

Chapter 9

GOVERNANCE IN DEMOCRACIES AND NON-DEMOCRACIES

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ABSTRACT

Country governance is defined as the extent to which a state delivers desired benefits of government at acceptable costs. Theoretically, governance is better where citizens are free to press their desires on government than where they are not free to so do. Governance should be better in countries that rate high on freedom than in those where political freedom is curtailed, and governance should be poorest where citizens have virtually no freedom to participate meaningfully in politics. This chapter assesses the strength of that theory using the 2007 Worldwide Governance Indicators for 212 countries and their ratings by Freedom House as Free, Partly Free, or Not Free. Controlling for country size and wealth, regression analyses explain upwards of sixty percent of the variance in WGI scores. As demonstrated in this analysis, country governance is substantially better in democracies than in non-democracies.

INTRODUCTION

Is governance better in democratic countries than in non-democratic countries? To many people, the answer is obvious: "Of course governance is better in democracies!" But that reflex response confronts troublesome public opinion data in democratic United States and non-democratic China.

A 2010 cross-national opinion poll in twenty-two countries asked, "Are you satisfied with the country's direction?"¹ Only 30 percent of United States' respondents said "yes" versus 87 percent in China—which topped all countries. Americans were eleventh. Those recent cross-national findings were supported by national polls. A Gallup survey in January 2011 found that only 19 percent of respondents were "satisfied with the way things are going in the United States," declining from a high of 71 percent in 1999 (Mendes, 2011). A Pew poll the same month in 2011 found that 41 percent of Americans viewed China as the world leading economic power, compared with only 31 percent that picked the United States (Pew Research Center for the People and the Press, 2011). Pew's poll only three years earlier showed almost a complete reverse of responses—with the U.S. leading China.

True, public opinion about "the country's direction" and "the way things are going," are changing views about "the world's leading economic power" are not reliable indicators of governance. But they are not irrelevant measures. They suggest that, somehow, the government in China today is performing better than government in the United States—least according to these opinion surveys.

So it is not pointless to ask whether governance is better in democratic than in non-democratic countries. However, that question is not easy to answer. Any reasonable attempt to do so requires (1) satisfactory definitions of country governance and democracy, (2) adequate measures of both concepts over a wide range of countries, (3) accounting for non-political effects on country governance (notably country size and wealth), and (4) systematic empirical analysis of the effects of democratic government, controlling for size and wealth. This chapter tackles that challenge by drawing on the analysis of Worldwide Governance Indicators for 212 countries in 2007 reported in Janda and Kwak (2011).²

DEFINING AND MEASURING GOVERNANCE

There is no *correct* meaning of the term, "governance," which has been defined differently elsewhere in this book. Terms are labels applied to concepts, which in turn are "succinct ways of expressing general ideas" about topics under study (Blakeley & Bryson 2002). Concepts can be more or less useful, depending on the purpose of inquiry. This chapter advances a definition of governance that focuses on how well country governments function which accords with definitions proposed by a few other scholars (Besançon, 2003; Lim, 2008; Remington, 2008). Here, country governance is defined as *the extent to which a state delivers to its citizens the desired benefits of government at acceptable costs*.³ Including the adjective "country" to modify "governance" helps distinguish the concept from its many other formulations.

¹ The question was, "Overall, are you satisfied or dissatisfied with the way things are going in our country today?" See the 2010 Pew Global Attitudes Project, at <http://pewglobal.org/database/?indicator=3&response=Satisfied>.

² This chapter draws heavily on material in that book.

³ For a structurally similar definition applied to governance at the micro-level see Lim (2009, 3). He defines micro-level governance as the extent to which social, political, and institutional structures successfully align incentives of actors with the overall objectives for which these structures were designed (or evolved) to accomplish. Mark E. Warren says, "The democratic potentials of governance reside in the potential responsive linkages between what governments do and what citizens receive" (Warren, 2009).

However, if country governance is defined as “the extent to which a state delivers the desired benefits of government to citizens,” is not governance similar to democracy? Responsiveness to public opinion does enter this definition of governance. Most scholars, however, conceive of democracy not in terms of policy outputs or social outcomes but in terms of process—in terms of government procedures rather than substantive results (Janda, Berry, & Goldman, 2012, pp. 34-39). Democracy as process involves widespread citizen participation and competition among elites. This governmental complexity may generate “tension between governance and democracy,” as undemocratic institutions sometimes produce better governmental (often economic) outcomes than democratic institutions (Bevir, 2007, p. 379).

Because citizens—especially those in different cultures—value government services very differently, they will not agree on any comprehensive list of specific policies or outcomes offered as government “benefits.” In Muslim countries, for example, raising women’s literacy may not be regarded as beneficial. Worldwide, however, people may agree on universally prized abstract *meta-values* (with “meta” meaning beyond, transcending, more comprehensive) that are normally associated with the actions of government, such as the rule of law. Fortunately, scholars at the World Bank created the Worldwide Governance Indicators, which artfully focused on meta-values that travel well across cultures. They are widely recognized as the best measures of country governance.⁴ The measures of government used in this chapter rely solely on the results of their monumental multi-year effort reported in “A Decade of Measuring the Quality of Governance” (World Bank).

Country governance is inherently a complex concept with countless aspects; selecting which to study demands as much artistic insight and imagination, as scientific knowledge. The World Bank scholars chose just six meta qualities of country governance to measure in the Worldwide Governance Indicators. These qualities are briefly described as:

Rule of Law (RL) – measuring perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Government Effectiveness (GE) – measuring perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.

