

What is Quality of Government?
A Theory of Impartial Political Institutions

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ISSN 1653-8919

THE **QOG** INSTITUTE

QUALITY OF GOVERNMENT



GÖTEBORG
UNIVERSITY

QOG
WORKING
PAPER SERIES
available at:
www.qog.pol.gu.se

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. We argue that a key issue has not been addressed, namely the question of what “good governance”—or the quality of government—actually means at the conceptual level. Economists’ definitions are either extremely broad or suffer from a functionalist slant that weakens their applicability. We argue that a more coherent and specific definition of quality of government is necessary to attain, and propose one such definition, namely the *impartiality of* government institutions that implement government policies. The argument is based on the idea that a democratic system has two sides that are guided by opposite norms: partisanship for the representational process and impartiality for the process of implementation.

Introduction¹

The last years have seen a rapid growth in research on “good governance” and the quality of government institutions. This development has largely been propelled by empirical findings among economists that such institutions might hold the key to understanding economic growth in developing countries (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). The quality of government has however 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 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 applicability. Kaufmann and associates at the World Bank, responsible for providing the most widely used 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

¹ Thanks to Ulrika Berg for valuable research assistance and to Mats Lundström for valuable comments about the impartiality problem. This research comes out of the Quality of Government Institute at Göteborg University, for more information please visit www.qog.pol.gu.se. Funding for this research has been given by the Bank of Sweden Tercentenary Foundation.

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. Put shortly - if governance is everything, then maybe it is nothing.

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. As with many other functionalist definitions, this approach borders on tautology. As noted in a recent special report by *The Economist* (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, widely accepted and yet specific definition of QoG is possible to attain. We will propose one such definition based on a normative criterion: *impartial* government institutions. The paper is organized as follows. After outlining the general theoretical argument for the impartiality principle in the following section, we discuss the relationship between this principle and competing notions of the “good”. We then relate impartiality to some more specific phenomena that have dominated the empirical field of research on QoG. We end by some concluding remarks on the future of this field.

Quality of Government as Impartiality

Let us begin this section 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 few 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 their tourist perfect and very favorable location, for example by investing in a porch and put 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 don't know how much they would have to pay in bribes to the health inspectors. It is the uncertainty of their situation and the difficulty and the 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 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. 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).

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. We will develop the causal link between QoG as impartiality and development more in a later section, but in brief our argument for choosing impartiality is the following. First, impartiality makes it possible for agents outside the state to make predictions of its actions. Making predictions are at the heart of the rationale in any economic calculus, be it investing in a business or in an education. Secondly, a government whose actions are predictable is from a citizen perspective of high quality because different life plans can be made with more accuracy and lower risk. Thirdly, impartial institutions can help to solve many problems of coordination and collective action, because parties in a potential conflict can use them to lower transaction costs and monitor treacherous or rent-seeking behavior. Fourth, impartial bureaucracies can provide reliable information, for example about possible business partners (cf. Evans and Rauch

1999).² Lastly, the principle of impartiality stands against discrimination, corruption and overt arbitrariness in the exercise of government power. 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 their own education or some small scale business project.

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 (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).³ 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 belonging⁴). 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.

QoG as Procedure, Not Content

Before we go into an argument for why impartiality in the exercise of government power should be seen as the essence of QoG, it is necessary to place the impartiality concept in a political context. One reason for limiting QoG to what happens on the "output" side of government is that we find it difficult to argue that policies as such usually could become a problem for QoG. Instead, we argue that it is the exercise of government power in the implementation of policies, rather than the policies proper that is the problem for reaching high QoG. We 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, it is necessary to reduce the size of government and its control over

² These arguments are taken from Evans and Rauch (1999). However, we do not think that their two main variables, meritocratic recruitment and long-term rewarding careers (which are the variables they investigate) are of equal importance to economic growth. Or put more precisely, we do not find their argument for why there should be a causal link between these two variables and economic growth very convincing. Their usefulness and the explanation for why they predict economic growth so well may be that they serve as proxy variables for the other organizational characteristics that they list.

³ The opposite, partiality, according to Cupit "typically operates to favour family members, or members of one's group. Thus the powerful tend to favour those who are already advantaged".

