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**Working Paper**

**Democracy and governance**

AGDI Working Paper, No. WP/18/004

**Provided in Cooperation with:**

African Governance and Development Institute (AGDI), Yaoundé, Cameroon

*Suggested Citation:* Pelizzo, Riccardo (2018) : Democracy and governance, AGDI Working Paper, No. WP/18/004, African Governance and Development Institute (AGDI), Yaoundé

This Version is available at:

<https://hdl.handle.net/10419/191327>

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# A G D I Working Paper

WP/18/004

## **Democracy and Governance**

**Forthcoming: Governance and Democracy in the Asia-Pacific: Political and Civil Society,  
London, Routledge**

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## **Democracy and Governance**

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January 2018

### **Abstract**

The purpose of the paper is to show that the nature of the relationship between governance and democracy varies depending on how the two terms (of a political discourse) are defined, that when the definition of one term encompasses distinctive features of the other we find that governance and democracy are not just mutually reinforcing but even overlapping, that only when we distinguish on theoretical ground governance from democracy we create the basis for analyzing their relationship on empirical grounds exactly as Fukuyama had suggested.

*JEL Classification:*D02, D72, H00, H11, H89, O00, O10, O43, O55

*Keywords:* government, governance, good governance, democracy, measurement, operationalization, conceptualization, classification, regime, political system

### **Introduction**

From the late 19th century onward, that is, at least, from the publication of Lowell's classic study (1896), political scientists have consistently been interested in governments. They were interested in how governments are hired and fired, on the conditions that secured greater or lesser political stability, in how the fragmentation of the party system affected the stability and effectiveness of governments, in how the government performance could affect not only their legitimacy but also the legitimacy of the political system in which they operated and so on. The interest in the governments was primarily due to the fact that governments were and were believed to be the institution in charge of governing.

In recent years, however, from the early 1990s onwards, political scientists and social scientists more in general have switched their attention from governments to governance, as if there could be governing without governments (Rhodes, 1996).

By the mid-1990 'governance' had become a buzzword (Plattner 2013) and, several scholars (Rhodes, 1996, Fukuyama, 2013), lamented that while widely used the term was often associated with a wide range of diverse meanings (Offe, 2009). Rhodes (1996), for example, in his review of

how the term was used in the literature, noted that the term ‘governance’ has been used in association with at least six different meanings, namely “the minimal state, corporate governance, the new public management, ‘good governance’, socio-cybernetic systems, and self-organizing networks”.

In his discussion of what governance is and of how it could be measured, Fukuyama (2013:3) noted that governance is “a government's ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not”. Fukuyama went on to suggest that “The current orthodoxy in the development community is that democracy and good governance are mutually supportive. I would argue that this is more of a theory than an empirically demonstrated fact, and that we cannot empirically demonstrate the connection if we define one to include the other”<sup>1</sup>.

Building on Fukuyama’s work, we plan to show that the nature of the relationship between governance and democracy varies depending on how the two terms (of a political discourse) are defined, that when the definition of one term encompasses distinctive features of the other we find that governance and democracy are not just mutually reinforcing but even overlapping, that only when we distinguish on theoretical ground governance from democracy we create the basis for analyzing their relationship on empirical grounds exactly as Fukuyama had suggested.

This chapter is divided into four parts. In the first part we discuss how democracy and good governance have been conceptualized. In doing so, we will show that scholars have proposed a wide range of definitions of what good governance is (and is not) and that depending on how good governance is defined, one discovers that it identifies with democracy, or that it partially overlaps with democracy or that it is orthogonal to democracy. Because of the partial or total overlap between some definitions of good governance and democracy, we note, as Fukuyama suggested, that in some cases, it is not terribly useful to investigate the relationship between democracy and good governance. From an empirical point of view, it makes sense to investigate whether one contribute to the other or not, only if the two variable (and their constituent units) are mutually exclusive.

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<sup>1</sup>It is also important to balance this narrative with the position that, there is an evolving strand of literature that conceives and defines governance in terms of political (political stability/no violence and voice & accountability), economic (regulation quality and government effectiveness) and institutional (rule of law and corruption-control) dynamics (Oluwatobi et al., 2015; Andrés et al., 2015; Asongu & Nwachukwu, 2016a,b, 2017; Tchamyoun, 2017; Amavilah et al., 2017; Asongu *et al.*, 2017a,b).

In the second part, we show that the problems with conceptualization are coupled with problems in the way variables are operationalized (measured) and in the way in which the relationship between democracy and good governance is investigated. While we see the merit of Fukuyama's approach to analyzing the relationship between democracy and good governance, we point out nonetheless that the application of his approach may also encounter some problems because data may not be available, may be hard to collect and may be hard to model/ analyze.

In the third part, we formulate some critical remarks about the way in which several scholars and practitioners have conceptualized and operationalized democracy and good governance, while in the fourth and final section we summarize the main ideas discussed in the course of the chapter and we formulate some tentative conclusions.

## **Part One. Governance and Democracy**

### **Democracy**

The study on democracy generated two streams of research. One, grounded in philosophy, focused on the theories of democracy, while the second stream had a more empirical focus.