Control of Corruption (CC) – measuring perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

Regulatory Quality (RQ) – measuring perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Voice and Accountability (VA) – measuring perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

Political Stability and Absence of Violence (PV) – measuring perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or

⁴ Steven Radelet said they are “the best set of governance indicators currently available” (Radelet, 2003, p. 34).

violent means, including politically-motivated violence and terrorism (Kaufmann, Kraay, & Mastruzzi, 2008, pp. 7-8).⁵

The “perceptions” underlying the six Worldwide Governance Indicators came from individuals or firms with first-hand knowledge of the country, from experts in international agencies, and from global networks of correspondents. Each indicator was constructed from multiple measures. The six measures for 212 countries in 2007 involved 340 individual variables taken from 35 different sources, produced by 32 different organizations (Kaufmann, Kraay, & Mastruzzi, 2008, p. 8). While most indicators were based on multiple sources, indicators for a few countries were based on only one source.⁶

A total of 205 countries were scored on all six indicators. The fewest countries (2) were scored for Regulatory Quality, but all 212 countries were scored on Government Effectiveness. Although these six qualities do not exhaust the concept of governance, one can accept them as central to it and use them as its indicators, as have other scholars (Greensick & Koska, 2009). As shown in Figure 1, all WGI qualities were significantly intercorrelated.

	Rule of Law (RL)	Government Effectiveness (GE)	Control of Corruption (CC)	Regulatory Quality (RQ)	Voice and Accountability (VA)	Political Stability (PS)
Rule of Law (RL)	1.0	.92	.94	.88	.79	.80
Government Effectiveness (GE)	.92	1.0	.93	.95	.76	.69
Control of Corruption (CC)	.94	.93	1.0	.88	.76	.72
Regulatory Quality (RQ)	.88	.95	.88	1.0	.79	.66
Voice and Accountability (VA)	.79	.76	.76	.79	1.0	.68
Political Stability (PS)	.80	.69	.72	.66	.68	1.0
Column Means, excluding diagonal values	.87	.85	.85	.83	.76	.71

Figure 1. Intercorrelations among All Six Worldwide Governance Indicators. Mean for all values (excluding the diagonal) within the shaded square = .92. Mean for all values (excluding the diagonal) outside the shaded square = .74.

⁵ The order of the indicators was changed from the original.

⁶ An average of seven percent of the countries had scores from only one source (Kaufmann et al., 2008, p. 7).

The diagonal values of 1.0 in Figure 1 express the perfect correlation of each variable with itself. The sizes of squares off the diagonal correspond to the magnitude of the correlation coefficients versus a perfect correlation coefficient of 1.0. Compare the high correlations inside the shaded square with the low correlations outside of it. Note that the lowest correlation within the square exceeds the highest correlation outside it. This pattern suggests that the first four indicators (RL, GE, CC, and RQ) all go together in measuring somewhat different but shared properties of governance. With average intercorrelations of .92, they are highly reliable indicators; one is about as good as another. RL, GE, CC, and RQ, however, have less in common with Voice and Accountability and Political Stability. Moreover, VA is only correlated .68 with PS. Perhaps these two indicators measure qualities of governance that are quite different from those measured by the others.⁷

Two measures—Rule of Law and Voice and Accountability—invite special scrutiny given our attempt to explain variations in country governance according to the extent of country democracy. Are RL and VA not themselves measures of democracy? Clearly, the rule of law differs from democracy. Writing about the decision at the 15th Congress of the Chinese Communist Party in 1997 “to give priority to the rule of law rather than democracy,” Yingyi Qian and Jinglian Wu observe: “The rule of law is not the same as democracy. For example, the two most free market economies, Hong Kong and Singapore, observe the rule of law but are not democracies by Western standards” (2000, p. 11). Rule of law, they say, is necessary for a modern market economy but does not “directly and immediately threaten the governing power of the Party.”

The other measure, Voice and Accountability, cannot be dismissed so easily. In fact, scholars have used the VA variable to measure democracy within countries (Denisova, Eller, Frye, & Zhuravskaya, 2009). Recognizing that VA is itself a manifestation of democratic government, I treat it differently in this analysis, interpreting the findings in the context of validation rather than explanation.

DEFINING AND MEASURING DEMOCRACY

This chapter speaks in terms of “freedom” rather than “democracy” for three reasons. First, the vast literature on democracy contains many different definitions of democracy, underlying many viable alternative measures.⁸ Second, definitions of democracy tend to be complicated, involving different variables in different formulae. Third, existing measures of democracy do not cover all 212 countries in our study and those that cover almost all cannot easily be extended to do so.⁹

Instead, this chapter uses the simple classification of nations as Free, Partly Free, or Not Free generated annually since 1972 by Freedom House. A Washington-based non-

⁷ Factor analysis shows a single factor explaining 85 percent of the variance among all six indicators. The mean correlations reported in Figure 1 correspond in order to their loadings on the principle component.

⁸ For a clear yet detailed discussion of options in measuring democracy, see Clark, Golder, and Nadenichek Golder, Chapter 5 (2009). For another perspective, see Przeworski, Alvarez, Chelub, and Limongi (2000, pp. 14–33).

⁹ Tatu Vanhanen’s respected and frequently used measure of democracy does cover 187 nations and uses only two variables, party competition and voter turnout. But these two variables are very difficult to estimate for the remaining 25 nations. See <http://www.prio.no/CSCW/Datasets/Governance/Vanhanens-index-of-democracy/>. The Economist magazine rated 167 countries on a more complex four-point scale in 2006, 2008, and 2010. See http://www.eiu.com/public/topical_report.aspx?campaignid=demo2010.

governmental organization, Freedom House (FH) is funded mostly by the U.S. government. FH scores have been widely used in scholarly research, but they also have been criticized by foreign governments and scholars. Critics abroad claim links between Freedom House and U.S. agencies, including the CIA.¹⁰ A respected American scholar praised for his own measures of democracy also charged that FH scores are biased toward countries with pro-US positions (Bollen, 1992, p. 189). While not agreeing with all FH classifications, today's foremost chronicler of democracy across the world, Larry Diamond, based his analyses on FH scores.¹¹

Freedom House maintains an extensive web site reporting its world survey of country scores and explaining its methodology for rating countries on the two categories of *political rights* and *civil liberties*:

Political rights enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organizations, and elect representatives who have a decisive impact on public policies and are accountable to the electorate.

