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The Contribution of Civil Society to Quality of Government as Corruption

-A cross-country analysis using civil society divided by
service and expressive functions

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Abstract

The contribution of civil society to quality of government is important to evaluate. Civil society is often touted as means to enhance quality of government and parallel to this idea the sector grown has substantially over time. Does civil society actually contribute to quality of government, and does civil society involved in expressive- or service functions differ in this regard? This is a quantitative study that uses econometric methods to answer those questions. Civil society is measured with data from John Hopkins Comparative Non-profit Sector Project. Quality of government is mainly operationalized with three different measurements of corruption. The result supports that civil society increases governmental quality measured as corruption and nuances the result by finding that civil society organisations involved in expressive functions have a larger impact than civil society organisations that deliver services.

Key words: quality of government, quality of governance, corruption, civil society, NGO sector

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List of abbreviations

CSO, Civil Society Organisation

EVS, European Value Study

GCS, Global Competitiveness Survey

ICRG, International Country Risk Guide

IDEA, Institute for Democracy and Electoral Assistance

INGO, International Non-Governmental Organisation

JH, John Hopkins Comparative Non-profit Sector Project

NGO, Non-Governmental Organisation

QoG, Quality of Government

WDI, World Development Indicators

WGI, World Governance Indicators

WVS, World Values Survey

1. Introduction

1.1 Background

The effect of civil society will be assessed in this thesis, in general on quality of government, and on corruption and vote turnout specifically. This is important since civil society is often promoted as a method of achieving economic development in developing countries. Parallel to this idea has the civil sector grown substantially in the last 20 years. Thus is evaluating the effects of civil society also evaluating a part of the future of development.

A new paradigm, which views civil society as a panacea for growth, has been developed in literature and institutions concerned with development. The notion rests on theoretical foundations of the functioning of democracy, but has been enhanced by the recent research that points out quality of government and social capital as explanations for economic growth. Furthermore, civil society is seen as means of building both quality of government and social capital, since the two concepts are entwined. The importance of civil society is echoed by key international organisations and an example thereof is OECD that states; “Civil society plays a key role in fighting corruption. Today, this statement is unchallenged: it has become a leitmotiv of anti-corruption discourses” (OECD 2003 p.7, Grimes 2008a p.1).

The civil sector has expanded since the 1990s. An illustration is that the number of international non-governmental organizations increased by 60 percent between 1993 and 2003 (number adopted from Union of International Associations 1993 and 2004/2005). One of the reasons behind this expansion is that development aid has been redirected from governments to civil society, partly to circumvent the inefficiency of governments of developing countries, notably corruption (Robinson 1997, p. 61-62). The Overseas Development Institute (ODI) mentions in 1995 that “published OECD data suggest that in aggregate about 5% of all official aid is now channeled to NGOs”. In 2009 was a comparable number 13.5 percent. The Overseas Development Institute further explain that this most likely is a larger underestimate (Overseas Development Institute 1995, p.1 and number adopted from OECD International Development Statistics). Another example is that the lion’s share of USAID aid to fight

corruption is distributed to civil society¹. The endorsement of civil society is a fact.

The result of this thesis supports that civil society enhances quality of government measured as decreased corruption. Furthermore, seem civil society organisations (CSOs) involved in expressive functions, performing an advocacy function, to decrease corruption more than CSOs involved in service-delivery. The usage of vote turnout has not presented any contributions.

1.2 Questions, disposition and delimitations

Because of the growing importance of civil society and the research that indicates civil society as a mean of achieving economic development, the two following questions will be answered in this thesis:

1. How does civil society explain and relate to quality of government?
2. Does civil society organisations with an expressive function and civil society organisations with a service-delivering function have different outcomes on quality of government?

The disposition of this thesis is as follows; Theory will first be outlined and then method and data. Results, analysis and conclusion are subsequently presented.

A delimitation of this thesis is that it does not evaluate any effects on economic growth, which is the primary concern. Quality of government is in this thesis used as the dependent variable. This is as such because it has been shown that quality of government explain economic growth. What should be noted is that by doing so, one “takes one step back”; Arguably it is possible to use economic growth as a dependent variable, but a very broad set of explanatory variables must then be considered. By using quality of government as the dependent variable is it important to be aware of that one does not measure the direct effect of social capital on economic growth.

¹ http://www.usaid.gov/our_work/democracy_and_governance/technical_areas/anti-corruption/types.html

2. Current research of civil society's relationship with quality of government

Civil society research has grown since the 1990s, but most of it concerns NGO-donor relationship in various forms or characteristics of NGOs that are successful in development. It does not exist much quantitative research directly investigating civil society in conjunction with quality of government, but a lot of normative theories and case studies abound. The reason behind this has been the lack of quantitative data for civil society. This thesis contribution is that it introduces civil society as a variable, measured directly, in the research that tries to explain the difference in quality of government. Furthermore, civil society is in this thesis divided by an expressive and a service-delivering function because this theoretically could affect quality of government different. This has to my knowledge only been done by Grimes (2008a) before. This thesis replicates Grimes research but uses other variables and a smaller sample. The lack of data is still a problem and this thesis yield limited results. This thesis is also contributing by providing a comprehensive framework of how civil society affects governmental institutions, because the theoretical accounts tends to focus only some causal mechanisms. Civil society has indirectly been measured before in research about social capital. A review of current research and the main conclusions drawn by those authors is presented below. The focus is on quantitative studies. Different dependant variables is used in the research reviewed but they all capture quality of government in some respect.

Grimes (2008a) finds that civil society affects corruption. Grimes constantly measures corruption by World Governance Indicators' (WGI) "control of corruption". She does two sets of regression that will be presented separately.

In the first set of regression Grimes is using the number of development CSO as a proxy for civil society. Grimes concludes that the primary mechanism driving the result seems to be that civil society engage in contestation and representation of public interest, which mean that civil society aggregate citizen's preferences and ease communication. She comes to this conclusion since the number of CSO only leads to better outcomes in democracies. Grimes find that civil society is in polynomial relationship to corruption, which means that a slight increase in civil society will render relatively large improvements in corruption if the starting-point is a small civil sector. Furthermore, Grimes find GDP and freedom of press to have

greater impact on corruption than the number of CSO. She also controls for ethnic fractionalization, which is significant, and numbers of years of democracy and literates, which are insignificant. (This model has an adjusted coefficient of determination of 82 percent.) In a separate regression, where civil society no longer in a polynomial relationship to corruption, Grimes shows that interpersonal trust is significant but that it does not change the effect of the number of CSO on corruption. She uses GDP and free press as control variables. (In this model Grimes has an adjusted R²-value of 91 percent.)

In the second set of regression Grimes is using the same measurement of civil society as this thesis is, namely the percentage of working age population that are involved in either of the two civil society sectors services or expressive. Grimes finds that CSOs in services have no effect on corruption but that CSOs in expressive-fields significantly improve outcomes, a result she uses to underpin her claim that civil society via “contestation and representation” affect corruption. Grimes controls for free press and GDP, that has greater influence than civil society on corruption, and literates, that is insignificant, in this model. She uses a different statistical method than regression analysis. (This model has an adjusted R²-value of 90 percent.)

Lee (2007) finds that union’s power centrality, which is union’s co-membership with other civil society organisations and those other organizations power centrality, is significantly increasing quality of government, measured as various categories of WGI. Lee sees unions as supporting “working class” or poorer people in society and means that unions by forming alliances with other civil society groups force the government to be accountable. Lee presents mechanisms that theoretically drive this result which are roughly similar to the ones of Grimes or this thesis. Lee finds GDP to be a stronger predictor than union centrality. GDP is also the only control variable that is significant, even though he tests for similar variables as Grimes. Lee is controlling for, among others, GDP, democracy, education and ethnic fractionalization. Grimes comments Lee’s results and states that it gives proof of that organizations that are transcending class lines indeed perform the function of contestation and representation thereby leading to higher quality of government (2008a p. 4-5). Grimes criticizes Lee’s analysis for not incorporating other explanations than “contestation and representation” and for not taking into account if the countries are democracies or not (2008a p. 4-5). I find those points invalid. (In Lee’s model a R²-value of 89 percent is presented for WGI:s “control of corruption” as the dependent variable.)

Brown et al (2002) investigate how externally founded NGOs affect vote turnout in a region in Brazil. They implicitly propose that they have a “natural experiment” at hand since they are able to track all donor founding and the political platforms was similar the two years they are using to calculate the vote shares. They furthermore assume that NGOs empower previously marginalized groups and that this increase the vote share of the left. They find that NGO-funding significantly increase the vote share of the left. They control for municipality characteristics in form of rural and immigrant shares of population, percent of governmental employees, average educational level and the current mayors ideology. Education was the only variable that was also significant. Brown et al (2008) investigates the relationship further, by looking at if the NGOs receiving funds were politicized or not. Politicized in this context means if the NGO was affiliated with a political organisation. Since the only politicized NGOs were affiliated with the left, the authors assume politicized NGOs will increase the vote share of the left. Brown et al (2008) make a regression in which they divide NGO-funding into politicized or not, and neither group has any significant effect on the vote share of the left. They hence conclude that the primary mechanism driving civil society’s effect on politics is by building social capital and “contestation and representation”, not by letting political entrepreneurs easier receive funds. (Brown et al (2002) have an R2-value of 68 percent for their baseline model, and when the model is weighted by population an R2-value of 87 percent is achieved.)

Knack (2002) investigates how various aspects of social capital relate to quality of government in the United States. His conclusion is that associational activities do not in general have any effect on quality of government, but that certain types of groups do. To come to this conclusion he measures associational activities as “informal socialising” and “attendance at club meetings” and both are insignificant. Knack further find that membership in “good governance groups” significantly increases quality of government, which would be an example of a type of group conducive to quality of government. He incorporates as control variables if there exist more or less interest groups than expected in a state (in U.S one has to register an organization for lobbying) and the diversity of them, and both variables are insignificant. Other control variables are log of population and inequality, that are significant, and log of GDP, education, percent Afro-American population, and divided government, that are insignificant. Knack does not seem to consider alternative mechanisms for how civil society affect government performance more than by building social capital. Knack thinks

that CSO are formed around ethnic or class lines and hence the social capital will be confined to a specific group, creating adverse effects for people not belonging to that group. Knack's comment on why interest groups are insignificant is that the positive and negative effect of them offset each other. (When Knack is using informal socializing and attendance at club meetings as dependant variables an R2-value of 33 percent is respectively achieved. For good governance groups the same measurement is 39 percent.)

3. Theory

The theoretical chapter outlines as follows. First is quality of government and corruption defined, and then a definition of civil society follows. All this is done to create a basic understanding for the rest of the outlined theory. After that mechanisms that relates civil society and quality of government are presented. The mechanisms are presented in the following order; civil society's possibility to enhance accountability, civil society's possibility to create social capital and the effects of service provision by civil society. In the first two accounts are first the mechanisms and later their foundations in institutional economic theory presented. For the third mechanism, the one of service provision, no theoretical framework has been found that can be used, hence is the character of this part more argumentative. Subsequently is which type of groups that are believed to give which effect discussed, which essentially is an extension of the chapter that defines civil society. In the last chapter the question of causality is addressed, which has been ignored in all preceding chapters to present the mechanism clearly.

The theoretical account is mostly based on two working papers by Grimes (2008a and b), but also on Edwards and Foley (2001), Brown et al (2002 and 2008) and White (1996). Nearly all of them are social scientists. They have been chosen since they strive to provide an account of all mechanisms of how civil society affects quality of government. Other researchers in the field do not focus on any comprehensive framework, but they provide the same mechanisms as presented by those authors. The four authors' theoretical accounts will be placed within a framework of institutional economics. The reason behind this is twofold, the four authors do not provide much theoretical foundations and they are fairly unknown. Two of them are only concerned with the direct link between civil society and quality of government on the margin. Grimes and Brown et al's work has not been cited by other researchers, but is fairly new, thus

it is hard to evaluate the quality of their work. Edwards and Foley and White have been cited more extensively and seem to be considered credible in the field. Theoretical foundations are extended mostly with the help of North (1990), Keffer and Knack (2005), and Besely (2006). I am thus tying two blocks of theories together on my own accord. Unfortunately is one of the mechanisms not rooted thoroughly in any theoretical framework, because a theory of why certain services are delivered by either the state, the market or civil society would have to be provided and this simply do not exist.

3.1 Defining quality of government and its relation to corruption

Quality of government is also referred to as good government, good governance or simply governance. First the theoretical definition used in this thesis will be presented, and then the different dimensions of quality of government will be discussed. Since definitions and measurements of quality of government are entwined both have been taken into account. The different definitions and measurements discussed here are built around the following sources:

- Rothsteins and Teorell's (2008) definition, which has a non-published dataset linked to it done by Teorell (2009).
- Kaufmann, Aart and Mastruzzi at the World Bank, which has defined and developed the World Governance Indicators (WDI), the most used dataset. This dataset has been updated in various round, but the definition seems to be stable.
- Huther and Shah at the World Bank who has developed an index of quality of government (2005).

The list is in no way exhaustive as there exist numerous more definitions and ways of measuring quality of government.

The meaning of the term quality of government encircles in many definitions and measurements various concepts such as life expectancy, sound policies and democracy. I will use it distinct from democracy, contrary to the reviewed authors. The reason to limit quality of government is that democracy is a mechanism that is thought to operate to achieve quality of government. What will be used is a part of Rothstein and Teorell's definition, which states that quality of government is impartiality at the output-side of politics (2008, p.165, 169-170). This will be, not according to the author's intention, mainly be measured as corruption in

government, and hence the relation of quality of government to corruption is presented. This should not be controversial since corruption in government is included in all reviewed definitions and measurements of quality of government.

Rothstein and Teorell define in their introduction quality of government as “the impartiality of institutions that exercise government authority” (2008, p.165). They define impartiality as; “When implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law” (2008, s.170). An illustrative example is in place;

“One example is different social policies, for example, support to poor families with children. The enactment of such policies would not break the principle of impartiality, while denying such allowances for families from a certain ethnic group or parents with a certain sexual orientation when implementing the policy would” (2008, p.170).

