, we thought it appropriate to try to include some variables related to security. Lacking good direct measures, we decided to include two rather crude proxy measures for the feeling of security. These are two trust variables – interpersonal trust and as a proxy for societal trust, confidence in parliament. The hypothesis is that if you do not trust your fellow human beings and the important institutions in the society where you live, it is difficult to be satisfied with your life or to be happy. The operating mechanism behind this thinking is of course the feeling of security. If you do not feel safe among people

and in the society where you live, life satisfaction and happiness will be elusive.

Two somewhat contradictory variables often found as explanatory variables in the happiness literature are religiosity and post-materialism. They are contradictory in the sense that the variables tend to be negatively correlated. Religious people tend *not* to be high on post-materialism. But when it comes to happiness and life satisfaction both variables have a positive relation. Religious people as well as post-materialists tend to be more satisfied with their lives and to be happier than the average person. The two variables that we have included in our analysis are both taken from the World Values Surveys; they are importance of God and Inglehart's post-materialism scale.

Last, and very obviously, we have included a variable measuring level of democracy in the 90 countries selected for our study. It is not credible to talk about independent effects of QoG without controlling for degrees of democracy (Veenhoven 1984). The control is necessary since the two variables are highly interconnected with correlations around +0.55. Our chosen democracy measure is taken from Freedom House's annual studies combined with Polity's index. A problem with this is that the variance is very limited among Western countries. They all tend to have the highest score possible.

FUNDAMENTAL RELATIONSHIPS

The fundamental relationships between our dependent and independent variables are published in a special Figure Appendix.² There are 16 bivariate scatter plots including regression lines with the life satisfaction variable systematically running against a sample of our chosen independent variables. The happiness variable proves to have a poor face validity and weaker relationships with most explanatory variables, hence it is included in only a limited number of scatter plots.

Our three QoG variables reveal very similar outcomes, therefore we have restricted the number of scatter plots to the ones involving government effectiveness as the operational QoG variable.

Most of the scatter plots come in two versions – one for OECD countries only and one for non-OECD countries. The reason for the separate analyses for OECD and non-OECD countries is to be able to very concretely study the relationship between QoG and satisfaction with life among rich developed countries as well as among poor less-developed countries. Personal income and levels of economic richness are the most discussed variables when it comes to explaining life satisfaction and happiness on the

individual as well as on the aggregated national level. The OECD contra non-OECD dichotomy is employed as a crude yet very instructive proxy variable for the level of economic development and richness.

The empirical results of our tests are summarized in seven tables and one figure in Appendix 16A. In Tables 16A.1–5 and Figure 16A.1 the correlations between the feelings of happiness and life satisfaction variables and all our 13 independent variables are depicted among all countries and among OECD and non-OECD countries, separately. Tables 16A.6–7 contain the results from a series of regression analyses with the purpose of testing whether QoG has an independent impact on life satisfaction after proper controls have been applied. These regressions have also been performed, including all countries and separately for OECD and non-OECD countries.

If we start by looking at the bivariate relationships it is very evident that all three QoG variables have strong positive correlations with the feeling of happiness variable as well as with the life satisfaction variable (see Table 16A.1). The positive correlations are present among all countries as well as among OECD and non-OECD countries. This means that higher QoG values are linked to higher average values of happiness and life satisfaction among the populations in all of the studied countries, as well as among rich (OECD) and poor (non-OECD) populations.

It is worth noting that the relationships are usually somewhat stronger for the satisfaction variable than for the happiness variable. The same result is also found for most of the control variables. One of the main reasons for this outcome is that many countries in Latin America and some countries in Africa have surprisingly high figures for the average level of happiness; in fact those same countries tend to have somewhat “inflated” results for the life satisfaction variable as well. We suspect that surveys in developing countries tend to overrepresent middle-class people and have serious problems in reaching respondents outside the big cities. A selection bias of this kind could result in an overrepresentation of people with a positive outlook on their lives. As a result, happiness (and to a lesser extent life satisfaction) would be inflated in developing countries, in particular in Latin America. Consequently, the face validity of especially the happiness measure is in doubt. Other possibilities that have been suggested to explain the high figures for happiness in Latin America are cultural norms (hedonism) making people “exaggerate” their feeling of happiness (Diener and Suh 1999) or an overrepresentation of extravert humans with “positive” personality traits (Lynn and Steel 2006).

The life satisfaction variable is somewhat more valid and therefore more useful. The result using the life satisfaction variable is more believable, although it too indicates surprisingly high satisfaction results in Latin

America and in some other developing countries. Subjective measures of an elusive concept such as happiness or life satisfaction are always going to be problematic and open to contention. But there is no way around this problem. We cannot do entirely without subjective measures that ask people how they feel.

