



# Good Governance: The Inflation of an Idea

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# **Good Governance: The Inflation of an Idea**

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Good governance is a good idea. We would all be better off, and citizens of many developing countries would be much better off, if public life were conducted within institutions that were fair, judicious, transparent, accountable, participatory, responsive, well-managed, and efficient. For the millions of people throughout the world who live in conditions of public insecurity and instability, corruption, abuse of law, public service failure, poverty, and inequality, good governance is a mighty beacon of what ought to be.

Due to this intuitive appeal, good governance has grown rapidly to become a major ingredient in analyses of what's missing in countries struggling for economic and political development. Researchers have adopted the concept as a way of exploring institutional failure and constraints on growth. Putting governance right has become a major aspect of development assistance. Advocates have linked the advancement of a variety of issues to improved governance. By the 2000s, a significant portion of the development agenda was related to good governance; international development agencies created departments of governance, employed a small army of governance advisors and researchers, included governance components in their assistance packages, and increased funding for good governance initiatives.

Intuitively and in research, good governance is a seductive idea—who, after all, can reasonably defend bad governance? Nevertheless, the popularity of the idea has far outpaced its capacity to deliver. In its brief life, it has also muddied the waters of thinking about the development process. The trajectory of this idea—an introduction that provides new energy to research and practice, mounting popularity as it is adopted by a host of academics and practitioners, and inflation as it becomes increasingly essential to end goals in development—is not uncommon in the field of development. Indeed, the field can be credited with much faddism of the magic bullet variety, overly susceptible to the thrall of ideas that promise to deal effectively with a host of constraints on prosperity and equity. Community development, basic needs, participation, sustainability, appropriate technology, and a host of other ideas—the history of development thinking is littered with elastic concepts that grow in inclusiveness as they become popular. None of them is necessarily a bad idea, and some are probably very good ideas, but all have fallen short of the inflated expectations of their proponents.

Having failed to meet these expectations, or having unearthed knowledge of new constraints, such concepts have often been devalued as the field moved on to new ideas that promised to “deliver” development. This is a possible future for the concept of good governance. But throwing away ideas that fall short of expectations is rarely warranted, and good governance is a useful concept. It calls needed attention to the institutional

underpinnings of effective economic and political management. Yet this laudable idea has become conflated with the capacity to generate growth, alleviate poverty, and bring effective democracy to peoples in poor countries. Rather than discarding it because it has become inflated, scholars and practitioners should instead seek a reasonable understanding of what good governance can deliver—and what it cannot. They should also assume more realistic expectations about how much good governance can be expected in poor countries struggling with a plethora of demands on their capacities to pursue change. In this chapter, I explore how and why the concept of good governance emerged and grew too large, and then suggest ways that academics and practitioners can become more sensitive to the limitations of fads and to curb the tendency toward idea inflation.<sup>1</sup>

### **Good Governance: The New Kid in Development Discourse**

Governance is widely understood, when used with regard to government or the public sector, to refer to the institutional underpinnings of public authority and decision making. In this way, governance encompasses the institutions, systems, “rules of the game” and other factors that determine how political and economic interactions are structured and how decisions are made and resources allocated.<sup>2</sup> Clearly implicit in the general concept is the notion that good governance is a positive feature of political systems and that bad governance is a problem that countries need to overcome.

Good governance most generally refers to a list of admirable characteristics of how government ought to be carried out—“Sweden or Denmark on a good day, perhaps,” as Matt Andrews has written.<sup>3</sup> Indeed, much of the concept’s popularity can be linked to the positive images it embodies. For the World Bank, for example, attractive characteristics of good governance are accountability and transparency, efficiency in how the public sector works, rule of law, and ordered interactions in politics.<sup>4</sup> The UNDP, which has taken a strong interest in the promotion of good governance, singles out characteristics like participation, transparency, accountability, effectiveness, and equity as its most important characteristics.<sup>5</sup> Hyden, Court, and Mease refer to dimensions of good governance—participation, fairness, decency, efficiency, accountability, and transparency—that are equally evocative.<sup>6</sup>

Good governance at times is also used to refer to normative concerns about what government should do—reduce poverty, for example, or maintain macroeconomic stability, or provide basic services. The UK’s Department for International Development, for example, a recognized leader in focusing attention on governance issues in the international donor community, identifies a series of “capabilities,” most of which are expectations about what governments should do—ensure voice, macroeconomic stability, growth that is poverty reducing, policies that positively affect the poor, universal provision of basic services, personal and national security, and accountable government.<sup>7</sup> Elsewhere, “goods” such as property rights, education, and healthcare are included as indicators of good governance. Kaufman includes both “how” and “what” features such as accountability, political stability, effectiveness; rule of law; and control of corruption.<sup>8</sup> Thus, in the bundle of good things that have come to be understood as good governance,

qualities of institutions are often combined with expectations about the promotion of particular kinds of policies.

Despite some differences in the definition, the idea of good governance has also resonated across a wide political spectrum. For those on the political right, good governance has meant order, rule of law, and the institutional conditions for free markets to flourish. For those on the political left, good governance incorporates notions of equity and fairness, protection for the poor, for minorities, and for women, and a positive role for the state. For many others found along the continuum from right to left, the concept is attractive for its concern about order, decency, justice, and accountability.

The emergence and popularity of the idea of good governance can be credited to more than its attractive characteristics and admirable policy goals, however. Indeed, by the late 1980s, a confluence of intellectual and experiential trends brought increased visibility to this idea.<sup>9</sup> Particularly in the fields of economics and political science, and echoed in practitioner and advocacy communities, the concept was a useful way to re-acknowledge the important role of the state in development. It took on greater life as a solution to a practical dilemma faced by development practitioners—how to frame political interactions in a way that appeared to be apolitical. It also grew in influence as the result of research practices that privileged large samples of countries over in-depth analysis of individual cases. And it became even more popular when advocates of various causes found it a useful umbrella under which to present and justify their particular concerns. The idea of good governance thus proved useful—and flourished from the late 1980s to the present.