A problem with Rothstein and Teorell’s definition is the beforehand-stipulated requirements they mentioned are not sufficient as they conclude that it can not be any type of requirements. The example above illustrates this as denying parents of a certain ethnicity or sexual orientation not is an approved beforehand-stipulated requirement. They explain that democracy might be a necessary condition for quality of government “*as it serves to set certain limits on the types of policies that may be pursued in the name of impartiality. A state that enacts “apartheid type” laws, for example, cannot be seen as having a high QoG even if they are applied by ever so impartial bureaucrats*” (2008, p.180). They differentiate between the input and output-side of the political system, between access and exercise of power. At the input side the principle of “political equality”, eg. democracy, should rule, whereas at the output side the principle of impartiality (2008, s.169-70). Rothstein and Teorell conclude by saying “*QoG requires both democracy in the access to power and impartiality in the exercise of this power*” (2008, p.180). I will argue that, even though quality of governance with no democracy can be morally appalling, the two concepts do not need to be combined. In the theory outlined below is the concept of democracy, broadly speaking, thought to be a mechanism that affects quality of government. Therefore it is better for the purpose of this thesis to define quality of government as analytically distinct from democracy, as Rothstein and Teorell does in their introduction, as impartiality at the output-side of politics (2008, p.165, 169-170).

I will use corruption in government as a proxy for quality of government. Rothstein and Teorell state that an established definition of corruption exists, which is “*the “abuse (or misuse) of public office for private gain, ” or some close variant along those lines*” (Rothstein and Teorell 2008, p.170 citation, Treisman 2007, p.211). Rothstein and Teorell criticise only using corruption in government as a definition and measurement of quality of government, because impartiality is a boarder concept than corruption, which rule out such things as nepotism, patronage, and discrimination (2008, p.169). They further disapprove of the usage of corruption because they see it as “culturally relativistic”, because the established view of corruption includes the word “*abuse or misuse*” (2008, p.171). Rothstein and Teorell think that an acceptable definition of corruption is “corruption involves a holder of public office violating the impartiality principle in order to achieve private gain” (2008 p.171). The springing point is that, as Teorell nicely expresses it, “corruption is thus conceived of as away of systematically breaching the impartiality principle” (2009 p.5). Rothstein and Teorell conclude that absence of corruption does not imply quality of government, but that quality of government as impartiality implies the absence of corruption (2008 p.171). There is no doubt that the reviewed authors all include corruption as a part of their definition of quality of government (Huther and Shah 2005, p.40-1, Kaufmann et al 2009, p.6).

The two most important debates concerning different conceptualizations and measurements of quality of government are presented below to understand how Rothstein and Teorell’s definition, and this thesis’, relate to the concept in general.

The first analytical difference is between procedure and content. Rothstein and Teorell think that the procedure is what should be measured and conclude that since impartiality is a procedural norm it does not take into consideration the content of policies (2008, p.171). Both Kaufmann et al and Huther and Shah are including content in their measurements (Kaufmann et al 2009, p.5, 6, Kaufmann et al 2005, p.130 appendix D, Huther and Shah 2005, p.40, 42). Rothstein and Teorell criticise this, and one reason for this criticism is that by including content a western perspective of which policies that are “sound” is incorporated (Rothstein and Teorell 2008, p.168, Huther and Shah 2005, p.43).

The second debate revolves around *input, process, and outcome* indicators (Landman and Häusermann 2003, p.5). A free interpretation of this is the following; input indicators are the

possibility for citizens to influence their government, process indicators are the actual behaviour of government and outcome indicators are the effects of government politics. Rothstein and Teorell and Kaufmann et al refer to input and process indicators, whereas Huther and Shah refer to all three types (Rothstein and Teorell 2008, p.169-70, Kaufmann et al 2009, p.6, Huther and Shah 2005, p.40-2). Rothstein and Teorell criticise Huther and Shah for including outcome indicators and say that it “border on tautologies” (2008, p. 168-9). Relating to input indicators an emerging consensus does exist that includes democracy as a component of quality of government (Landman and Häusermann 2003, p.87 annex 3). As stated above I will use quality of government distinct from democracy and therefore only refer to the process along the above-mentioned dimensions.

3.2 Defining civil society

Civil society is also called the non-profit sector, the voluntary sector, the third sector, the NGO sector and the charitable sector (Salamon and Sokolowski 2004, p.3). Grimes points out that the definitions of civil society are intimately linked with the ideas of what function civil society has in society (2008a p.4, 7). This is the reason behind first presenting the mechanisms and then discussing which type of groups that the mechanisms promote. The thought of civil society is aligned with the division of society in a public and a private sector, where civil society is the “third” sector. Civil society is also seen as being a sphere between the household, the firm and the state (Salamon and Sokolowski 2004, p. 4). The mixture of function and definition can be the reason why many definitions of civil society include value judgements. Salamon and Sokolowski’s definition is now outlined, and it does not include any value judgement. Their definition is also the foundation for the civil society variable in this thesis. Salamon and Sokolowski include in their definition of civil society such entities that are:

1. *Organized*

That the entities have some structure and regularity to their operations, which can be said to be that the entities have “regular meetings, a membership, and some structure of procedures for making decisions that participants recognize as legitimate” (2004, p. 9). It does not matter whether the groups are a legal or formal entity or not.

2. *Private*

That the organisations are not a part of the governmental apparatus, even though they might receive support from the government.

3. *Non-profit-distributing*

Non-profit-distributing means that the entities are not commercial in their nature. This means that any profit generated is reinvested in the purpose of the organization, and not befall directors or owners. This way of defining CSO means that the objectives of groups are irrelevant. Usually CSO are defined as having a “public purpose”, but what this is changes from context to context and can be a tautology (eg. What is CSO? Groups that promote democracy. What promotes democracy? CSO).

4. *Self-governing*

That the entities are self-governing means that they are in control of their own affairs, eg. that they have internal mechanism for governance and can cease their operations on their own accord.

5. *Voluntary*

That participation or membership in the group is voluntary means that it is not “legally required or otherwise compulsory” (2004, p.10 citation, p.4, 9-10).

3.3 Linking civil society and quality of government

An overview of the three mechanisms found is presented in table 1 “*Overview of mechanisms*”. All authors used to provide the theoretical mechanism more or less point out the same causal mechanisms and how they differ is presented in table 1.

Before moving on to explain those mechanisms in detail the foundations of two of them be will introduced, in order to make it easier to know where the text is heading. The core in understanding channels 1 and 2 of how civil society affects the government is by grasping how civil society relates to individuals’ capacity to access and process information. It exists a discussion of whether individuals and agents are utility-maximising or if they can behave altruistic, in much of the literature. North thinks that most individual behave wealth-maximizing, but that individuals also can act out of general interest (North 1990 p.16, 42, 73, 48). I will leave the discussion aside in the same manner, since it does not drive the theory

presented below. Key in this theory is instead that individuals act on the information at hand. In traditional economics information is thought of as being perfect, or at least functioning so that it by competition is perfect, and costless. In line with North those assumptions are lifted, information is imperfect and costly to achieve (1990, p. 8, 17, 19). Individuals cannot access all information since it simply does not exist, and even if it did, the case would be that it would be too costly to process the information so it would not be rational for individuals to do so. This has two implications. The first one, is that civil society can function as a rationalising device in providing individuals with information relevant for them, hence cheaper information. And the second, is that civil society changes individuals' expectations, which is based on their available information. This reasoning is the basis for mechanism 1 and 2 presented below.

Mechanism	Assumptions	Reviewed author mentioning this relationship	Effect on corruption and quality of government
1. Contestation and Representation	Civil society reduces information costs.	Grimes, Edwards and Foley, White	Positive
2. Creation of Social Capital	Civil society creates norms of cooperation and trust.	Grimes, Brown et al, Edwards and Foley, White	Positive
Service provision by CSO:			
3a. More efficient service provision	Civil society is less corrupt than the state and a crowding-out effect in service provision exist.	Grimes, Brown et al	Positive
3b. Less incentives for demanding accountability	A crowding-out effect in service provision exist.	Brown et al	Negative
3c. Creating an enabling environment	A crowding-out effect in service provision exist.	Brown et al	Positive

Table 1. *Overview of mechanisms.*

3.3.1 Contestation and representation

Civil society is thought of as being engaged in “contestation and representation”. This means that civil society aggregates citizens’ preferences and provides a link of communication between the government and its citizens. Civil society enhances democracy and accountability by articulating various social groups demands to the state and keeping the citizens informed about the states behaviour, also between elections (Grimes 2008a p.3, Edwards and Foley 2001, p.6 and White 1996 p.186-7). This goes hand in hand with the perspective of civil society as an opposing force to state power (Edwards and Foley 2001, p.6, White 1996, p.185).

The discussion of which interests that is represented by CSO is inevitable. Implicit in this notion is that the presence of many groups will via bargain lead to efficient outcomes, or at least keep the state from being captured by narrow interest. White mentions something along those lines when he states that civil society can alter “the rules of the political game along democratic lines” (1998, p.187). White seems to think that this is achieved because CSO has as a common interest to have democratic rules and because the power of different groups within civil society, as well as between the private and public sector, forms outcomes (1998, 187-9). This question will be addressed under chapter 3.4 “Different types of groups” and also in chapter 6 “Analysis”.

According to Grimes this mechanism is more likely to function in democratic societies than in non-democratic ones, because the government in a democracy should be more accountable to its citizens (2008a p.2). Olson probably would say that even a self-interested ruler provides the people with public goods to maximize his/her income (2003), and North would in the same line of reasoning add that even in dictatorships people have some bargaining power, hence would CSO still be influential, although not to the same extent (1981, p.20-32).

To place the “contestation and representation” mechanism in a theoretical framework a simple principal-agent model is now presented. The core is that a principal give a specific task to an agent. This two-way relationship is translated to citizens and their representatives. The citizens are the principals giving the representatives, whom are the agent, the authority to govern their country. If perfect information exists, the principal knows exactly what the agent does and can thus punish the principal if he/she behaves incorrectly. But, in reality, imperfect

information exists. The agent cannot know exactly what the principal does. Information is asymmetric, the agent knows more about its behaviour than the principal does. This is called the problem of monitoring (moral hazard); the principal has to control the agent's behaviour with insufficient information. In case of citizens-government it might even be impossible to subtract information about the performance of the government, since the decisions taken by it might not render its effects until years to come. The principal has the possibility to sanction, to demand accountability of the agent. But, the ability to sanction the agent's behaviour will be dependent on the information available. Generally the mechanism for achieving accountability is elections, the voters can vote representatives that has behaved poorly out of office and vote for representatives they think would behave better. But accountability does not need to be exercised in a formal way, via elections, it can also be demanded informally, between elections (Besely 2006 p.98-104, North 1990 p.8 ,32-33, 43-44, 48-51 and 90, Keefer and Knack 2005 p.709).

A deeper analysis why that the capacity to hold somebody accountable, to bring about sanction, does not need to be in a formal way is provided by Grimes. A good example is that civil society might through a medial outcry greatly affects a politician's possibility to be re-elected. Grimes thinks that the most compelling argument for this case is that formal institutions with the task to hold other governmental institutions or people accountable can be designed to react by input from citizens and various other organisations. An example of this could be public prosecutors that are informed by civil society about wrongdoings of a municipality council and then are able to investigate this further. The reason for accountability institutions being designed in this way is that is far more cost-effective than if the institution itself would investigate each object. The thought that the ability to sanction does not need to be in a formal way will effectively render arguments that civil society can not influence the political process toothless (Grimes 2008b p.2-3).

To the framework of the principal-agent model are positive transaction costs added, the act of achieving information is costly. This gives rise to what North calls the rational ignorance of voters, which is a form of free rider problem. If all voters would neglect voting democracy would not work, but for an individual it is rational not to vote. Rational ignorance means that the voters perform a cost-benefit analysis. The benefit is minor since the weight of one vote is infinitesimal, so a voter's individual possibility to affect outcome is neglectable, whereas the cost for a voter to keep her-or himself informed is high.

This principal-agent model is in a crude form. One can divide the whole political system into agents and principals; the representatives will be the principal to the agents the bureaucrats, citizens will be principal not only to national politicians but also to representatives at other tiers of the governmental apparatus, the municipality, the region etc (Besely 2006 p.98-104, North 1990 p.8, 32-33, 43-44, 48-51 and 90, Keefer and Knack 2005 p.709).

I pose that civil society makes information available at a lower cost. This does not seem to be controversial, because civil society is thought to scrutinize the government and put relevant questions on the agenda, as mentioned above. However, I personally prefer to argue that civil society by creating networks of individuals that are interested in the purpose of a CSO function as a rationalising device in providing the individuals with relevant information. Because of the rational ignorance of voters, channels of screened information should allow the citizens to keep themselves informed at a lower cost. Assuming that civil society makes information available at a lower cost, then this can affect the government in two interlinked ways:

1. As the cost of information decreases it will be easier for the electorate to keep their representatives accountable.
2. Agencies within the governmental system with the task to control other governmental institutions will also be provided with cheaper information, hence allowing them to perform their function better.

For the two reasons above does “contestation and representation” by civil society increase quality of government. Corruption and quality of government is furthermore viewed as phenomenon where multiple equilibria might exist (Grimes 2008a p.1, Grimes 2008b p.14). In conjunction with this can civil society directly alter the payoff structure for politicians’ bad behaviour by exposing information about it, but if nobody reacts to this information it is worthless, and hence the two other channels are underlined.

3.3.2 Creation of social capital

Civil society is thought to build social capital, which in turn enhances democracy and quality of government. The mechanism rests on the assumption that civil society breeds norm of

cooperation and trust, which will help people overcome collective action problems. Grimes gives voice to the common thoughts underlining this argument when she says that civil society foster norms of reciprocity and tolerance, and acts as “a school in democracy”. Edwards and Foley underline that this is the most emphasized link of how civil society is thought to affect governments (Grimes 2008a p.3, 6, Edwards and Foley 2001 p.5, Brown et al 2008 p. 27, Brown et al 2002, p.818, White 1996, p. 186). White thinks this argument rests on a too optimistic assumption about the character of civil society, but on the other hand he does state that civil society disseminates norms of democracy (1996, p. 186-9).

