

What Is Quality of Government?

A Theory of Impartial Political Institutions

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Abstract

The last years have seen a growth in research on “good governance” and the quality of government institutions. This development has been propelled by empirical findings that such institutions might hold the key to understanding economic growth in developing countries, but social benefits of high quality institutions have been identified as well. We argue however that a key issue has not been addressed, namely the question of what the quality of government (QoG) actually means at the conceptual level. Economists’ definitions are either extremely broad or suffer from a functionalist slant that weakens their usefulness. We propose a more coherent and specific definition of quality of government, namely the *impartiality* of institutions that implement government policies. We argue that this impartiality principle may be successfully linked to a theory explaining both economic and non-economic consequences of the quality of government.

Introduction¹

Let us begin with a true story: Just across the street from Virgie Airport on St Lucia—a beautiful island in the Caribbean, but also a pretty poor country with a per capita GDP around 5000 US\$—are two run down sheds from which coffee and food is served. The sheds that can easily be seen from the airport entrance, are in a really bad state. Outside, where people are supposed to eat and drink, there are no real tables or chairs, just broken stools and pallets that have been thrown over. The result of this sad outlook is that hardly any tourists become customers, although many are waiting for their planes to leave and thus have plenty of spare time. However, if you dare to use their service, you will find the local food they serve cheap and excellent, the women running these small businesses very friendly and the location, just along the beach with a postcard view of the ocean shore, absolutely stunning. Lots of tourists travel by this airport, but hardly any of them frequent these two small places to get a cup of coffee, a snack or a meal, probably because they look so run down. Instead, most tourists go to the restaurant inside the airport building which is quite expensive, very crowded, has no view, lousy service and serves really bad food.

If you ask the women who run the coffee shops why they don't make better use of their perfect and very favorable location, for example by investing in a porch and putting up some chairs and tables to attract more business from the tourist crowd, they will answer in the following way. "Great idea, I've thought about it, but there are two problems. First, although I have been here for twenty years, I don't owe this place of land, I'm a squatter, so I can be forced away by the police/government at any time. Secondly, if I did invest and opened a real restaurant/coffee shop, I could probably never afford to pay off the health inspectors." Further conversation reveals that the women don't know if it is at all possible to buy the land or at least get a long-term lease, and they

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don't know how much they would have to pay in bribes to the health inspectors. It is thus the *uncertainty* of their situation which is caused by lack of *impartiality* in the civil service that hinders them from making better use of the great resources they already have.

There are probably thousands of stories like this from poor or semi-poor countries like St Lucia. Lack of an impartial legal structure that can secure property rights and administrative/political corruption hinders many “micro business people” from making investments that in all likelihood would vastly improve their (and their country's) economic situation (de Soto 2001). This little story serves to highlight a strong recent tenet within comparative political economy: that it is not necessarily the lack of entrepreneurship or resources in human or physical capital that hinders economic development, but the low quality of government institutions that exercise and implement laws and policies (Acemoglu, Johnson, and Robinson 2002; Acemoglu, Johnson, and Robinson 2001; Clague et al. 1999; Easterly 2001; Easterly and Levine 2003; Hall and Jones 1999; Knack and Keefer 1995; Mauro 1995; Rodrik, Subramanian, and Trebbi 2004). Not being able to predict government action when it reaches you and the lack of accurate information about what government bureaucrats can and cannot do to you are central ingredients in this problem (cf. Evans 2005; Lange 2005).

The rapid growth in research on “good governance” and the quality of government institutions in recent years have however not only been concerned with growth and economic development. The quality of government has also been argued to have substantial effects on diverse non-economic phenomena, both at the individual level—such as subjective happiness (Frey and Stutzer 2000; Helliwell 2003) and citizen support for government (Anderson and Tverdova 2003)—and at the level of society—such as the incidence of civil war (Fearon and Laitin 2003) and democratic consolidation (Rose and Shin 2001; Zakaria 2003). This perspective has shifted the focus away from variables such as physical capital, natural resources, and human capital to matters directly related to the sphere of government and politics. The emphasis is also different from some previous studies that points at long-term cultural traits related to the importance of social capital (Putnam, Leonardi and Nanetti 1993). Social capital, defined as norms about reciprocity and generalized trust in other people, seems to be determined by the quality of

government institutions rather than the other way around (Letki 2003; Rothstein 2003; Rothstein 2005; Rothstein and Stolle 2003).

We shall argue however that a key issue has this far not been addressed by this research agenda: the question of what “good governance”—or the *quality of government* (QoG for short), as we will henceforth call it—actually means at the conceptual level. Economists’ definitions are either extremely broad or suffer from a functionalist slant that weakens their usefulness. For example, Kaufmann and associates at the World Bank, responsible for providing the most widely used empirical governance indicators, define governance as “the traditions and institutions by which authority in a country is exercised”. More specifically, this includes:

(1) the process by which government 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, Kraay, and Mastruzzi 2004, 3).

That definition is just about as broad as any definition of “politics”. It includes both issues of the *access* to power and the *exercise* of power. Moreover, it fails to distinguish between the *content* of specific policy programs on the one hand and the governing *procedures* on the other. In the words of Keefer (2004, 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”. Yet clearly some political institutions or aspect of “politics” must matter more than others for what should count as quality of government.

Other economists have tried to be more specific by defining “good governance” as “good-for-economic-development” (La Porta et al. 1999, 223). But this view excludes other non-economic consequences of QoG referred to above, such as interpersonal trust and subjective well-being. Even more importantly, as with all functionalist definitions it comes at the expense of being unable to speak about a country’s access to QoG without first having to measure the effects of QoG. This approach borders on tautology. As noted by *The Economist* recently (June 4th, 2005), defining “good governance” as “good-for-economic-development” might generate the following infinite regress: “What is required for growth? Good governance. And what counts as good governance? That which promotes growth.”

Although it avoids omitting non-economic outcomes, basically the same criticism applies to the definition provided by Huther and Shah (2005, 40):

Governance is a multifaceted concept encompassing all aspects of the exercise of authority through formal and informal institutions in the management of the resource endowment of a state. The quality of governance is thus determined by the impact of this exercise of power on the quality of life enjoyed by its citizens.

To paraphrase: “What is required for the quality of life enjoyed by citizens? Quality of governance. What is quality of governance? That which promotes the quality of life.”