***Origins: Rehabilitating the State.*** The idea of good governance owes much to the intellectual resurrection of the state as a positive “player” in economic and political development. The state, of course, had long been at the center of development practice; from mercantilism in 16<sup>th</sup> century Europe to import substitution in the mid-20<sup>th</sup> century in late developing countries, the state was a center of investment decisions and policies to spur growth. Similarly, academic literatures of the 1950s-1970s recognized the important role of states in the development process—economists argued that in poor countries, the state needed to provide investments that would stimulate economic development and political scientists found that centralized states were important for nation building and political modernization.

Despite this long history, and also because of it, by the mid-1970s, academic researchers began to raise a series of questions about state-led growth and state-dominated political societies. Their concerns mirrored increased awareness of the potential for states to fail in their developmental responsibilities. By the early-1980s, questioning the positive contributions of the state to development had turned into a profound critique of theory and practice and generated a watershed of anti-statist research and commentary in the development literature.<sup>10</sup> With increasing regularity, the virtues of free markets were found to be far superior to the vices of statism and highly centralized states were held to account for quashing local communities and the associational life that is essential to democracy and limited government. Development

practitioners, led by international development agencies, followed suit with advice and aid focused on reducing the role of the state in development and, somewhat later, in advocating for strengthened “civil society.”

In practice and in theory, this strong anti-statist perspective was relatively short-lived, even though skepticism about the state continued to characterize research and practice. As the 1980s gave way to the 1990s, specialists in development economics became more interested in the role of institutions in the life of market economies as a result of both experience and theory-building initiatives.<sup>11</sup> In practice, the fall of the Soviet Union, followed by a very rapid transition to a market economy in Russia—chaotically and with devastating consequences for the vast majority of the population—underscored the role of institutions such as property rights, contract law, and regulatory rules for a properly functioning market.<sup>12</sup>

On the more academic front, Douglass North published his most widely-read work, *Institutions, Institutional Change and Economic Performance*, in 1990.<sup>13</sup> This work, along with an increasing interest in the “new institutional economics,” focused new attention on the long term evolution of “rules of the game” and how they shape development trajectories.<sup>14</sup> Simultaneously, a lively literature on the East Asian “tigers” generated two important findings: the state had assumed an extremely important role in the emergence of some of them—underlining the positive role that states could play in development—and their vibrant economies did not rely on similar kinds of state action—suggesting that countries could pursue distinct strategies with regard to the role of the state in their development.<sup>15</sup> Increasingly, researchers claimed that it was not the size of the state that mattered; more important was its quality, and quality was a function of state institutions and their credibility.<sup>16</sup>

Discussions of politics demonstrated the same intertwining of theory and practice. Transitions to democracy in the 1980s and early 1990s, particularly in Latin America and Eastern Europe, encouraged political scientists to pay more attention to the institutional infrastructure characterizing different kinds of regimes.<sup>17</sup> Similarly, efforts to explain lack of development in a number of African countries, along with increasing concern about autocratic and brutal governments, focused research attention on the role of institutions in political development.<sup>18</sup> At the same time, researchers found steady work in the analysis of constitutional structures, electoral and party systems, political corruption, and the management of the state. At the level of theory, the notion of state autonomy and its limitations was the subject of considerable intellectual interest. This trend took on an identity as a movement for “Bringing the State Back In.”<sup>19</sup>

Beginning in the mid-1980s and accelerating during the 1990s, then, academic literature and development discourse more generally flourished with discussions of the role of institutions in development and the positive contributions that states must make if market economies and democracies are to work effectively. By 1991, the bell-weather *World Development Report* included a chapter on “Rethinking the State;” in 1997, the annual volume was sub-titled, *The State in a Changing World*.<sup>20</sup> This indicated in very important ways that the state, although often creating impediments to development, had

also been rehabilitated; to the extent that the state embodied institutions or set the “rules of the game” for economic and political life, its activities were central to the development process. Not surprisingly, those states that managed these tasks well were credited with good governance.

***Popularity: Providing a Fig Leaf.*** The popularity of the idea of good governance owes something to the fig leaf. As interest in institutions and the role of the state increased throughout the decade of the 1990s, simultaneously, it was not long before multilateral and bilateral development agencies began actively discussing a characteristic emblematic of any notion of bad governance—corruption. Stimulated in part by researchers at the World Bank, exploring the causes of corruption became a major focus of development economists.<sup>21</sup> Indeed, the World Bank declared that corruption is “the single greatest obstacle to economic and social development.”<sup>22</sup> Similarly, issues like accountability and transparency, which in many uses implied a relationship between the governors and the governed, emerged as potent weapons in the battle against corruption. As many countries installed more democratic regimes, the role of citizens, elections, and civic organizations in forcing governments to be good gained prominence.<sup>23</sup>

This discussion was an opportunity for researchers to investigate new issues and constraints on development, to delve into a world of ambiguity and attempt to bring clarity to the actions and interactions of institutions, politicians, public officials, decision making, leadership, and resource allocation. It called attention to the way citizens and states interacted. The consequences of this new interest were evident across the social sciences. For some economists, for example, the ways in which markets operated differently in different countries could be understood as artifacts of distinct institutions and the incentives they embodied. In political science and history, market-like rational actor models of the decision making of politicians were questioned by those arguing for institutions and path dependence in the diverse historical trajectories of countries.<sup>24</sup> In economics and other fields, new institutionalism focused attention on the behavioral incentives embedded in different kinds of “rules of the game.” The management sciences adopted the “new public management” that encouraged institutional engineering for more effective management of public affairs.<sup>25</sup> For students of African development, in particular, the issue of leadership failure became prominent. Regime transition, democratization, democratic consolidation—all became topics of renewed interest.