⁴ Ethnicity is a mixed case. If for example the police in an ethnically divided society is heavily dominated by persons from just one ethnic group, having ethnic background as a criteria would not necessarily imply a departure from the impartiality principle. If stated in advanced that belonging to a minority group would be counted as one important criteria, it could be in line with the impartiality principle for example if this special merit is needed for the police force to increase its ability to enforce the law by increasing its legitimacy.

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 can certainly also launch policies that threaten democratic principles and respect for human rights. However, exactly which policies that benefits 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? Another example would be the economic “shock-therapy” policies of privatization in some of the former Soviet countries. Some economists have argued that these policies have been good for economic growth, while others have argued that they have not but instead created a robber-baron crony capitalism that hinders growth. The latter would imply that a radical decrease in the size of government even in a post-socialist country need not be good for economic growth. Moreover, governments that launch policies that violate democratic principles and human rights are also likely to break with the principle of impartiality in the implementation process. One could go one step further and argue that violation of human rights usually entails a break with the principle of impartiality (we will return to the issue of impartiality and political rights below).

The second argument for reserving QoG to the exercise of government power 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. Whereas the former relates to the *access* to political power, the latter refers to how political power is *exercised*. This distinction, which also may be stated in terms of the electoral/representational and the implementation side of the political process, also serves to highlight that we usually have two very different ideas about what should be the normative standards in a political system, and that this division so far has been under-theorized in political philosophy. On the input side, where access to power is determined, the most widely accepted regulatory principle is democracy. Democracy, however, by its very nature is 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. In most modern democracies, the more or less class based left-right dimension has come to dominate, although ethnic, religious, regional and in some countries gender interests have also become important. In any case, 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.

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. For many, equality before the law is an equally strong democratic principle as is the right to struggle for that ones preferred ideological views will get an electoral majority (Zakaria 2003).

Our argument is that whereas the exercise of government power must be impartial, democracy at its heart is partial. 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, more subsidies to farmers, better possibilities for minorities, etc.) or a certain cause (higher education/research, vocational education for the unemployed, more international aid). Here, impartiality is hardly a legitimate or effective argument. Instead politics is an ideological and very partisan struggle between different interests. However, once these policies are in place, we would usually get very upset and find that basic normative principles are violated if these partisan policies were not implemented according to the standards of impartiality.⁵ The reason is that policies and laws, however directed to support certain causes or groups, are to be constructed in a *universal* manner so that like cases are treated alike without regard to any characteristics of the parties involved other than those defined in advance in the law/policy as relevant (Barry 1995, 18). Thus, two farmers that operate under the same conditions should get an equal amount of subsidies and the farmer who has supported the ruling party shouldn't get a more favorable treatment. It is this universality in the construction of policies/laws that together with impartial implementation that makes the exercise of government power predictable and that thus should count as the core of QoG.

In his book *Justice as Impartiality*, the renowned political philosopher Brian Barry argues that impartiality should also be a normative criteria on the “input” side of the democratic process, not only on the “output” side. However, a close reading of Barry reveals that when it comes to the decision about what policies the government should pursue, it is not impartiality but “reasonableness” that is his main criteria (Lundström 2004). By this he means that people engaged in the political process should give good arguments based on a secular understanding of knowledge for why they prefer certain

⁵ 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.

policies over other. Or in other words, politics should not be driven by interests but by the type of argumentation that are (supposed to be) used in academic seminars. “What is required is as far as possible a polity in which arguments are weighed and the best arguments wins, rather than one in which all that can be said is that votes are counted and the side with the most votes wins” (Barry 1995, 103).