First collective action problem is presented and then how the overcoming of these would lead to quality of government. After that social capital is explained, and research of how CSO would lead to trust is reviewed since this is a key argument behind how CSO would affect state behaviour. The result of this is that the link whereby CSO leads to norms of cooperation and trust is vague.

A collective action problem, also called coordination problem, is related to the concept of multiple equilibria. If all actors could coordinate their actions at the same time, they could move from a high-corruption to a low-corruption equilibrium, with beneficial outcomes for all. In a multiple equilibria model outcomes are determined by how individuals perceive “all others”. Overcoming the collective action problem means changing the expectations about how “all other” will behave (North 1990, p.4, 7, 13, 73, 84; Grimes 2008b, p.14, Smith and Todaro 2009 p.162-164; Meier and Stiglitz 2001 p. 401, 407, 439-441). If social capital, where interpersonal trust is and integrated part, is high is it easier to cooperate since trust reduces uncertainties about other individuals’ behaviour (North 1990, p.12-4). Trust is the mirror image of norms of cooperation, if you think most people can be trusted you believe in their intentions to cooperate and to not defect from the collective endeavour. What makes people cooperate have been extensively theorized, but since social capital is the only means presented for doing so by the above-mentioned authors, the rest of this body of theory will be ignored.

What is more, translated to the principal-agent model outlined above it does mean that to in order to increase quality of government in general and decrease political corruption specifically, citizens need to cooperate as well. The citizens, the principals, would need to coordinate their action to change politicians’ incentives, which means changing the overall

pay-off structure. For example, voters can vote politicians out of office if they are corrupt, thus increasing the cost of their corrupt behaviour, but many individuals need to do as such in order for it to have effect. Grimes thus highlights the need to change the overall payoff structure to affect quality of government and corruption (North 1990 p.4, 7, 13, 73, 84; Grimes 2008b p.14). The “contestation and representation” function of civil society comes into play to allow for this coordination to happen. Civil society helps to enforce plausible sanctions by providing the electorate with cheaper information so that citizens can more effectively hold politicians accountable. Keefer and Knack mention a second link in regard to how trust might affect quality of government. When trust is prevalent in society politicians can make credible promises to compensate “losers” of a policy change, thus increasing the chances that efficient reforms are undertaken (2005 p.707).

Social capital is an extensively theorized subject and the following paragraphs are sketchy in their character. A focal point is how CSO is thought to create norms of trust, but focus is also placed upon those variables that have been found significant in explaining quality of government, in order to provide a theoretical ground for the usage of those variables.

Putnam was the social scientist putting social capital on the agenda with his book *Making Democracy Work: Civic Traditions in Modern Italy* published 1993. The definition of social capital is still today vague and contested. The core of social capital boils down to networks, how many individual you have a relationship with, and trust, the loyalty or strength of those relationships. Social capital is thus an informal institution. Some authors only include such social capital in the term that helps people overcome the collective action problem, whereas others also include the type of social capital that hinders collective efforts. The first stand give a functionalist slant to the concept and will not be used here. The network aspect of social capital does not differ much from civil society. Group membership is usually used as a variable of networks and will be regarded as a measurement of civil society.

Social capital helps agents overcome collective action problems. But the reach, or boundaries, of social capital is important to determinate if social capital via collective action gives rise to efficient political or economic institutions. Those boundaries are the spectrum of whether social capital applies to people in general or to people in a specific group. Where social capital is confined to a specific group, as it is in the case of clientelism or the mafia, it can be harmful for a well-functioning society. This is supported by cross-country research that finds

that heterogeneity, the division of society along ethnic or linguistic lines, and income equality are lowering social capital. When a society is heterogeneous or has an unequal distribution of wealth it is more likely that its citizens' social capital has a narrow reach.

As stated before, the thought that CSO helps people overcome the collective action problem is underpinned by the argument that the partaking in CSOs instils certain values in people, or as Putnam puts it: "instill in their members habits of cooperation, solidarity, and public-spiritedness" (1993 p. 89-90). It is mostly interpersonal trust that has been used in research and one can think about that as a proxy for Putnam's other values. In general, if the groups transcend class lines, if they encompass a large number of groups along various categorizations, they are thought to build norms of cooperation and trust. No further theoretical accounts of why CSO would lead to trust has been found, but the channel has been tested empirically and give inconclusive results. Below is a review of current research that tries to evaluate if individuals learn cooperation and trust by partaking in CSO.

Knack (2003) bases his result on cross-country analysis and finds that group membership significantly increases interpersonal trust. Stolle and Rochon (2001) and Brehm and Rahn (1997) both use individuals as their analytical unit and supports Knack's findings. Claibourn and Martin (2000) also base their research on individuals and find that the mechanism overall not to hold, membership in groups does not lead to trust.

One reason for the diverging results can be that the causality of group membership and trust has to be taken into account to various extents. But even though causality is controlled for, it is hard to know if it has been controlled for in the right way. The general conclusion is therefore that membership in groups correlates with trust, but that one cannot draw any conclusions about if it is the membership that breeds trust (or if trusting individuals join groups more than distrusting). Stolle and Rochon (2001) do not control for causality, the only conclusion one can draw from their research is that members in groups score higher than non-members on various social capital indicators. The strongest relationship is that individuals who are members in organisations are more than non-members prone to be politically engaged and take action, which could be interpreted as an indicator of that group membership leads to collective action. Only second to that relationship comes the result that members more than non-members show interpersonal trust. Knack (2003) does not control sufficiently for reverse causality, but also supports that civic groups can lead to higher trust. Brehm and

Rahn (1997) build a structural model, which means that various variables influences on each other are taken into account. They point out that group membership indeed breeds trust and other norms. Claibourn and Martin (2000) use longitudinal data and therefore best control for reverse causality, consequently it seems that the mechanism by which voluntary associations lead to norms of cooperation and trust is weak. But, both of the last two reported social scientists' data is tied to a specific context and is thus hard to generalize.

Another reason for the diverging results may be that there exist spill over effects, or external effects, on trust, which can only be captured by using more aggregated units of analysis than individuals. Knack (2003) supports this idea and poses that a group can by excluding individuals, lower the excluded individuals trust, although he leaves room for a positive effect as well (Keefer and Knack 2005, Knack 2003, Stolle and Rochon 2001, Brehm and Rahn 1997, Claibourn and Martin 2000 and Putnam 1993 p. 89-90, 167).

To conclude, if civil society build norms of cooperation and trust it contributes towards people's ability to overcome the collective action problem. The overcoming in its turn would mean that citizens could coordinate their actions as means to change the payoff structure in the political system. Mechanism 1 "contestation and representation" is thus entwined with this mechanism, 2, "creation of social capital". This means that CSO affect quality of government in a positive way. However, the link that states that CSO breeds norms of cooperation and trust is insecure. This makes mechanism 2 insecure in itself.

3.3.3 Service provision by civil society

That civil society by providing services to citizens can influences outcomes can be divided into three categories. The first one is that civil society by providing services reduces corruption within the state. The second, that civil society's service provision will lead to fewer incentives for citizens to hold the government accountable. And the third is that service provided by civil society creates the possibility for individuals to keep the government accountable. These will each be presented in turn.

The first train of thought is that service provision by civil society leads to more efficient service delivery (3a). The line of reasoning is that civil society provides welfare-related

services otherwise carried out by the state, and is hence reducing corruption since civil society is less prone to corruption than the state (Grimes 2008a p.3, 6, Brown et al 2002 p.821). This hypothesis rests on two assumptions according to Grimes; that civil society is less corrupt than the state and that it exists a crowding-out effect so service provision by civil society leads to a smaller public sector. Plausibly the same arguments could carry over to quality of government in general.

Grimes is explaining, regarding the claim that civil society is less corrupt than the state, that in the case of locally-formed organizations this might indeed be true, but she is less positive regarding the relative merits of external organizations, such as organizations formed by domestic or international donors. She underpins the claim that locally-formed organizations are less prone to corruption with two arguments. The first is that to form a local organization a certain degree of social capital is needed, and when social capital is high corruption is implicitly low. The second is that the chain of accountability between service providers and beneficiaries is short thereby making the control-mechanism which makes service providers behave honest easier to sustain. Grimes underpins the argument that externally-formed organizations are not as virtuous by that they belong to a different accountability structure. Externally-formed organizations are accountable mostly “up-wards” towards their donors. If this functions properly Grimes states that one can assume it to be more effective, than means leading to less corruption than in the state-case, but she warns that there are many cases where improprieties are found in the behaviour of externally-founded organizations (2008a p.6).

The second link is that service provision by civil society leads to less incentive to demand accountability (3b). Brown et al theorize that a mechanism could exist whereby civil society by providing services, gives citizens less incentives to hold the government accountable than if the government were providing those services (2008 p. 29). This would, translated to the principal-agent model, make citizens’ cost of keeping themselves informed higher thus decreasing quality of government. I think an assumption behind this is, as with Grimes’ thought of service provision, that there exists a crowding-out effect. Furthermore, I think this might be true for “pure” service delivery, but the state also creates an enabling environment, which citizens would still have incentives to demand accountability for.

The last category is that service provision by civil society creates an enabling environment (3c). This is so since civil society, by providing services, enables citizens to demand

accountability (Brown et al 2002 p. 821). A good example thereof is when civil society provides education; nobody would deny that the ability to read greatly enhances a person's chances of keeping the government accountable. This would make the cost of the voter to keep him/her-self informed lower, thus increasing quality of government. I again find that this implies that it exist a crowding-out effect.

I would like to comment on two points in the above accounts. The first comment is that all the above accounts exclude to mention that the market can deliver services to citizens. In this analysis society is divided by the market, civil society and the government. Of course it is possible for the sectors to cooperate in delivering services, which also often is the case. Robinson and White point out that the market also provides services, but argued that the market does not serve poor and remote groups since it is unprofitable, which of course can be questioned (Robinson and White 1997, p.4). The second remark I like to make is that what makes services being provided by either partly is a matter of causality. For the line of reasoning here, it is sufficient to say that one of the sectors can step in when the others fail to provide the services. It can be so that civil society provides services when the government fail to do so, but it is equally plausible that the government steps in to provide services when civil society fails to do as such (Robinson and White 1997, p.4). But a theory of which sector that provides which area of service is not available, and there is also a great deal of variation in the real world concerning this.

3.4 Different types of groups

Below I try to nuance the picture of civil society. To bunch different types of CSO together without realizing that they most likely have different effects is problematic.

One assumption behind the “contestation and representation”- mechanism is that the plurality of groups somehow would lead to more efficient outcomes. To further the understanding of why this might not be the case the preceding discussion is presented. The analytical distinction between civil society groups has so far been between groups that promote general interest and groups that promote special interests. Various effects of how those different kinds of groups affect trust, economic growth, investment etc. have been debated and researched. Olson predicts that special interest groups easier overcome the collective action problem, and

that they thus will create inefficient governmental institutions, such as tariff and subsidies (1965, p.125-129). North would say that in a pluralistic democracy civil society groups do promote their own interest but that it nonetheless is possible that through bargaining achieve effective institutions, but probably it is not likely (1981 p.30). This is partly so since North thinks individuals are not purely motivated by self-interest, and gives the example of the environmental movement (1981 p.56, 58). Putnam originally thought that all groups were promoting good institutions but has later allowed for the possibility that some groups have detrimental effects (1993, p.161 and 2000, p.22). What I conclude is that the influence of various groups is not even. The inherent difficulty in deciding which type of group, general- or special- interest one, that a CSO belongs too calls for looking at the overall effect of civil society instead.

In this thesis the analytical distinction is between groups involved in service delivery and groups that perform an expressive function. This distinction is fairly new and more suitable to determine which mechanisms that affect quality of government.

The mechanism “contestation and representation” (1) gives priority to groups having an expressive function, because the purpose of those groups is to disseminate information. Grimes think that mechanism 1 “contestation and representation” slants the definition of civil society towards those organizations that are concerned with the interest of the general public, and not particular interest. This is as such since the former has the possibility to mobilizes a greater number of people that render it more likely that it changes outcomes (Grimes 2008a p.4, 7). Although this is likely, does using groups in expressive function investigate if the mechanism operates at large. The mechanism “creation of social capital” (2) gives priority to groups both involved in services and expressive functions. Grimes thinks this mechanism leads to the broadest definition of civil society as it is including nearly all types of organization (2008a, p.7). Which type of CSO that are thought to build trust is reviewed and the distinction is again between special- interest and general-interest groups. Knack (2003) find that groups mostly related to leisure significantly increase interpersonal trust but that special-interest organisation (professional organisation, trade unions and political parties) do not have a significant effect, but this categorization would be criticised by Grimes (2008a) and Lee (2007) whom regards unions as general-interest groups. Stolle and Rochon (2001) find that all kinds of associations are correlated with trust, but that some types are more than others. Stolle and Rochon’s results seem to confirm those of Knack (2003), namely that

groups mostly related to leisure are correlated to interpersonal trust more than special-interest groups, but their categorization is not analogous with Knack's. Again the difficulty in deciding which groups that promote special- or general interest calls for looking at the overall effect, which Grimes also seems to conclude (2008a, p.7). The mechanisms concerning service provision (3a-c) naturally focus on groups that provide services, which Grimes also state (2008a p.7).

3.5 Causality

The major aspect regarding causality is that civil society and the government live in a symbiotic relationship. The government creates the environment in which civil society operates. The state forms the possibilities available to both form civil society organizations and for them to have influence. So, it is just not a question of how much civil society influences the state, but the state also influences civil society. One encounters reverse causality. In a larger perspective policies that the government enacts create the parameters for civil society's being and the questions that civil society reacts on. The more concrete example here is that which services the government gives to citizens influence which services civil society provide, and vice versa (Grimes 2008a, p.8, Robinson and White 1997, p.4).