Scholars who were interested in what democracy is, also paid some attention to how democracies work empirically or to what makes them work and survive, but for the most part theoretically inclined scholars neglected the empirical side of the democratic studies, while the more empirically inclined scholars generally refrained from joining theoretical debates.

This is obviously a generalization because various scholars, such as Adam Przeworski (1985, 1991), Giovanni Sartori (1965, 1994) and Ian Shapiro (2009a, 2009b) have made seminal contributions to both the theoretical/philosophical and the empirical study of democracy. While scholars, like Richard S. Katz, have shown how our understanding of how well democracy works, of how well democratic institutions work, depends on how we understand democracy (1997).

The study of democracy, at the risk of committing a gross oversimplification, in addition to exploring what democracy is (and is not), what are the main families of theories of democracy, has discussed three main empirical questions:

- 1) what are the conditions that favor the transition from non democratic to democratic rule (Schmitter and O'Donnell, 1991),

2) what are the conditions that secure the survival of democratic regimes (Lipset, 1959; Linz, 1994; Mainwaring, 1993; Morlino, 2012; Przeworski, Alvarez, Limongi and Cheibub, 2000; Sartori, 1994, 1997),

3) what are the qualities of democratic regimes (Diamond and Morlino, 2005; Morlino, 2012).

Transitologists - this is how the scholars investigating democratic transitions are sometimes called in a possibly derogatory way – have discussed a wide range of reasons why non democratic regimes may collapse, a democratic transition may occur, and a democratic regime may be established.

In this respect we can identify two lines of inquiry, one which provided a macro-level explanation for why transitions occur, while the other provided instead a micro-level explanation.

Scholars with a macro-level approach argued that democratic transition occur because the previous regime enters a crisis or collapses, because it suffers a crisis of legitimacy, because it loses the performance-based portion of legitimacy, because of a contagion pattern/domino effect, but also because, sometimes, authoritarian regimes are victims of their own success. Socio-economic development creates social and economic pluralism, this socio-economic pluralism creates a demand for political pluralism, and the transition to democracy occurs precisely because of such a demand (Huntington, 1991)

Each of these explanations is corroborated by some empirical evidence. The democratic transitions in Eastern and Central Europe were to some extent the product of a contagion pattern, the democratization in Taiwan and South Korea occurred along the lines envisioned by modernization theorists, while the collapse of Marcos regime in the Philippines and the collapse of the **Orde Baru** in Indonesia were the result of an economic crisis (which eroded the legitimacy of the rulers and the regime).

Scholars, who adopt a micro-level approach, have generally lamented that while crises (economic or otherwise), modernization, foreign examples create the conditions for a transition, they do not cause/provoke a transition. Macro-studies neglect agencies and to address this possible shortcoming micro-level scholars such as Przeworski (1991) have developed game theoretic explanation for how the dynamic interplay between authoritarian rulers and citizens may eventually lead to establishing a democratic regime.

The second stream of empirical studies has attempted to understand what makes democracy survive. The first, somewhat paradoxical reason, why democracy survive is that they are democratic. They last longer than non-democratic ones because they have institutionalized and often

constitutionalized the mechanism that regulates the succession in power—a process which usually has fatal consequences for non democratic regimes. But while being democratic explains or might explain why democratic regimes outlive non democratic ones (Cheibub et al., 1996), it does not explain why some democratic regimes live more than others.

In this second respect, the literature has advanced four basic claims. Scholars working in the political culture tradition (Lipset, 1959; Almond and Verba, 1963; Putnam, 1993) have consistently argued that the reason why democracy and democratic institutions work better in some countries than in others and, subordinately, why democracy lives longer in some countries rather than in others is that some countries have a civic culture or a political culture which is inherently more compatible with democracy than the political culture that characterizes some other polities.

The second claim advanced by the literature is that the life expectancy of a democratic regime is a function of its form of government. The Presidential form of government, Linz (1994) famously argued, is much less likely to sustain democracy than the parliamentary form of government. This argument was criticized on two grounds. Sartori (1994, 1995) stated quite clearly that parliamentary systems are not necessarily better than semi-presidential ones and forcefully argued that the best form of government is the semi-presidential one. The second criticism, advanced by Mainwaring (1993), is that democracy in presidential setting collapses because of the hyper-fragmentation of the party system and not because of presidentialism.

The third claim, that blends culture and party system, was advanced by Sartori (1976) who famously noted that the combination of party system fragmentation with ideological polarization, which is the product of a country's political culture, makes democratic governments dysfunctional, erodes their performance-based legitimacy and eventually leads to their demise.

The fourth claim, advanced by Morlino is that the survival of democracy depends on the quality of democracy. Democratic systems that function well, that deliver the outputs that democratic systems are expected to deliver and that are able to enjoy the confidence of their citizens, by doing so, create the conditions for their own survival.

The study of the qualities of democracy has become, over the years, a rather important research agenda. Qualities of democracy are needed to map democratic systems, to distinguish liberal democracies from what have alternatively been called formal, electoral, illiberal democracies or, even, electoral authoritarian regimes. They may provide an explanation for why some democratic regimes outlive others, and they are possibly instrumental to explore the relationship between democracy and good governance.