In addition to what we have said above, we have two objections to this idea. First, reasonableness is not the same as impartiality. To present good reasons for lowering pensions and giving the money to families with children 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 who should get how much (Arneson 1998). Secondly, there remains the question of what should be done with people who, in Barry’s opinion, present unreasonable arguments for their preferred policies. Usually, we set our hope to that they do not get a majority to support their claims. But it is clear to us that this would not be enough for Barry, since a majority can be in favor of policies that are not only partisan, but also, from some unknown criteria, deemed unreasonable. Unfortunately, we are left in the dark who should decide what is a reasonable (or an unreasonable) argument in an ideological/political campaign and thus what arguments should count as “best”. We think that a lot of the critique that Barry’s theory has gotten from other philosophers is because he does not distinguish between impartiality on the “input side”, which we think is futile, and impartiality on the output side (which we think is both possible and central to QoG). A large part of the critique that has been directed against Barry’s theory is to our mind due to his conflation of the input and output side of the democratic system and his idea that impartiality should not only guide implementation but also the production of public policies (cf. de Jasay 1996).

The Scope of Impartiality

The idea of the impartial bureaucrat is certainly not new. On the contrary, it goes back to the most central figure in bureaucratic theory – namely Max Weber. There is, however, a long tradition in public administration research arguing for the *ineffectiveness* of the bureaucratic/impartial mode of operating the state machinery. The bureaucratic mode of operation has been said to be too rigid for the active modern policy-oriented state. 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). The result is that they apply a standard set of universal rules to very different situations which in some cases makes their decisions obsolete or contrary to the initial intentions behind the law/policy. Since it is impossible for the law/policymaker to foresee every situation or case, rigid rule following can according to this critique create massive inefficiency and implementation failures.

Another critique has come from the public choice approach that have argued that civil servants are driven more by self-interest to promote their own interests rather than ethics related to some public interest (such as impartiality). A third critique has come from within the field of political philosophy, not least the multi-culturalist and

feminist approaches.⁶ 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 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 and that impartiality is an offence against this inner meaning of life (Mendus 2002, 2f). The idea of “justice as impartiality” is according to this line of critique a non-starter simply because it is not within human capacity to be impartial. 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.⁷ As a principle it stands against the public choice idea of bureaucrats maximizing their self-interest.⁸ 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

⁶ 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.

⁷ 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.

⁸ The empirical support for the public choice approach on what motivates bureaucrats is very thin – see for example Brehm (1997) and Jones (1999).

serves as a constraint on the civil servant's pursuing of self interest or promotion of any particular interest.

One problem with Walzer's theory is that the number of such moral spheres seems to be both infinite and arbitrary. As he says, his theory is not meant to be universal and there is no concept or theory beyond his idea of the existence different moral spheres that explains why he ends of with the ones he present. We want to present a solution to this problem 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-interest and public 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.

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 altruistic 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, be that self-interest, the principle of care, rent-seeking, bureaucratic ethics or altruism. For example, a large part of the critique that has been directed against Brian Barry's *Justice as Impartiality* misses this important distinction between "spheres of behavior". 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 (Tebble 2002; Young 1990). According to our model, humans have a greater repertoire than being only self-interested, 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.

According to this 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 and make decisions according to what is stipulated and intended in the law/policy disregarding his/her 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 this person 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).⁹ 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 behaviour 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).¹⁰ The demand

⁹ 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).

¹⁰ To give a counter example, 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 2002b). 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. See Bennett (1995) and Schiemann (2002a).

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 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”).

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. Obviously, 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.

Impartiality and Competing Conceptions of the “Good”

The principle of impartial government institutions is not the sole normative yardstick with which a political system may be assessed. In this section we relate this principle to a tripartite set of competing conceptions of what constitutes “good” government:

the rule of law, democracy, and efficiency/effectiveness.¹¹ We will argue that the impartiality principle implies and encompasses the rule of law, while the opposite is not true. Democracy, on the other hand, is related to a different dimension of the political system. Although there is some conceptual overlap, the relationship between democracy and impartial government institutions is thus mostly empirical. Efficiency/effectiveness, finally, works as a constraint on the extent to which impartiality can be realized in practice. As opposed to impartiality and democracy, however, efficiency/effectiveness lacks an independent normative justification.