In this paper we shall argue that a more coherent and precise definition of QoG is possible to attain. We will propose one such definition based on a specific normative and behavioral criterion, namely the *impartiality* of government institutions. This conception is not functionalist and it clearly singles out certain aspects of the political sphere as being more important than others. Even more importantly, we shall argue that the impartiality principle may be successfully linked to a theory explaining how and why such remarkable economic and non-economic consequences as those cited above may come about.

Quality of Government as Impartiality

Our argument for a more precise definition of QoG is based on the idea of the importance of *impartiality* in the exercise of governmental power. Our definition of impartiality in the exercise of public power is the following: 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 (cf. Strömberg 2000). As Cupit writes; “To act impartially is to be unmoved by certain sorts of consideration – such as special relationships and personal preferences. It is to treat people alike irrespective of personal relationships and personal likes and dislikes” (Cupit 2000). This goes also for decisions about recruitment to the civil service, implying that it should be based on the merits and qualifications that beforehand are stated as necessary for the position (instead of personal contacts, political leanings or ethnic belonging). Things like money (in the form of bribes), political or family connections, ethnicity, religion, age, sex, social class, etc. are to be irrelevant for the decisions made by the bureaucracy unless it is stipulated in

the law/policy. For example, implementing a law stating that families with children under a certain age are entitled to child allowances (or tax deductions) is not to break the principle of impartiality, while denying families from a certain clan or tribe such allowances when implementing such a policy is.

The Scope of Impartiality

Contrary to our beliefs when we started this project, the concept of impartiality has not been high on the agenda in social science research on bureaucracy and public administration. For example, the newly issued 664 page *Handbook of Public Administration* has no index entry on “impartiality” (Peters and Pierre 2002). A search in the *Social Science Citation Index* also gives a surprisingly meagre result.² This lack of interest is all the more surprising since the idea about the impartial bureaucrat goes back to the most central figure in bureaucratic theory – namely Max Weber. Moreover, it seems as if most research in public administration has argued either for *ineffectiveness* of the impartial mode of operating the state machinery, or that this is an ideal that is impossible to achieve (cf. Du Gay 2000). The bureaucratic mode of operation has been said to be too rigid for the active modern policy-oriented state which requires flexibility and commitment by its officials. In this line of reasoning, the ideal of the impartial civil servants have been accused of being insensitive to the complexities and special needs of different cases (cf. Rothstein 1996).

Another critique has come from the public choice approach. According to this theory, civil servants are driven more by self-interest to promote their own interests rather than ethics related to some public interest, such as impartiality (Dunleavy 1991). A third critique has come from within the field of political philosophy, not least the various multi-culturalist and feminist approaches.³ The argument has been that impartiality is in fact impossible to achieve because individuals, be they civil servants or whatever, can not step outside themselves. Instead, their actions will always be impregnated by things like

² A search on the Social Science Citation Index (Web of Science) gives a total of three published articles with the keyword impartiality combined with any of the following keywords: bureaucracy, public administration, civil service, public service. The database searches for keywords are both those given in the title, in the keywords given by the authors or in the abstract and covers about 2.6 million scholarly articles published since 1986

³ The debate within political and moral philosophy between impartialists and their critics is huge and we cannot here give it the attention it deserves. See Mendus (2002) for an overview.

ideological commitments, gender (whether socially constructed or not), cultural-ethnic belongings, class background, etc. Moreover, it has been stated that partiality is the idea of life itself – to be deeply attached to other persons and causes is what life is really about. Impartiality is thus an offence against this inner meaning of life (Mendus 2002, 2f). The idea of “justice as impartiality” launched by Brian Barry (1995) is according to this line of critique a non-starter simply because impartiality is both an impossible and an undesired ideal. As the feminist political philosopher Iris Marion Young states, “no one can adopt a point of view that is completely impersonal and dispassionate, completely separated from any particular context and commitments” (Young 1993, 127f). Furthermore, some feminist scholars have argued that the idea to create justice by following universal rules is connected to a male type of thinking about justice, while women (or individuals in general with more experience of caring for others) instead follow a “logic of care” in which every case is to be judged upon its own specific and contextually decided needs.

We will address these objections to the impartiality principle by starting with an idea launched by Michael Walzer (1983), namely that our type of societies exists of different *moral spheres* that have different modes of domination that normatively should not be transferable. Walzer’s theory is, in short, that we have different normative ideas of what should count as fairness in different societal spheres. For example, while it is normatively fair to use money to get ones way in market transactions, it is not so when it comes to politics (for example we do not allow the buying and selling of votes). Principles of what should count as fair distribution are different in different social spheres, which make it impossible to produce any universal idea of fair distribution. What is important for us with Walzer’s approach is not only the idea that norms should be different in different social spheres, but that the *same individual* has to recognize that he or she can go from one sphere to another and thus have to change what norms to apply. Moreover, power that comes from the distribution in one sphere (i.e., the market) should not be allowed to give power in other spheres (politics, religion, science).

Impartiality is a norm that government power should be exercised according to certain moral impediments.⁴ As a principle it stands against the public choice idea of bureaucrats maximizing their self-interest.⁵ For example, the impartial civil servant should not be susceptible for bribery, should not decide in cases where her/his friends and relatives are involved, and should not favor any special (ethnic, economic, or other type of organized) interest when applying laws and rules. Impartiality thus serves as a constraint on the civil servant's pursuing of self interest or promotion of any particular interest beyond that which is stated in the policy or law.

One problem with Walzer's theory is that the number of moral spheres seems to be both infinite and arbitrary. Another problem with his theory is that the moral spheres are defined by reference to historical particularities. As he says, his theory is not meant to be universal and there is no basic concept or theory beyond his idea of the historical existence different moral spheres that explains why he ends of with the ones he present. The lack of universality in his theory of "spheres" is problematic because a theory how QoG should be defined must by definition be universal. Otherwise, we may very well end up with one theory of QoG per country.⁶ A lack of universality will imply that not only the comparative approach but also the search of a common theory becomes futile.