Civil liberties allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state.¹²

Teams of experts are guided by a checklist of 10 questions on political rights and 15 on civil liberties concerning politics in their countries of expertise.¹³ Each team assigns up to 4 points for each question and then converts the total scores into separate scales, rating each country from 1 to 7 for political rights and from 1 to 7 for civil liberties. A score of 1 signifies the highest degree of freedom on each; 7 indicates lack of freedom. The two scale ratings are averaged to determine each country's status as Free (score of 1.0 to 2.5), partly Free (3.0 to 5.0), and Not Free (5.5 to 7.0). Although some critics question the FH scoring procedure—such as weighting all the questions equally in arriving at a score (Clark, Golder, & Golder 2009, p. 163)—the methodology seems fairly rigorous albeit somewhat subjective.

¹⁰ In 2001, Cuba made this charge in a United Nations Committee on Non-Governmental Organizations, see <http://www.un.org/News/Press/docs/2001/ngo432.doc.htm>.

¹¹ Larry Diamond relies mainly on FH classifications of nations as electoral democracies. See Diamond (2008).

¹² http://www.freedomhouse.org/template.cfm?page=351&ana_page=341&year=2008.

¹³ *Ibid.* "The ratings process is based on a checklist of 10 political rights questions and 15 civil liberties questions. The political rights questions are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). Raw points are awarded for each of these questions on a scale of 0 to 4, where 0 points represents the smallest degree and 4 the greatest degree of rights or liberties present. The political rights section also contains two additional discretionary questions: question A ("For traditional monarchies that have no parties or electoral process, does the system provide for genuine, meaningful consultation with the people, encourage public discussion of policy choice and allow the right to petition the ruler?") and question B ("Is the government or occupying power deliberately changing the ethnic composition of a country or territory so as to destroy a culture or tip the political balance in favor of another group?"). For additional discretionary question A, 1 to 4 points may be added, if applicable, while for discretionary question B, 1 to 4 points may be subtracted (the worse the situation, the more points that may be subtracted). The highest number of points that can be awarded to the political rights checklist is 40 (or a total of up to 4 points for each of the 10 questions). The highest number of points that can be awarded to the civil liberties checklist is 60 (or a total of up to 4 points for each of the 15 questions)."

The 2006 FH scores were chosen to predict the 2007 WGI scores. In 2006, FH classified 194 countries and 4 “related and disputed territories” as Free, Partly Free, or Not Free.¹⁴ Not all 212 WGI countries in this study were rated by FH; the missing 19 were coded using FH categories.¹⁵ As shown in Table 1, half of the 212 countries were rated as Free in 2006; about 30 percent were Partly Free; and about 20 percent were Not Free.

Table 1. 212 Countries Classified Free, Partly Free, or Not Free

	No.	Percent
Free	105	50
Partly Free	62	29
Not Free	45	21
Total	212	100.0

Based on Freedom House Scores for 2006, supplemented by author’s coding.

Countries’ democratic status can change over time. In its first published ratings in 1972, Freedom House classified only 148 countries. Some of them (such as the Soviet Union, East Germany, and Yugoslavia) ceased to exist over time, while other new countries (such as Serbia, Slovakia, and Ukraine) appeared. Of the 194 countries that Freedom House rated in 2006, 139 were rated in 1972. Of the 62 Not Free in 1972, only 27 remained Not Free in 2006, while 18 became Free and 17 Partly Free. Only one Free country in 1972 (Maldives) fell to Not Free in 2006. So as scholars have noted, countries are far more likely to transition from dictatorship (Not Free) to democracy (Free), than from democracy to dictatorship (Przeworski, Alvarez, Chelbub, & Limongi, 2000, p. 45).

The Freedom House classification was converted into three binary variables—Free, Partly Free, and Not Free—each scored 0 or 1. The 105 Free countries in 2006 were all scored 1; the other 107 were coded 0. The 62 Partly Free countries were scored 1 (150 were coded 0), and 45 Not Free countries were scored 1 (167 were coded 0). Collectively, these are called the Freedom variables and are treated as measures of democracy.

ALLOWING FOR EFFECTS OF SIZE AND WEALTH

Far more needs to be said about the relationship of country size and wealth to country governance than space provides in this chapter.¹⁶ Several scholars have hypothesized that the larger the country, the lower the quality of governance. Kurtz and Schrank supplied the reasoning: “larger societies are more complex and in principle more difficult to administer”

¹⁴ Freedom House published the 2006 scores in 2007. See <http://www.freedomhouse.org/template.cfm?page=22&country=7258&year=2007>.

¹⁵ In fact, we disputed FH’s Kosovo rating as NF, for Kosovo had elections in 2004 and 2007. We changed the rating to PF. This left 15 territories unrated, which we rated from information in the CIA fact book. These 14 were rated Free: American Samoa, Anguilla, Aruba, Bermuda, Cayman Islands, Cook Islands, French Guiana, Guam, Martinique, Netherlands Antilles, New Caledonia, Niue, Reunion, and the Virgin Islands. Macau was rated PF.

¹⁶ See Janda and Kwak (2011) who devote two full chapters (4 and 5) to the effects of country size and country wealth on country governance.

(2007, p. 545).¹⁷ What makes “larger countries” more complex and more difficult to administer? Are larger countries complex because they have more people? Or are they complex because their people are spread over more territory? To answer the question, we collected data on both number of people and land area.¹⁸

Unfortunately, using raw data for either country area or population poses a problem. Because there are many small countries and few very large countries (on either measure), the distributions of the world’s countries by size are sharply skewed toward the high ends of both area and population scales. Replacing raw values with their logarithms is the standard method for analyzing such positively skewed distributions. Transforming the data by taking logarithms keeps all nations in their same relative positions while pulling the high outliers toward the mean, thus producing a more symmetrical distribution—one closer to a normal distribution.¹⁹ Creating two measures of country land area and population allows one to determine which has more effect on governance. Called SmallArea and SmallPop, these variables were rescaled to reflect small size, because theory holds that small size predicts to better governance.

