Is David Booth right to come out against good governance?

By Terence Wood
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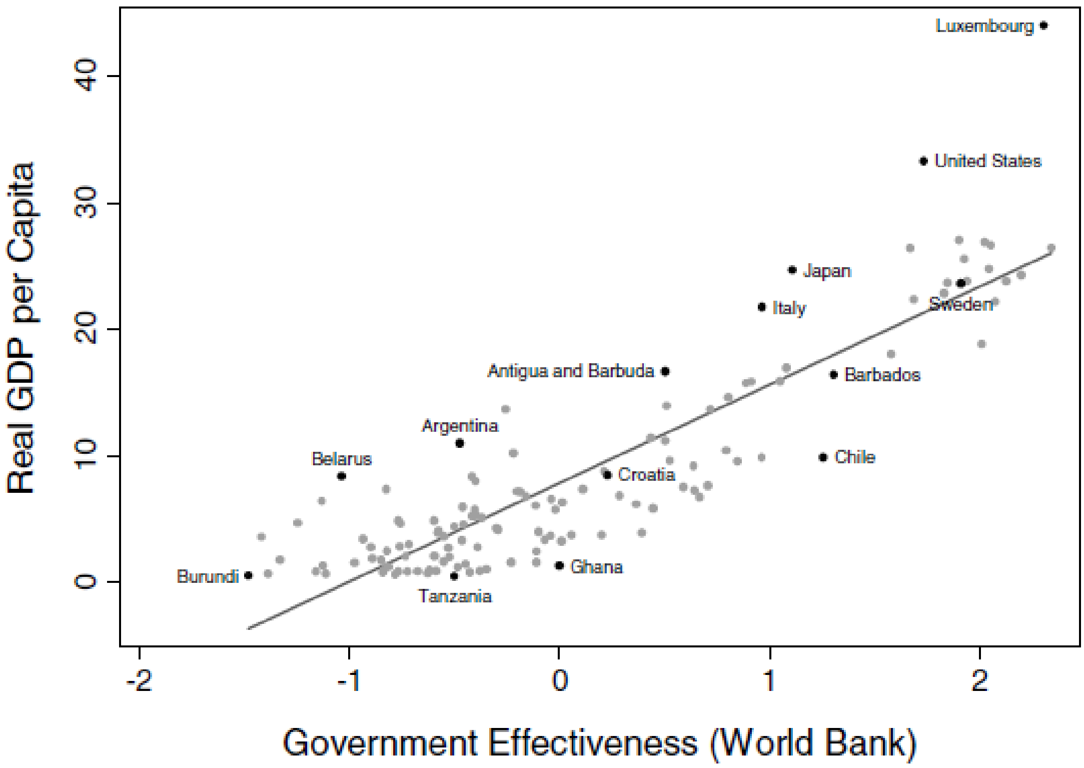
One of the clearest correlations in development is that between quality of governance and wealth. You can see the relationship in the chart below (from this excellent but paywalled article in the *Annual Review of Political Science*).



Wealthier

countries are better governed countries — this is clear. What is less clear is whether wealth causes good governance, or whether good governance causes wealth, or whether some third factor (maybe education, for example) causes both.

Once, in the not too distant past, the prevailing explanation of the relationship was political modernisation theory, which tended to focus specifically on democracy, but could be thought to be applicable to other aspects of good governance too. Its proponents argued that economic development lead to democratisation (and if you're willing to stretch the argument a bit further, that countries got wealthy and this subsequently led to them becoming better governed in a range of ways beyond democracy alone).

Then the new institutionalists came along. Most famously Daron Acemoglu and James Robinson, but also many other political scientists and economists. And while the terms 'institutions' and 'governance' aren't necessarily synonyms, they're close enough that is was possible to interpret the new institutionalists' arguments as arguments that the correlation between governance and development stemmed from the fact that better governance led to better economic outcomes (for a very readable explanation of new institutionalism read this). While the new institutionalists often focused on specific institutions and rules, and often qualified their claims, for over a decade in the broader world of aid and development the good governance agenda reigned.

Recently though, it looks as if the pendulum is swinging back the other way. Some smart critiques have been made of the (quantitative) evidence used for the claim that good governance and/or good institutions cause economic development (see here, here, here and here, for example). And in a similar vein, in a blog post earlier this year, ODI's David Booth came out swinging against the belief that good governance is a necessary precondition for economic development, writing that:

> *The history of human progress, from 17th century England to 21st century China and Vietnam, is completely clear on this point: governance ideals are realised over time on the back of economic progress, not the other way round.*

Booth is a guru in research in this area and the case studies he's been involved with are excellent. Booth is also someone who (I think it is fair to say) was once a believer (if not a dogmatic believer) that the causal arrow ran from governance to development, and not the other way round. And the fact that his position appears to have shifted makes it all the more interesting (I have much more respect for researchers whose views evolve than I do for dogmatists).

And yet, I find his argument that good governance does not matter unconvincing, for three reasons:

1. It's hard to work in a poorly governed country for any length of time and not conclude that poor governance is holding economic development back. Simply trying to get anything done yourself gives you a sense of how hard it is for the sorts of businesses that can foster genuine economic development.
2. As Chris Blattman points out, while you can doubt the empirical conclusions of the relevant quantitative literature, there is some excellent qualitative work that shows politics and political economy (which are surely aspects of governance, however defined) matter.
3. And, in the excerpt above, Booth appears to advance an argument that is little more than a return to a variant of political modernisation theory. This is very unconvincing in a world where we've seen countries go through significant growth spurts, which weren't followed by healthy political reform.

As an alternative to both simplistic 'governance is all that matters' and political modernisation arguments, I would suggest:

1. Causality runs both ways: economic development can lead to improved governance and vice versa, but crucially, neither will inevitably lead to the other (i.e. sometimes you see economic development which isn't followed by governance improvements). But, importantly, better governance is essential: that is, some improvement in the quality of governance is usually necessary at some point to allow for the possibility of further economic development. South Korea and Taiwan may have started their economic lift-off under authoritarian rulers, but if they hadn't opened their political space and also become better governed I doubt their development progress would have continued as long as it has.
2. There are many facets to good governance and not all need to be improved at once.
3. Even though we may view something (like governance) as a crucial component of good development, it doesn't mean that external aid actors can bring it about. As a result, we should always be focusing on those areas we can help change, rather than those we think should change. And we should be very careful to tailor our efforts to context.

On these last two points I think Booth and myself are more or less in agreement. Indeed, much of Booth's post is interesting and nuanced, but in making the bold claim that good governance is foremost an effect of economic lift-off, he strayed perilously close to substituting one unhelpful simplification for another.

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