One of the economic variables shows a very clear and positive relationship with life satisfaction (and almost as clear with happiness): GDP per capita. Populations in richer countries are on average happier and more satisfied with their lives than people in developing nations. The two other economic variables that measure different aspects of equality reveal mostly weak and insignificant relations with happiness and life satisfaction. However, in some cases the relationship is negative; those negative correlations are especially noticeable among non-OECD countries (see Table 16A.2). Consequently, for the poor non-OECD countries there is a tendency that economic equality (=shared poverty for most people) tends to go along with populations on average *not* being happy or satisfied with their lives. The main conclusion, however, is that economic equality is not strongly related to happiness or life satisfaction.

The strong correlations in Table 16A.3 between the two health variables and the life satisfaction variable confirm a well-known result – health is a major determinant behind whether people are satisfied with their lives or not. Observe, however, the weak and somewhat irregular correlations for the happiness variable, further underscoring the conclusion that it lacks face validity.

Our expectation that civic trust would be related to happiness and life satisfaction is supported only among OECD countries. Among non-OECD countries, the relationship is weak and occasionally even negative, although statistically insignificant (see Table 16A.4). However, all survey measurements having to do with trust – especially trust in parliament – are doubtful in authoritarian countries, most of which are found outside the OECD. If we look at the scatter plot in Figure 16³ it is obvious that confidence in parliament is at its highest in a number of authoritarian or non-democratic nations such as Vietnam, China, Bangladesh, Tanzania, Egypt and Iran. It is doubtful whether people in these countries dare to tell pollsters that they distrust their leaders in parliament.

Of our two value variables, the relationship between post-materialism and both of the feel-good variables is quite strong. Countries with on average less authoritarian and more individualistic post-materialist populations tend to have people who are more happy and content with their lives. The other value variable – importance of God – indicates much weaker and irregular bivariate correlations, slightly negative ones among OECD countries and somewhat more strongly positive ones among non-OECD nations

(see Table 16A.5). The conclusion seems to be that levels of aggregate post-materialism are a more interesting phenomenon to study than degrees of religiosity when it comes to happiness or satisfaction with life.

Finally, in Figure 16A.1 the well-known relation between levels of democracy and life satisfaction is portrayed. People in democracies tend to be more satisfied with their lives than people living in less democratic societies. The correlation is stronger in the richer OECD countries, but it is also present in non-OECD countries. The problem of measuring life satisfaction (and even more, feelings of happiness) in developing countries could be one factor that depresses the relation somewhat outside the OECD countries – especially when it comes to the relationship between happiness and levels of democracy as is evident in the results. The main outcome, however, is that high levels of democracy on a bivariate basis are related to high levels of life satisfaction among OECD as well as among non-OECD countries. For OECD countries the same is also true for happiness. Among OECD countries, the more democratically a country is run, the happier its citizens are.

QUALITY OF GOVERNMENT MATTERS

In Tables 16A.6 and 16A.7 we use multiple regressions to investigate whether the QoG variable (government effectiveness) has an independent effect on levels of life satisfaction after we have controlled for the effects of the other relevant explanatory factors. The outcome is very clear: QoG has an independent and significant effect on levels of life satisfaction in all but two of our 18 multivariate tests. The tests involve multiple regression runs and pairwise match-ups between QoG and the other explanatory variables among all relevant countries as well as separate runs among OECD and non-OECD countries. The two instances where the QoG variable does not have a significant effect both pertain to non-OECD countries and thus include problematic measures of life satisfaction as well as a very limited number of countries with relevant variances in the studied variables. Robustness tests involving elimination of just a few non-OECD countries prove that the results are very sensitive and not robust.

Consequently, the main result is that QoG has an independent impact on the life satisfaction of people in rich as well as in poor countries. The effect is especially pronounced in the richer OECD countries. The open question whether QoG also has an effect on social well-being in richer countries is thus answered. The answer is that it has.

Big government may be in contention, but good government is without doubt making people feel better. Effective government, the rule of law,

bureaucratic impartiality and low levels of corruption make people happy and satisfied with their lives. Quality of government matters. It makes people happy.

NOTES

1. That economic wealth does not contribute to greater happiness above a certain level is contested by Hagerty and Veenhoven (2003) and Stevenson and Wolfers (2008).
2. The Figure Appendix is published at The Quality of Government Institute's website: www.qog.pol.gu.se.
3. See The Quality of Government Institute's webpage, www.qog.pol.gu.se.