If, as specialists argued, states and the “rules of the game” can be shown to be important to economic and political development, and if issues such as corruption and leadership failure are critical constraints on development, and if the legitimate realm of state authority implies some necessary contract with civil society, then development requires active engagement in the practice of government and in the “contract” established between governors and governed. Intervention—to create new institutions, to modify long-existing ones, to build systems that are immune to corruption, to bring citizen voice to decision making—takes theory and practice to the center of governments, where politics sets the themes and boundaries of what can occur.

While generating a range of intriguing questions for researchers, this formulation created a significant dilemma for practitioners in international development agencies. Work to create, strengthen, or alter institutions and to acknowledge a role for civil society implied becoming more actively engaged in the inner workings of government. Such activities meant doing much more than designing and advising on appropriate policies. It meant encouraging action against corruption in public affairs, encouraging the development of organizations to monitor government actions and political activities, increasing the relevance of citizen voice in political decision making, speaking out against leadership failures, and other activities that made notions of purely technical advising and assistance difficult to sustain. Could such international organizations be effectively engaged with the state and civil society in these ways without “being political?” Their charters, after all, committed them to significant restraint in political matters.

The concept of good governance proved an important fig leaf for resolving this dilemma. It allowed international agencies to discuss and become more engaged in politics. As suggested by Hewitt de Alcantara, governance was a hygienic way of dealing with political institutions and interactions—like corruption, accountability, and leadership—that came to be seen as impediments to development and to the effective use of development assistance.<sup>26</sup> The concept of good governance provided a “technical” approach to this delicate issue. It was a concept that helped them escape “an intellectual and practical dead-end into which they had earlier been pushed by their extreme reliance on free-market ideals.”<sup>27</sup>

Certainly, the discussion of good governance captivated great interest among the international development organizations; they have all undertaken or supported research on the issue and they each have major publications that demonstrate the importance of the concept to development. Between 2002 and 2007, for example, the World Bank loaned \$22.7 billion for projects related to public sector governance and rule of law.<sup>28</sup> While some of this funding was no doubt re-labeling of programs and projects of long duration, new initiatives could be instituted under the rubric of good governance that might have seemed overly political in the past.

***Popularity: Providing a Capacious Umbrella.*** The role of large-N studies of the sources of growth and development were also important in increasing the value and popularity of the concept of good governance among researchers and practitioners. As the concept generated interest in the scholarly literature, researchers increasingly asked, “What is the relationship between good governance and development?” Beginning in the 1990s, and accelerating in the 2000s, researchers used sophisticated econometrics to measure and assess how various conditions of governance affected development. They studied how corruption limited growth, how independent central banks contributed to macroeconomic stability, how property rights stimulated growth, and how parliamentary institutions were more conducive to political stability than presidential ones. These studies pointed in a consistent direction—to significant relationships between good governance and important goals such as growth, poverty reduction, aid effectiveness, efficient bureaucracies, and higher foreign and private investment.<sup>29</sup>

Some studies utilized econometric analysis to address cause and effect relationships also. Daniel Kaufman and other researchers, for example, demonstrated that the relationship between development and governance was more than correlational; good governance was shown to be a cause of development.<sup>30</sup> As concluded by the World Bank in a review of 40 studies, there was “overwhelming evidence that good governance is crucial for successful development, as measured by high per capita income. Per capita income is a strong predictor of poverty rates, infant mortality and illiteracy, suggesting that good governance improves the well-being of the poor.”<sup>31</sup> Increasingly, then, the idea of good governance became a way not only to assess the role of the state in development and invade safely the minefield of domestic politics, it became a defining quality for development and a necessary condition for it. The normative ingredients of the definition of good governance were shown empirically to be not only conducive to development but also necessary to it.<sup>32</sup>

In a similar way, the idea of good governance was useful as an umbrella concept to describe a wide variety of “good things.” Thus, for example, the human rights community claimed, with considerable force and reason, that countries with good governance respected human rights. Environmentalists argued that good governance meant effective stewardship of the environment and sustainability of development practices. Empowerment of women, community management of forests, selective affirmative action, land use planning, legal aid for the poor, anti-corruption measures, and a variety of other conditions came to be associated with good governance. Once a belief had been generated that good governance was essential to development—in fact, a precondition for it—then it was certainly advantageous for advocates to have their cause listed among the characteristics of good governance.

Thus, the concept of good governance proved expansive enough to embrace many causes. Each of these causes is no doubt good and worthy of support and commitment. Yet, by identifying good governance as a precondition to development, each of these good causes became transformed into a necessary component of initiatives to stimulate growth and political stability. Getting developed became more and more onerous as increasing numbers of preconditions were tacked on to the agenda. The danger is not the advocacy or the good things that various groups advocate. The danger is overloading the development agenda, inflating what “must be done” beyond the capacities of most countries, and making good governance a precondition (rather than a result or ancillary process) for development to occur.

***Research, Practice, and Advocacy: Creating an Elastic Agenda.*** Thus, the good governance agenda expanded. Some years ago, I reviewed annual *World Development Reports* from 1997 (the year in which the *WDR* fully recognized the “rehabilitation” of the state as a positive contributor to development) to 2002 in an effort to understand how governance was being used in a publication that often sets the tone and agenda for much applied development thinking and action. The results are instructive of the process of idea inflation.<sup>33</sup> From 45 different issues identified with the concept in 1997, by 2002, the *WDR* suggested 116 ways that developing countries needed to attend to



characteristics of good governance. The concept was used to refer to specific policies, laws, institutions, and strategies for development. The list of things that needed to be in place for good governance was on a roll.