The Rule of Law

“One cannot get through a foreign policy debate these days”, writes Carothers (1998, 95), “without someone proposing the rule of law as a solution to the world’s troubles”. Establishing the rule of law is usually placed high on the agenda for reforming developing and transitional countries. But what does “the rule of law” mean? Although unequivocally embraced as a virtue of any political system, the concept is rarely defined. One reason for this might of course be that the concept is inherently ambiguous. As a recent review article makes clear, even legal scholars argue over its exact meaning (Rose 2004). To begin with, they dispute whether the rule of law should be given a purely procedural interpretation, bearing no implications for the actual substance of promulgated laws. Defenders of 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 to the rule of law.¹² Against the procedural view, they seek to inscribe the rule of law with various substantive moral values of liberal democracy. This broadened notion of course adds to the conceptual confusion. 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

¹¹ This tripartite set is similar but not perfectly equivalent to the “three-cornered dilemma” of constitutionalism, democracy, and efficiency, discussed by Elster (1988).

¹² This is probably empirically an invalid argument. As shown by Ingo Müller it has been proven that 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. In his book *Hitler’s Justice*, Ingo Müller writes:

Apart from a small minority of supporters of the (Weimar-) republic, no one in the German legal profession endorsed positivism any longer. Carl Schmitt accordingly observed in 1932 that ‘the era of the legal positivism has com to an end.’ And professor of constitutional law Ernst Forsthoff avowed in his credo of 1933, *The Total State*: ‘ Under no circumstances can the state of today draw any sustenance from positivistic thinking (Müller 1991:220)

need for law to be clear, understandable, general, internally consistent, prospective, stable etc—rather than to defining the core principles to which a political system must abide to be in accordance with the rule of law.

Searching for these core principles, we instead turn to conceptions developed within political science. Weingast (1997, 245) defines the rule of law as “a set of stable political rules and rights applied impartially to all citizens”. Similarly, O’Donnell (2004, 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”. As these definitions should make clear, the rule of law is perfectly compatible with our principle of impartial government institutions. This connection is most explicitly recognized by O’Donnell:

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 [of all] before the law”. It entails “a crucial principle of fairness—that like cases be treated alike” (ibid., 33-4).

The connection between the two concepts may be stated even stronger: impartiality *implies* the rule of law. Procedural impartiality, to be accomplished in practice, requires a set of rules that regulate proper conduct—such as distinguishing what cases are “like” cases, and what specific concerns are legitimate in specific cases. The most general set of such rules for governing society are its laws. These laws must be consistently applied to everyone—including those who promulgate the laws themselves. No one is above the law. Thus, a corollary of impartial government institutions is the notion of an impartially applied legal system—the rule of law. Impartiality however also applies to other spheres of state action than those directly governed by law. 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, widely discretionary power usually needs to be transferred to lower-level government officials responsible for implementing policy. Impartial, non-discriminatory behavior on behalf of these policy enactments is of course a key virtue according to our theory. But it falls outside the sphere of government activity regulated by the rule of law. In other words, the impartiality principle not only entails but in addition *encompasses* the rule of law. Its range of applicability is wider.

Democracy

Perhaps we should expect to find even more controversy over the concept of democracy, often being characterized as an “essentially contested concept”. Much of the controversy surrounding the concept of democracy, however, can be dispelled once two fundamentally different levels of discourse are acknowledged (Hadenius 1992; Hadenius and Teorell 2005). The first concerns what may be called the “basic” criteria of democracy: the requirements to be upheld by a country in the world in

order to be called a “democracy”. The second concerns the more demanding criteria of democracy in a deeper and more perfected sense, to be accomplished once the basic criteria are in place. At this second level of discourse, there is profound disagreement over the meaning of democracy. Terms such as “responsive”, “participatory” and “deliberative” democracy, for example, have been coined in efforts to highlight some of the most distinguished dividing lines in this debate. At the first level of more “basic” criteria, however, students of democracy are more or less in agreement on what the term means. Democracy, in this basic sense, entails free, fair and effective elections to the chief legislative and/or executive offices of state, periodically held within the framework of a bundle of continually upheld political rights, most notably freedom of association and freedom of opinion.

How is democracy, thus defined, related to our principle of impartial government institutions? First of all, it must be reiterated that the two concepts relate to two different dimensions of the political system. Whereas democracy works as a principle for regulating the *access* to government power, impartiality works as a constraint on the way this power is *exercised*. To a large extent, then, the two principles concern different things. This means that, at least in theory, we may conceive of a polity that works under the principle of impartiality while being undemocratic. Similarly, a perfectly democratic system may consistently violate the principle of impartiality in its enactment of public policy. As we shall argue below, the two phenomena are likely to be more frequently observed jointly than not. Establishing this is however a matter of assessing an *empirical*, not a conceptual, relationship.