Under this umbrella of a causal two-way relationship between civil society and the government lies the general level of trust, which influences and is influenced by both quality of government and civil society. Quality of government and the general level of trust affect each other. The government's behaviour influences the general level of trust in society, as well as the other way around. Teorell built this argument on that people make inference from how they perceive governmental officials' behaviour to the behaviour of people in general (Teorell 2008, p.5.) In addition to this, the causality between civil society and trust also run both ways. This is so since civil society needs collective action to be organized, which in turn is affected by the amount of generalized trust prevailing in society. That civil society itself needs to overcome the collective action problem gives birth to circular reasoning. CSO is thought to create trust, which in turn influences the creation of CSO, which is thought to create trust, and so forth. The government also contributes to this circular process since the government also influences interpersonal trust.

To conclude, the question of causality is hard to untangle and greatly affects any possibility to say in which direction the causal links seems to be strongest. In some respect there could be multiple equilibria with regard to quality of government and civil society.

4. Method and data

In this chapter the considerations when choosing research method and variables are offered. The independent variables of civil society and the four dependent variables of quality of government will be presented in greater detail than the control variables. First is the method presented, then the choice of control variables and the considerations when choosing variables. After that the variables are presented and last follows some quality considerations.

4.1 Research method

This is a quantitative analysis and the reason for choosing this approach is the following. Not many measurements of civil society are available regardless of analytical level. Case studies exist, but cannot be generalized, and since it is possible to conduct a quantitative study at country level it has been judged as yielding higher value. The number of observations is nevertheless small, between 28-36 observations are used. The statistical method is OLS-regression and multiple regression analysis, which is relevant for the purpose. Two of the dependent variables, ICRG and GCS corruption, are ordinal variables and cannot theoretically be used in OLS-regression analysis. This will be done in this thesis following the practice of other researchers, but care should be taken when interpreting the results.

4.2 Choice of control variables

Independent variables has been scaled down to only include those which are implied by the theory above and that have been found significant in conjunction with civil society in other peoples research, with one exception. As will be noted under chapter 5 “Results” many of the independent variables are highly correlated, especially GDP per capita and civil society. When a regression is done with all relevant independent variables they are thus insignificant, hence regressions with only civil society, civil society in expressive functions and civil society in services functions are made.

The following variables should be influential in determining corruption according to theory; inequality, heterogeneity, and trust. In addition Grimes thinks that whether the state is a democracy or not should be a relevant variable because democracies should let the theory outlined above operate (2008a p.8). From the reviewed research of how civil society relates to quality of government the conclusions are that the following variables has been found significant; democracy, GDP, freedom of press, homogeneity, trust, education, log of population and inequality. Log of population is excluded because it theoretically should not have any bearing of corruption. Education and freedom of press are also excluded because even though they should be relevant, they are at the same time an outcome of the political process. To conclude, the following control variables are chosen; inequality, heterogeneity, trust, democracy and GDP.

However, much research exists that tries to explain quality of government and corruption and it is inconclusive of which factors that determine the different outcomes, hence all of those possibilities cannot be controlled for. For example have Treisman and Lambsdorff, in their respective papers that summarise factors that determine corruption, concluded that, among others, market entry, market competition, trust, democracy in the long term, parliamentarism, free press and openness to trade are significant in explaining corruption (Treisman 2007, p.241-2, Lambsdorff 2006, p.7-9, 10, 11, 18, 40). Treisman concludes that evidence provided the strongest link to GDP (2007, p.241-2). Lambsdorff further concludes that the relationship between GDP and corruption is well established, but that the question of causality between the two variables is not resolved (2006, p.24).

Although not all possible variables can be controlled for one variable is especially relevant, namely size of government. It measures which services that are provided by government, which partly is an inverse of the services delivered by civil society (the market provision is not taken into account). Size of government is, according to Grimes, a less valid variable than civil society's service provision. Grimes conclude that size of government has been shown to have no bearing on corruption (2008a p.6). On the other hand, Lambsdorff seems to conclude that a small government seem to lead to more corruption (2006, p.4-5). Because of the general insecurity in determining which variables that explain corruption, size of government will be included. By doing so, the effects of states provision are taken as constant on service delivery

by CSO:s. But including size of government is problematic because it is not an exact measurement, it can also measure corruption within the governmental apparatus.

Grimes uses a lagged GDP variable in her research. She does this “since political institutions play a key role in economic growth, controlling for GDP per capita in effect means that one also controls for the quality of government institutions at earlier points in time” (2008a p.9). So, controlling for GDP per capita the same year as corruption is measured means controlling for corruption in the recent historical past (2008a p.8-10). This conclusion is peculiar since it implies that corruption change fairly quickly, which it probably does not. And, to drag this further Grimes has put a sign of equality between GDP and quality of government. Nonetheless is it a consideration that the reader should be aware of. In this thesis an average of GDP per capita is used which has the same base years as the rest of the variables.

4.3 Consideration when choosing variables

Civil society is used as an independent variable and the source is John Hopkins Comparative Non-profit Sector Project (JH), more specifically data collected in the book “*Global Civil Society- Dimensions of the Nonprofit Sector Volume Two*” by Salamon and Sokolowski (2004). The reason to choose JH- data is to get as valid data as possible for civil society. JH estimate the “depth” of civil society by measuring civil society’s full-time equivalent workforce as a percentage of the economically active population, which is more valid when comparing with the three most common ways. The first way is to use a non-exhaustive NGO directory and count the numbers of NGOs that exist, which does not measure the “depth” of the sector and measure the number of NGO approximately since no directory with good coverage exists. The second form of measurement is to look at how many connections with INGO:s that exist in a country using Union of International Associations (UIA:s) database, which is different from measuring CSO. In social capital research civil society has usually been measured by how many individuals that are members in CSO, which again does not measure the “depth” of the sector since membership can be with different intensities. Another strong reason to choose data from JH is that it can be divided by field, which means that civil society is divided by if the organisations are primarily engaged in an expressive function or a service-delivering function. No source of data that measures civil society divided by field has been found.

There are four different dependent variables used. All are chosen to operationalize quality of government, but they do not encompass the concept completely. Three of the four dependent variables measure corruption and the fourth measures vote turnout. Corruption is an integrated part of quality of governance according to most authors, whereas I thought vote turnout would be a good measurement since it is the only way to measure if people demand accountability of the government. The reason behind choosing four different dependant variables is that the reliability of measurements of quality of government in general can be questioned, and by choosing four different variables one can compare the results. An important consideration when choosing how to measure quality of government has been to sum up to a sufficient number of observations when matched with the civil society variable.

Two of the most widely used indices have been discharged on the following grounds. Corruption Perception Index constructed by Transparency International and WGI are both indices that present what at first view appears to be comparable numbers for different countries. But the indices are based on different underlying measurements for different countries, thus comparing the index numbers becomes problematic. It is also important to observe that Corruption Perception Index and WGI use the same underlying data sources (Treisman 2007, p.213). Both Grimes (2008a) and Lee (2007) use WGI as their dependant variable, and hence will some more comments on this index follow. Kaufmann et al lately said explicitly that researchers should be aware of that their index broadly speaking places countries at three tiers, but nonetheless Grimes (2008a) and Lee (2007) use it (Landman and Häusermann 2003, p.31). Furthermore, Arndt and Oman criticise WGI because when aggregating the indicators those indicators that are correlated are given greater weight, thus eliminating the positive effects of combining indicators to achieve greater reliability (2006, p.58, 60-1). More can easily be said regarding the quality of CPI and WGI and those interested should consult Besancon (2003), Landman and Häusermann (2003) and Arndt and Oman (2006).

The tree different variables that measure corruption have been chosen with the following considerations in mind. There is a debate regarding the use of objective and subjective measurements. Subjective measurements are such that rely on surveys, whereas objective measurements are such that do not (Landman and Häusermann 2003, p.5). Besancon calls for the use of objective measurements on the grounds that “expert” assessment is biased, and one

can reasonably argue that those selected “experts” are most likely close to the governmental apparatus (2003, p.6, 30). Treisman has the same standpoint because perception-based indicators are possibly dependent on the cultural view of corruption, which might be related to, for example, interpersonal trust (2007, p.213). Kaufmann et al defend the use of subjective measurements because according to them objective indicators do not capture informal institutions (2005, p.28), which is important because informal institutions determine outcomes along with formal one according to North (1990, p.6). All measurements in this thesis are thus subjective, eg. perception-based, as opposed to objective measures of quality of government. The variables that measure corruption have also been chosen since they are different from each other. ICRG corruption is based on experts’ assessment, GCS corruption is based on a firm survey and Bribes is based on a population survey. ICRG corruption and GCS corruption are widely used measurements, whereas I think Bribes can be used.

4.4 Presentation of variables

First the sample in general and base years be will discussed. Then the three independent variables of civil society and the four dependent variables are presented. In table 3 “*Overview of variables*” all variables are explained and sources are stated.

The coverage of the variable civil society has been the base of finding the other variables, and hence is the sample drawn by JH the sample in this thesis. JH chose to do a representative sample, and is incorporating approximately the same number of developed and developing countries (Salamon and Sokolowski 2004, p.6). It is endemic to development research that data is not available to the same extent in developing countries, but the representative sample assures this which should be considered as improving quality substantially. However, we do not know how the sample has been drawn. A representative sample theoretically increases the risk of bias towards units of analysis that are non-extreme.

The base years for the civil society variables differ for each observation between 1995-2000, which should not be a problem because the relative size of civil society is most likely relative stable over time. An average of the other variables has been used when possible. This thesis is concerned with measuring the variation across countries and therefore should this procedure not be a problem. However, when matched the base year for civil society has been used as the

base year for the democracy- variable, which is questionable because the classification fluctuatesⁱ. This is done because one cannot make an average of a dummy variable.

From JH three independent variables are calculated. The first one is civil society workforce that measure civil society full-time equivalent workforce as a percentage of the economically active population. The two others are civil society workforce divided by expressive or service functions. The division of CSO into expressive and services function is of course not perfect, because many organisations are involved in both. Nevertheless they can be divided by their principal activity and the level of resources the various activates absorbs. The classification of organisations into services or expressive function is presented in table 2 “*Classification of organisations*”, and follows the categorisation by Salamon and Sokolowski (2004, p.11-12, 14, 24, 307-8).

Services functions:	Expressive functions:	Not included in either role:
-Education and research	-Civic and advocacy	-Philanthropic intermediaries
-Community development and housing	-Arts, culture and recreation	-International organisations
-Health care	-Environmental protection	- Religious congregations
-Social services	-Business, labour or professional representation	

Table 2. *Classification of organisations.*

ICRG corruption is widely used by the scientific community, although there are serious problems with this measurement. The gravest problem is that one does not know what is measured. ICRG corruption is produced by International Country Risk Guide (ICRG), and they do not publish how the measurement is generated. It is intended to be used by investors, and can thus be said to have an investor’s considerations in mind. What is known is that it is a judgement delivered by experts that runs on a 6-point scale.

GCS corruption is a part of the Global Competitive Survey conducted by World Economic Forum. It measures how frequent firms make “extra payments” to various instances. The variable includes the following questions; Frequent for firms to make extra payments;

- to get favourable judicial decisions

- to influence laws, policies regulations, decrees
- connected to; trade permits, public utilities, tax payments, loan applications, awarding of public contracts (Kaufmann et al 2009, p.53).

Both ICRG corruption and GCS corruption are taken from WGI:s database. The variables have been rescaled by Kaufmann et al to run from zero to one, with higher values indicating better outcomes (2009 p.9). So, higher value means less corruption. I have rescaled ICRG corruption to let it take its original form on a six-point scale. I do not know how Kaufmann et al have calculated the GCS corruption, since I cannot access the source material from the Global Competitive Survey.

The variable Bribes is generated from World Value Surveys and European Value Studies. It measure the proportion of respondents in each country that answer that bribes is not justifiable on the following question; *Please tell me whether you think it can always be justified, never be justified, or something in between; "Someone accepting a bribe in the course of their duties"* (EVS/WVS 2006a, p. 546). This was the only question based on a population survey that measures corruption that has a sufficient number of the same countries as the civil society variables. It does not measure corruption directly, but should be regarded as measuring a norm in society, approximating an informal institution. It captures the demand side of bribes in some respect. However, it is not related to political corruption directly.

The variable vote turnout measures vote turnout as a percentage of voting age population regardless of the elections being parliamentary or presidential. The date is taken from Institute for Democracy and Electoral Assistance (IDEA). Vote turnout has been added as a dependant variable since two of the theoretical mechanisms pose that civil society should affect that directly, and because vote turnout in this regard is the only way of measuring if people demand accountability of the government. However, the usage of vote turnout is problematic because not all countries are consolidated well-functioning democracies and no separation in democracies and dictatorships is done in most of the regressions. Furthermore vote turnout for countries with presidential or parliamentary systems cannot be compared without difficultiesⁱⁱ.

Overview of variables			
Variable	Base year(s)*	Explanation	Variable code in data set
Bribes	1995-2001	Percent of respondents that answer bribes are not justifiable.	F117
Civil society workforce	1995-2000, vary by country	Civil society full-time equivalent workforce as a percentage of the economically active population.	EVSWVS (2006b)
Civil society workforce in expressive	1995-2000, vary by country	Civil society full-time equivalent workforce as a percentage of the economically active population that is involved in expressive functions.	Salamon and Sokolowski (2004, p.296)
Civil society workforce in services	1995-2000, vary by country	Civil society full-time equivalent workforce as a percentage of the economically active population that is involved in services functions.	Salamon and Sokolowski (2004, p.296, 298)
Democracy	1995-2000, vary by country	Dummy variable where 0=democracy and 1=dictatorship.	Teorell et al (2009b)**
Equality	1995-1999	Inverse of a standard Gini coefficient of net income.	Soits (2009)
GCS corruption	1996	-	WGI
GDP per capita PPP	1995-1999	constant 2005 international dollars	WDI
Homogeneity	1979-2001, vary by country	Reflects the probability that two randomly selected people from a given country will belong to the same ethnolinguistic group. The higher the number, the less fractionalized society.	Teorell et al (2009b)***
ICRG corruption	1996	-	WGI
Size of Government	1995-1999	All government current expenditure for purchases of goods and services as percent of GDP.	PRIS; Control of Corruption General government final consumption expenditure
Trust	1995-2001, 2005	Percent of respondents that trust most people.	EVSWVS (2006b) and Afrobarometer (2005)
Vote turnout	1993-2002	Vote turnout as percent of voting age population.	IDEA Total vote, Voting age population

*if more than one base year indicated has an average been calculated.