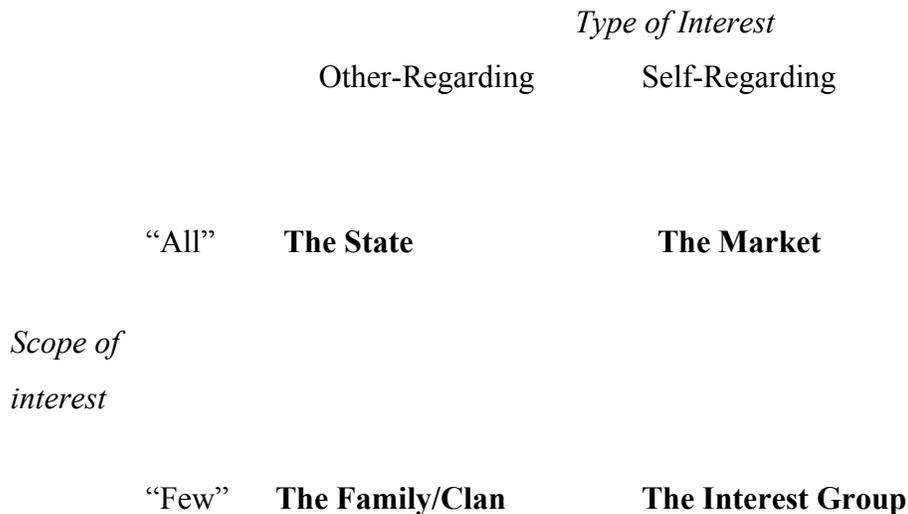
We want to present a solution to these problems by starting from an idea of *dimensions of interests*. One way to understand *interest* is to see it along two different dimensions. One is the *type of interest*, the other is *scope*. *Type* refers to the distinction between self-regarding and other-regarding interest. *Scope* refers to how many are included, if the type of interest that dominates is to be for "everyone" or if it is restricted to ones friends, family, clan or other such group. If we contrast these two dimensions, we get the following four spheres of conduct that relates to impartiality.

⁴ We do not think that impartiality is equivalent to "objectivity". Terminology is a tricky business, especially if you trade in a language that is not your own. Still we would say that as a concept objectivity has an absolute and perfectionist ring that implies that humans can have full knowledge of a case and weigh all things equal and come down with a decision as if the outcome was of a natural law process. Impartiality for us implies somewhat more human and realistic demands. First, it is about a "matter of factness" (Sw. "saklighet"), implying that things that according to the policy/law should not have an impact on the decision also have to be left out. Secondly, it requires that the public official should not be a party to the case, neither directly nor indirectly.

⁵ The empirical support for the public choice approach on what motivates bureaucrats is very thin – see for example Brehm (1997) and Jones (1999).

⁶ Such a logic would imply that we would have one definition of human rights for each country.

Figure 1. Dimensions of interest and societal spheres



The logic of this model is the following. In the "state" sphere, the norm is that exercise of power should be in line with the public interest and that this goes for "all", as stated in the principle about *equality before the law*. In the "market" sphere, the accepted norm is that behavior according to self-interest is justifiable, but the scope dimension "all" implies that everyone should have equal access to the market (exemplified in, e.g., laws against monopolies/trusts and other ways to hinder open competition). We should simply sell and buy from everyone regardless of his family background, ethnic belonging, or religion. However, the accepted norm in the private sphere is that we should not behave according to self-interest against our family members or friends, but to what we from some other-regarding notion deem as good for all the members of this small group. This includes acting in a way that serves the family/clan members but that is to a

disadvantage for oneself (i.e., pure altruism). However, such groups do not like the market have free entrance but are restricted to its given “members”. Lastly, special interests groups are driven by the idea to make things better for their members (self-interest), and they are also restricted to members. Members are leaders of such groups can not be expected to act from any “public” interest. On the contrary, what they do is based on some “logic of exchange”. This is where we find policies and practices related to what usually is labeled “neo-corporatist” or “interest-group” politics (for a somewhat related idea, see Lange 2005).

The point we want to take from this model is that social science should not be based on the idea that society is dominated by only one type of human behavior or moral norm, be that self-interest, the principle of care, rent-seeking, bureaucratic ethics, feelings of community or pure altruism. According to our model, humans have a greater repertoire than being only self-regarding, etc., and they usually do understand that what is appropriate in one sphere is fundamentally wrong in another sphere (March and Olsen 1989). From a normative perspective, we can also see that while self-interest is justifiable in some spheres, it is unacceptable in others. For example, agents on a market that would use self-interest as their main template of behavior would simply be deemed stupid and probably soon go out of business, while civil servants or parents that act according to pure self-interest by most people are seen as morally deplorable. In this respect, a large part of the discussion of Brian Barry’s *Justice as Impartiality* seems to be misguided because this distinction between “spheres of behavior” has been left out. While for many, increased justice implies policies that contain more partiality (for example, extra resources to underprivileged groups), they usually do not want these policies, ones enacted, to be implemented in a partial way where bureaucrats are given total discretion in each an every case (Tebble 2002; Young 1990). Similarly, while impartiality is a norm to be followed in one sphere, it would be dysfunctional and/or unethical in the other spheres

According to our model, QoG as impartiality implies the following. In “the state” sphere, we are concerned that the typical civil servant, policeman or judge act according to the impartiality principles, implying that he or she should be guided by the public interest instead of any self-interest. Decisions shall be made according to what is

stipulated and intended in the law/policy disregarding the bureaucrats own interests. The special interests that are acceptable in the other spheres (money from the market, loyalties to families and friends and adherence to different special interests) should not be allowed to influence her decisions. This is Max Weber's famous "sine ira et studio" principle. However, we have no moral objections when the very same persons leaves the court room or public office and goes to the "market" and tries to get the very best deal when selling his house or buying a new car. Likewise, we do not object if this person in his private dealings takes special care for his family and friends (cf. Barry 1995, 205).⁷ However, we object strongly if he in his professional life does not refrain from handling cases that concerns members of his family or friends.