Nevertheless, democracy and impartiality do overlap at the conceptual level too. This is most readily apparent with respect to 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 other words, democracy implies at least a minimally functioning rule of law, that is, the rule of law within the boundaries of political rights protection. As a consequence, democracy—by definition—entails impartial government institutions at least within this particular sphere of government action.

Even more importantly, there is a crucial but commonly overlooked logical 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 confluence point where the distinction between 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.

In a widely cited article on the “menu of manipulation” open to incumbents who want to “carve the democratic heart out of electoral contest”, Schedler (2002, 44) notes that “electoral *fraud* involves the introduction of bias into the administration of elections”. Choe (1997) goes even further in developing a model of ten stages of the democratic electoral process, including pre-election procedures such as drawing constituency

boundaries, election procedures such as voter registration, party- and candidate registration, the election campaign process, and the setting up of polling stations, as well as post-election procedures such as vote counting and the adjudication of electoral disputes. At each of these stages, Choe argues, the key to attain free and fair election procedures lies with the impartial election management by the chief election administration body (such as the electoral commission), and the judiciary.

If either the election administration or judiciary could be hindered to function impartially and fairly in [the] operation of different steps of the entire electoral process, it would be very difficult to say that an election result itself might be regarded as legitimate. Therefore, to what extent an election is free and fair can also be judged by how independently and impartially the electoral process can be operated by the election administration and judiciary (Choe 1997, 42).

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. The joint condition that the legal system enforcing political rights and the election process itself must be impartially administrated means that when democracy, in the basic sense, has been accomplished, certain spheres of government action must be regulated by the impartially principle. In other words, democracy and impartial government institutions are partially overlapping concepts. They are however by no means perfectly overlapping. Some amount of the one is perfectly compatible with the absence of the other.

Effectiveness/ efficiency

We have hitherto almost exclusively concerned ourselves with QoG as a restriction on *how* government power is exercised *when* it is exercised. Yet it seems natural to ask to what extent government power is exercised in the first place. What is the state’s capacity for action? Economists tend to treat this as a core element of their governance concept. Shah (2005, xxiii), for one, considers two features of government performance: responsiveness (“whether the public manager is doing the right things—that is, delivering services consistent with citizen preferences”) and efficiency (“whether the public manager is doing them right—that is, providing services of a given quality in the least-cost manner”). Similarly, La Porta (1999) include “efficiency”, “successful provision of essential public goods”, and “effective spending” among their operational governance indicators. As these examples suggest, there are actually two dimensions of state capacity: the degree of successful policy implementation—effectiveness—and the amount of government output delivered relative to input—efficiency. We shall however treat these two dimensions jointly.

The requirement that government institutions act impartially of course loses its meaning if it disables the government from acting at all. There must be some limit to

the stress put on impartiality. One such limit that naturally comes to mind is effectiveness/efficiency considerations. The extent to which the impartiality principle may be realized in practice is thus contingent on possible effectiveness/efficiency losses incurred by its enforcement. Some such losses are probable. Treating like cases alike is in all likelihood more time-consuming than being systematically partial or simply negligent. It may also to some extent distract from the goal to successfully implement policy. In other words, there is a conceivable trade-off between the principle of impartiality and the requirement of effectiveness/efficiency. The one must to some extent be bought at the expense of the other.

This trade-off is however asymmetric in the sense that impartiality is always preferable to efficiency/effectiveness. None of the arguments in favor of having impartial government institutions we have proffered in this paper apply to effectiveness/efficiency. The latter simply lacks an equally strong theoretical and normative footing. Thus, partial effectiveness/efficiency is inferior to ineffective/inefficient impartiality. Drawing on Petersson (1996), we could distinguish between those regulatory principles that incur *hurdles* that must be passed, and those principles that incur *trade-offs*. Impartiality is of the former kind. It can only be compromised to a certain extent without losing its meaning. A civil servant cannot proclaim that he or she “sometimes violates the principle of impartiality” and still hope to be trusted as an impartial arbiter. This would imply the hurdle is not cleared. It is however perfectly legitimate for a civil servant to claim that “sometimes I am not able to perfectly live up to the standards of effectiveness/efficiency”.