Because governments must spend money to deliver benefits to citizens, their governance capacity is linked to country wealth.²⁰ In cross-national studies, total country wealth is typically measured by estimates of gross domestic product (GDP)—the total value of the goods and services produced in a country in a given year. Because countries with large populations generate more GDP than smaller countries, GDP is typically divided by population, yielding GDP per capita—a measure of country wealth standardized by population. Unfortunately, raw data for GDP per capita are also greatly skewed toward very few countries with very high values. Accordingly, raw data for GDP per capita were also transformed into logarithms, which again produced a more normalized distribution for statistical analysis.

Virtually all researchers find strong positive relationships between country wealth (using GDP per capita) and country governance (regardless of the measures used) (Kurtz & Schrank, 2007; Venteicher, 2008; Xin & Rudel, 2004). Scholars differ over how to interpret that relationship. Many studies, perhaps most, theorize that governance produces wealth through economic growth. A founder of the World Governance Indicators project said, “The evidence points to the causality being in the direction of better governance leading to higher economic growth” (Kaufmann, 2005). Other scholars have argued that “good governance is in all likelihood a consequence, rather than a cause, of economic growth” (Kurtz & Schrank, 2007).

Regardless of which statement is closer to the truth,²¹ neither applies to the analysis at hand, which considers the *level* of country wealth, not its rate of growth. The amount of GDP per capita at a given time (the level) is quite different from the *change* in that amount over two points in time. Statistics on annual growth in GDP per capita - the change from one year

¹⁷ Kurtz and Schrank rephrased a claim by Xin and Rudel (2004).

¹⁸ Data on land area is available from multiple sources. The United Nations GEO-3 Data Compendium gives land area in square kilometers for 2003 for 190 nations. An Excel file is available on request. A more comprehensive list of 233 nations is at http://en.wikipedia.org/wiki/List_of_countries_and_outlying_territories_by_total_area. The site at <https://www.cia.gov/library/publications/the-world-factbook/index.html> reports country size by square kilometers for individual countries from the CIA World Fact book.

¹⁹ For a discussion of transforming data through logarithms, see Janda and Kwak (2011), Chapter 4.

²⁰ In the language of research, wealth becomes a proxy variable for state capacity. See Wright (2008, pp. 322–343).

²¹ In some ways, this controversy is similar to that over democracy and economic growth. Recent research holds that there is no relationship between the two. See Doucouliagos and Ulubasoglu (2008).

to the next - are quite volatile. Country statistics on the level of GDP per capita in a given year, however, vary little from year to year. Given that country wealth is largely a function of geology, geography, and history, it is theoretically more likely to be a cause than a consequence of governance.

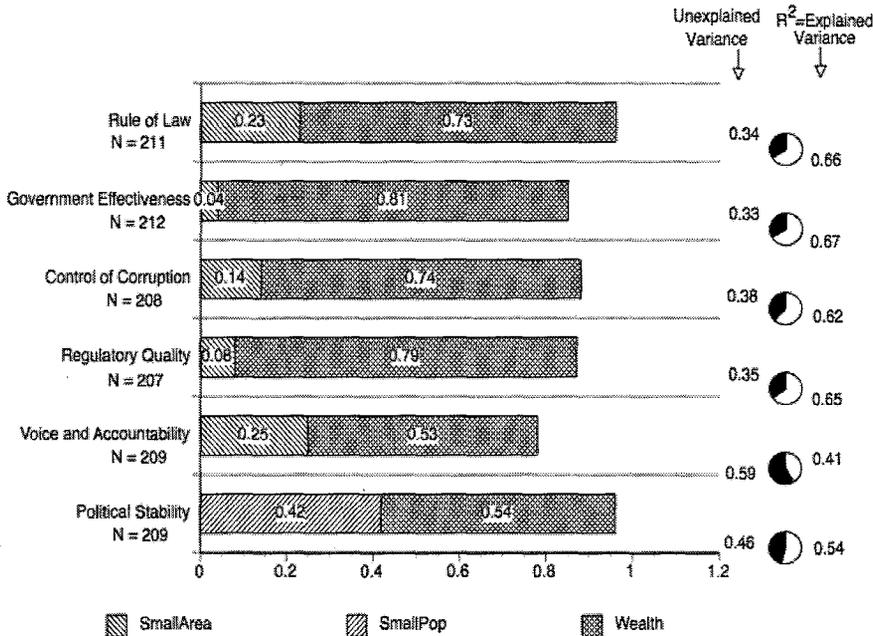


Figure 2. Effects of Country Size and Wealth on WGI Measures^{a, b} Entries in the bars are the regression coefficients. Given that the data are z-scores, the coefficients are both β and b coefficients, and there is no intercept. The R² are adjusted R².

The effects of country size and wealth on country governance were estimated through a series of multiple regression analyses. The dependent variables were the six WGI measures. The independent variables were Wealth and (alternately) SmallArea or SmallPop. Wealth was measured by the logarithm of GDP per capita, converted to z-scores.²² The method of transforming raw data to z-scores essentially results in rescaling the data (without changing the relative positions of any cases) so that the new distribution has a mean of 0 and a standard deviation of 1. A distribution of z-scores has both negative and positive values and typically ranges from -3.0 to +3.0. The data were transformed to match the WGI variables, also expressed as z-scores. Country size was measured both by the population logarithm and by the area logarithm. The logarithms too were converted to z-scores, but (as noted above) the z-scores signs were reversed to measure “smallness” rather than “bigness.” Like Wealth, the two size variables are positively related by theory to country governance.