Moreover, as a private individual we would argue that this person has the same right as every other citizen to support whatever special interests or political cause she wants. But again, if this person is strongly involved or engaged in a certain cause or interest organization, she should declare a conflict of interest and abstain from handling a case that may influence the outcome of this cause or be of importance to this interest organization. Likewise, a civil servant that handles public contract can not have economic interests in any of the potential bidders. Thus, the demand for impartiality from civil servants is not absolute and we do not base the idea of QoG as impartiality that there are certain persons who have it "in their nature" to be disinterested in all straits of life. What we do demand is that people employed to exercise government power recognize that there are clear boundaries between this sphere and other societal spheres and that these boundaries put severe restrictions on what type of behavior that can be accepted. For example, civil servants, judges, policemen, public school teachers in ethnically divided societies have to find a way to treat citizens from other ethnic background than their own with, to use Ronald Dworkin's phrase, "equal concern and respect" (Dworkin 1977, 180ff). The demand for impartiality in the implementation of public policies implies that individuals understand and accept that what is perfectly just in one sphere can be a gross violation of conduct in another sphere. We can illustrate this point by referring to the fact

⁷ The judge or civil servant is allowed to read as many pedagogically advanced bed-time stories for his children as he likes, for example, without being blamed for not respecting the ideal of impartiality (not all children get read bed-times stories).

that common language uses different words for different kinds of transgressions. When norms from the market are imported to the state sphere, it is usually called bribes. When norms from the family/clan sphere are important, the word is usually nepotism or patronage. Lastly, when it is norms from the interest group sphere that are used, the problem is usually called corporatism or influence peddling (cf. the “military/industrial complex”).

QoG as Procedure, Not Content

A logical consequence of conceptualizing QoG as impartial government institutions is that what matters is the way government power is exercised in the implementation of policies, rather than the policies proper. This is in line with argument that long-run growth levels are not affected by distinct growth-promoting policies, once the fundamental impact of institutions is taken into account (Easterly and Levine 2003). We also disagree with the idea put forward in some corruption and QoG research that it is “big” government that is the problem. The argument has for example been put forward by Tanzi (2000) that in order to reduce corruption, is it necessary to reduce the size of government and its control over the economy and privatize. Also in parts of development studies, it has been argued that it is the size of government that is the problem. The “small is better” argument was also part of the “shock-therapy” argument for massive and quick privatizations launched at the post-socialist societies.

Let us give three examples why we think this is an untenable idea, namely health care, social insurance (e.g., pensions) and education. If universally provided by the government, these policies would greatly enhance the size of the public budget. From both an economic and a democratic perspective, there are arguments for public provision (and higher taxes) and for private provision (and lower taxes) of these services. However, the important thing when it comes to QoG is not if these services are provided by the government or left to the market (or if you have different mixes between private and public provision). What is central for QoG is that if these services are provided for by the state, it must be done so that the principles of impartiality in the implementation process are respected. The problem is not the policies as such, but if you, as is customary in for example some post-socialist countries, can buy a university degree, or if you have to bribe publicly employed physicians to do what they are paid to do (Kornai 2000), or if

your access to social insurance benefits are decided in an arbitrary or discriminatory manner. The same goes for policies that are put in place to spur economic growth, such as credits to businesses, state-directed investments and the possibility for private firms to put in bids for public contracts. As Atul Kohli has shown in his analysis of South-Korea, Brazil and India, large scale state intervention can play a positive role in economic development (Kohli 2004). It seems obvious that public policies on a large scale can be carried out by the state without compromising QoG. Our hypothesis is that this works as long as they are implemented in accordance with the impartiality principle. In short, it is not so much what the state does, but how it does it, that is central to this problem.

That the size of government or how extensive its policies are has little or nothing to do with QoG was actually discovered in one of the first articles in this line of research published by a group of economists (La Porta et al. 1999). Using a wealth of data from between 49 and 212 countries in their search for what determines QoG, they came to the following conclusion: “Finally, we have consistently found that the better performing governments are larger and collect higher taxes. Poorly performing governments, in contrast, are smaller and collect fewer taxes” (La Porta et al. 1999, 266).

That the size of government and QoG should not be causally related should have been realized from a quick glance of the data. One finds particularly large governments in the Nordic countries but these countries are also, according to most measures, the least corrupted. However, we cannot but point at that the economists in the above mention article were quick to add (in the very next sentence) that “this result does not of course imply that it is often, or ever, socially desirable to expand a government of a given quality, but it tells us that identifying big government with bad government can be highly misleading” (ibid.).

We would certainly agree that governments can enact policies that are counterproductive to economic growth and they sometimes launch policies that threaten democratic principles and respect for human rights. However, exactly which policies that benefit economic growth is often difficult to define – as the above mentioned examples show. Should pensions be a private or a public matter, or any mix thereof? Should the government be engaged in helping small firms grow (for example by providing credits)? Is an active labor market policy a “sound policy” or not?

The second argument for reserving QoG to the procedures by government power is exercised is that there is a “Platonian-Leninist” risk in this discussion, namely that the democratic process will be emptied of most substantial questions if experts from various international organization (or those with superior knowledge in scientific Marxism...) prescribes almost all public policies. After all, what should political parties do and what is the point in having an ideological debate and election campaigns if all policies are decided beforehand by international experts? If QoG becomes a way for experts to define what are to be understood as “sound policies”, there is not much left for political parties and politicians to decide on the representational side of the democratic system. The argument against the “Platonian-Leninist” alternative to democracy has been eloquently presented by Robert Dahl and we accept his conclusion that “its extraordinary demands on the knowledge and virtue of the guardians are all but impossible to satisfy in practice” (Dahl 1989, 65). However, when a policy is decided by an open and impartial democratic process (more on this below), the demand for QoG means that it has to be implemented in accordance with the principle of impartiality.

QoG as Exercise of, Not Access to Power

Apart from distinguishing procedure from policy contents, reserving QoG to be a matter of the former, we may make the further distinction between the “input” and the “output” side of the political process. Since the former relates to the *access* to political power, while the latter refers to how political power is *exercised*, another implication of our impartiality theory is that the most widely accepted regulatory principle on the input side, namely democracy, is excluded from our concept of QoG.