Leonardo Morlino has proposed one of the best frameworks for the study of the qualities of democracy. For Morlino, democracy is a three-dimensional phenomenon that pertains to democratic procedures, the content of democracy and the outcome of the democracy-- see Table 2.

The first democratic domain for Morlino concerns the procedural aspects of democracy. If we focus on this first set of dimensions we can see that some of them pertain to the representative dimension, while some others pertain to the way decisions are made in a democratic system. Specifically, competition, participation and electoral accountability pertain to what could legitimately be regarded as the representative dimension of democracy. In fact, without multi-party competition, high levels of voter participation, and voters' ability to access free information on the campaign and to determine the outcome of the electoral competition, the election fails to perform their basic representative function without which a political system cannot possibly be regarded as democratic. Whereas, the rule of law, the absence of corruption (and other forms of unethical behavior), and inter-institutional accountability pertain to what could be regarded as the decisional dimension of democracy.

Morlino's second domain concerns what Morlino regards as the content of a democratic regime, namely its ability to promote both freedom and equality. Freedom and equality are viewed in Morlino's framework as the output of democratic decisions. In this paper, instead of focusing on the nature of the decisions taken by democratic regimes to promote freedom, equality or both, I focus instead on their ability to decide. I do so while it is fairly clear who has the constitutional mandate to decide in a democratic setting, its ability to promote some substantive elements – the content – of democracy is very much affected by whether it is actually able to take decisions.

Morlino's third democratic domain relates to the ability of a democratic regime to be responsive to the electorate, that is to satisfy the electorate's present demands and/or to anticipate the electorate's future demands.

Tab. 1 Determinants of Democratic Quality

Domain	Dimensions	Variables	Source	
Procedure	Rule of law	Physical integrity;	CIRI and QOG	
		Government effectiveness;	WB Governance indicators Transparency Internatioanl	
		Corruption perception index		
	Electoral accountability	Freedom of the press;	Freedom House CIRI	
	Inter-institutional accountability	Electoral self-determination	Executive constraints;	Polity IV
			Number of oversight tools;	Pelizzo and Stapnehurst, 2010
Participation Competition		Voter turnout	IPU	
		Number of parliamentary parties;	IPU	
		Difference in the number of parliamentary seats between the first and the second party	IPU	
Content (outputs)	Freedom	Gastil Index	Freedom House	
	Equality	Gini Coefficients	Babones dataset	
Result (outcomes)	Responsiveness/Legitimacy	Satisfaction with democracy	Asia barometer	

Source: Morlino, Dressel and Pelizzo (2011)

This multidimensional framework is quite useful not simply to identify and assess cross-nationally the qualities of democracy, but also to categorize types of democratic regimes. Countries where all

these qualities are lacking are non-democracies, countries where all these qualities are present are perfect democracies, while all the in-between cases should be regarded as imperfect, egalitarian and effective depending on the combination of democratic qualities depending on which features they have/lack. See Table 2.

**Figure 2: Democratic Qualities and Types of Democracies**

Rule of law	Accountabilities	Responsiveness	Freedom	Equality	<i>Outcome</i>
+					Effective
+	+				Responsible
+	+	+			Legitimate
+	+		+		Free
+	+			+	Egalitarian
+	+	+	+	+	Perfect

Source: Morlino (2010)

## **Governance**

As we recalled earlier on, governance has been defined in several different ways in the literature and it is probably useful to review here some of the best known definitions.

In several of his writings Daniel Kaufmann has discussed how governance could be measured, why governance matters, how governance differs from corruption (contra Huther and Shah), and what it is. For Kaufmann, governance is defined “as the traditions and institutions by which authority in a country is exercised for the common good” (Kaufmann, 2005:82).

This definition is fairly similar to the definition provided by Francis Fukuyama (2013), for whom governance is defined as “a government's ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not”. The two definitions are fairly similar because they both seem to conceive governance as a state’s ability to design and implement policies that may be beneficial to society. In fact, Fukuyama’s ‘ability to make and enforce rules’ is exactly the way in which, for Kaufmann, ‘authority is exercised’. Fukuyama is explicit about the fact that authority should be exercised to ‘deliver services’ to a society or citizens that are not, curiously, explicitly mentioned in his analysis. Kaufmann, much in the same vein, notes that the ability to make and implement policies serves the common good, that is the well being of a society,

Hence, in both definitions we have an entity (the government, the state, a set of state institutions, ...) that makes and implements policies for the well being of society/the citizens.

For Huther and Shah (2005:40) governance is “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.”

Rothstein and Teorell (2008) have, correctly in our view, argued that each of these definitions is problematic. These definitions are too broad, governance cannot be good only if delivers economic results because in this way one forgets all the important non-economic outcomes, good governance has to be more than the absence of corruption. Rothstein and Teorell also, to the delight of those who have studied some logic (analytical skills), have shown that some of these definitions (of governance) are logically fallacious because they are so broad as to include everything, they end up including something and its opposite, thus violating principle of non-contradiction, other are fallacious because they display circular reasoning (*petition principii*), and other are potentially fallacious because they posit an infinite regress.