Efficiency/effectiveness is thus a trade-off principle. All else being equal, being more efficiency/effectiveness is always desirable. But to violate the efficiency/effectiveness principle is never as serious as violations of impartiality. There is no hurdle to be cleared.

By implication, effectiveness/efficiency plays no independent role in our theory of QoG. It is only a desirable condition *together* with impartiality. It does however work as a restriction on the extent to which impartiality may be realized in practice.

Impartial government institutions are of course not worth the while if they come at the cost of having no capacity for action at all.

* * *

To sum up, whereas impartiality supersedes one of the three competing “goods” considered, the rule of law, it is at least partially independent of the other two, democracy and efficiency/effectiveness. This means that the impartiality principle cannot be invoked as a claim to a complete theory of the “good polity”. It does not specify every desired property of the political system. This lack of completeness should not be seen as a weakness of our theory. On the contrary, we would argue that one of its virtues is to be able to delimit some spheres of politics as more relevant for understanding the consequences of QoG than others. To reiterate, if impartiality was everything then it probably would be nothing.

Impartiality and Specific Notions of 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 some specific indicators, or features, of the QoG compound. Most notably, studies have been able to relate economic and/or social outcomes at the national level to the incidence of corruption, secure property rights, political stability and meritocratic bureaucracies. How does our theory of impartial government institutions fare with these results and their corresponding notions of QoG? Are they compatible with the theory? Do they follow from it? These are the questions discussed in this section, with respect to each specific feature in turn.

Corruption

One of the most widely researched areas of governance is the occurrence of corruption. Corruption is an obvious example of dysfunctioning government institutions. It is both globally present and widely resented. Any theory of QoG should thus be able to spell out how it relates to corruption. How does the impartiality principle pass this test?

The answer, obviously, depends on how corruption is defined. 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; see, e.g., Treisman 2000, 399; Warren 2004, 329). 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. It has been suggested that this demarcation line should be drawn with reference to existing laws. That is, when a public officer breaks the law, he or she commits an act of corruption. This would however imply a country-specific conception of corruption, since what is permissible by law varies from country to country. As Kurer (2005, 226) puts it: “From the legality rule, it follows that an identical act, depending on the state of legislation, can ... be either corrupt or non-corrupt.” We thus need a more universal conception of corruption. 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”.¹³

¹³ We also have doubts about Warren’s additional criterion that the exclusion should be “duplicitous”— that “[t]he excluded have a claim to inclusion that is both recognized and violated by

We thus 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. Its core component is the notion of non-discrimination. Any violation of the impartiality principle does not however count as corruption. We retain a key feature of the “received view”, namely the motivation of private gain. Again following Kurer, we may thus define corruption as “violations of non-discrimination norms governing the behavior of holders of public office that are motivated by private gain”.¹⁴

How does this notion fit empirical studies having evidenced the harms of corruption? In Mauro’s (1995) seminal study, corruption reduces growth by lowering investment.¹⁵ Why does this happen? One prominent explanation follows from the theory of social capital, defined as norms about reciprocity and generalized trust in other people (Putnam 1993). Knack and Keefer (1997, 1252-3) discuss numerous ways in which social capital may promote growth:

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.

Corruption, in turn, is likely to hurt 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).

the corrupt” (Warren 2004). In our view this makes the concept of corruption too psychological. What if a public officer thinks she is doing the right thing when accepting a bribe, and doesn’t “recognize” the excluded’s claim to inclusion as legitimate. Is she then not “corrupt”?

¹⁴ We do however not agree with Kurer on the cultural relativity of what these non-discrimination norms mean. As we have already argued above, impartiality may be given a universal, culture-independent interpretation.

¹⁵ According to another theory corruption hurts economic performance since the opportunity to collect bribes work as a “secret tax” that distorts the allocation of state resources (Shleifer, 1993 #15}. This view of corruption as “a form of preferential treatment by public decision-makers” (Lambsdorff 2002, 120) could also be made compatible with our “corruption-as-breaking-non-discrimination-norms” approach, although we do not pursue that path in this paper.