Regression analysis estimated the joint effects of Wealth and either SmallArea or SmallPop on all six WGI governance indicators. The results are summarized in Figure 2 (all entries are statistically significant beyond the 0.05 level). The coefficients in the horizontal

²² Z-scores are calculated by this formula $z_i = \frac{X_i - \bar{X}}{s.d.}$. For a discussion of z-scores, see Janda and Kwak Chapter 2, Box 2.2 (2011).

bars show the different effects of country size and wealth on each indicator.²³ For example, countries' z-scores for Rule of Law tended to increase 0.23 points for each point (standard deviation) increase in their "smallness" as measured by area. Independently of country size, z-scores for Rule of Law tended to increase 0.73 points for each point increase in country wealth. As shown by the larger coefficients in the cross-hatched bars, country wealth had a greater effect than country size (however measured) for every indicator. Land area as a measure of country size had higher effects on country governance for all WGI measures except Political Stability, which was more affected by population. For most governance indicators, the smaller the territory over which governments must extend these capabilities, the better governance they delivered.

Why SmallPop works better than SmallArea in explaining Political Stability and Absence of Violence can be explained in two ways. One explanation assumes that threats of revolution and terrorism issue from volatile political or ethnic divisions, which may occur less often in smaller populations.²⁴ Moreover, land without people cannot oppose government. Measuring country size using people rather than land may serve better in explaining Political Stability and the Absence of Violence. On the other hand, the result may be an artifact of the measurement. Measuring country size by population may predict better to Political Stability simply because the WGI measure counts acts of violent demonstrations and political killings without compensating for country population.

Although country size effects were reduced in each case after adding wealth in the equation, size remained significant for all governance indicators. The R^2 values attached to the pie charts depict the proportion of variation explained by country size and wealth together. They show the proportion of variation explained by both small country size and country wealth. Taken together, country size and wealth explain from about two-fifths to two-thirds of the variation in the WGI measures. If these exogenous variables explain much of the variation in country governance, how much room is left for effect of democratic politics?

ANALYZING THE EFFECTS OF DEMOCRACY

In the wake of World War II, most western scholars simply assumed that citizens fare better under democratic than authoritarian government. Democracy was expected to improve standards of living in wealth, education, health, and so on. By the mid-1970s, however, research found otherwise, at least with respect to economic growth. Distinguished scholars who summarized that research concluded, "Societies with democratic political institutions tend to have higher overall rates of economic growth than societies with more democratic institutions" (Huntington & Dominguez, 1975, p. 59). In the mid-1970s, more sophisticated research using more countries over longer periods studied whether "democracies are better than dictatorships in improving the material

²³ Because all the data are in z-scores, the coefficients can be interpreted as either unstandardized b-coefficients or standardized β coefficients. The values are identical. Also the intercept (constant) in the equation is 0.

²⁴ However, the correlation for 183 countries between the log of population size in 2002 and Alesina's measure of ethnic fractionalization is not significant, according to cross-national data posted by Pippa Norris at <http://www.hks.harvard.edu/fs/pnorris/Data/Data.htm>.

being of their citizens” (Clark et al., 2009, p. 328). One major analysis produced a more complicated finding:

[A]lthough it appears that dictatorships often produce outcomes that are substantially worse than most democracies, some seem to perform every bit as well as democracies. In other words, democracy appears to be *sufficient* for ensuring some degree of success in these various areas of material well-being, but it is obviously not *necessary* for success (Clark et al., 2009, p. 330).

The authors say their data suggests “greater variability in the performance of dictatorships than in that of democracies.” Some authoritarian governments perform well, others not.

We can see this variability in the contemporary cases of Russia and China. Reflecting on the Russian experience after the fall of the Soviet Union, Thomas Remington says that democratization affects governance in two contrasting ways:

In the first, occurring in an ideal world where all good things go together, democratization improves governance by establishing secure property rights and the rule of law, as well as producing policies responsive to broad public demand.

Much literature, however, both reflecting the experience of the post-communist world and more generally the experience of democratic transitions, suggests that democratization weakens governance [by creating a new] oligarchic democracy. (Remington, 2008)²⁵

Soviet autocrats were replaced by Russian oligarchs—private entrepreneurs who gobbled up state resources for personal gain. As they became immensely rich, “political institutions such as elections and freedom of media help ensure that the old nomenklatura [communist] elite are excluded from power” (Remington, 2008, p. 25). Remington’s study found that democratization in Russia followed the second path, benefiting oligarchs, not citizens.

Even Russia’s President, Dmitry Medvedev, saw weaknesses in Russia’s democratization, especially in controlling corruption. In a remarkable 2009 address, he said, “Many entrepreneurs are not worried about finding talented inventors, introducing unique technologies, creating and marketing new products, but rather with bribing officials for the sake of ‘controlling the flows’ of property redistribution” (Medvedev, 2009; Champion, 2009). In the case of Russia (and other former Soviet Republics), the abrupt introduction of democratic institutions into an authoritarian setting seems to have impaired governance, not advanced it. In a broader study of countries, other scholars provided evidence that “democratization of a highly authoritarian country leads to a reduction in the administrative capacity, whereas further democratization of a semi-authoritarian country does not yield any effect on this capacity” (Bäck & Hadenius, 2008).

Contrary to Russia, China resisted democratization, retained its authoritarian government, and made great strides in providing benefits to its citizens. Its gross domestic product passed Japan’s in 2010, making China the world’s second largest economy (Tabuchi, 2009). Commenting on the efficiency of China’s one-party autocracy, reporter Thomas Friedman said that leaders...

²⁵ This quotation was constructed from sentences on pages 6 and 7.