To avoid all the possible problems that other definitions may have encountered, Rothstein and Teorell note that the defining feature of good governance is whether the exercise of power (they way in which decisions are taken and enforced ) is impartial.<sup>2</sup>

This brief overview of some of the definitions provided by the literature shows, rather clearly, that governance has been defined in many more ways that Rhodes (1996) had envisioned in his classic study. Governance is not just “the minimal state, corporate governance, the new public management, ‘good governance’, socio-cybernetic systems, and self-organizing networks”, but is also absence of corruption, good administration, and impartiality.

But even with these integrations, the list of the meanings or the definitions of ‘governance’ would not be complete because the term governance has also used to speak about democracy without having to use the word democracy. For many years, in fact, democracy, the so-called D-word, was

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<sup>2</sup>And if one wanted to be critical one could note that Rothstein and Teorell’s understanding of what democratic governance is about is loaded from a normative point of view (only for the theorists of some political-philosophical traditions equality is a possible of even desirable condition, but it is clear that for political theorists from Guenon to Pareto equality was neither desirable nor possible...), that the impartiality of the decision making process does not prevent in any way bad decisions from being taken, that in understanding what good governance is one should not separate the decision making process, the formal procedural aspects of the policy making process, from the content of the decisions taken.

the word that could not easily be used by international organizations—democracy, just like corruption, was believed to be part of a countries' domestic/political affairs and the international community did not believe to have the right to interfere with the way countries were handling their domestic political affairs. Good governance was a term that could be used to speak of the substance of a democratic regime, without having to use the D-word.

It is important to recall this often forgotten point because it has significant consequences as to whether, how and to what extent governance any relationships with has or any impact on democracy.

Before proceeding to test whether, how, to what extent and under what circumstances governance, as good governance, and democracy are related -or could be related to one another from an empirical point of view - we need to devote some attention to the agreement/disagreement between Fukuyama, Kaufmann and Rothstein/Teorell who represent the most important voices in this debate.

We noted above, and we believe we explained why, Kaufmann's and Fukuyama's definitions of governance are fairly similar if not nearly identical. Rothstein however, as we have seen, is critical of Kaufmann's definitions and Fukuyama believes that his own definition of governance avoids the possible criticisms to which Kaufmann's definition was open to. Yet, how can Fukuyama believe to avoid the shortcomings of Kaufmann's definition with a definition that is nearly identical to that of Kaufmann?

The answer can be found in the word of explanation that both Kaufmann (2005) and Fukuyama (2013) provided to explain what they meant as governance.

For Kaufmann (2005:82), good governance is a tri-dimensional phenomenon that pertains to “the process by which those in authority are selected, monitored, and replaced (the political dimension); the government's capacity to effectively manage its resources and implement sound policies (the economic dimension); and the respect of citizens and the state for the country's institutions (the institutional respect dimension).” Kaufmann and his team have devised a database, that includes six variables, two for each of the three dimensions discussed above. The six variables are: voice and accountability, political instability and violence, regulatory quality, rule of law, control of corruption, and government effectiveness.

The literature (Pelizzo, Baris, Janenova, 2017) has lamented that some of these dimensions are not adequately measured.

But leaving aside the question of whether these variables/dimensions are measured correctly -and this may not be the case- it is not always entirely clear why such variables capture what Kaufmann regards as the constitutive dimensions of (good) governance. For example, Kaufmann and his associates claim that the citizens' respect for and, conversely, the legitimacy of state institution is a constitutive dimension of good governance, yet none of the variables included in the Worldwide governance indicators provide any indication about that.

For Fukuyama (2013) instead governance or good governance or the quality of government is the result of the interaction between bureaucratic capacity and bureaucratic autonomy (which includes and in some ways goes beyond to the impartiality advocated by Rothstein and Teorell). For Fukuyama procedures and outputs cannot be used to properly assess good governance because outputs could be due to conditions other than good governance, while some of the procedures associated with the 'Weberian bureaucracy' say little about the quality of government. Furthermore, Fukuyama deliberately excluded democratic accountability from his definition of (good) governance because, Fukuyama noted, "we will later want to be able to theorize the relationship between governance and democracy", something which could not be done if (democratic) accountability were included in the definition of both democracy and good governance.

## **Part Two. From concept to measurement and analysis**

We are now able to show what we anticipated in the introduction namely that the relationship between democracy and good governance varies depending on how democracy and good governance are understood.

If, as the international community has done at some point, one equates democracy and good governance or democracy and governance, asking whether and to what extent democracy is related to or affected by good governance, becomes a trivial question as it amounts to asking whether democracy is related to itself or whether good governance relates to itself. In this case, obviously, the answer is that good governance and democracy are related to one another because they are one and the same thing. And, as a result, it does not make any sense to try to investigate whether democracy affects the level of good governance or whether the level of good governance affects the quality/qualities of democracy.

If, following the work of Dani Kaufmann, one defined good governance as an environment characterized by low levels of political instability and violence, by a considerable ability to control corruption, by high level of the rule of law, by considerable government effectiveness, by high

levels of voice and accountability, and by high regulatory quality, then one would find that such a political system is largely overlapping with the high quality democracies described by Morlino. Or, more precisely one would find that a system with high level of good governance is at least a legitimacy democracy in Morlino’s mapping of democratic regimes.