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.

Several links in this chain have gained empirical support. Anderson and Tverdova (2003) show that corruption lowers trust in government institutions. Kumlin and Rothstein (2005), moreover, document that people targeted by universal welfare programs, which are more likely to be perceived as fair by their recipients, are more trusting that people targeted by needs tested benefits. Knack and Keefer (1997), finally, find both that trust in other people is positively related to growth and that “formal institutions” affect levels of trust.

Regardless of whether corruption hurts growth this way, the impartiality theory thus explains why corruption has deleterious effects on a crucial non-economic outcome: social capital. Finally, it 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 on corruption. Violation of non-discrimination norms entails *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.

Property and Contract Rights

The probably most viable tenet within the economic governance literature is the link between growth and secure property and contract rights. A strong theoretical impetus for this connection is provided by North (1990), who asserts, for example, 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” (p. 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. This is the simple theoretical case for secure property rights: “Growth is not possible without investment. However, investors do not invest when they fear confiscation of their assets by government” (Keefer 2004, 14).

There is some empirical evidence in support for this theory. Although this evidence to a large part has been static and cross-sectional, a stronger case for causality has recently been made through the invention of an ingenious instrument for secure property rights. Acemoglu et al. (2002; 2001) argue that settler mortality in former colonies, primarily caused by infectious diseases, should affect the setup of institutions governing property rights and thereby indirectly affect long-run growth levels. Where the disease environment caused high mortality rates, the argument goes, extractive institutions were installed to maximize instant exploitation of the colonies’ resources. In more favorable environments, by contrast, the colonies were populated by settlers from the colonizing countries. These settlers, in turn, demanded institutions that guaranteed a fairly equal distribution of property rights. These early institutions then persisted after independence and still hold the key to why some countries are so much more prosperous than others.

Since the infectious diseases (mostly malaria and yellow fever) hardly affected the indigenous population, settler mortality rates are argued not to have had any effect on the economy of colonies other than through their effect on institutions. By thus exploiting differences in mortality rates as “instruments” (as the econometric jargon has it) for measures of the security of property rates today, these measures have been shown to trump all competing explanations, including geography and natural endowments, patterns of trade and economic policies (2002; Acemoglu, Johnson, and Robinson 2001; Easterly and Levine 2003; Rodrik, Subramanian, and Trebbi 2004).

There are several points to be made with respect to this theory and its supportive evidence. The first is the reminder that “an instrument does not a theory make” (Rodrik, Subramanian, and Trebbi 2004, 154). Even if settler mortality fulfils the assumptions required in order to work as an instrument for secure property rights, settler mortality itself does not have to be part of the causal story of what determined the workings of today’s property rights institutions. Income levels vary widely among non-colonized countries as well, and this variation could never be explained with reference to settler mortality. Moreover, neither Acemoglu et al. (2002; 2001), nor anyone else, have provided any direct tests of the workings or the impact of institutions in the early colonial era.

With respect to this latter point, de Soto’s (2001) account of the development of property rights in the US, the most prominent of “settler colonies”, convincingly

argues that these rights were not simply transplanted by the British settlers onto US soil. On the contrary, it was by breaking with the legal tradition inherited from the British common law system that the US managed to integrate extra-legal property into one coherent property system (ibid., 108-159).¹⁶ More generally, de Soto (2001) provides a stark reminder that the economic forces unleashed by a working system of property rights are not simply a function of the formal or legal status of these rights; nor is it accomplished simply by allowing private ownership. What is required is an entire administrative infrastructure that records, documents, and integrates a country's assets in one coherent representational system. Only with such a system in place, de Soto argues, can the economic potential of assets be properly fixed and recorded within one knowledge base that makes owners accountable and interconnected, assets fungible, and transactions secure (ibid., 36-68).