...can impose the politically difficult but critically important policies needed to move a society forward in the 21st century. It is not an accident that China is committed to overtaking us in electric cars, solar power, energy efficiency, batteries, nuclear power, and wind power (Friedman, 2009).

Although Russia is somewhat more open politically than China, Russia's economy shrunk by almost eight percentage points in 2009 while China's grew by more than ten points (CIA, 2011). Russia's attempts at rapid democratization did not work well, while China's fight against democratization paid dividends.

Both recent cross-national research and the examples of Russia and China question the relationship between authoritarian systems and country governance. One study even argues that less developed countries can improve their governance over time "regardless of their authoritarian features or even communist political system" (Sun, 2008, p. 9). Even contemporary newspapers carry stories on the "autocratic" model of economic development (Walker, 2009). In rebuttal, three scholars wrote a book to demonstrate "that democracy does a better job raising living standards in poor countries than authoritarian governments" (Halperin, Siegel, & Weinstein, 2005, p. 1).

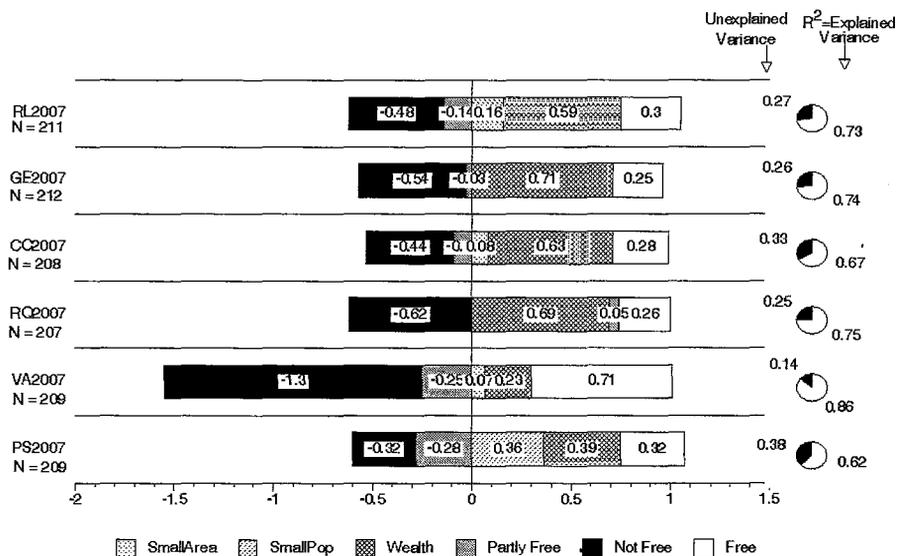


Figure 3. Effects of Country Size, Wealth, and Democracy on WGI Measures^{a, a} Entries in the bars are regression coefficients. SmallArea, SmallPop, and Wealth are z-scored data (like the WGI data), so their coefficients are both β and b coefficients. The coefficients for Not Free, Partly Free, and Free are the constants from three analyses with each variable omitted in turn.

This debate provides the background for analyzing the Freedom variables' effects on country governance. The analysis, of course, does not focus on citizens' "material well-being" or citizens' "living standards" but on the six WGI meta-values: Rule of Law, Government Effectiveness, Control of Corruption, Regulatory Quality, Voice and Accountability (recalling the caveat above), and Political Stability and the Absence of Violence. Controlling for country size and wealth, do country differences as represented by

the 'Free, Partly Free, and Not Free variables correspond to country differences in governance?

One cannot simply add all three Freedom variables to the regression analysis along with SmallArea, SmallPop, and Wealth, because Free, Partly Free, and Not Free are not independent of one another. Because every country must score 1 on one variable and 0 on the others, each country's position is fixed by its scores on just two variables. Entering the third variable creates perfect multicollinearity among them, preventing any solution to the regression analysis. This problem was skirted by running three analyses, each using two of the three Freedom variables.²⁶ As reported in Figure 3, the effects of the missing variables were the constant coefficients generated by each of the three regression equations.

The first thing to note about Figure 3 is that adding the democracy variables substantially increases the variance explained, as shown by the R^2 values associated with the pie charts. Earlier, Figure 2 reported that country size and wealth together explain from about two-fifths to two-thirds of the variation in the WGI measures. By adding the democracy variables (Figure 3), the explained variance now ranges from almost two-thirds to almost nine-tenths of the total variance. Consider the instance of Rule of Law, for which these five variables explain 73 percent of the variance. Countries that are Not Free tend to score -0.48 points lower on RL; Partly Free countries tend to score -0.14 lower; and Free countries tend to score 0.30 higher. The effect of SmallArea (0.16) is small but significant, while the effect of Wealth (0.59) is much stronger than the Freedom scores. A plot of the predicted RL score from the regression equation against the observed RL scores is shown in Figure 4, which also identifies the placements of selected countries.

The three democracy variables demonstrate effects consistent with theoretical expectations on all indicators. The effects are roughly comparable for five of the six WGI measures—but they are bizarrely pronounced for Voice and Accountability. For VA, Not Free countries plunge -1.3 points lower, Partly Free countries fall -0.25 points lower, but Free countries rise 0.71 points higher. Indeed, Not Free, Partly Free, and Free alone explain 82 percent of the variation in Voice and Accountability (excluding country size and wealth)!

VA clearly differs from the other WGI measures of governance. As shown earlier in Figure 1, its average correlation with the other measures is only 0.76 . Rather than measuring how well the state delivers to citizens the "benefits of government," VA seems to measure how much citizens participate in government. That makes VA a measure of democracy itself.²⁷ The extremely high correlation of 0.91 between VA and the FH democracy scores can be interpreted as validating the FH scores as measures of democracy.²⁸

²⁶ I thank my Northwestern colleague, Jason Seawright, for advising me on this analysis. I took most but not all of his advice. Using the constants in equations to compute predicted governance scores produced simple correlations that matched the multiple correlations in regression analyses.