The most fundamental argument for this exclusion is the notoriously uneven track record of democracy in terms of producing valued social goods and outcomes. The inherently ambiguous results in the literature with respect to whether having a democratic or an authoritarian political system matters for growth is perhaps the most prominent example (for excellent overviews, see Kurzman, Werum, and Burkhart 2002; Przeworski and Limongi 1993; Sirowy and Inkeles 1990). True, democracy usually comes out as a strong predictor of human rights (Poe, Tate, and Keith 1999; Davenport and Armstrong 2004), but after all democracy should arguably be defined at least partly in terms of human rights such as personal integrity (Hadenius 1992), so that finding is not all that

surprising. Then of course there is the “democratic peace”, but that extremely strong empirical regularity pertains to the dyadic level (Oneal and Russett 1999). Monadically speaking democracies are not significantly less aggressive than autocracies, whereas the incidence of incomplete democratization makes a country *more* likely to go to war (Mansfield and Snyder 2002; Mansfield and Snyder 2002). Similarly, democracy is curvilinearly related to the probability of civil war (Hegre, Ellingsen et al. 2001), and to the level of corruption (Montinola and Jackman 2002; Sung 2004). Curvilinearity is of course not tantamount to a null-effect, but it does indicate that some democracy may at times be worse than none (although a lot of democracy is better than some). Finally, some recent work seriously question the presumed positive effect of democracy on human development, arguing that this is either extremely slow and evolving over decades (Gerring, Thacker et al. 2005), or, even worse, vanishes completely once missing data bias has been corrected for .

Needless to say, we do not restrict our attention to the output side of politics out of any anti-democratic sentiment. We strongly believe in democracy as an inherently good moral value. What we argue, however, is that democracy, at the end of the day, may be one of these things that are “only” good in themselves – but not for anything else. If that is the case, knowing the extent to which a country is democratic or not cannot help in explaining the multitude of consequences of QoG documented in the literature. As we shall see in the next section the impartiality principle, by contrast, accomplishes this task.

The fact that we usually have two very different ideas about what should be the normative standards on the “input” and the “output” sides of a political system has so far been under-theorized within political philosophy. Democracy is primarily a partisan affair. Elected representatives are supposed to pursue some partisan interest, be it for their political party, home constituency, ideology or some bundle of other interests (cf. Esaiasson and Holmberg 1996). The input side of the political system is where we have organized interests, ideologies and political parties competing with each other to gain as much electoral support they can to further their partisan interests. What makes this part of the democratic system “tick” is that one interest stands against another, or representatives of different ideological world views confront each other. For many, this partisanship is what democracy is all about. To take an example, we usually find it perfectly legitimate

that a political party argues for more resources to a certain groups (e.g., families with children, small-farmers, different minorities, etc.) or a certain cause (higher education/research, vocational education for the unemployed, more international aid).

However, when the result of this interest struggle shall be turned into policies and especially the exercise of policies, a very different normative principle usually comes into focus, namely impartiality. We usually find it troublesome if policies are implemented in a partisan way, for example to give special favors to people who are rich enough to pay bribes, who belong to the right clan, who are male, who are of a certain religion, ethnicity or high social status.⁸ We believe that a lot of the philosophical criticism that has been leveled against Barry's *Justice as Impartiality* is because he does not distinguish between impartiality on the "input side", which we think is futile, and impartiality on the output side (cf. de Jasay, 1996).

Having said this, democracy and impartiality do overlap at the conceptual level too in two very important areas. The first concerns the bundle of political rights required to uphold a democratic system. Democracy, in O'Donnell's (2001, 18) words, presupposes "a legal system that enacts and backs the universalistic and inclusive assignment of these rights". Political rights such as freedom of association and of expression must be secured within a legal framework—and this framework in its turn must be impartially applied to all its subjects. In others words, democracy implies at least a minimally functioning "rule of law", and hence impartiality, within the boundaries of political rights protection.⁹

Even more importantly, there is a crucial but commonly overlooked conceptual connection between the impartiality principle and the concept of free and fair elections. Since elections not only determine who will get into government, but also must be *organized by* government, they work as a confliction point where the distinction between

⁸ Not surprisingly, then, many countries have laws or codes of ethics for civil servants that includes the impartiality principle, for example Australia, Canada, Denmark, Hungary, Ireland, New Zealand, Poland, Sweden, United Kingdom and United States.

⁹ We have not pursued the relationship between impartiality and "rule of law" in this paper, in part due to the fact that the latter concept appears to be inherently ambiguous, even among legal scholars (Rose 2004). Following Weingast (1997, 245) and O'Donnell (2004, 33-4), however, rule of law may be defined as the impartiality principle upheld within the legal sphere. Impartiality however also applies to other spheres of state action than those directly governed by law, such as when public policy is to be enacted in so-called "human processing" areas, such as education, health care, welfare benefits, and active labor-market programs.

the access to and exercise of power breaks down. If elections are to be considered free and, in particular, *fair*, they must be administered by impartial government institutions (Schedler 2002, 44; Choe 1997).¹⁰

The joint condition that the legal system enforcing political rights and the election process itself must be impartially administered means that when the basic institutions of democracy have been inaugurated, certain spheres of government action must be regulated by the impartial principle. In other words, democracy and impartial government institutions are partially overlapping concepts. Of equal importance, democracy serves to set certain limits to what policies may be pursued in the name of impartiality. It has for example been argued that Nazi Germany abided to the principles of impartiality and rule of law and yet was able to pursue a campaign to exterminate a substantial minority of its population (Rose 2004, 460). We have two responses to this. The first is that this is probably empirically an invalid argument. As shown by Ingo Müller (1991) many of the most prominent judges and lawyers in Germany at the time of the Nazi takeover were more than willing to break or bend existing laws in a myriad of ways in the service of Nazi ideology.

More fundamentally, the Nazis had never been able to implement these policies without abolishing democracy (that is, if human rights and personal integrity are included in the definition of democracy). The worst case scenario is thus if the democratically elected majority establishes bureaucracies that are given laws to implement that in a very predictable and impartial way discriminate citizens belonging to a specific minority. However, our theory about QoG as impartiality shares this problem with the general problem that there is no guarantee against democratic self-destruction. Moreover, as long as democracy is upheld it establishes an important normative obstacle to what purposes impartial government institutions can be used for.

¹⁰ A clear cut example of this is the allegations raised against Gloria Arroyo, president of the Philippines, to have rigged the ballot that ensured her reelection in 2004. The suspicions were fueled by the release of an audio tape of what was purportedly a conversation between Arroyo and a senior electoral official. Arroyo is heard questioning the official about the margin of her lead in the poll and encouraging him to keep it above a million votes. “We will do our best,” the official replied.