This is a first crucial point where the impartiality principle enters the picture. If the representational system of property is to be trusted by economic agents, it must of course be impartially administered. Conversely, if preferential treatment on behalf of the public agencies responsible for administering the property system can be expected in return for bribes, the purpose fulfilled by the system is twisted. Thus, whereas de Soto (2001) addresses the imperative task of establishing an integrated property system, the impartiality principle kicks in as a critical tool for assessing the workings of this system once it has been put in place.

At an even more fundamental level, impartial government institutions enter the theory of property and contract rights through the problem of enforcement. 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.

¹⁶ In a more elaborate version of their theory, however, Acemoglu et al. (2004, 61-2) argue that what US settlers did inherit from their country of origin was their relatively egalitarian political institutions, and that this in turn explained how they managed to distribute property rights so equally.

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.

Political Instability

Another feature of the QoG compound examined by economists is the notion of “political instability”. At the most general level defined as the propensity of a government collapse, political instability has been shown to hurt growth in cross-country regressions (Alesina et al. 1996; Feng 1997). Why? What is the posited causal mechanism connecting the propensity of government breakdown to decreased growth? At its core the argument seems to be about the perceptions of investors or parties to other productive economic decisions. When these actors feel uncertain about who will be at the helm of the country tomorrow, they expect others to sense the same uncertainty. As a result, they will be less inclined to trust and abide to their norms of reciprocity. This uncertainty would of course have to persist for some time before behavioral expectations are adjusted. Eventually, however, the loss of confidence in the future presence of impartial government institutions to arbitrate conflict will result in increased transaction costs and hence dampened economic activity. This way growth will suffer.

As should be evident, then, the political instability argument boils down to a variant of the theory of secure contract and property rights. Its relationship to the impartiality principle thus follows along the same lines. If impartial government institutions cannot be trusted to endure, the social capital required to replace third-party enforcement will eventually erode. In this sense political stability and impartiality goes hand in hand.

There is a qualification to this assertion, however, that follows when we distinguish between two different sources of political instability: *regime* changes, such as military coups or unconstitutional seizures of power, and changes in the *personnel* of government or of the head of the executive (Feng 1997, 395). Clague et al. (1996) convincingly argue, and provide some supportive evidence to the effect, that property and contract rights may be secure even in autocracies as long as the incumbent autocrat has a high expected survival rate. In democracies, on the other hand, it is not the expected duration of the incumbent government but of the democratic regime itself that strengthens economic rights. In terms of “political stability”, then, *regime*

stability supports property and contract rights in democracies, whereas *government* stability fulfils the same function in autocracies.

This might explain the inherently ambiguous results in the literature with respect to whether having a democratic or an authoritarian political system matters for growth (for excellent overviews, see Kurzman, Werum, and Burkhart 2002; Przeworski and Limongi 1993; for excellent overviews, see Sirowy and Inkeles 1990). The mechanisms through which this occurs are completely different under the two different regime types. More importantly for the current context, Clague et al.'s (1996) theory sounds plausible in terms of how political stability is related to impartiality under different regime types. Even an autocrat may support impartial government institutions as long as he or she experiences a high expected survival rate. However, since "[a]ny autocratic society will sooner or later come to have rulers with short time horizons due to succession crises or other causes" (ibid., 246), democracies with high expected survival rates are likely to be even more conducive to impartiality. The democracy–impartiality equilibrium is likely to be stronger and even self-supportive. This is why we should expect a positive relationship between democracy and impartiality.

The “Weberian” State Hypothesis

A sociological strand in the governance literature that deserves mentioning, finally, is what has been termed the “Weberian” state hypothesis. Drawing on previous comparative work on the “developmental state” of East Asia (Evans 1989), Rauch and Evans (2000) were able to gather unprecedented data on the structure of bureaucracies in 35 developing countries. Most notably, these data reflect the extent to which bureaucracies 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).

These findings and the theory that suggests them is perfectly compatible with 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 is by no means ad odds with the impartiality theory. On the contrary, it contributes to the latter by highlighting what organizational structures are likely to promote impartial behavior.

Concluding Remarks

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 one's 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 fiefdom, 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 one's own, family, clan, or tribe interest, etc., 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.¹⁷

¹⁷ 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. The newly issued 664 p. “Handbook of Public Administration” has no index entry on “impartiality” (Peters and Pierre 2002). 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.

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