**The Good Governance Agenda  
(Based on Items Referred to in *World Development Reports*)**

	1997	1998	1999/2000	2000/2001	2001/2002	2002/2003
Characteristics of good governance <sup>1</sup>	18	17	16	19	21	25
Institutions for good governance <sup>2</sup>	8	11	10	17	21	21
Specific laws <sup>3</sup>	4	14	6	9	16	9
Specific policies <sup>4</sup>	6	10	13	20	22	20
Specific services <sup>5</sup>	7	17	12	22	11	20
Broad strategies for achieving specific goals <sup>6</sup>	2	9	9	19	9	21
Total	45	78	66	106	100	116

Examples of items listed:

<sup>1</sup> Good governance means: checks and balances in government, decentralization, efficient/equitable/independent judiciary, free press, sound regulatory system, etc.

<sup>2</sup> Institutions for: bank and finance regulation, civil service, market efficiency, managing decentralization, participation, transparent budgeting, etc.

<sup>3</sup> Laws for: trademark protection, enforcement of contracts, biodiversity, foreign investment, labor standards, intellectual property rights, etc.

<sup>4</sup> Policies about: land reform, land policy, capital markets, community development, downsizing bureaucracy, fisheries, insurance, social safety nets, etc.

<sup>5</sup> Services for: HIV/AIDS, communications, public transportation, safe water, legal aid for the poor, micro-credit, targeted transfers, etc.

<sup>6</sup> Strategies for: asset creation for the poor, capacity building in the public sector, empowering the poor, engaging the poor, environmental protection, knowledge development, private sector development, etc.

Source: Grindle 2004: 528

Academic research, development practice, and advocacy have reached a strong consensus on the importance of good governance. In academic research, we have statistical proof that good governance is critical to development. In development practice, we have mountains of evidence of bad practice and weak institutions constraining the potential for development. In advocacy, we have a multitude of organizations—international and domestic—demanding that “their” issues—whether it is the environment, human rights, fair trade, gender equity, or other “good”—be included in the development agenda. Each of these sources makes good arguments about the centrality of good governance and shows logically why countries need it. In each of these ways, the concept has become more essential to development. At this point, however, some critical questions about the role of good governance in development are appropriate, challenging researchers, practitioners, and advocates to step back and assess its promise realistically and historically.

**Expecting Too Much by Explaining Too Much?**

Good ideas have a tendency to be credited with more importance in the development process than they may actually have. They may even come to be treated as causal in development, thus setting an agenda specifying what countries must accomplish before they can develop that may not be reasonable or historically valid. These dynamics contribute to long agendas and muddy thinking. In the end, advocates of good governance who conflate good governance and development are suggesting that “the way to develop is to become developed.”<sup>34</sup> If we return to the research and practice related to good governance, we can see the ways in which conceptual inflation leads to muddy thinking, the evolution of possibly inappropriate models, and the practical implications of a long and elastic agenda.

***Muddy Thinking about Development.*** Large-N cross-country analyses have most consistently shown that good governance is an essential ingredient in development; as we have seen, some research shows it as prior to and causal of development. Such studies are undertaken in a search for regularities; for patterns that hold across countries and that illuminate the importance of particular variables in these patterns. In governance research, for example, researchers can assess the “bang for the buck” that institutions such as secure property rights or an autonomous central bank contribute to economic growth across a variety of countries, or the role of competitive elections in political stability cross-nationally.

Inevitably, because patterns are rarely universal—except at the most banal level—some countries may exhibit good performance on the dependent variable—economic growth, say—but not score well on the independent variable—property rights, say, or low corruption—even while most countries conform to a predicted relationship. Characteristically, researchers disregard these outliers and focus on the explanatory value of the cases that fit the regression line. Important insights and questions can be generated by looking at the outliers, however, not simply in terms of explaining why these particular cases are outliers but also in terms of raising some questions about the relationships being studied.<sup>35</sup>

For example, with any of a variety of reasonable measures of good governance, China and Vietnam are likely to score low.<sup>36</sup> Yet these countries have amassed extremely impressive records for consistently high growth rates and poverty reduction, in the case of China over the course of three decades. They are also very large countries—China the largest in the world—whose performance probably ought not to be overlooked in terms of what it suggests about the importance of good governance. If this and other countries can develop in significant ways without at the same time demonstrating clear good governance, shouldn’t researchers consider such cases as important to a theoretical relationship between governance and development?

A similar kind of caution comes with a consideration of Bangladesh, a country sometimes credited with having virtually no government at all and which ranks among the lowest 14 countries on a standard governance index, the Transparency International Corruption Perception Index, which has recently chalked up several consecutive years of

growth rates in excess of five percent a year, a longer and higher history of growth than at any other time since the country gained independence.<sup>37</sup> Peru, Panama, Tanzania, Algeria, and India might also emerge as outliers whose performance is unexpected, given a hypothesized relationship between various dimensions of governance and growth. Advanced industrial countries often grew significantly before they had anything approaching good governance.<sup>38</sup>

The relationship between democracy and good governance is also complex in practice. Many Latin American countries have democratic institutions yet show high rates of corruption, low levels of transparency, and other dimensions of bad governance. Some East Asian countries have demonstrated that it is possible to have relatively good governance with very little democracy.