**Original source Cheibub and Gandhi (2004).

***Original source Alesina et al (2003).

Table 3. Overview of variables.

4.5 Quality considerations

The choice to use JH as a base for the civil society variables only allow for the usage of a small sample. This presents the main drawback, the small sample yields inconclusive and limited results. There is a vast array of possible control variables, but even with a few chosen civil society cannot be evaluated because of multicollinearity, which partly is dependent on the small sample. Nonetheless are the civil society variables from JH more valid than other ways of measuring civil society and it allows for the division of civil society by field. The representative sample also assures that no direct bias exists between developed and developing countries. This thesis conducts a cross-country analysis and hence only broad patterns between countries are explained. The definition by Salamon and Sokolowski of civil society was explicitly made to do comparisons between countries possible, but civil society different in different countries and comparing civil society is thus by necessity hard. Furthermore, it is possible that a country where much citizen effort is expressed through religious organizations is being estimated as having a smaller civil sector compared to other countries. This because religious types of organization are excluded from the data. The division of civil society into expressive and services are also a concern. Development organisations are, according to Salamon and Sokolowski, usually both involved in services and expressive functions (2004, p.11-12, 14, 24, 307-8). Four different dependant variables have been used to migrate the problem of quality concerning quality of government. The lack of transparency surrounding ICRG and GCS corruption is nonetheless worrying. Only very limited results are made from the usage of vote turnout. The main problem with this variable is that if a country is a functioning democracy should be highly relevant and that electoral systems not easily can be compared. One additional concern is that trust has an imputed value for one observationⁱⁱⁱ.

5. Results

In Appendix A “Presentation of data” is an overview of the material provided.

5.1 Linear regression

First Civil Society Workforce is regressed as the sole independent variable on the independent variables to present a more straightforward relationship than what multiple regression is presenting, but also to allow for some conclusions to be made regarding the merits of civil society. One should be well aware of that those models are not correctly specified since other independent variables are influential. The results of the regression analysis done with only Civil Society Workforce as independent variable is presented in table 3 “*Linear Regression Results*”.

Linear Regression Results

Variabel	Model A.1 Vote turnout	Model A.2 Bribes	Model A.3 ICRG corruption	Model A.4 GCS corruption
Civil Society Workforce	1.1129 (0.7504)	0.6968 * (0.3086)	0.1887 *** (0.0468)	0.0420 *** (0.0083)
Constant	58.291 *** (4.0576)	90.211 *** (1.7249)	3.3726 *** (0.2582)	0.4553 *** (0.0495)
R2	0.0705	0.1338	0.3238	0.4801
Adjusted R2	0.0384	0.1076	0.3040	0.4615
N	31	35	36	30

P* < 0.05 P**<0.01 P***<0.001

Table 4. *Linear Regression Results.*

As seen in table 4 neither the model with Vote turnout as dependent (Model A.1) nor the model with Bribes as dependent variable (Model A.2) are good models since the coefficients of determinations are low. Looking at the graphs presenting those results, Figure 1 “*Scatter*

Plot of Vote Turnout” and Figure 2 “*Scatter Plot of Bribes*”, seems to suggest that the relationship is polynomial. Nonetheless is Civil Society Workforce significant in the model with bribes as dependent variable (Model A.2).

The model with ICRG corruption as dependent variable (Model A.3) poses a reasonably good model. The coefficient of determination is 32 percent and Civil Society Workforce is significant at the 0.1 percent significance level. Model A.3 is pictured in Figure 3 “*Scatter Plot of ICRG corruption*”.

The model with GCS corruption as the dependent variable (Model A.4) presents the best model of the dependent variables regressed on Civil Society Workforce alone (Models A.1- A.4). The determination coefficient is 48 percent and Civil Society Workforce is again highly significant. Model A.4 is depicted in Figure 4 “*Scatter Plot of GCS corruption*” and it is easy to see that the relationship is linear.

All assumptions behind the linear regression model is fulfilled. One can possibly remark on that the RESET-test, which among other things checks if the regression has correct functional form, is nearly not accepted for model A.1 and A.4 with a p-value of 0.057 respectively.

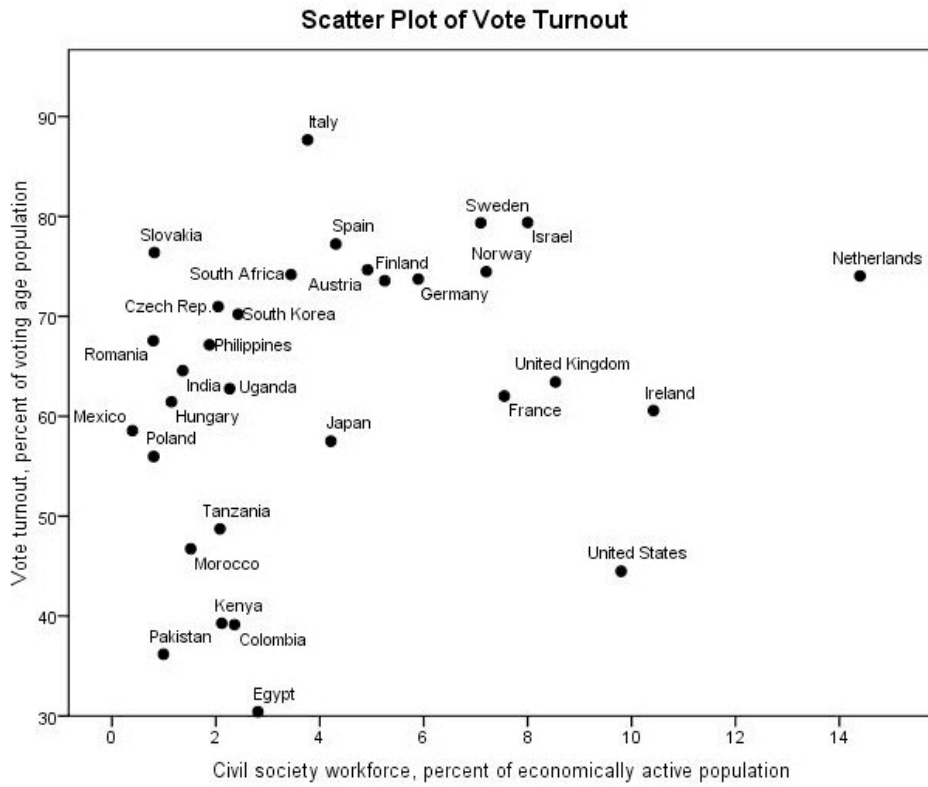


Figure 1. Scatter Plot of Vote Turnout.

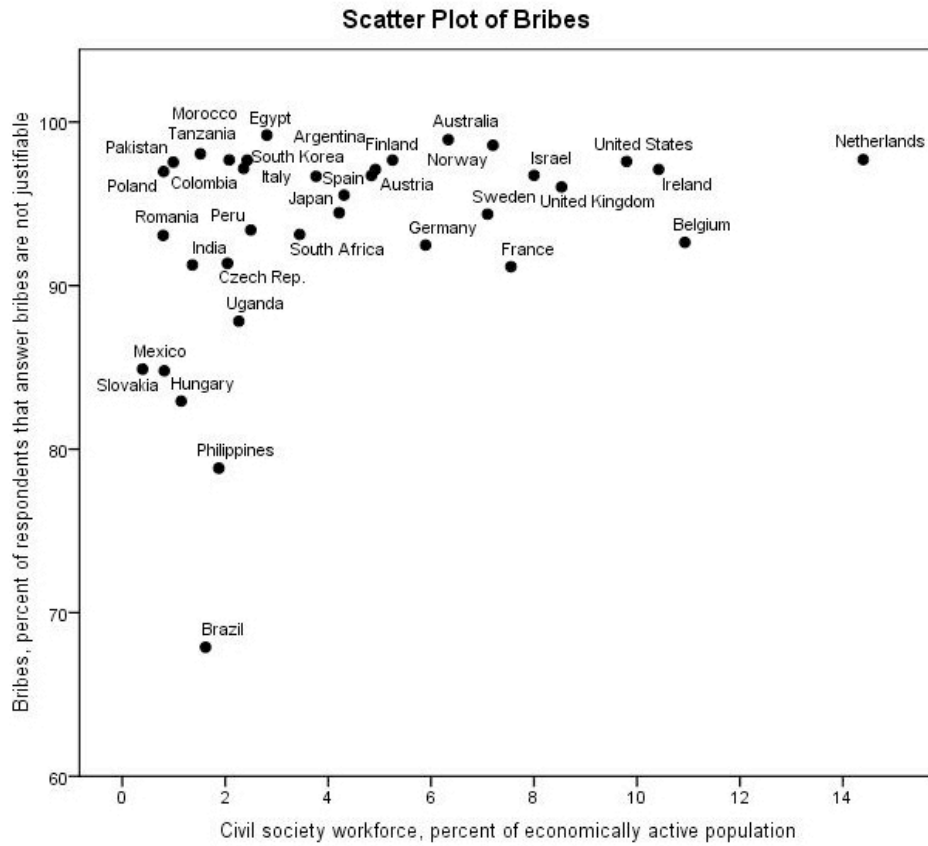


Figure 2. Scatter Plot of Bribes.

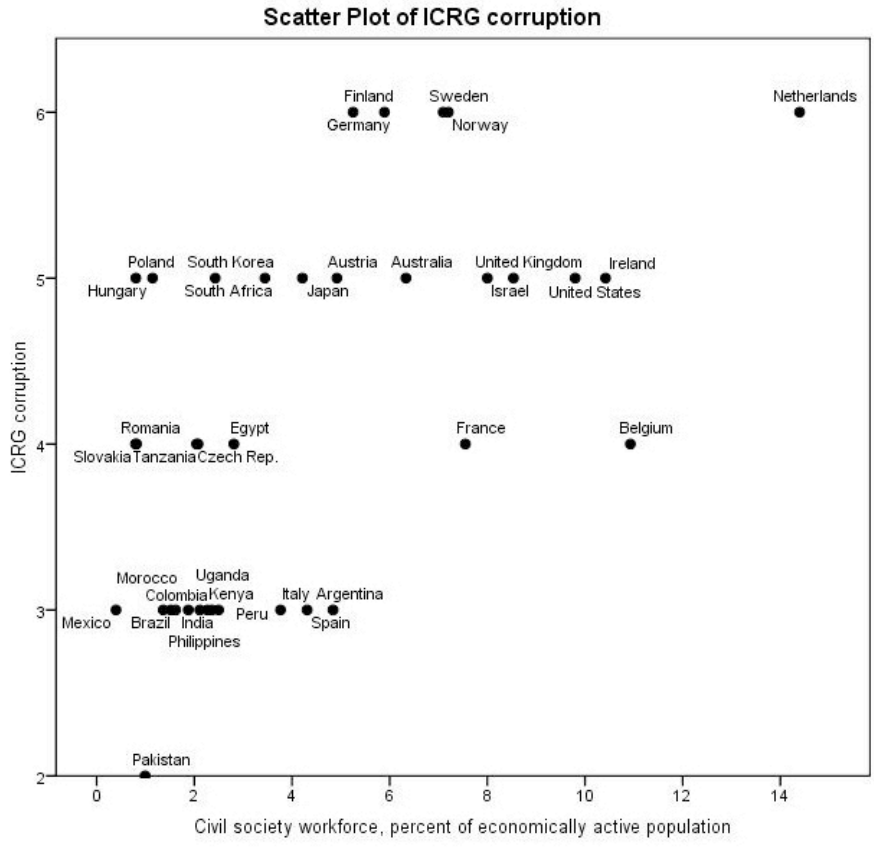


Figure 3. Scatter Plot of ICRG corruption.

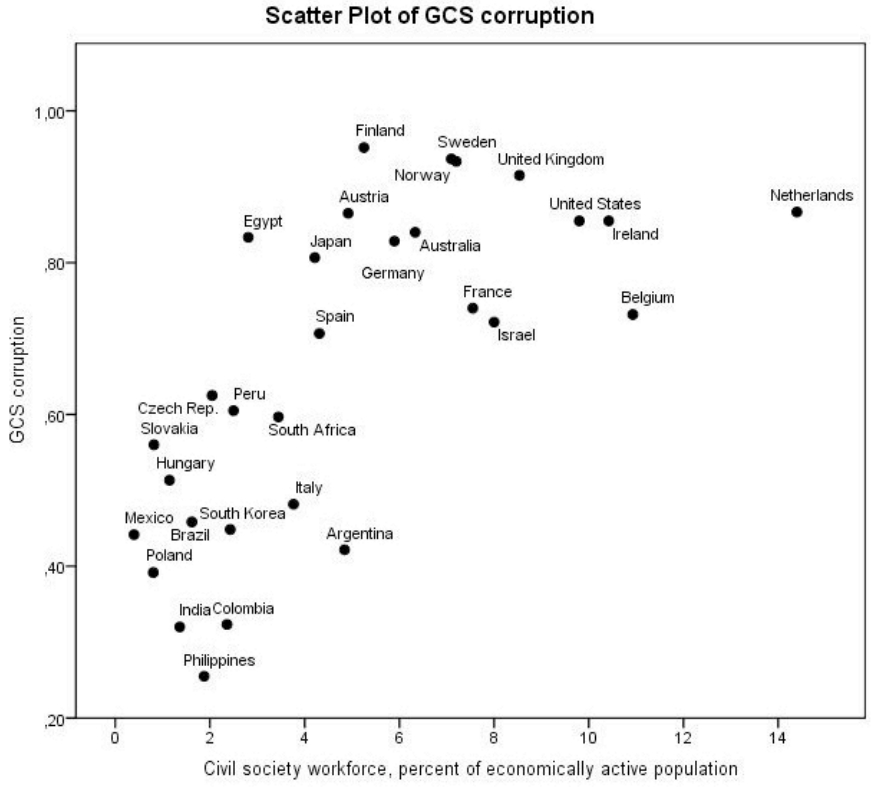


Figure 4. Scatter Plot of GCS corruption.