²⁷ This is the argument cited above by Denisova, Eller, Frye, and Zhuravskaya (2009). See also Kurtz and Schrank (2007); they hold that VA and PS "are not conterminous with governance" (543).

²⁸ The eta correlation between VA and the three categories of democracy (scored 1–2–3) is 0.908 . The simple produce-moment correlation is 0.906 (adjusting for sign). There is a slight deviation from linearity, but not much.

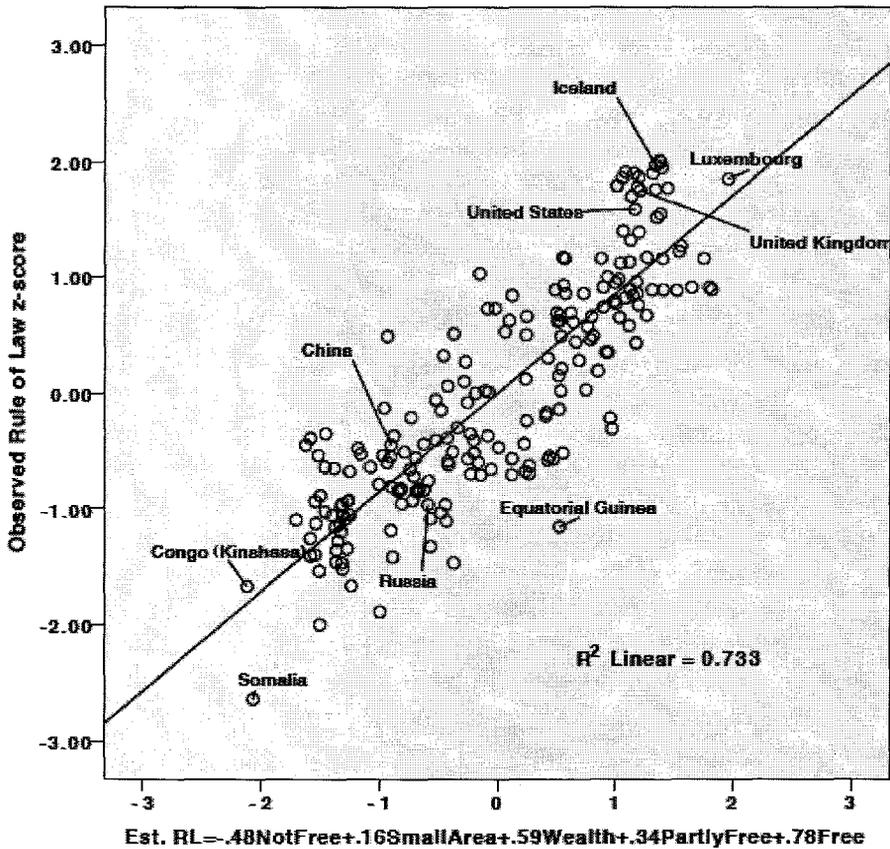


Figure 4. Plot of Regression Analysis of Governmental Effectiveness.

Also as reported in Figure 1, the average correlation is only 0.71 between Political Stability and the other WGI measures. PS too seems to measure something quite different. The same variables that explain two-thirds and more of variation in other WGI measures explain only 62 percent of the variation in PS. Also, small country size (measured by SmallPop) retains its robust effect in decreasing Political Stability and the Absence of Violence.²⁹ Governments in countries with small populations seem better able to control political instability and violence than governments in countries with large populations—even controlling for wealth and Freedom.

Country wealth continues to exert strong effects on all six WGI measures, but country size loses significance for two other variables (Governmental Effectiveness and Regulatory Quality) in the presence of the democracy variables. Nevertheless, smallness still had a statistically significant effect on Rule of Law and Control of Corruption. It seems that—even controlling for wealth and Freedom—countries that are small in area are better able than larger countries to extend the rule of law and control corruption.

Excluding the VA measure and controlling for country size and wealth, regression analysis demonstrates consistent effects of democracy, as measured by Freedom House

²⁹ Paul Collier says, “The risk of conflict increases with population, but the relationship is much less than proportionate” (2009, p. 130).

scores, on the Worldwide Governance Indicators: Rule of Law, Government Effectiveness, Control of Corruption, Regulatory Quality, and Political Stability.

LOOKING FURTHER AT CHINA AND THE UNITED STATES

Both the United States and China are among the world's largest countries, each over nine million square kilometers in land area. According to theory, their vast size renders them equally difficult to govern. Although they have the world's largest and second largest economies respectively, China is the poorer in GDP per capita (about 15 percent that of the U.S.) because of its far larger population (about 1.3 billion versus 300 million). According to theory, the United States' relatively greater wealth facilitates its ability to deliver benefits to its citizens. As a democracy, moreover, the U.S. should generally rate higher in governance than China—according to theory.

Specifically, how did the two countries rate on each of the WGI measures? Figure 5 places China and the United States on scales for each indicator of governance in 2007. The scales represent the WGI z -scores, which ranged within ± 3.0 for all 212 countries. The scales are truncated in Figure 5 to range between ± 2.0 in order to focus on both countries' placements.

According to the Worldwide Governance Indicators, the United States rated above the mean country scores on all six indicators. Indeed, the U.S. ranked above the 90th percentile for Rule of Law, Government Effectiveness, Control of Corruption, and Regulatory Quality but somewhat lower on Voice and Accountability and much lower, at about the 55th percentile (almost average), on Political Stability. China rated below the mean on every indicator except Government Effectiveness (about the 60th percentile), for which one might expect a good score from an authoritarian regime. The difference between the countries' governance scores was largest for Voice and Accountability, identified earlier as a better measure of democracy than governance. The countries' difference was smallest on Political Stability and Absence of Violence, which shows that being either Free or Not Free does not guarantee a country political calm and domestic tranquility.