**Tab. 2 Morlino and Kaufmann**

Morlino			Kaufmann	
Procedures	Rule of law	Physical integrity/absence of violence Government effectiveness Control of corruption	Rule of law Political instability and violence (absence of) Government effectiveness Control of corruption	
	Electoral accountability		Voice and accountability	
	Inter-institutional accountability			
	Participation			
	competition			
Output	Freedom		Regulatory quality	
	Equality			
Outcome	Legitimacy			

Kaufmann’s operationalization of good governance, in fact, includes most of the variables and indicators that, for Morlino, relate to the procedural qualities of democracy. Hence, unless one wanted to consider Kaufmann’s regulatory quality as a proxy for Morlino’s output, that could lead one to consider Kaufmann’s good governance systems as examples of either liberal or egalitarian democracies, a country with good governance is certainly a legitimate and possibly a responsible democracy according to Morlino’s framework.

If one adopted Kaufmann’s approach to estimating good governance, one could not meaningfully assess whether it relates to democracy, that is whether it is a cause or a consequence of democracy, because some of the variables or indicators that are used to measure good governance are also used to measure democracy and, as a result, one would inevitably end up finding that good governance and democracy are related. One way in which this problem could be solved, would be to exclude from the estimation of both good governance and democratic qualities, the features that the two

phenomena have in common and see whether there is a relationship between the remaining features of the one and the remaining features of the other. For instance, given the great similarity or the overlap between the procedural qualities of democracy and the good governance variables adopted by Kaufmann and his collaborators, one could simply focus on the way in which good governance a la Kaufmann relates to the democratic outputs and outcomes. In doing so, one would do something fairly similar to what Morlino envisioned to test whether there is a funnel of causality and a democracy's ability to deliver certain outputs and generate certain outcomes is a function of its procedural features. Such a solution would also bring the Kaufmann approach closer to what Rothstein and Teorell proposed.

For Rothstein and Teorell, if one defined good governance in terms of impartiality (as precondition and correlate of equality), good governance shares with democracy a significant feature, because equality is simultaneously the defining feature of what good governance is and one of the outputs that a democratic regime is expected to produce. If equality is the defining feature of good governance and if equality is one of the two most important outputs that democracy is expected to generate, then good governance is one of the outputs that a well functioning democratic regime is expected to produce.

We noted that by modifying the second approach to estimating the relationship between democracy and good governance, it could resemble in some ways the Rothstein/Teorell approach and we need to explain why this may be the case. Rothstein and Teorell suggests to assess the level of good governance or the quality of government on the basis of how well it ensures and promotes equality—which, for Morlino, is one of the democratic outputs. By using the measures of good governance as a la Kaufmann to see whether they affects a political regime to deliver what Morlino regards as democracy's outputs and outcomes, we end up with an approach that is consistent with Rothstein and Teorell in so far as it focuses on the promotion of equality and that it goes beyond such an approach in so far as it also considers the ability to generate democratic outcomes.

If, finally, one conceived good governance as a combination of bureaucratic capacity and autonomy, as Fukuyama did, one would find that the definition of democracy and good governance have little if anything in common, they are, to use the statistical terminology, orthogonal to one another. By performing an analysis between democracy, however defined and measured, and good governance as a combination of bureaucratic capacity and autonomy could effectively investigate empirically whether democracy promotes good governance, whether good governance improves the quality of democracy or whether the reason why the two variables are associated with one another is because they are both the result of a third, yet unobserved, variable.

### **Part Three. Some critical remarks**

Depending on how good governance and democracy are conceptualized, they are mutually exclusive (Fukuyama), minimally overlapping (Rothstein and Teorell), partially overlapping (Kaufmann) or entirely overlapping. And, of course, depending on whether and how much they overlap, it becomes more or less meaningful to assess the impact of one on the other for reasons that we have already discussed.

In order to testing whether, how and to what extent democracy influences or is influenced by good governance, it is necessary to move beyond the conceptualization of the phenomena under study and to consider how these phenomena, their dimension, and subdimensions can be properly operationalized.

Each of the approaches listed above has some problems with the operationalization of the variables as we will detail in the course of the present section.

If we assume, a la Kaufmann, that good governance is that system of government which is (expected to be) good for economic performance and that is measured on the basis of political stability and violence, control of corruption, rule of law, regulatory quality, government effectiveness, and voice and accountability, one has to be sure that each of these substantive dimensions is properly measured. Each of these measures is estimated by the World Governance Indicators—a set of indicators that Daniel Kaufmann and his colleagues at the World Bank Institute-devised to assess and track over the time the quality of government around the world.

These indicators, including the one concerning the control of corruption, are computed by aggregating the estimates from 32 data sources, 4 of which were Commercial Business Information Providers, 8 were Public Sector Organizations, 9 were surveys of Households and Firms, while 11 were NGOs.<sup>3</sup>

By aggregating the information provided by these sources, WGI estimates the level of corruption, political stability, rule of law and so on. Recent studies have, however, made it quite clear that some of such estimates, as, for example, the corruption estimates generated by WGI, are highly unstable/volatile, present problems of reliability, and are not validated by corruption levels estimated with alternative methodologies (Pelizzo, Baris, Janenova, 2017).