5.2 Multiple regression using all chosen dependant variables

The intention of multiple regression analysis controlling for other relevant variables was to measure the strength of civil society relative the strength of other independent variables. However this is this not possible, but nonetheless are the results of the multiple regressions presented in table 5 “*Multiple Regression Results of Baseline Models*”.

Multiple Regression Results of Baseline Models

Variabel	Model B.1 Vote turnout	Model B.3 ICRG corruption	Model B.4 GCS corruption
Civil Society Workforce	-1.1522 (1.1707)	0.0521 (0.0670)	0.0142 (0.0098)
Democracy	-10.318 (7.2970)	-0.2684 (0.4821)	0.2444 * (0.0911)
Equality	0.3514 (0.3862)	0.0118 (0.0225)	0.0016 (0.0043)
GDP per capita PPP	0.0005 (0.0004)	0.0000 (0.0000)	0.0000 * (0.0000)
Homogeneity	-4.4295 (14.007)	0.9050 (0.8676)	0.0399 (0.1617)
Size of Government	0.6679 (0.6428)	0.0171 (0.0370)	0.0086 (0.0060)
Trust	-0.1317 (0.2673)	0.0169 (0.0155)	0.0029 (0.0024)
Constant	33.436 (21.866)	1.6991 (1.2557)	0.0322 (0.2024)
R2	0.4496	0.5933	0.7709
Adjusted R2	0.2821	0.4917	0.6981
N	31	36	30

P* < 0.05 P**<0.01 P***<0.001

Table 5. *Multiple Regression Results of Baseline Models.*

A first comment on the results in table 5 is that the results for Bribes as dependent variable is not presented since that model does not fulfil all assumptions behind the multiple regression model, which will be presented in greater detail below.

The first suggestive judgement is that the coefficients of determinations are fairly high. Best does the independent variables describe GCS corruption, with an R^2 -value of 77 percent. ICRG corruption has a determination coefficient of 59 percent and Vote turnout has a determination coefficient of 45 percent. The second point worth making is that none of the independent variables have individually significant Beta-coefficients, except Model B.4, with GCS corruption as the independent variable. In Model B.4 has Democracy and GDP per Capita PPP beta-coefficients that are significant.

The multiple regression analysis does not give conclusive results since there exists multicollinearity in the material. Thus it is not possible to assess the individual independent variables contribution to the regressions, but the determination coefficients and f-tests are still valid. All presented models show typical signs of multicollinearity; significant F-tests but no or few significant t-tests (Gujarati 2006, p.370). To investigate this further is Table 6 “*Correlations and Partial Correlations of independents variables for Baseline Models*” displayed. The general conclusion is that many of the independents variables have correlations higher than 0.5 but none is above 0.8, a value that is generally considered as a proof of multicollineraty. It is noticeable that GPP per capita PPP and Civil Society Workforce have a correlation of 0.78. Their partial correlation is 0.58, holding the other independent variables constant. This is indicating high multicollinearity between GPP per capita PPP and Civil Society Workforce (Edlund 1995, p.76, Gujarati 2006, p.372-3).

All the presented models fulfill the assumptions behind the multiple regression model. The model with Vote turnout as dependent variable did not fulfill the assumption of homoskedasticity, and hence is the result using Generalized Least Squares (GLS) presented (the weight used is estimated Y^2). Bribes as a dependent variable is not presented, as stated before, because it is not defined. The RESET-test of Bribes is not accepted, which means that the wrong functional form has been chosen or that relevant variables not has been included.

Correlations and Partial Correlations of Independent Variables for Baseline Models

Pair of independent variables		Correlation	Partial correlation*
Democracy	Civil Society Workforce	-0.3708 *	----
Equality	Civil Society Workforce	0.3906 *	----
Equality	Democracy	-0.3500 *	----
GDP per capita PPP	Civil Society Workforce	0.7677 ***	0.5837 ***
GDP per capita PPP	Democracy	-0.5340 ***	-0.2390
GDP per capita PPP	Equality	0.6142 ***	0.1140
Homogeneity	Civil Society Workforce	0.3375 *	----
Homogeneity	Democracy	-0.5163 **	-0.3897 *
Homogeneity	Equality	0.6747 ***	0.3573 *
Homogeneity	GDP per capita PPP	0.6232 ***	0.2262
Size of Government	Civil Society Workforce	0.5139 **	0.1493
Size of Government	Democracy	-0.5228 **	-0.3620 *
Size of Government	Equality	0.4126 *	----
Size of Government	GDP per capita PPP	0.5659 ***	0.1244
Size of Government	Homogeneity	0.3206	----
Trust	Civil Society Workforce	0.5835 ***	0.1863
Trust	Democracy	-0.2560	----
Trust	Equality	0.6777 ***	0.3191
Trust	GDP per capita PPP	0.7245 ***	0.2981
Trust	Homogeneity	0.6154 ***	0.2648
Trust	Size of Government	0.3965 *	----

P* < 0.05 P**<0.01 P***<0.001

*Partial correlation are calculated by holding all other dependent variables constant except the two in pair. Partial correlation are only calculated for correlations with an absolute value over 0.5.

All correlations and partial correlations calculated on 36 observations.

Table 6. *Correlations and Partial Correlations of independents variables for Baseline Models.*

5.3 Multiple regression using division in expressive and services

A second set of multiple regressions is made to estimate the relative strength of civil society workforce involved in services or expressive. This is done in order to be able to investigate which mechanism that is in operation in spite of multicollinearity, although it not is in any way optimal. The results for multiple regression using Civil Society Workforce divided into expressive and services are presented in Table 7 “*Multiple Regression Results for division in expressive and services*”.

Multiple Regression Results for division in expressive and services

Variabel	Model C.1 Vote turnout	Model C.2 Bribes	Model C.3 ICRG corruption	Model C.4 GCS corruption
Civil Society Workforce in Expressive	4.2248 * (1.9684)	1.1123 (0.9631)	0.5505 *** (0.1338)	0.1019 *** (0.0203)
Civil Society Workforce in Services	-0.3161 (0.9661)	0.6708 (0.4363)	0.0636 (0.0608)	0.0257 ** (0.0092)
Constant	59.290 *** (3.7888)	89.282 *** (1.8491)	3.2856 *** (0.2517)	0.4088 *** (0.0432)
R2	0.1658	0.1694	0.4571	0.6545
Adjusted R2	0.0991	0.1121	0.4209	0.6269
N	28	32	33	28

P* < 0.05 P**<0.01 P***<0.001

Table 7. *Multiple Regression Results for division in expressive and services.*

First there is an interesting general pattern that needs to be underlined. All the regression with Civil Society Workforce divided into the two variables Civil Society Workforce in Expressive and Civil Society Workforce in Services yields a higher power of explanation than do those the regressions with Civil Society Workforce as the only independent variable. In both the model with Vote turnout as the dependent variable (Model C.1) and in the model with ICRG corruption as the dependent variable (Model C.3) the beta-coefficient is significant for Civil Society Workforce in Expressive, but not for Civil Society Workforce in Services. In the model with Bribes as dependent variable (Model C.2) are none of the two independent

variables significant. In the model with GCS corruption as dependent variable (Model C.4) all beta-coefficient is significant. The model also has a surprisingly high determination coefficient, 65 percent. This can be compared with the determination coefficient of 48 percent when only Civil Society Workforce was used as independent variable (Model A.4) and determination coefficient of 77 percent in the baseline model (Model B.4).

All assumptions of the multiple regression model is fulfilled for the models, including the one of normally distributed error terms for model 1 and 2.

6. Analysis

Most theoretical mechanisms state that civil society should improve governmental quality and this is found to be as such empirically in this thesis. The mechanisms whereby this is done are neither theoretically nor empirically completely discovered. In the first part how civil society influence corruption is analysed, and in the first paragraphs vote turnout is ignored. Then are the mechanisms summarised.

Civil society most likely contributes to reduce corruption, but to what extent is very insecure. Civil society workforce is significant in all cases when it is the only independent variable, however civil society workforce is not the only variable that explains corruption, and hence those regressions are incorrectly specified (Models A.2-4). However, the various dependent variables are multicollinear and as such it is not possible to see which weight civil society has versus other independent variables in the multiple regression analysis (Models B.2-4). But there are two exceptions, democracy and GDP are significant in GCS corruption (Model B.4). That the dummy variable democracy is significant shows that a democratic system is less conductible to the absence of corruption, which is contrary to theory. This result indicates that there is less corruption in dictatorships. However, the sign of the beta-coefficient in the model with ICRG corruption (model B.3) is in the other direction. A reason for this result may be that the classification of democracies and dictatorship is vague. Another alternative is that civil society's vitality in a democratic system has been the reason why democracy has been found significant in others' research, and in those regressions the effect is off-set. GDP is strongly related to corruption in other studies and that it is significant is not surprising. One of the reasons for the presence of multicollinearity is that civil society and GDP are highly

correlated, also controlling for the other independent variables. An optimistic interpretation is that the strong influence of GDP found in other studies is an indicator of that civil society contributes to reduced corruption. It may be that the causal link is that civil society contributes to the absence of corruption that leads to economic growth. However, GDP is highly correlated with both corruption and civil society, and a spurious relationship between corruption and civil society could be the case. One common idea is that it takes a certain level of wealth for civil society to develop. When civil society has developed it does decrease corruption, which leads to growth, and so forth. This way of reasoning would explain both of the strong correlations and is at the same time an illustration of the kind of circular process most likely the case actually at hand. If one would only look at the effect of externally-founded CSOs maybe more clarity could be given, as the level of wealth would be taken out of the equation.

Civil society involved in expressive functions seems to be more relevant in explaining corruption than civil society involved in services, but the result is not controlled for using other independent variables (models C.1-4). However, neither services nor expressive is significant in explaining Bribes (model C.2), which question the above statement. Since civil society in expressive nonetheless seems to better explain corruption this does mean that the “contestation and representation”- mechanism is a channel that influences corruption. The “contestation and representation”- mechanism is operating regardless of civil society breeds norms of co-operation and trust. Services are not to the same extent significant. It is nonetheless positive and this would mean that services provision of civil society reduces corruption. However, it is possible that the effects of the services mechanisms offset each other. The service provision by civil society can make citizens have fewer incentives to hold the government accountable, but at the same time more efficiently provide service than the state and create possibilities for the citizens to hold the government accountable. It is important to further the understanding of how service provision affect governmental quality since it is heavily endorsed. It is very rare to come across the thought that civil society would somehow reduce governmental quality. The data used in this thesis is unfortunately not fit to entangle if the “creation of social capital”- mechanism contributes to diminish corruption or not. The data only allows for the conclusion that the overall effect of civil society is positive. The reviewed research indicates that one should not take the thought that CSOs make people more cooperative and trusting for granted.

It is interesting to note that the division of civil society also explains corruption better than when civil society is not divided. This shows that it is a good idea to view civil society in those two functions. An outstanding example underpinning this is that GCS corruption regressed on civil society in services and expressive functions has a coefficient of determination of 65 percent (model C.4), compared to a coefficient of determination of 77 percent when all chosen independent variables was used (model B.4).

Vote turnout is deliberately excluded in the first part of this analysis. It has throughout the results shown low R²-values, which make conclusions from this variable especially insecure. This may be because not all countries investigated are democracies and the different democratic systems cannot easily be compared. The idea behind using vote turnout was that it should be one of the few observable components that theoretically matter for quality of government, but it has not been realised. Nonetheless it supports the notion that “contestation and representation” is relevant because CSO involved in expressive functions is significant whereas CSO involved in services functions is insignificant (Model C.1).

The result of this thesis is in line with those of Grimes (2008a), Lee (2007) and Brown et al (2002 and 2008), but not with Knack (2002). Conclusive results can only be achieved over time, and to say anything definite would still be rather rash. One contribution of this thesis is that the results are that civil society contributes to less corruption by using other dependant variables than WGI:s “control of corruption” that both Grimes (2008a) and Lee (2007) use, although with less power of explanation. The constructors of this index themselves say that this scale needs larger difference to be significant, something not found in Lee’s result and some of Grimes regressions (Grimes 2008a, Lee 2007). A reinterpretation of Grimes result is that Grimes claims that civil society mainly affect corruption through the “contestation and representation”-mechanism is build upon somewhat faulty grounds. Grimes draws this conclusion by measuring civil society by numbers of development organizations per capita, and then she assumes that development organizations mainly are involved in expressive functions. Salamon and Sokolowski are ambiguous about weather to categorize development organizations to the expressive or services-field. Grimes also underpins her claim with that CSO:s involved in services is insignificant. However, the sum of the positive and negative effects of service provision can be driving the insignificant result. Grimes and this thesis nonetheless find the “contestation and representation” mechanism to be influential. In case of

Grimes this is supported by that civil society involved in expressive functions are highly significant whereas civil society in services is not.

The first mechanism of how civil society influence governmental quality is “Contestation and representation”. This means that civil society aggregates citizens’ demands and acts as an arena for communication between the government and its citizens. This would lead to better quality of government. Underlining this notion is that plurality and political competition are beneficial in creating efficient institutions. A paraphrase of this line of reasoning is that civil society decreases the cost of information for people, thereby making them more likely to vote and demand accountability in other indirect ways. This way of looking at the same mechanism does not emphasize that CSO:s influence needs to be benign. However viewed upon this thesis is supportive of the ability of civil society to via “contestation and representation” make the government less corrupt. The causality of the relationship is unclear. The government forms the possibilities for civil society to perform this mechanism. Such rights as freedom of expression and peoples ability to read should be crucial to allow for people to demand accountability. But, at the same time are these also outcomes of the pressure that civil society put on the government.