Excursus: Care, Social Services and Impartiality

Some 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 feminist theorist Joan Tronto, Helena Stensöta has argued that we expect, e.g., preschool teachers, medical professionals, and social workers to demonstrate empathy and compassion and not be governed by some general and abstract logic of justice as impartiality (Olofsdotter 2002). 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.

We agree that the “logic of care” can come into conflict with impartiality, but still maintain that this conflict may rest in a dimension other than that what we have tried to specify here. Certainly, most of us want children who attend a public preschool to be approached with empathy and concern, rather than some dry-as-dust impartiality based on principle. Our argument that this logic of care is not in conflict with impartiality simply because it is stated in the policy that such teachers should give extra care to those children they see as in need of extra care based on their professional training. Also, we do not specify impartiality so as to rule out commitment to the policy (see below). However, most people would be morally upset if preschool staff deliberately directed their care and concern only towards children from rich families or from certain ethnic groups and thus in practice discriminated against other children. In this perspective, there is no conflict between professionally distributed care and the principle of impartiality. As stated above, impartiality does not imply that everyone should have the same, but that only matters that are prescribed beforehand in the policy/law may come into consideration.

The Impact of Impartiality as Quality of Government

Theory aside, the heightened interest in QoG and “good governance” recently would not have been brought about without supportive empirical evidence that these things do matter for social and economic development. This empirical support has to a large extent been mustered with respect to the consequences for growth and long-term economic

development. A smaller but growing literature relates QoG to political instability and the incidence of civil war, as well as to personal happiness and subjective well-being. How does our theory of impartial government institutions fare with these results and their corresponding notions of QoG? As we argue below, a key to understanding these results may be found in the theory of social capital. We therefore first exploit the link between impartiality and social capital, and then turn to the other specific effects in turn.

Social Capital and Corruption

The importance of social capital for good governance, economic growth and individual well-being has been widely recognized. However, the idea launched by Putnam, Leonardi and Nanetti (1993) that social capital is generated by people being active in “bridging” voluntary associations and has not fared well when test empirically (for a summary of this literature see Rothstein 2005, ch. 5). We argue instead that a key feature of the political institutions, namely impartiality in the exercise of government power, is a better explanation for the generation of social capital. We think this is due to the following threefold causal logic. First people make inferences from how they perceive public officials. If public officials are known for being partial or corrupt, citizens will believe that even people whom the law requires to act in the service of the public cannot be trusted. *They will therefore conclude that most other people cannot be trusted either.* Secondly, people will infer that most people in a society with partial or corrupt officials must take part in corruption, bribery, and various forms of nepotism in order to obtain what they feel their rightful due. *They will therefore conclude that most other people cannot be trusted.* Thirdly, in order to make a living in such a society, citizens must, even though they may consider it morally wrong, also begin to take part in bribery, corruption, and nepotism. *They will therefore conclude that since they cannot themselves be trusted, other people cannot generally be trusted either* (Rothstein 2005).

An illustration of this logic can be taken from a report issued by the United Nations Development Program in 2002 about the situation for “Human Development” in Bosnia Herzegovina. The report presents the results of a survey study showing that between 60 and 70 percent of respondents believe that severe corruption exists in the health care system, justice system, and the media. Slightly more than half believe corruption also

exists in the various UN bodies working within the region. The conclusion made in the report is telling:

For the average citizen, therefore, it seems that corruption has broken down all barriers and dictates the rules of life. That is not very different from saying that *they interpret life in terms of corruption*. As long as bureaucratic practice remains unreformed and there is a lack of transparency and accountability in public business, this will continue to be the case. People will use whatever mechanism they think will bring them an advantage and those in office will take advantage of that in their turn. (UNDP 2002, 27).

If corrupt public institutions not only make people distrust the political system, but also make them "interpret life in terms of corruption", then social trust is not likely to develop. The causal mechanisms specified here imply that individuals, in the methodical language of the social sciences, make an inference from the information they have about how their worlds work.

As should be clear, this argument hinges on a specific notion of corruption. The received view nowadays defines corruption as the "abuse (or misuse) of public office for private gain," or some close variant along those lines (see, e.g., Alt and Dreyer Lassen 2003, 345; Treisman 2000, 399). This definition has some virtues when compared to traditional alternatives such as the "public opinion" (corruption is that which the public perceives to be corrupt) and "public interest" (corruption is that which violates the public interest) conceptions of corruption. Yet it suffers from a crucial weakness: it makes no reference to what kind of acts constitutes a "misuse" or "abuse" of public office. Trying to come to grips with this from the perspective of democratic theory, Warren (2004) defines corruption as the violation of a specific norm: the democratic norm of inclusion. According to Warren this norm implies that "every individual potentially affected by a decision should have an equal opportunity to influence the decision". Thus, at the core of Warren's conception is the notion that a holder of public office excludes "potentially affected" citizens from influence in the decision-making process (ibid., 332-334). We believe the reference to norms rather than laws in this conception is a step in the right direction. Yet it relies too heavily on an ideal conception of democracy. It takes less for a public official to commit an act of corruption, we would argue, than to exclude certain parties from affecting the decision. It suffices that the parties, excluded or not, are given *unequal treatment* in response to their ability to maximize the private gain received the

public official. In other words, a substantial amount of corrupt acts would fly under Warren's radar of "exclusion".

We instead concur with Kurer (2005, 230) in stating that "corruption involves a holder of public office violating the impartiality principle in order to achieve private gain". The norm that is violated according to this conception is not primarily derived from democratic theory, since that theory, as we have already argued, is mostly occupied by the issue of access to power. The norm that is violated is instead the impartiality principle governing the *exercise* of public power, the core component of which is the notion of non-discrimination."