Neither is good governance consistently associated with good public performance. By most measures of governance, for example, the United States scores high. Its macroeconomy is relatively well managed, government action is for the most part fairly transparent, and its government is accountable to its citizens. Yet, the response to Hurricane Katrina in 2005 was not only a profound failure of leadership at local, state, and national levels, it was also clearly a massive failure of governance. The systems put in place to protect citizens didn't work; the institutions that were supposed to allocate authority and responsibility among different levels of authority in government didn't function; and the organizations set up to deal with emergencies were simply not up to the task. The fact that these systems, institutions, and organizations failed the poor, racial minorities, and the marginalized simply underscores the failure of governance in a political system reputed to have met the challenge of good governance. In contrast, in terms of being able to cope with unanticipated demands on it, the Pakistani government responded quickly and relatively effectively to the massive earthquake, also in 2005, despite overall low rankings in terms of governance. These outliers suggest that when researchers conflate good governance with the capacity to grow or the existence of democracy, they are probably oversimplifying very complex relationships.

Here, my point is not that the econometrics were mistaken, that the formulas were mis-specified, or that the concepts were poorly operationalized and measured (although this might be the case). I am rather suggesting that the outliers can force us to ask, "Just how important is the relationship?" Or, "Under what conditions does this relationship hold and when does it not?" If a country like China can grow consistently for three decades with demonstrably poor governance—and certainly nothing like political democracy—it seems useful to assess whether the relationship between growth and good governance is as consistent as is often stated. When the United States can exhibit a massive failure of governance, it suggests that the idea may be more slippery than imagined. Where outliers are large, important countries, more attention rather than less should be paid to what their experience has to say about the overall pattern discovered in the research. In a critique of the literature linking growth and governance, Kurtz and Schrank indicate the consequences of muddying thinking by concluding that "the oft-asserted connection between growth and governance lies on exceedingly shaky empirical pilings."<sup>39</sup>

***Models and their Replication.*** As a result of research and practice indicating that good governance is critical to development, institutional blueprints for its achievement have become common. There are, then, models and “best practices” for a good parliamentary democracy and effective checks and balances systems. There are blueprints for how to regulate environmental hazards and stock and bond markets; there are blueprints for judicial institutions, tax agencies, and federalism. The list could go on.

If the structure and function of institutions are closely tied to the context within which they emerged and developed, however, the search for institutional blueprints and practices can be misleading. This is the view of a number of researchers who have used in-depth analyses of particular countries or regions to argue that distinct development paths can be credited to unique experiences, particular international contexts, the historical development of relationships between economic and political elites or between elites and masses, or other specific experiences. These researchers would argue that broad generalizations about governance overlook how country and regional destinies are shaped by specific international, institutional, policy, and even leadership experiences.<sup>40</sup> If this is the case—as the body of literature focusing on path dependence suggests—then institutions may not be easily or successfully transferred from one context to another.

Blueprints and models may also be based on questionable assumptions. For example, in looking closely at the often recommended “Nordic model” of governance, Matt Andrews points out that Sweden, Denmark, and Norway’s governments are organized in distinct ways and involve a series of distinct rules of the game and institutional relationships.<sup>41</sup> In this case, it would be appropriate to ask which model of governance is actually implied in this Nordic case.

Similarly, blueprints and best practices overlook the possibility that whether institutions function as anticipated may be subject to timing and context. A good example of this is the development of an independent central bank in Russia after the fall of the Soviet Union. Few economists would argue with the notion that an independent central bank is important to macroeconomic stability and good governance of the economy, yet in Russia, independence was ceded at a time that the central bank was dominated by an old guard of party apparatchiks who were not particularly interested in modeling the activities of the bank in the way that economic reformers thought necessary.<sup>42</sup> It is likely that many a president or minister of finance of a country undergoing a severe economic crisis wishes for less independence of the central bank in order to respond more effectively and rapidly to the crisis. The overall generalization of the importance of independence to good economic management is important, but it is not necessarily universal or unrelated to specific historical conditions.

A similar distinction can be made in terms of historical sequences of activities. Some researchers, for example, have compared the evolution of civil service systems that were professionalized before the introduction of democracy with those that were introduced in the context of competitive party politics. In the first case, elite civil services were rapidly put in place; in the latter cases, positions in government were long a

source of contestation between politicians who wanted to provide jobs for their followers, and reformers, who wanted a professionalized civil service. The introduction and evolution of systems can be quite different, depending on their relationship to other major historical transformations.

***The Practical Burden of a Long Agenda.*** The good governance agenda expanded during the decade of the 1990s. Thus, by the early 2000s, it was possible to claim that:

Getting good governance calls for improvements that touch virtually all aspects of the public sector—from institutions that set the rules of the game for economic and political interaction, to decision-making structures that determine priorities among public problems and allocate resources to respond to them, to organizations that manage administrative systems and deliver goods and services to citizens, to human resources that staff government bureaucracies, to the interface of officials and citizens in political and bureaucratic arenas...Not surprisingly, advocating good governance raises a host of questions about what needs to be done, when it needs to be done, and how it needs to be done.<sup>43</sup>

The problem, of course, is the challenge of fixing a large number of governance deficits, particularly in countries with fragile, weak, or failed states. Any tourist visiting a developing country, let alone an expert in organizational management, legal systems, economic development, infrastructure, or other field, can find plenty of evidence of much that doesn't work well. The deficits in how government works—from the behavior of immigration and customs officials in the airport to the pot-holed roads in the capital city to the apparent poverty of citizens, to the paucity of public services, to the lack of infrastructure in rural areas—are usually more than evident. Clearly, much needs to be "fixed." But this observation does not go far in suggesting how to go about fixing whatever it is that is in deficit. With so much to do, what determines priorities? With so many demands of things that need to be fixed, where should scarce financial, human, and organizational resources be focused?

More important, much is unknown about the timing and sequences involved in "getting fixed." For example, the good governance agenda grew with little attention the historical experience of countries deemed to have good governance—they didn't always have this, so how did they get better? Priorities, sequences, timing—are all institutions equally important? Are they independent of each other as they develop? How long does it take to develop good governance? Even without good responses to these questions, however, the practical work of "fixing" bad governance has proceeded apace, far outstripping knowledge about how institutions of governance develop over time and the consequences of governance innovations. Within a short period, developing country governments have become laboratories for any number of efforts to generate good governance; many have been overwhelmed by the attention.