What then can be made of Chinese citizens' high degree of satisfaction with the direction of their country in 2010 versus United States' citizens' low level of satisfaction? How does contemporary public opinion relate to governance? First, public opinion is influenced by contemporary factors, making it highly volatile. Take approval of the president. In early September, 2001, just 51 percent of the public approved of the way "George W. Bush is handling his job as president." Asked the same question after September 11, 80 percent approved; a leap of 30 points in one week (Pew Research Center for the People and the Press, 2008).

Second, attitudes about the direction of the country are strongly influenced by economic conditions, such as unemployment, inflation, and economic growth. In 2010, China enjoyed an estimated annual growth rate of 10.3 percent compared with 2.8 percent in the United States.³⁰ Moreover, from 1999 to 2010 China's GDP per capita nearly doubled, from \$3,800 to \$7,400—a growth of 95 percent. Over the same eleven years, GDP per capita in the U.S.

³⁰ Economic data on China and the United States in this paragraph come from various editions of the CIA World Fact book made available at <http://www.theodora.com/wfb/>.

rose from \$33,900 to \$47,400—a growth of only 40 percent. No wonder more Chinese respondents were satisfied with the direction of their country. Recall that in the United States the high point of satisfaction with “the way things were going” was 71 percent in 1999, when GDP per capita was \$33,900. Eleven years earlier in 1988, GDP per capita in the U.S. had been \$19,800—a growth rate of 71 percent. No wonder more Americans were satisfied with the direction of their country in 1999 than in 2010.

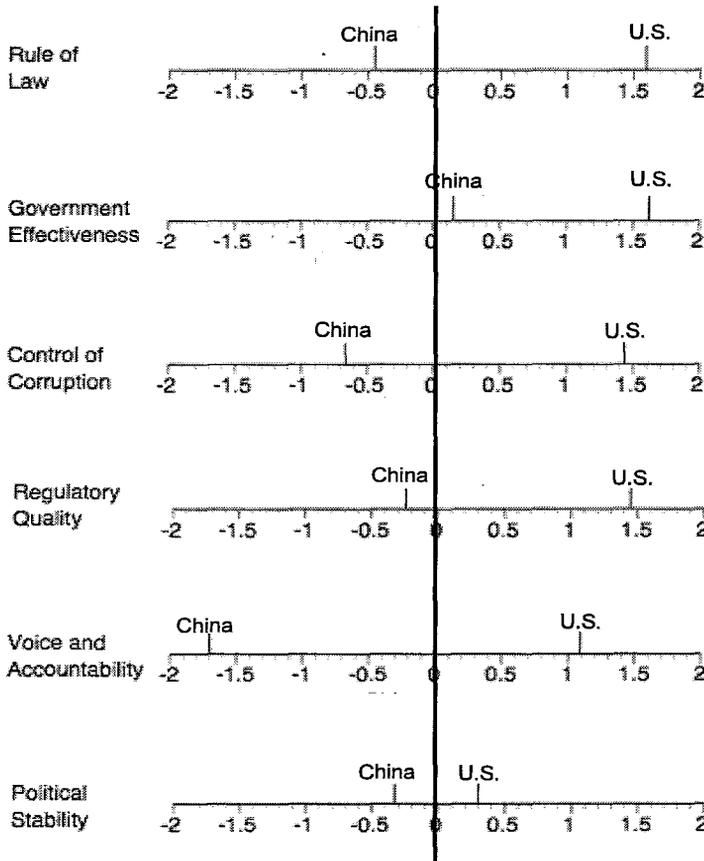


Figure 5. Distribution of WGI Z-scores for China and the United States.^a Entries in the bars are regression coefficients. SmallArea, SmallPop, and Wealth are z-scored data (like the WGI data), so their coefficients are both β and b coefficients. The coefficients for Not Free, Partly Free, and Free are the constants from three analyses with each variable omitted in turn.

While not irrelevant to evaluating country governance, most public opinion data are volatile and not well-suited to determining the extent to which states delivers benefits to citizens. In any event, even the most ambitious cross-national surveys usually cover only from thirty to sixty of the world's countries. Relatively few are non-democracies. The Worldwide Governance Indicators, while far from perfect, support a comprehensive test of the effect of democratic government on country governance. The regression results document the popular assumption that democratic countries enjoy better governance.

CONCLUSION

This chapter began with the question, “Is governance better in democratic countries than in non-democratic countries?” It countered the obvious “yes” answer by citing recent public opinion surveys in the United States and China. Respondents in democratic United States were far less satisfied with the direction of their country than those in non-democratic China. Moreover, some recent research holds that democracies out-perform autocracies in delivering material benefits to citizens. Some autocracies (e.g., China) do quite well. This chapter studies whether democratic governments out-perform autocracies in governance, using the 2007 Worldwide Governance Indicators for 212 countries. The six WGI measures focus not on material benefits (e.g., economic growth) but on meta values: Rule of Law, Government Effectiveness, Control of Corruption, Regulatory Quality, Voice and Accountability, and Political Stability.

Democracy was measured using Freedom House classifications of almost 200 countries as Free, Partly Free, and Not Free, supplemented by additional coding to cover all 212 countries. In 2006, there were 105 Free countries, 62 Partly Free, and 45 Not Free. These variables were included in multiple regression analysis along with control variables for country size and country wealth. Adding the effects of the Freedom variables to the effects of country size and wealth substantially increases the predictions for five WGI measures, explaining from 62 to 75 percent of their variation (Voice and Accountability was excluded because it was shown to be another measure of democracy). Adding the Freedom variables causes country smallness to drop out as a significant variable for two indicators. For all but one indicator, wealth is more important than either of the Freedom variables. Being Free has consistently more effect on governance than being Partly Free. Regression analysis of the Worldwide Governance Indicators for over 200 countries in 2007 convincingly demonstrates that, using those measures, governance is better in democracies.

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