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APPENDIX 16A

Table 16A.1 Relationship between three QoG indicators and feelings of happiness and life satisfaction (r)

	Government effectiveness	Control of corruption	Government impartiality
Happiness (all countries)	+ .42	+ .46	+ .66
Happiness (OECD countries)	+ .61	+ .62	+ .64
Happiness (non-OECD countries)	+ .20	+ .24	+ .10
Life satisfaction (all countries)	+ .66	+ .67	+ .70
Life satisfaction (OECD countries)	+ .71	+ .72	+ .57
Life satisfaction (non-OECD countries)	+ .44	+ .48	+ .39

Note: The three QoG variables are highly intercorrelated; about +.85 to +.90. The happiness and life satisfaction variables are also strongly correlated; +.73 in the sample of all countries, +.87 in the sample of OECD countries, and +.66 in the sample of non-OECD countries. The happiness and life satisfaction measurements come from the World Values Surveys. All relationships are positive, meaning that higher QoG values (= higher quality) are linked to higher average values of happiness and life satisfaction in the selected countries. The maximum number of countries (*n*) is about 90 for the analyses with the government effectiveness and the control of corruption variables and 50 for the analysis with the government impartiality variable. The number of OECD and non-OECD countries is about 30 and 60, respectively, in the first case and about 30 and 20, respectively, in the analysis with the government impartiality variable. The government impartiality variable is based on expert judgments collected by The QoG Institute for some 50 countries.

Source: J. Teorell (2009), "The impact of quality of government as impartiality: theory and evidence". Paper presented at the 2009 Annual Meeting of the American Political Science Association, Toronto, September 2–6.

Table 16A.2 Relationship between feelings of happiness and life satisfaction and three economic variables (r)

	GDP per capita	Gini Index reversed	Income share of poorest 20%
Happiness (all countries)	+ .41	+ .00	-.28
Happiness (OECD countries)	+ .58	-.00	-.14
Happiness (non-OECD countries)	+ .14	-.17	-.49
Life satisfaction (all countries)	+ .65	+ .20	-.26
Life satisfaction (OECD countries)	+ .62	+ .14	+ .10
Life satisfaction (non-OECD countries)	+ .47	-.10	-.65

Note: The correlation between GDP/capita and the reversed Gini index (high values indicate high economic equality) is +.47. Between GDP/capita and the income share of poorest 20% variable (high values indicate high economic equality) the correlation is +.28. The correlation between the two economic equality variables is +.73. The positive correlations between GDP/capita and happiness/life satisfaction mean that richer countries have happier and more satisfied populations. For the two economic equality variables, negative correlations mean that high equality tends to go with populations *not* being happy or satisfied with their lives.

Table 16A.3 Relationship between feelings of happiness and life satisfaction and two health indicators (r)

	Healthy life expectancy	Infant mortality
Happiness (all countries)	+ .22	-.10
Happiness (OECD countries)	+ .42	-.10
Happiness (non-OECD countries)	±.00	+ .10
Life satisfaction (all countries)	+ .59	-.49
Life satisfaction (OECD countries)	+ .46	-.35
Life satisfaction (non-OECD countries)	+ .44	-.37

Note: The correlation between the two health indicators is -.93. Observe the negative sign. Countries with healthy life expectancy tend to have *low* infant mortality rates. The positive correlations between healthy life expectancy and happiness/life satisfaction mean that healthy populations tend to be happier and more satisfied with their lives. The negative correlations (with one exceptional positive one) between infant mortality rates and happiness/life satisfaction indicate that countries with low levels of infant mortality have happier and more satisfied populations.

Table 16A.4 Relationship between feelings of happiness and life satisfaction and two trust indicators (r)

	Interpersonal trust	Confidence in parliament
Happiness (all countries)	+.17	+.22
Happiness (OECD countries)	+.56	+.44
Happiness (non-OECD countries)	-.17	+.22
Life satisfaction (all countries)	+.33	-.10
Life satisfaction (OECD countries)	+.58	+.50
Life satisfaction (non-OECD countries)	-.00	-.17

Note: The correlation between the two trust/confidence variables is +.24. A positive correlation between any of the trust/confidence variables and happiness/life satisfaction means that nations with trusting populations tend to have happier people who are more satisfied with their lives.

Table 16A.5 Relationship between feelings of happiness and life satisfaction and importance of God and post-materialism (r)

	Importance of God	Post-materialism
Happiness (all countries)	+.10	+.55
Happiness (OECD countries)	-.00	+.66
Happiness (non-OECD countries)	+.41	+.40
Life satisfaction (all countries)	-.20	+.67
Life satisfaction (OECD countries)	-.10	+.63
Life satisfaction (non-OECD countries)	+.14	+.54

Note: The correlation between the importance of God variable (high values indicate that God is important) and post-materialism (high values mean more post-materialism) is -.23. A positive correlation between the importance of God variable and happiness/life satisfaction mean that countries with more religious people tend to have a happier and more satisfied population. A positive correlation between post-materialism and happiness/life satisfaction indicates that nations with post-materialistic populations tend to have happier and more satisfied people. The importance of God variable as well as the post-materialism variable come from the World Values Surveys.