Another way for civil society to increase quality of government is by the “creation of social capital”. CSO:s are thought to build norms of co-operation and trust that makes people overcome collective action problems, which in turn would enhance quality of government. This thesis has not evaluated if this mechanism operates, but only shown that civil society overall has a positive influence on corruption. This mechanism is partly entwined with “contestation and representation”, because in societies where collective action problems are overcome it is easier for people to influence the government. That there is a problem of establishing the direction of causality is evident. CSO:s are formed where people overcome the collective action problem, but at the same time CSO:s are thought to create trust and norms of cooperation to overcome the very same problem. How this is done is unclear. A reasonable guess is that people being part in a CSO change their expectations of how people behave, eg. they think that other people are more co-operative. But the people that already carry around those expectations of trust and co-operation are more likely to seek involvement in a CSO. The reviewed research is supportive of a correlation between membership in CSO and interpersonal trust, but not that CSO:s build trust, which is in line with the reasoning above.

A third channel for civil society to influence quality of government is by its provision of services. How it affects quality of government is divided. One line of reasoning is that civil society is a more efficient service provider than the government and another that service provision by civil society creates an enabling environment for citizens to demand accountability, both of which would increase governmental quality. The third though is that civil society, by providing services, decreases peoples' incentives to hold the government accountable, which would decrease quality of government. In this thesis the result is that CSO:s involved in services not to the same extent as CSO:s involved in expressive functions lead to less corruption. The effect is largely insignificant but positive. It is possible that the positive and negative effects of service provision offset each other. Again is causality hard to address. Locally-formed CSO:s are sprung where people overcome collective action problems, which already implies that a high degree of trust is prevalent. This would mean that quality of government already from the start should be higher where locally-based CSO:s deliver services. On the other hand, is it likely that externally-formed CSO:s provide services when the government or the market has failed to deliver those services, which in turn would imply lower quality of government. Another problem is which type of service provider that steps in, the market, the government or civil society when one of them fails.

Some consideration regarding the quality of the results will now be presented. One negative aspect is that quality of government and absence of corruption more or less have been used interchangeably in this thesis, although it is not the same thing. Another drawback is that the measurements are unstable, especially so the ones of corruption, which are tried to be eased by comparing different ones. It is interesting to note the difference in power of explanation between the various models in this thesis. GCS corruption, a measurement based on a firm survey, is constantly best explained by the dependent variables. ICRG corruption, based on a population of experts, comes second. Bribes, based on a population survey, has the lowest power of explanation and is not even defined for the multiple regression (models B). It is unexpected that this is true in all regressions. The power of explanation is also higher using WGI's "control of corruption" in Grimes' (2008a) and Lee's (2007) results, but so also different independent variables are used. Some individual considerations of the corruption measure follows that might explain this ordering of the dependant variables. Why GCS corruption has the highest coefficients of determination cannot be explained. ICRG corruption is more or less known to be a bad indicator of corruption. It has an investor's perspective and

could possibly be higher correlated with GDP than true corruption levels, hence should it also be more correlated with civil society. “Bribes” has not been used before and therefore is it questionable what it actually captures. For one thing one can be certain, it captures more than corruption within the governmental sector. One can arguably say that it should be higher correlated with trust than the other measurements, which would mean that it approximate the mechanism “creation of social capital” more than the others. This mechanism is in turn insecure and if not in operation would it explain the lower values for this dependant variable.

7. Conclusion

In the introduction of this thesis it was underlined that it is important to investigate if civil society has any effect on quality of government because it is often supposed to be positive and resources has flown into the civil sector. It was also emphasized that investigating if civil society contributes to quality of governance is investigating a part of the future of development. The result of this thesis is that civil society overall has a positive influence on corruption, but also nuances the picture by finding that CSO:s involved in expressive functions decrease corruption significantly whereas CSO:s involved in service delivery have less influence. Those are suggestive results, to create anything more would require better data. NGO:s in the developing world are involved in both functions and the above result seems to imply that resources allocated for CSO:s to increase quality of government should be diverted to expressive groups. This would simplify the result; civil society involved in service provision gives services to people that allow the expressive function to operate. The effects of service provision by civil society could be much further investigated, as it today is little understood.

This thesis has presented the first suggestive results from John Hopkins Comparative Non-profit Sector Project. Further research could use the “satellites accounts” of the non-profit sector in the system of national accounts (SNA) produced by various countries that the John Hopkins Comparative Non-profit Sector Project was precluding. It could also be advantageous to use the recent development in measuring quality of government and corruption.

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ⁱ Since countries change from being classified in either of the two categories, I have seen if there is any change in status between 1994-2001. It is not possible to make an average of democracy/dictatorship, so the problems still exist in the material. Those are unstable cases;

- Kenya classifies as democracy first 1998. Base year of JH is 2000, hence classified as democracy in this variable.
- Mexico classifies as democracy first 2000. Base year of JH is 1995, hence classified as dictatorship in this variable.
- Pakistan goes from democracy to dictatorship 1999. Base year of JH is 2000, hence classified as dictatorship in this variable.
- Peru classifies as democracy first 2001. Base year of JH is 1995, hence classified as dictatorship in this variable.

Furthermore, this is the variable used to measure democracy by Grimes, and she states that all democracies with this categorization is classified as “free” or “partly free” by Freedom House “Freedom in the World” (2008, p.11). Although this is true is not the reverse so, namely that all countries in Freedom Houses classification that is classified as “free” or “partly free” is classified as democracies in this variable. Those cases are; Mexico, Morocco, Peru, Tanzania and Uganda. This way of measuring democracy is hence more restrictive than the one of Freedom House. Kenya is a special case in the comparison between the classifications, since it differs, in Freedom Houses ratings is it classified as “partly free” first 2002, and should therefore maybe be classified as a dictatorship in this variable.

ⁱⁱ This variable measure vote turnout as percent of voting age population regardless of the elections being parliamentary or presidential. Using data only for parliamentary elections, which are held in all countries, are misleading when presidential elections also are held. The reason is that when a country has a presidential system, one can reasonably assume that one of the elections holds more weight than the other in the minds of the electorate. The 36 countries also showed a difference of at most 20 percentage points when presidential and parliamentary elections where held the same year. To bias the material as least as possible has both parliamentary and presidential elections has been given equal weight. With this way of measuring vote turnout the problem gets eased, but it still exist. Vote turnout is calculated on voting age population to allow for differences in voting rules. For example, in Egypt are no women allowed to vote and using registered voters should then be highly misleading. The following countries practice compulsory voting with enforcement in practice and is therefore not included in the variable; Argentina, Australia, Belgium, Brazil, and Peru. Austria practice compulsory voting with enforcement in the region Tyrol, but is still included. Turnout for Norway is only calculated from their 1993 parliamentary election, even if elections where held 1997 and 2001, because census figures are missing in IDEA:s material. But looking at IDEA:s vote turnout calculated on only registered voter, where Norway has data, on can approximate that this is a good proxy for the average of 1993-2002.

ⁱⁱⁱ Since Kenya do not figure in EVS/WVS has Afrobarometer been used instead. The question where asked 2005 in Kenya, and I think its possible to use this value as a proxy for 1995-2001, as informal institutions do not change rapidly. Thus the value for Kenya has been included in this variable, even though the question is not exactly the same. When comparing to the difference in translations between various languages the impact should be minor. What is more worrying is the difference that can exist in methodology. In EVS/WVS is question: “Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?” with the alternatives;

1 'Most people can be trusted'

2 'Can't be too careful'

-1 "Don't know"

(European Value Study and World Values Survey 2006, p.114).

For Kenya is it instead: “Generally speaking, would you say that most people can be trusted or that you must be very careful in dealing with people?” with the alternatives;

0 'You must be very careful'

1 'Most people can be trusted'

9 'Don't Know'

(AfroBarometer 2007, p.40).

Appendix A Presentation of data

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1. Summary statistics

Summary Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum	n
Bribes	93.29	6.61	67.89	99.20	35
Civil society workforce	4.36	3.44	0.40	14.40	36
Civil society workforce in expressive	1.34	1.27	0.11	5.20	33
Civil society workforce in services	2.98	2.80	0.22	10.74	33
Democracy	0.19	0.40	0.00	1.00	36
Equality	65.02	9.53	44.92	77.29	36
GCS corruption	0.66	0.21	0.26	0.95	30
GDP per capita PPP	16193.13	11630.40	716.69	40488.28	36
Homogeneity	0.66	0.26	0.07	1.00	36
ICRG corruption	4.19	1.14	2.00	6.00	36
Size of government	16.96	4.97	9.41	27.76	36
Trust	27.25	15.47	2.79	64.77	36
Vote turnout	62.98	14.44	30.41	87.67	31

2. Case summaries

Case Summaries

	Country	Civil society workforce	Civil society workforce in services	Civil society workforce in expressive	Bribes not justifiable	Trust	Equality	GDP per capita PPP	Size of government	ICRG corruption	GCS corruption	Democracy	Homogeneity 1
1	Argentina	4.84	3.41	1.23	96.7	16.2	55.75	10350.53	12.83	3.00	.42	Democracy	.75
2	Australia	6.33	4.23	1.92	98.9	39.6	68.93	26328.00	18.22	5.00	.84	Democracy	.91
3	Austria	4.92			97.1	31.8	73.34	29460.96	19.34	5.00	.87	Democracy	.89
4	Belgium	10.93	9.37	1.49	92.6	28.6	74.07	27873.24	21.57	4.00	.73	Democracy	.44
5	Brazil	1.62	1.21	.40	67.9	2.8	48.15	7782.20	20.39	3.00	.46	Democracy	.46
6	Colombia	2.36	1.72	.58	97.2	10.7	47.56	6660.72	19.54	3.00	.32	Democracy	.40
7	Czech Rep.	2.04	.87	1.10	91.4	25.3	74.54	16064.01	20.65	4.00	.63	Democracy	.68
8	Egypt	2.81			99.2	37.5	63.36	3622.94	11.03	4.00	.83	Dictatorship	.82
9	Finland	5.25	2.24	2.96	97.7	52.3	77.29	24084.83	22.16	6.00	.95	Democracy	.87
10	France	7.55	4.22	3.10	91.2	20.9	72.93	26870.64	23.55	4.00	.74	Democracy	.90
11	Germany	5.89	3.59	1.77	92.5	34.0	72.72	28676.48	19.44	6.00	.83	Democracy	.83
12	Hungary	1.15	.46	.63	82.9	22.2	69.18	11849.16	10.41	5.00	.51	Democracy	.85
13	India	1.36	1.13	.17	91.3	35.8	65.60	1538.88	11.64	3.00	.32	Democracy	.58
14	Ireland	10.42	8.86	1.41	97.1	35.4	67.41	25463.63	14.95	5.00	.86	Democracy	.88
15	Israel	8.00	6.84	1.03	96.7	23.0	66.74	21189.01	27.76	5.00	.72	Democracy	.66
16	Italy	3.76	2.35	1.31	96.7	31.9	65.75	25987.30	18.18	3.00	.48	Democracy	.89
17	Japan	4.21	3.16	.49	94.5	39.7	70.92	28049.54	15.64	5.00	.81	Democracy	.99
18	Kenya	2.11	1.26	.33		9.7	50.58	1319.26	15.51	3.00	.44	Democracy	.14
19	Mexico	.40	.22	.17	84.9	26.2	51.41	10757.13	10.27	3.00	.44	Dictatorship	.46
20	Morocco	1.52			98.1	22.2	60.10	2880.10	17.35	3.00	.30	Dictatorship	.52
21	Netherlands	14.40	10.74	3.45	97.7	59.7	75.26	30348.01	22.67	6.00	.87	Democracy	.89
22	Norway	7.20	2.56	4.40	98.6	64.8	76.55	40488.28	21.34	6.00	.93	Democracy	.94
23	Pakistan	.99	.82	.17	97.6	25.6	66.39	1880.38	11.58	2.00	.30	Dictatorship	.29
24	Peru	2.50	2.37	.11	93.4	8.0	47.56	5429.06	10.18	3.00	.61	Dictatorship	.34
25	Philippines	1.88	1.12	.73	78.8	7.0	54.46	2459.59	12.58	3.00	.26	Democracy	.76
26	Poland	.80	.40	.37	97.0	17.4	69.28	10134.15	18.86	5.00	.39	Democracy	.88
27	Romania	.79	.46	.29	93.1	14.1	72.06	7055.76	10.37	4.00	.30	Democracy	.69
28	Slovakia	.82	.27	.48	84.8	20.1	76.54	11816.79	21.97	4.00	.56	Democracy	.75
29	South Africa	3.45	2.03	1.39	93.1	14.1	44.92	7425.95	18.77	5.00	.60	Democracy	.25
30	South Korea	2.43	1.99	.44	97.7	28.8	70.17	16641.76	11.90	5.00	.45	Democracy	1.00
31	Spain	4.31	3.07	1.12	95.5	32.7	65.62	22386.70	17.61	3.00	.71	Democracy	.58
32	Sweden	7.10	1.60	5.20	94.4	60.1	77.05	25950.92	26.90	6.00	.94	Democracy	.94
33	Tanzania	2.08	1.07	.65	97.7	7.8	59.21	819.02	9.41	4.00	.30	Dictatorship	.26
34	Uganda	2.27	1.55	.62	87.8	7.8	60.27	716.69	12.39	3.00	.30	Dictatorship	.07
35	United Kingdom	8.54	5.29	2.83	96.0	31.6	66.19	28701.02	18.84	5.00	.92	Democracy	.88
36	United States	9.80	7.72	1.84	97.6	35.5	63.01	35890.05	14.68	5.00	.86	Democracy	.51
Total		36	33	33	35	36	36	36	36	36	30	36	36