Hence, assuming that good governance should really be measured on the basis of the six variables identified by Kaufmann and his colleagues, it is not clear whether the way in which these variables

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<sup>3</sup> There are four types of data sources that are used to compute the Worldwide Governance Indicators. The four types of data sources are 1) **surveys of households and firms** such as Gallup World Poll, Afrobarometer, and the Global Competitiveness Report; 2) **Commercial Business Information Providers** such as Political Risk Services, Economist Intelligence Unit, 3) **NGOs** such as Freedom House and Global Integrity and 4) **Public Sector Organizations** such as the European Bank for Reconstruction and Development transition reports and the World Bank's CPIA (Country Policy and Institutional Assessment) assessments.

are computed and the estimates are generated provide valid and reliable indications of how much corruption or stability or rule of law there is in a given country.

The problem of properly computing the level of stability, accountability, corruption does not simply affects the quality of the good governance estimates, but it also affects the quality of the measures with which the qualities of democracy are assessed because, as we noted when we discussed Morlino's framework for the analysis of democratic qualities, many of the indicators that WGI devised to assess the overall level of good governance are also used by Morlino to assess several of the sub-dimensions of the procedural quality of democracy. This problem could be bypassed by employing different data and data sources to the assess the various dimensions and sub-dimensions identified by Morlino. This solution would be a viable one if the alternative data and datasources did not display the same problems that, according to Pelizzo, Baris and Janenova (2017), plagued the WGI estimates. Pelizzo, Baris and Janenova (2017), in their analysis, revealed not only that WGI's control of corruption variable is not terribly reliable and is not validated by other indexes of corruption, but they also revealed that Transparency International's Corruption Perception Index also has severe problems of validity and reliability. Corruption Perception Index displays wide upward and downward swings, as if corruption increased and decreased massively on a year to years basis, and is not in line with other indexes of corruption such as the one devised by WGI or as the various indicators of corruption developed by the Global Competitiveness Report.

The Corruption Perception Index, in addition to the problems that the literature has already identified, presents an additional problem to those who wish to empirically analyze the relationship between corruption and democracy or between democracy and good governance. The problem originates in the way corruption levels are estimated by Transparency International.

Transparency International, which, as the name indicates is committed to transparency, discloses the data and the sources it employs to estimate corruption levels around the world. TI reveals in fact that CPI is an aggregate measure of corruption constructed by aggregating the estimates generated by 12 data sources, namely African Development Bank Governance Ratings, Bertelsmann Foundation Sustainable Governance Indicators, Bertelsmann Foundation Transformation Index, Economist Intelligence Unit Country Risk Ratings, Freedom House Nations in Transit, Global Insight Country Risk Ratings, IMD World Competitiveness Yearbook, Political and Economic Risk Consultancy Asian Intelligence, Political Risk Services International Country Risk Guide, World Bank - Country Policy and Institutional Assessment, World Economic Forum Executive Opinion Survey (EOS) and the World Justice Project Rule of Law Index.

But, upon analyzing how individual country data are computed, one realizes that not all sources are used for all countries. This is somewhat unavoidable since one could not expect African

Development Bank to generate governance ratings for Pacific Islands, South East Asia, Central or South Asia. But, more puzzling, TI does not use the same data and data sources for countries located in the same region. TI computes the CPI for Kazakhstan using 8 of the 12 data sources listed above, while it uses only 6 data sources to estimate the CPI for Kirgызstan—of which only 5 are used for both countries. But leaving aside whether and to what extent an index such as this provides a solid foundation for cross-country analysis, one has to wonder about whether using Freedom House's estimates to compute an index of perceived corruption would provide any indication as to how much corruption there is in a given country. Worse, by including Freedom House's estimates to generate an Index of Perceived Corruption, TI de facto runs the concrete risk of underestimating the level of corruption in democratic settings, while overestimating the level of corruption in non democratic countries. Hence, such a variable should not be used to conduct any statistical analysis of whether democracy hinders corruption or not, because given the way in which CPI is computed, the statistical analysis would generate biased, and therefore unreliable, results.

Hence, empirically investigating the relationship between the quality of democracy and the quality of government as conceptualized and operationalized by Kaufmann and his team is highly problematic not only because of the way in which Kaufmann and his associates conceptualize good governance but also because of the way the quality of democracy and the quality of government, with their several subdimensions, are estimated.

The approach devised by Rothstein and Teorell is also somewhat problematic. In their understanding, there is only a minimal overlap between good governance and democracy. This overlap is due to the fact that both good governance and democracy are expected to generate equality. This approach is problematic for fifth reasons.

First it is problematic because it is an ideologically charged idea to say that equality is an objective that a democratic government should pursue or an output that it should produce. Obviously there is a long, distinguished tradition of Utopian socialists, from Campanella onward, who believed in the equality of people and, subordinately, in the fact that the functions that one performed could be performed by anybody else. Hence for individuals who belong to this tradition, the pursuit and/or the promotion of equality is a desirable thing to do. There is, however, a long and distinguished tradition of conservative thought, or traditionalist thought to be more precise, that echoes in the works of Guenon, who believes that the hierarchy represents the natural order of things, that the purpose of a government is the preservation of such natural order, and that departures from this natural order should be resisted. And in all those cases in which modernity had violated the natural order in the name of equality, the situation could only be fixed by a 'restauration of the spiritual tradition' (Guenon. 2001). While the idea of promoting equality is inherently futile for the scholars

(Michels, 1915; Mosca, 1982; Pareto, 1963) because in all organizations, in all groups, in all societies there are those lead (elite) and those who follow, and when the elite decays, it is replaced by a new elite. And in a process of this kind, in which elites circulate so to speak by themselves, promoting equality is simply pointless.