Although systematic empirical testing in this field is in its infancy, it deserves noting that several links in the proposed causal chain have gained empirical support. Anderson and Tverdova (2003) show that corruption lowers trust in government institutions. Kumlin and Rothstein (2005) document that people targeted by universal welfare programs, which are more likely to be perceived as fair by their recipients, are more trusting than people targeted by needs tested benefits. Knack and Keefer (1997), moreover, find that "formal institutions" for the effective enforcement of agreements and laws positively affect levels of trust. Moreover, recent experimental work show that both (high trusting) Swedish and (low trusting) Romanian students, when confronted with scenarios where they encounter that public officials in an "unknown city in an unknown country" are asking for and also getting bribes, do not only loose trust in these public officials (policemen and doctors), but also in "other people in general" in that "unknown city" (Eek and Rothstein 2005).¹¹

Finally, the impartiality theory casts some additional light on Anderson & Tverdova's (2003) finding that support for the incumbent alleviates the effect of corruption on trust in government. According to the authors this may be explained by the fact that "government supporters are more likely to be the beneficiaries of the goods distributed by corrupt public officials" (ibid., 94). This is exactly what should be expected from the impartiality perspective. Violation of non-discrimination norms entails

¹¹ The report itself has only data about Swedish students. The data from our scenario experiments with the Romanian students has just been analyzed and confirms the result from the experiments conducted in Sweden.

partial treatment, that is, treatment that favors some at the expense of others. This partial treatment is however not expected to be targeted haphazardly, but towards those who have contributed to bringing the incumbents to power. As a result, supporters of government are less negatively affected in their stance toward partial government institutions.

Growth and Economic Development

The power of the impartiality theory to explain growth is best illustrated by its ability to integrate four seemingly unconnected but empirically corroborated determinants of growth in the literature: the security of property and contract rights (Acemoglu, Johnson, and Robinson 2001, 2002; Easterly and Levine 2003; Rodrik, Subramanian, and Trebbi 2004); (2) aggregate levels of interpersonal trust (Knack and Keefer 1997); (3) corruption (Mauro 1995); and (4) a scale of the “Weberianness” of state bureaucracies (Evans and Rauch 1999).

Let us discuss these in turn. A strong theoretical impetus for the link between growth and secure contract rights is provided by North (1990), who asserts that “the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World” (ibid., 54). The reason for this is that the kind of market essential for economic development requires “nonsimultaneous transactions, in which the *quid* is needed at one time or place and the *quo* at another” (Clague et al. 1999, 186). Paradigmatic examples of such transactions include borrowing and lending, a demander and supplier some distance apart, and parties to an insurance. “In all of these cases”, Clague et al. (1999, 186) argue, “the gains from trade cannot be realized unless the parties expect that the contracts they make will be carried out.” Of equal importance is a guarantee that the fruits of such transactions are not at some later time point expropriated by the state or by other economic actors. This is the simple theoretical case for secure property rights.

Impartial government institutions enter the theory of property and contract rights through the problem of enforcement. This follows most clearly if we acknowledge that property and contract rights are not primarily of importance as paper constructs, but in the ways they enter people’s minds. For contract rights to work in practice, the parties to a deal must be expected to hold their promises. Similarly, for property rights to function

people must share the same set of beliefs as to where the borders separating one's property from the others' are located. "Remember, it is not your own mind that gives you certain exclusive rights over a specific asset, but other minds thinking about your rights in the same way you do. These minds vitally need each other to protect and control their assets" (de Soto 2001, 186). This implies that the actual workings of both contract and property rights are based on certain behavioral expectations. To separate what is mine from what is yours, and to be able to strike a deal, I must expect certain behavior in return from my fellow citizens.

As critics of Hobbes have argued for centuries, however, these expectations cannot be upheld solely with the use of force by a third party such as the state. As North (1990, 58) himself puts it: "Enforcement is costly. Indeed, it is frequently costly even to find out that a contract has been violated, more costly to be able to measure the violation, and still more costly to be able to apprehend and impose penalties on the violator." If every nonsimultaneous economic transaction would rely on the parties being certain that any future violation of the deal would be detected and punished by a third party, then very few such transactions would be undertaken. The transaction costs would simply be too high. But if, instead, these transactions could rely on an entrenched feeling that other people generally may be trusted, or a norm specifying that favors generally are returned, then transaction costs would be substantially lower. In other words, what helps some societies solve the problem of how to enforce contract and property rights is their access to a healthy stock of social capital.

And where does this social capital come from? Well, as already argued above, primarily from having impartial government institutions. Such institutions help to mold the long-term behavioral expectations that underpin economic transactions. As Clague et al. (1996, 254) put it, a notable way in which government may violate the property and contract rights of their subjects is by "failing to provide a legal infrastructure that impartially enforces contracts and adjudicates disputes about property rights". What is critical to apprehend in this theory is that, once in the cooperative equilibrium of contracts self-enforced by trust and norms of reciprocity, the state hardly needs to act as the third-party enforcer. Yet it is the fact that the state is expected to be an impartial arbiter in case of conflict that underpins people's trust and reciprocity. Like a fire

department, impartial government institutions are desired by everyone, although everyone wishes that they would never had to be used.

Needless to say, this “behavioral” theory of property and contract rights also incorporates the second empirical regularity mentioned above: that trust is positively related to growth. Knack and Keefer’s (1997, 1252-3) summary of the ways in which this may happen is very akin to our argument:

Individuals in higher-trust societies spend less to protect themselves from being exploited in economic transactions. Written contracts are less likely to be needed, and they do not have to specify every possible contingency. Litigation may be less frequent. Individuals in high-trust societies are also likely to divert fewer resources to protecting themselves ... from unlawful (criminal) violations of their property rights. Low trust can also discourage innovation... Societies characterized by high levels of trust are also less dependent on formal institutions to enforce agreements... Trusting societies not only have stronger incentives to innovate and to accumulate physical capital, but are also likely to have higher returns to accumulation of human capital.

Given that corruption negatively impacts on social trust, thirdly, Mauro’s (1995) finding that corruption hurts growth primarily by curbing investment should come as no surprise. Groups of people who’s common knowledge is that “people like us” are most likely to be discriminated against or dealt with in an arbitrary manner by government agents, are not likely to make long term investments in productive projects, be it there own education or some small scale business project.

Fourth and finally, we interpret the “Weberian” state hypothesis as very much compatible with the impartiality theory. Rauch and Evans (2000) were able to gather unprecedented data on the extent to which bureaucracies in 35 developing countries employ meritocratic recruitment (as opposed to recruitment reflecting partisan or patrimonial spoils), and the extent to which they supply civil servants with competitive salaries and long-term career paths through internal promotion. These organizational properties turn out to be strongly related to the subjective ratings of corruption and bureaucratic efficiency employed by Mauro (1995) and Knack and Keefer (1995). In addition, they turn out to be significantly related to economic growth (Evans and Rauch 1999).