3. Correlations

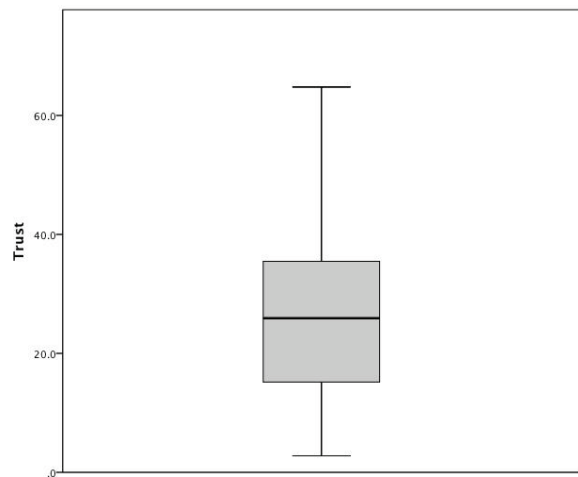
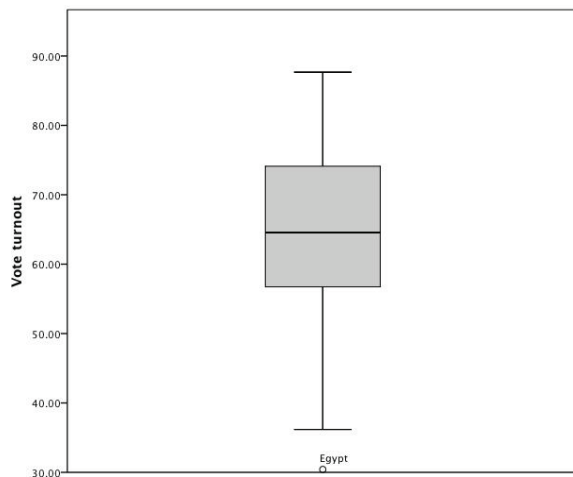
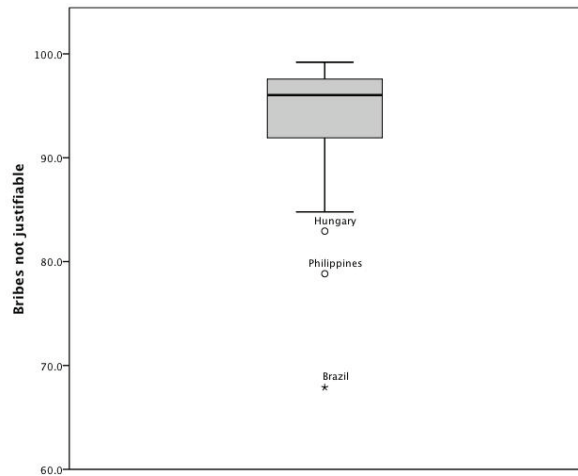
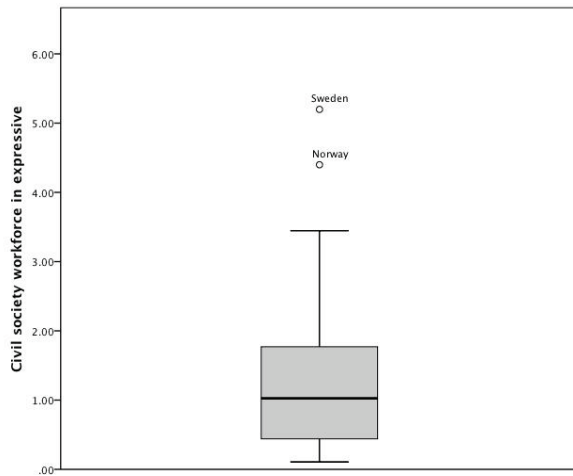
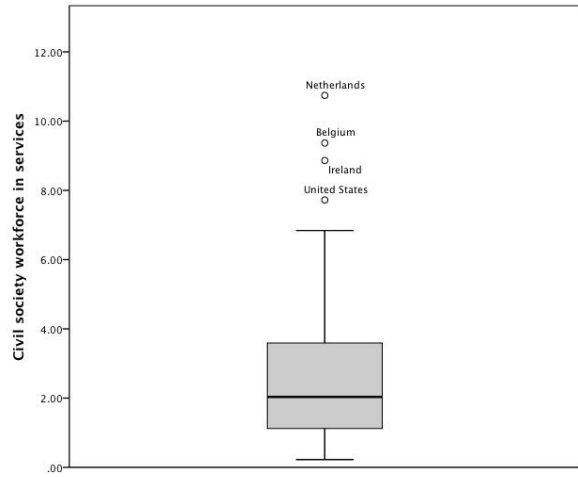
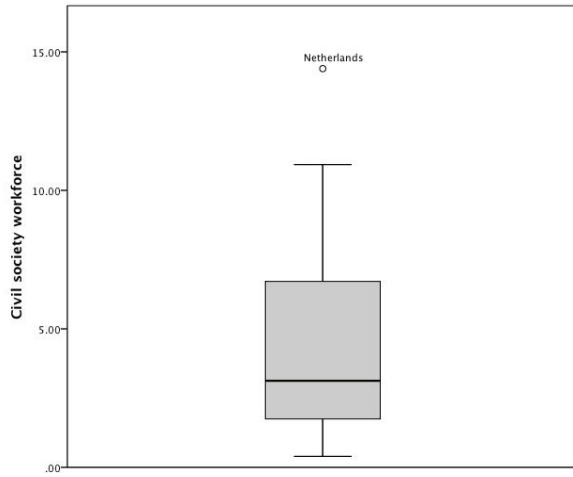
Covariance Analysis: Ordinary			
Date: 08/13/10 Time: 16:18			
Sample (adjusted): 6 36			
Included observations: 23 after adjustments			
Balanced sample (listwise missing value deletion)			
Pair of variables		Correlation	Probability
CSW	BRIBES	0.541517 **	0.0076
CSWEXP	BRIBES	0.370575	0.0817
CSWEXP	CSW	0.662340 ***	0.0006
CSWSER	BRIBES	0.497228	0.0158
CSWSER	CSW	0.928657 ***	0.0000
CSWSER	CSWEXP	0.339550	0.1129
EQUALITY	BRIBES	0.224696	0.3027
EQUALITY	CSW	0.310392	0.1495
EQUALITY	CSWEXP	0.465790 *	0.0251
EQUALITY	CSWSER	0.150660	0.4926
GCS	BRIBES	0.496081 *	0.0161
GCS	CSW	0.764836 ***	0.0000
GCS	CSWEXP	0.753105 ***	0.0000
GCS	CSWSER	0.575956 **	0.0040
GCS	EQUALITY	0.553426 **	0.0062
GDPC	BRIBES	0.575555 **	0.0041
GDPC	CSW	0.750371 ***	0.0000
GDPC	CSWEXP	0.675629 ***	0.0004
GDPC	CSWSER	0.594414 **	0.0028
GDPC	EQUALITY	0.551666 **	0.0064
GDPC	GCS	0.860233 ***	0.0000
HOMO1	BRIBES	0.159792	0.4664
HOMO1	CSW	0.267049	0.2180
HOMO1	CSWEXP	0.380440	0.0733
HOMO1	CSWSER	0.134338	0.5411
HOMO1	EQUALITY	0.780473 ***	0.0000
HOMO1	GCS	0.367330	0.0847
HOMO1	GDPC	0.477162 *	0.0213
ICRG	BRIBES	0.425660 *	0.0429
ICRG	CSW	0.553981 **	0.0061
ICRG	CSWEXP	0.609314 **	0.0020
ICRG	CSWSER	0.386949	0.0681
ICRG	EQUALITY	0.540631 **	0.0077
ICRG	GCS	0.738710 ***	0.0001
ICRG	GDPC	0.590411 **	0.0030
ICRG	HOMO1	0.468374 *	0.0242
SOG	BRIBES	0.402441	0.0569
SOG	CSW	0.439478 *	0.0359
SOG	CSWEXP	0.613323 **	0.0019
SOG	CSWSER	0.250517	0.2489
SOG	EQUALITY	0.414681 *	0.0491
SOG	GCS	0.518624 *	0.0112
SOG	GDPC	0.393887	0.0629
SOG	HOMO1	0.158640 *	0.4697
SOG	ICRG	0.407227	0.0538

(3a. Correlations continue)

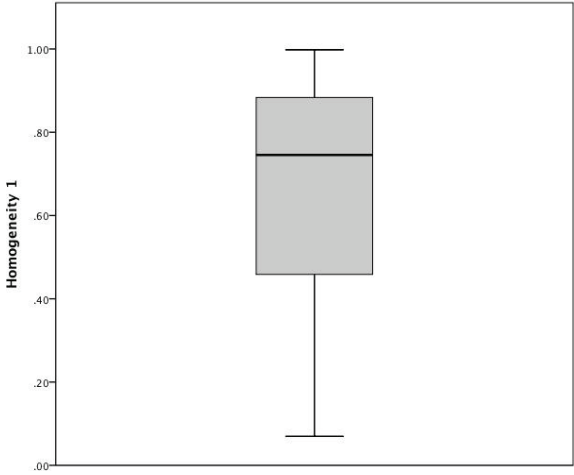
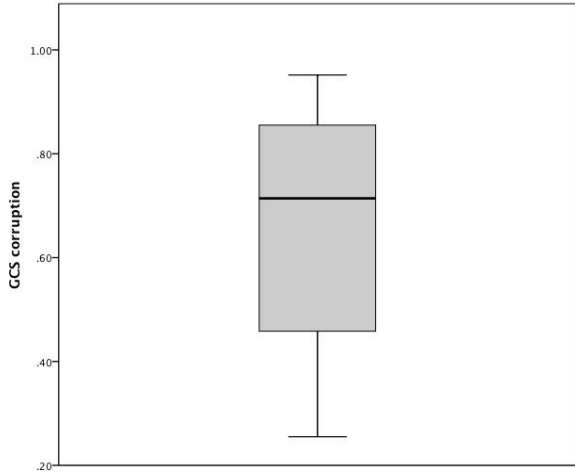
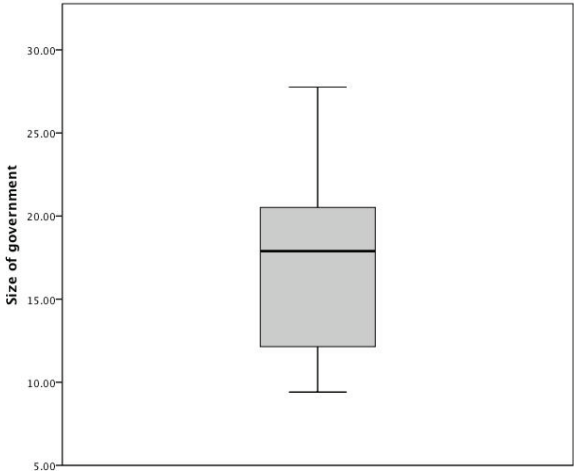
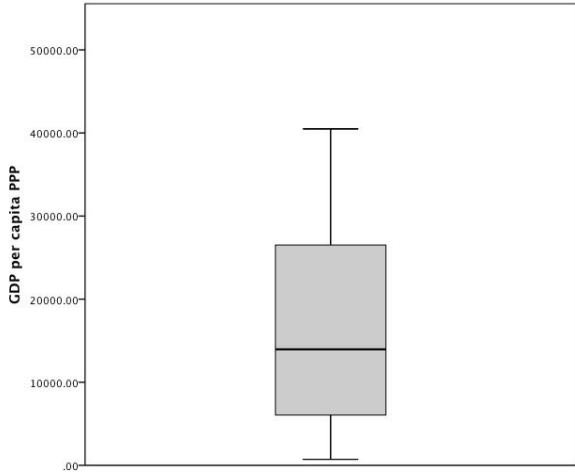
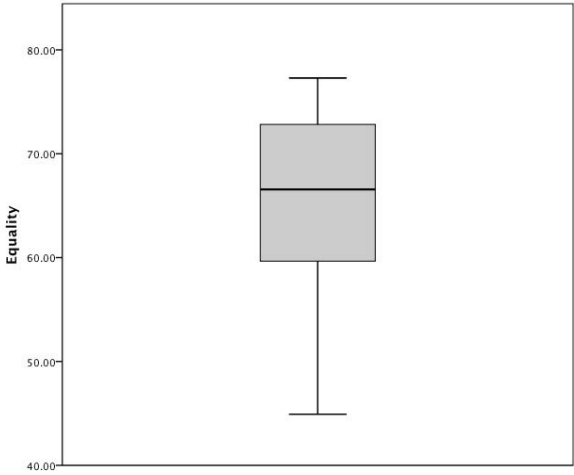
TRUST	BRIBES	0.489804 *	0.0177
TRUST	CSW	0.573153 **	0.0043
TRUST	CSWEXP	0.731999 ***	0.0001
TRUST	CSWSER	0.354110	0.0974
TRUST	EQUALITY	0.622333 **	0.0015
TRUST	GCS	0.725361 ***	0.0001
TRUST	GDPC	0.709830 ***	0.0001
TRUST	HOMO1	0.469609 *	0.0238
TRUST	ICRG	0.609473 **	0.0020
TRUST	SOG	0.305621	0.1561
TURNOUT	BRIBES	0.014292	0.9484
TURNOUT	CSW	0.084539	0.7013
TURNOUT	CSWEXP	0.311985	0.1473
TURNOUT	CSWSER	-0.042063	0.8489
TURNOUT	EQUALITY	0.405159	0.0551
TURNOUT	GCS	0.225741	0.3003
TURNOUT	GDPC	0.177692	0.4173
TURNOUT	HOMO1	0.285661	0.1864
TURNOUT	ICRG	0.174884	0.4248
TURNOUT	SOG	0.414524 *	0.0492
TURNOUT	TRUST	0.327931	0.1266
P* < 0.05 P**<0.01 P***<0.001			

4. Graphs illustrating distribution of variables

4a. Boxplots of variables



(3a. Boxplots of variables continue)



4b. Piecharts of variables