Acharaya, Fuzzo de Lima, and Moore (2006), using data from 1999-2001 and a list of 53 bilateral and multilateral development assistance organizations, found that these organizations provided assistance to an average of 107 countries each; recipient countries were dealing with an average of 26 donors apiece; 40 countries were dealing with 30 or more donors.<sup>44</sup> Further, they discovered that in 80 percent of individual fund transfers between donors and recipients, less than 1 percent of the donor's total aid budget was at stake. They cite Vietnam as a fairly typical example. "In 2002, 25 official bilateral donors, 19 official multilateral donors, and about 350 international NGOs were operating in Vietnam. They collectively accounted for over 8,000 projects, or about one project per 9,000 people."<sup>45</sup> Presumably, each project and each transfer of funds implies a series of transaction costs in communications, accounting, paperwork, and other investments of time and energy. While much development assistance is being directed to programs other than governance, the figures themselves suggest the burden on developing country governments that are dealing with a multitude of donors and a long and lengthening agenda. This is a concept grown too large to be reasonable.

Weak formal institutions of governance are emblematic of—at times conceptually inseparable from—poor and developing countries. The poorer, the likelier they are to have weak or non-existent institutions for making public decisions, allocating resources, and protecting citizens. Thus, a critical problem of the good governance agenda in practice is the burdens its length places on countries that are in the worst position to respond to them. The elites who dominate such governments are not always interested in improving governance, as this could easily limit their power and access to rents and resources. Even with well-meaning governments convinced of the need to improve governance, the question of where to focus resources and what to do is elusive. The agenda specifies an end goal—good performance defined in various ways as indicated above—but does not indicate how to get there. Should all governance deficits be tackled at once? If not, which ones are most important? Which ones are logically prior to others?

This is particularly true when good governance is considered to be a condition necessary for development to take place. In this line of reasoning, a very great deal needs to be accomplished—with an unspecified timeline—before a country can rest assured that its economy will grow and that its citizens will be treated fairly. Commitment to the good governance agenda as a condition necessary for development means resources and public energies focused on achieving this very difficult goal and we may well ask whether the resources and energy might better be focused on other aspects of development. The argument is not that good governance isn't important, but rather that it might not be essential or necessary for growth and poverty alleviation or democracy. Good governance, in fact, may even be a consequence of development, as Ha Joon Chang has argued.<sup>46</sup> Again, the example of China in the past 30 years is instructive. In all likelihood, most Chinese citizens would benefit from better governance—but it is clear that the growth of the economy or foreign investment or poverty reduction have not been contingent upon this advancement.

Where attention to the good governance agenda has been extensive, some scholars have claimed that much development assistance undercuts the governance capacities of developing countries—the agenda is imposed, the number of reforms thought necessary is overwhelming, the time and attention of public officials is fractured among a host of donor activities, and foreign experts take on the task of administering policies, programs, and projects.<sup>47</sup> Development assistance agencies have to some degree acknowledged this critique by placing more emphasis on ownership and participation by developing country governments and citizens. Nevertheless, in the way these activities work out in practice, the influence of development assistance agencies often remains overwhelming and ownership and participation can be window dressing for changes initiated and pursued by others.

As an antidote to the inflation of the governance agenda, several years ago I suggested the idea of “good enough governance” as a way of questioning the length of the agenda and its essentialist message.<sup>48</sup> I indicated that good enough governance means that,

...not all governance deficits need to be (or can be) tackled at once and that institution and capacity building are products of time; governance achievements can also be reversed. Good enough governance means that interventions thought to contribute to the ends of economic and political development need to be questioned, prioritized, and made relevant to the conditions of individual countries. They need to be assessed in light of historical evidence, sequence, and timing, and they should be selected carefully in terms of their contributions to particular ends such as poverty reduction and democracy. Good enough governance directs attention to considerations of the *minimal* conditions of governance necessary to allow political and economic development to occur.<sup>49</sup>

### **Skepticism as an Antidote to Idea Inflation?**

There is an intimate linkage between theory and practice in development. Throughout the post-WWII history of the social sciences, theories have been adopted and put in practice by development practitioners, including governments in developing countries, and practice has fed back into renewed interest in generating theory to advance development and to take account of the failures of previous applications of theory to practice. Researchers and practitioners will recognize a more general trajectory of parallelism and interaction between what is being discussed by scholars and what is being done in the real world by practitioners. Ideas matter.

Indeed, the role of ideas in the “real world”—and the observation of practice that then generates insights that are adopted in new ideas—is perhaps more dynamic and important in countries struggling with the challenges of development than in already developed countries. In such countries, formal institutions of economic and political governance tend to be less embedded, more fluid and changeable, than they are in already developed countries, so the application and adoption of new ideas, of new ways of doing things, at least at the formal institutional level, face fewer barriers. Moreover, many

developing countries have economies and political systems that are prone to crises and instability of various kinds; economic and political crises often open up opportunities for innovation in ways that is much more difficult under business- and politics-as-usual conditions. In important ways, then, developing countries provide laboratories for a succession of new ideas.

This is a good reason to be careful of attractive ideas, particularly those that promise a great deal. Skepticism may be particularly useful in such contexts to keep development agendas—like good governance—from become unnecessarily inflated. Indeed, it is useful to keep a few adages in mind in containing idea expansion:

- ▶ Development—whether economic or political—is a long term and complex process; research is far from understanding the timing and the complexity of “getting developed.”
- ▶ Explorations of historical experience can do much to illuminate issues of timing and complexity.
- ▶ When concepts like governance take on strong normative content (good governance), their importance and impact are attractive to researchers, practitioners, and advocates, who in turn may add to the inflation of the concept.