Following the impartiality theory there is a straightforward causal story underlying this connection. Organizational features such as meritocratic recruitment, competitive salaries and internal promotion not only is likely to raise the competence of civil servants. They also help to insulate government institutions from pressures of the surrounding

society and engender an 'esprit de corps'. Thereby, internal systems of norms regulating professional behavior are facilitated. And the impartiality principle in essence can only be upheld through such norms of conduct among individuals responsible for implementing public policy. Thus, the "Weberian" state hypothesis contributes to the impartiality theory by highlighting what organizational structures are likely to promote impartial behavior (Du Gay 2000).

We want to emphasize, however, that our conception of impartiality does not equal passivity or non-commitment to the policy goals. The impartial official can be passionate about the policy (s)he is set out to implement (fighting deforestation, poverty, unemployment, etc.). What is required is, again, that government officials shall not take anything about the citizen/case into consideration that is not *beforehand* stipulated in the policy or the law. There is thus nothing in this definition that rules out commitment, innovativeness and flexibility by the official when implementing the policy as long as individual cases are not treated differently by reasons that are not stipulated in the policy or law (for a classic study see Kaufman 1960, cf. Rothstein 1996)

Political Instability and Civil War

Illustrating the sometimes devastating consequences of having partial government institutions, there are studies showing that the violence that led to the civil war in former Yugoslavia broke out after the decision by the President in the newly formed Croatian republic to fire all policemen in Croatia of Serbian origin, along with the wholesale dismissal of Serbian teachers, doctors, and local officials. When the newly formed Croatian state set up its new army, the government made it clear that only ethnic Croats need apply (Schiemann 2002). For the Serbs living in the new Croatia, especially those living in the Serb dominated enclave known as Kraina, these were unmistakable signals that they and their children could count on a future of widespread discrimination in all dealings with authorities, schools, hospitals, etc.). There are certainly numerous explanations for the outbreak of civil war in former Yugoslavia, but a close examination of the sequential logic shows that violence broke out after it was clear to the Serbs living in Croatia that impartiality was no longer on the agenda (Bennett 1995; Schiemann 2002).

According to research on the determinants of civil war, the outbreak of the civil war in former Yugoslavia might not have been an exception. Fearon and Laitin (2003) in a widely cited article persuasively show that the outbreak of civil war, contrary to conventional wisdom, is *not* fostered by ethnic or religious diversity. Instead, the primary cause appears to be the central government's incapacity to deploy successful counterinsurgency tactics:

Most important for the prospects of a native insurgency ... are *the government's police and military capabilities and the reach of government institutions into rural areas*. Insurgents are better able to survive and prosper if the government and military they oppose are relatively weak—badly financed, organizationally inept, corrupt, politically divided, and poorly informed about goings-on at the local level. Effective counterinsurgency requires government forces to distinguish active rebels from noncombatants without destroying the lives and living conditions of the latter (ibid., 80).

This is of course an extreme example of the impartiality problem: being able to judge on the spot, with scarce information and at a high risk of getting killed oneself, who is a rebel and who is not. Where the task is effectively carried out, however, the resource base of insurgents dries up. Where the government forces are allowed to loot and pillage indiscriminately, by contrast, insurgencies are more likely to be sustained.

Conclusion: The View from St. Lucia

Let us return to our opening story about the small rundown coffee shop at Virgie Beach in St. Lucia. We certainly can not know for sure, but we would certainly venture the guess that if the women running the places would have had a “system of beliefs” implying that they could take for granted that the government institutions responsible for the surveillance of their operations would have been guided by the impartiality principle, they may have taken the risk to lend capital to buy (or get a long-term lease for) the piece of land and build a place that would cater to the needs of the stream of tourists now passing by their businesses. The reason this does not happen seem to be that the women take for granted that “people like us” will always be treated in an unfair manner and taken advantage of by the authorities.

The development of the ethics and norms that underlies the principle of impartiality seems to be a long and complicated process (cf. Rueschemeyer 2005). In societies dominated by patronage and neo-patrimonial structures and/or strong notions of tribal

belongings, the idea of civil servants acting on the principles of impartiality when wielding public power may not even exist in the mindset of most people. On the contrary, if given a position in the public administration, the dominant idea is to use it to further ones specific interests, be that clan, tribe, family or whatever special interests. As stated by Dele Olowu:

...political life in Africa as in other Third World regions is characterized by patron-client relationships. The public sector becomes an instrument for building public support for factions that are competing for power... The public sector is therefore dysfunctional in serving the public, but critical to the survival and sustenance of those who wield executive power ...as a result... the public service lack even the basic meritocratic features of efficiency, productivity, and other universalistic values (Olowu 2000).

Moreover, the idea of impartiality when wielding public power has in all likelihood not existed for that very long in most western liberal democracies (cf. Ertman 2005). In the case we know best (Sweden) it was not until the latter half of the 19th century that this principle became dominant in the civil service. Until then, many public officials looked on their positions as something similar to a feudal enfeoffment, i.e., something they could use more or less as their property to extract private resources from (Rothstein 1998). This is not the place to go into a detailed analysis of why the principles of impartiality have come to dominate the public administration ethos in some parts of the world but not in other (but see Ertman 2005). One possibility is that impartiality is a mental construction in the same way as Hernando de Soto has argued about the development of “capital”.

To give a very short recapitulation of de Soto’s (2001) 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 invention assets/property that becomes capital can be used for example as a security for loans and of course exchanged. 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 development that 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 can not be transformed to and used as capital until it is recognized by “all” others and that demands not only a strong legal

framework but also a change of mind of both the public and those who are responsible for securing property rights.

Our argument about impartiality follows the same line of reasoning. As “capital”, the notion of civil servants behaving according to the principles of impartiality in the exercise of public power is a mindset or established “system of beliefs” that in our part of the world may have taken a very long time to develop. The idea that when given a job in the government, one should not primarily see this as an asset that can be used to serve ones own, family, clan, tribe or special interest group, but that policies should be impartially implemented in accordance with what is stated in the law may, as with the legal structures that creates “capital”, have taken a very long to develop (Rueschemeyer 2005). As with capital, this has probably required both a legal framework to make civil servants accountable and a conceptual development of the importance of ethics in the public service. How and under what circumstances this process has come about would be an important task for future research in QoG.

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