Table 16A.6 *Regressing life satisfaction on QoG controlling for richness, health, democracy, and values (regression coefficients)*

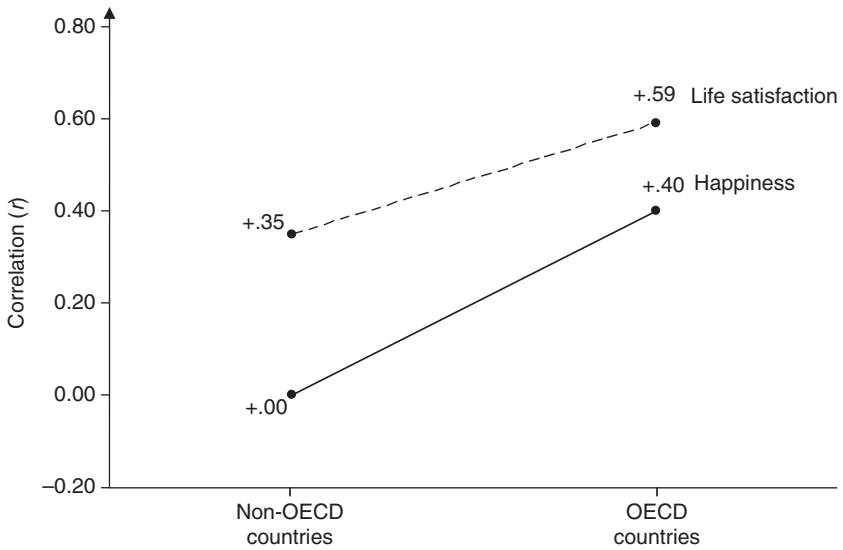
	All countries		OECD countries		Non-OECD countries	
	Regr. coef.	Std err.	Regr. coef.	Std err.	Regr. coef.	Std err.
QoG /government effectiveness	.36*	.19	.63*	.32	.25	.26
GDP per capita	.00	.00	-.00	.00	.00	.00
Healthy life expectancy	.03**	.01	-.07	.05	.03**	.01
Post-materialism	2.19***	.51	1.51**	.72	2.62***	.69
Importance of God	.18***	.05	.09	.07	.22***	.07
Levels of democracy	.02	.04	.40	.26	.02	.04
Constant	-1.10	1.16	3.54	3.26	-2.45	1.48
Adj. R-squared	.61		.57		.48	

Note: $p > |t| = .01***, = .05**, = .10*$. The total number of countries is 90, of which 30 are OECD and 60 are non-OECD countries. The variables are presented in Figure 16A.1.

Table 16A.7 Regressing life satisfaction on QoG with pairwise match-ups between quality of government and richness, health, democracy, and religious as well as post-material values (regression coefficients)

	All countries			OECD countries			Non-OECD countries		
	Regr. coef.	Std err.	Adj. R ²	Regr. coef.	Std err.	Adj. R ²	Regr. coef.	Std err.	Adj. R ²
QoG / government effectiveness	.69***	.08	.42	.80***	.15	.48	.63***	.16	.19
Constant	6.25***	.09		6.09***	.25		6.24***	.13	
QoG / government effectiveness	.40**	.19		.68**	.27		.25	.28	
GDP per capita	.00*	.00	.43	.00	.00	.47	.00	.00	.20
Constant	5.96***	.20		6.05***	.27		5.77***	.31	
QoG / government effectiveness	.50***	.12		.88***	.22		.40*	.20	
Healthy life expectancy	.03**	.01	.44	-.02	.05	.46	.03**	.02	.22
Constant	4.61***	.80		7.64*	3.12		4.34***	.94	
QoG / government effectiveness	.44***	.09		.58***	.17		.49***	.15	
Post-materialism	2.46***	.49	.56	1.42**	.63	.54	3.04***	.67	.39
Constant	1.89**	.86		3.66***	1.11		.93	1.18	
QoG / government effectiveness	.88***	.10		1.00***	.17		.78***	.17	
Importance of God	.18***	.06	.47	.16**	.07	.55	.20***	.07	.26
Constant	4.81***	.45		4.83***	.59		4.60***	.62	
QoG / government effectiveness	.59***	.12		.69***	.24		.51**	.20	
Level of democracy	.05	.04	.42	.16	.25	.47	.06	.05	.19
Constant	5.91***	.31		4.75**	2.21		5.86	.36	

Note: $p > |t| = .01***; = .05**; = .10*$. See Table 16A.6.



Note: The democracy variable is taken from Freedom House; the more democracy, the higher the value. A positive correlation between the democracy variable and happiness/life satisfaction means that democratic nations have happier and more satisfied populations than less democratic nations. The correlations between degrees of democracy and feelings of happiness and life satisfaction among *all* countries are +.24 and +.52, respectively.

Figure 16A.1 Relationship between levels of democracy and feelings of happiness and life satisfaction (r)

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