Second, there is nothing inherently democratic about promoting equality since the purpose of Communist regimes was precisely that to ensure equality and create a classless society—hence by taking equality as the benchmark of a high quality democratic government, we would end up considering former Communist regimes as instances of democratic, well functioning governments—whereas, the literature has generally noted that such regimes were not terribly democratic and it is not always clear, given their ideological-bureaucratic burden, how good they actually were.

The third problem, that a Pareto reader may not fail to detect, is that such an approach commits a jump unit analysis of the kind that Sartori criticized in his some of his methodological work (Sartori, 1970). The promotion of equality, especially if it is due to the fact that the living standards of the poorer segments of society are improved, amounts to a betterment of the living conditions of specific individuals, even many, but, as we are always reminded by socialist thinkers (Katz, 1997) - contra Bentham or contra Schumpeter or more recently contra Thatcher – a society is more than the sum of the individuals and the fact that the living conditions of individuals improves says precious little as to whether that represents an improvement for society as a whole.<sup>4</sup>In other words, by promoting equality, we improve the quality of life of specific individuals, not of society as a whole. The betterment takes place at the micro and not at the macro level, and the improvement at one level does not translate into an improvement in the other and those who believe otherwise commit a logical fallacy known as exception fallacy—which is wrong because it makes macro inferences from micro level data.

Worse, for Pareto and his followers, improving the living conditions of an individual could amount to harming the well being of a society in the long term for the reasons we noted above.

The fourth, highlighted by Fukuyama (2013) is that once we attempt to assess the quality of the results it is able to achieve, we do not whether such results were achieved because of a government or in spite of it and therefore, Fukuyama argues, it is rather tricky to assess the quality of democracy on the basis of the outputs it produces.<sup>5</sup>

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<sup>4</sup> Margaret Thatcher, who served as the Conservative Prime Minister in the United Kingdom from 1979 to 1992, like some of the liberal democratic theorists earlier on, had the belief that a society is simply the sum of the individuals. This view has been challenged by the critics of liberal theories of democracy, but also by noted democratic theorists such as James Madison and Robert Dahl. An informed analysis of how different liberal democratic theorists conceived society (and democracy) can be found in Katz (1997).

<sup>5</sup> Contra Fukuyama (2013), see Rotberg (2014).

The fifth problem, by taking the promotion of equality as the benchmark for good governance, one would end up regarding a government that successfully distributes wealth among its citizens to be as good as a government that makes all citizens equal in abject poverty, in spite of the fact that achievement of the former (creation and distribution of wealth) seems preferable to the pauperization of society.

So, while the Rothstein and Teorell approach avoids the shortcomings that we detected in the Kaufmann approach, it runs into a series of problems that may lead to either inconclusive or paradoxical results.

The Fukuyama approach avoids the problem encountered by both the Kaufmann's and the Rothstein/Teorell's approach. Good governance is orthogonal to democracy, democracy's subdimensions are not captured by the same variables that are used to quantitatively assess the subdimensions of good governance and, therefore, in many respects it represents a better approach to assessing the quality of government and how it relates to democracy. Democracy and good governance are truly orthogonal to one another, the measures employed to assess one are not used to assess the other, and, as a result, Fukuyama's approach to how the relationship between good governance and democracy could be investigated avoids all the shortcomings that we identified in the approach of Kaufmann and Rothstein/Teorell.

Yet, in spite of the many advantages that the Fukuyama's approach seems to have over the competing approaches, it also seems to be confronted with three difficulties. Unless one were willing to use the WGI's variable on government effectiveness, which is a rather problematic proxy for the autonomy and the capacity of the bureaucracy, there are no comprehensive datasets -or at least there weren't when Fukuyama asked what is governance? – that provide comprehensive and detailed information on the capacity and the autonomy of bureaucracies around the world. Hence, the absence of available data is the first problem that scholars willing to work in Fukuyama's footsteps would have to solve.

The second problem that one would encounter in an attempt to use Fukuyama's approach is that collecting original data and assembling an original dataset could prove a rather problematic effort the reasons that Fukuyama himself acknowledged: bureaucratic capacity and autonomy may vary not only across countries, but also within countries, across regions and across sectors. Hence, the scholar would have to find a way to assess good governance or the quality of governance by region and sector, proceeding then to aggregate these estimates to generate a nationwide aggregate score for good governance which is how Pelizzo, Baris and Janenova (2017) suggested that corruption can be estimated. And, furthermore, the collection of such data could prove problematic also because if one were to run an expert survey, as Fukuyama noted, the national (or even subnational

estimates) could be biased by the fact that different experts have different expectations, different standards and different benchmarks and therefore, and therefore may consistently assess how well government functions or not. A similar problem may characterize perception-based measures of corruption, because the assessment (subjective) of how much corruption there is, reflects not only the (objective, real) level of corruption, but also the respondents' attitudes towards corruption. To be clearer, individual who have higher tolerance for corruption and other forms of unethical behavior tend to see less corruption than those individuals who have lower tolerance for corruption and unethical behavior.