Indeed, the history of the concept of good governance suggests that skepticism is a good intellectual tool for shedding light on why development is such a difficult process and why it is often so elusive. Good governance is important; it is a condition that we can hope all the world’s people can enjoy. At the same time, there is much to be understood about the concept and about how it is achieved in practice. Good governance is important; but like many other good ideas, it is not a magic bullet.



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<sup>1</sup> This paper draws on two earlier publications. See Merilee S. Grindle, “Good Enough Governance: Poverty Reduction and Reform in Developing Countries.” *Governance: An International Journal of Policy, Administration, and Institutions* 17, no. 4 (October 2004): 525-548; Merilee S. Grindle, “Good Enough Governance Revisited,” *Development Policy Review* 25, no. 5 (2007): 553-574.

<sup>2</sup> See World Bank, “Strengthening World Bank Group Engagement on Governance and Anti-Corruption.” March 21, 2007, p. i; UNDP (United Nations Development Programme), *Governance for Sustainable Human Development*. New York: UNDP, 1997, p. 12; DFID (Department for International Development), *Making Government Work for Poor People: Building State Capacity*. Strategy Paper. London: DFID, 2001, p. 9; Hyden, Goran, Julious Court, and Kenneth Mease, *Making Sense of Governance: Empirical Evidence from Sixteen Countries*. Boulder, CO: Lynne Rienner, 2004; Kaufmann, Daniel, *Rethinking Governance: Empirical Lessons Challenge Orthodoxy*. Washington, D.C.: The World Bank, 2003, p. 5. For a discussion of the most often used indicators of governance, see Steven van de Walle, “The State of the World’s Bureaucracies.” *Journal of Comparative Policy Analysis*, 8, no. 4 (December 2006).

<sup>3</sup> Matt Andrews, “Are Swedish Models of Effective Government Suitable in the Development Domain (Or) Do We Need a Theory of Government before We Measure Government Effectiveness?” Manuscript, Kennedy School of Government, 2008.

<sup>4</sup> World Bank, *op. cit.*, p. 1.

<sup>5</sup> UNDP (United Nations Development Programme), *op. cit.*, p. 12.

<sup>6</sup> Hyden, Court, and Mease, *op. cit.*

<sup>7</sup> DFID (Department for International Development), *op. cit.*, p.9.

<sup>8</sup> Kaufmann, *op. cit.*, p. 5.

<sup>9</sup> Good governance is a relatively new concept on the development agenda, although it is tempting to connect late 20<sup>th</sup> century demands for good governance to the “good government” movement of the late 19<sup>th</sup> and early 20<sup>th</sup> centuries in the United States, when reformers sought to curtail the influence of party patronage and corruption in public office. It is particularly tempting to do so in comparing the normative tone of the good governance agenda with the moral tone of the earlier good government movement. Certainly, as the concept emerged from the late 1980s on, it has contained a strong normative content of what public life “ought to be.”

<sup>10</sup>For examples of this work, see Robert H. Bates, *States and Markets in Tropical Africa*. Berkeley: University of California Press, 1981; David C. Colander, ed., *Neoclassical Political Economy: The Analysis of Rent-Seeking and DUP Activities*. Cambridge, MA:

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Ballinger Publishing Co, 1984; Anne O. Krueger, "The Political Economy of the Rent-Seeking Society." *American Economic Review* 64, no. 3 (1974), 291-303; T.N. Srinivasan, "Neoclassical Political Economy: The State and Economic Development." *Politics and Society* 17, no. 2 (1985), 115-162; World Bank, *Towards Sustained Development in Sub-Saharan Africa*. Washington, D.C.: The World Bank, 1984; James S. Wunsch and Dele Olowu, eds. *The Failure of the Centralized State: Institutions and Self Governance in Africa*. Boulder, CO: Westview Press, 1990. For a critique of this literature, see Merilee S. Grindle, "The New Political Economy: Positive Economics and Negative Politics," in Gerald M. Meier, ed., *Politics and Policy Making in Developing Countries: Perspectives on the New Political Economy*. San Francisco, ICS Press, 1991.

<sup>11</sup> For a summary of the argument, see Tony Killick, *A Reaction Too Far: Economic Theory and the Role of the State in Developing Countries*. London: Overseas Development Institute, 1989.

<sup>12</sup> Marshall I. Goldman, *The Privatization of Russia: Russian Reform Goes Awry*. New York: Routledge, 2003.

<sup>13</sup> Cambridge, UK: Cambridge University Press.

<sup>14</sup> See, for example, Oliver Williamson, "Economic Institutions: Spontaneous and intentional governance", *Journal of Law, Economics and Organization*, 1991.

<sup>15</sup> Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press, 1989; Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, N.J.: Princeton University Press, 1990.

<sup>16</sup> For a recent discussion of this approach, see Francis Fukuyama, *State-Building and World Order in the 21<sup>st</sup> Century*. Ithaca, N.Y.: Cornell University Press, 2004.

<sup>17</sup> Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century*. Norman, OK: University of Oklahoma Press, 1991; Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead, eds., *Transitions from Authoritarian Rule: Comparative Perspectives*. Baltimore, MD: The Johns Hopkins University Press, 1986; Arend Lipjhart and Carlos Waisman, eds. *Institutional Design in New Democracies*. Boulder, CO: Westview Press, 1996.

<sup>18</sup> Donald Rothchild and Naomi Chazan, eds., *The Precarious Balance: State and Society in Africa*. Boulder, CO: Westview Press, 1988; Patrick Chabal, ed., *Political Domination in Africa*. Cambridge: Cambridge University Press, 1986; Wunsch and Olowu, op. cit.; Richard Sandbrook, "The State and Economic Stagnation in Tropical Africa." *World Development* 14, no. 3 (1986): 319-332.