The Fukuyama approach may encounter a third problem pertaining not so much to the collection of data but to how the data could be analyzed. For Fukuyama, good governance is a function of bureaucratic autonomy and capacity. But, interestingly, for Fukuyama the relationship between bureaucratic autonomy and good governance is not linear – more autonomy leads, is associated with, is responsible for more good governance – but curvilinear. In other words, in Fukuyama's approach good governance improves as the bureaucratic autonomy increases up to a certain point, it (good governance) peaks as bureaucratic capacity reaches a certain point, past which good governance declines/drops as bureaucratic autonomy continues to increase. What determines the tipping point, the point at which bureaucratic autonomy stops being an asset and becomes a liability, is the level of bureaucratic capacity. This means that a very capable bureaucracy may remain properly functioning at levels of autonomy at which a less capable bureaucracy is totally dysfunctional.

Why did we say that such an approach to analyzing the data is problematic and could represent the third problems that Fukuyama and his followers may have to solve? Partially because, to repeat what Fukuyama observed about the way in which the literature investigates the relationship between good governance and democracy, the relationship that Fukuyama posits between capacity, autonomy and good governance is assumed rather than being empirically demonstrated. Partially because saying that a capable bureaucracy can be more autonomous without compromising its performance than a less capable does not provide a terribly precise indication of how much capacity and how much autonomy are needed to keep bureaucracies functioning. And partially because, economists and social scientists in general, prefer to think in linear terms and prefer to use linear models. Hence the idea that bureaucratic autonomy is curvilinearly related to good governance would somehow complicate the way in which such a relationship could be modeled and could undermine the scholar's ability to use such a model for predictive purposes.

## **Conclusions**

In the course of this chapter we have tried to advance two basic ideas. The first idea is that there is considerable variation in the extent to which the conceptualization of good governance overlaps with the conceptualization of democracy. Because of this overlap, as Fukuyama (2013) had already noted, in some cases it is not possible or does not make sense to investigate how democracy relates to good governance because they are either entirely or partially indistinguishable from one another. Following Fukuyama, we also noted that the relationship between good governance and democracy can be investigated in an empirically meaningful way only if the two concepts are mutually exclusive.

The second idea that we discussed is that, in addition to the problems of conceptualization, there are also significant problems in the way variables are operationalized. In this respect there seem to be two different problems. One is that it is not always clear as to whether and how well the variables that used to assess the various dimensions of good governance actually relate to those dimensions. For example, Kaufmann indicates that the judicious use of public resources and the citizens' respect for the state institutions are some of the dimensions that constitute (good) governance. Maybe so, but assuming that good governance is in fact the result or the produce of various things including the use of resources and the legitimacy of the state institutions, none of the variables that Kaufmann and his colleagues devised (voice and accountability, rule of law, control of corruption, quality of regulations, government effectiveness,...) provides any indication about how legitimate the state is or about how well resources are used. The control of corruption variable, for example, could be used as a proxy for the good use for resources. But it is an imprecise way of assessing it, because resources can be misused for criminal purposes (corruption), but they can also be misused because of several other reasons ranging from ideology to populism to incompetence. It is equally, if not more, problematic that notion that any of the variables included in the Worldwide Governance Indicators could provide any indication of citizens' respect for state institutions or, conversely, the legitimacy of state institutions. But even assuming that the variables employed by Kaufmann do indeed capture the dimensions that, according to Kaufmann, represent the constitutive elements of good governance, it is not clear how good these variables/measures are. The problem, in this respect, is not simply that these variables fail at times to be cross-validated by other variables that are designed to measure the same phenomenon or that they display considerable instability/volatility (which raises doubts about their reliability), but is how they are estimated/computed.

For example the Corruption Perception Index is measured on the basis of several variables, including the quality of democracy computed by Freedom House on the basis of the Gastil index which averages out the quality of political rights and civil liberties in a country. Leaving aside

whether rights and liberties are the most appropriate indicators of how democratic a country is (because such an approach is normatively loaded and could appeal to liberal democratic theorists, but much less to radical democratic theorists), inferring the level of corruption in a country from its quality of democracy is a normatively loaded approach, is empirically questionable (some non democratic regimes such as Singapore are corruption free, whereas corruption is rampant in democratic settings such as Indonesia), and eliminates the possibility to empirically investigate the relationship between (the quality) democracy and corruption because once we measure one on the basis of the other, analyzing their (statistical) relationship becomes pointless.

Given the problems of conceptualization and operationalization, that I have tried to discuss in this chapter, it is not clear whether there is a relationship between democracy and good governance but, worse, it is not at all clear whether scholars have the proper tools to investigate it. And considering that ‘good’ governance has been a buzzword for more than twenty years now and has generated quite a sensation in scholarly circles, one has to wonder whether it was something more than much ado about nothing.

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