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<sup>19</sup>Peter Evans, Dietrich Reuschmeyer, and Theda Skocpol, eds. *Bringing the State Back In*. New York: Cambridge University Press, 1985.

<sup>20</sup> World Bank, *World Development Report 1991*. Washington, D.C.: The World Bank, 1991; World Bank, *World Development Report 1997*. Washington, D.C.: The World Bank, 1997.

<sup>21</sup> See especially work by Daniel Kaufmann at the World Bank and Transparency International. The expanded Social Science Citation Index lists 1,003 articles about corruption in seven years between 2000 and 2007. In the 10 years prior to this, 804 articles appeared in scholarly social science journals about this topic.

<sup>22</sup> World Bank, *Anticorruption*, 2001, quoted in Derick Brinkerhoff and Arthur Goldsmith, "Institutional Dualism and International Development: A Revisionist Interpretation of Good Governance." *Administration and Society*, 37, no. 2 (May 2005), p. 209.

<sup>23</sup>For example, Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, N.J. Princeton University Press, 1993.

<sup>24</sup> Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds. *Structuring Politics: Historical Institutionalism in Comparative Politics*. Cambridge: Cambridge University Press, 1992; Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis*. Princeton, N.J.: Princeton University Press, 2004.

<sup>25</sup> See the discussion of the new public management in B. Guy Peters, *The Future of Governing: Four Emerging Models*. Lawrence: University Press of Kansas, 1996.

<sup>26</sup> Cynthia Hewitt de Alcantara, "Uses and Abuses of the Concept of Governance," *International Social Science Journal* 50, no. 155 (1998):105-113. In a parallel way, "civil society" became a hygienic way of discussing issues of citizen mobilization and political participation without seeming "political."

<sup>27</sup> *Ibid*, p. 106.

<sup>28</sup> World Bank Annual Report 2007, <http://go.worldbank.org/k40JW601P0>.

<sup>29</sup> World Bank (n.d.) "Good Governance and Its Benefits on [sic] Economic Development: An Overview of Current Trends," [http://www.worldbank.org/wbi/governance/pdf/eduardpresentation\\_munich-inwent.pdf](http://www.worldbank.org/wbi/governance/pdf/eduardpresentation_munich-inwent.pdf).

<sup>30</sup> Daniel Kaufmann and Aart Kraay, *Growth without Governance*. World Bank Policy Research Working Paper No. 2928, 2002, Washington, D.C.: The World Bank

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<sup>31</sup> World Bank, “Findings on Governance, Institutions and Development,” p. 1, “Empirical Studies of Governance and Development: An Annotated Bibliography,” 1999. <http://www1.worldbank.org/publicsector/findings.htm>.

<sup>32</sup> For a critique, see Marcus J. Kurtz and Andrew Schrank, “Growth and Governance: Models, Measures, and Mechanisms.” *Journal of Democracy*, 69, no. 2 (May 2007). See also Brinkerhoff and Goldsmith 2005, op cit.

<sup>33</sup> Grindle 2004, op cit.

<sup>34</sup> Matt Andrews 2008, op cit, p. 9.

<sup>35</sup> Jason W. Osborne and Amy Overbay, “The power of outliers (and why researchers should always check for them).” *Practical Assessment, Research & Evaluation*, 9, no. 6 (2004).

<sup>36</sup> In 2002, China tied with Ethiopia in the Corruption Perception Index of Transparency International. See Brinkerhoff and Goldsmith 2005, op cit., pp. 209-210.

<sup>37</sup> <http://go.worldbank.org/4HPB6A7P80>

<sup>38</sup> Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press, 2002.

<sup>39</sup> Kurtz and Schrank 2007, op cit.

<sup>40</sup> See, for example, Hohn Hewko, *Foreign Direct Investment: Does the Rule of Law Matter?* Working Paper. Washington, D.C.: Carnegie Endowment for International Peace, 2002.

<sup>41</sup> Andrews, 2008, Op.Cit.

<sup>42</sup> Juliet Johnson, “Misguided Autonomy: Central Bank Independence in the Russian Transition,” in Andreas Schedler, Larry Diamond, and Marc F. Plattner, eds., *The Self Restraining State: Power and Accountability in New Democracies*. Boulder, CO: Lynne Rienner, 1999, pp. 193-311.

<sup>43</sup> Grindle, 2004, op. cit., p. 525-526.

<sup>44</sup> Arnab Acharya, Ana Teresa Fuzzo de Lima, and Mick Moore, “Proliferation and Fragmentation: Transactions Costs and the Value of Aid,” *Journal of Development Studies* 42, no. 1 (January 2006): 1-21.

<sup>45</sup> Ibid., p. 2.

<sup>46</sup> Chang, Op. cit.

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<sup>47</sup> Deborah Braütigan, *Aid Dependence and Governance*. Stockholm: Almqvist and Wiksell International, 2000.

<sup>48</sup> That is, that the numerous changes implied by the good governance agenda are essential (preconditions) for economic and political development to take place.

<sup>49</sup> Grindle, 2004, op. cit, p. 526. I first introduced the concept of good enough governance in a paper I prepared for the World Bank in 2002. In the 2004 article, I suggest that a good enough governance agenda would be based on “a more nuanced understanding of the evolution of institutions and government capabilities; being explicit about trade-offs and priorities in a world in which all good things cannot be pursued at once; learning about what’s working rather than focusing solely on governance gaps; taking the role of government in poverty alleviation seriously, and grounding action in the contextual realities of each country” (p.525). For additional discussion, see Grindle, 2007, op. cit.