ERC Advanced Grant 2013
Research proposal
Project title: THE PERFORMANCE OF DEMOCRACIES

1. State-of-the-art and objectives

Over the past century, several waves of democracy have swept over the globe, bringing representative democracy to places where it seemed inconceivable fifty, or even twenty-five years ago. Democracy as an overall model for how societies should be governed must clearly be seen as a remarkable success. More countries than ever are now considered to be democratic and more people on the globe live under democratic rule. This process of democratization has given rise to a huge amount of studies, mostly in political science but also in other disciplines and is known as "democratization research". A *Handbook of Democratization* has just been published (Haynes 2012), several scholarly and policy journals exist (notably the *Journal of Democracy* and *Journal of Democratization*) as well as a large number of edited volumes and monographs.[1] The general purpose in democratization research has been to explain what causes and what hinders the development of representative democracy in different countries (Teorell 2010). There is certainly much that should be applauded in this area of research and many interesting, not to say remarkable, results have been produced (Diamond, Plattner, and Costopoulos 2010).

A problem, however, is that one central question is hardly ever posed in this literature, namely what democracy does to the lives of "ordinary people". For example, if democracy is introduced in a former authoritarian country, will fewer newborns die? Will more people have access to safe water? Will more children attend school for more years? Is it likely that fewer people will live in poverty? Will corruption be curbed and transparency in public affairs increased? Will those who are elected to govern be able to take decisions about common resources that are sustainable? And what happens with more subjective measures of human well-being reported in survey research such as the level of social trust and "subjective well-being". Simply put, what difference does democracy make for the general population? As will be shown below, empirical research gives a quite complicated answer to this question, namely that far from all democracies improve human well-being or succeed in curbing corruption and produce leaders that handle the public finances in a sustainable manner. The central aim of this project is to provide answers to this question, namely **what explains the variation in good outcomes between democratic countries**. If more democracies are to achieve the improving of human well-being, the curbing corruption and the creation of sustainable public finances, there is a need for us to have more a precise knowledge and understanding about which institutions and which combination of institutions, that make up the democratic machinery, matter.

Democratization research's main dependent variable is "politics", that is, to what extent (and when and how) a country has become a representative democracy. As independent variables, various societal (socio-structural or historical-cultural) variables are commonly used. This means that the question what democracy implies for the society it governs, for example for improving human well-being, is hardly ever raised in this research. **A main objective of this project is to make a radical break with this limit in research about democracy and democratization (and political science in general) by a change of focus of what should be explained by what type of variables**. Instead of explaining "politics" (why does country x democratize, why do party y win the election) this project intends to explain to what extent political variables explain variation in overall human well-being. This project will thus set out to answer the "black hole" in democratization research in particular (and political science in general), namely why some, but far from all, democracies are able to produce normatively valued outcomes and to what extent this can be explained by the configuration of their political institutions.

This question has recently been raised by Nobel Laureate Amartya Sen, well known for his argument that political and economic progress should be measured by to what extent *human capabilities* are extended (Sen 2009). Comparing authoritarian communist China with democratic India, Sen concludes that the former country now clearly outperforms the latter on a considerable number of measures of human well-being. To quote Sen: *"Life expectancy at birth in China is 73.5 years; in India it is 64.4 years. The infant mortality rate is fifty per thousand in India, compared with just seventeen in China; the mortality rate for children under five is sixty-six per thousand for Indians and nineteen for the Chinese; and the maternal mortality rate is 230 per*

[1] The Library of Congress catalogue currently lists 1068 items with "democratization" in the title. A similar search on ISI Web of Science results in over 5000 published articles

100,000 live births in India and thirty-eight in China. The mean years of schooling in India were estimated to be 4.4 years, compared with 7.5 years in China. China's adult literacy rate is 94 percent, compared with India's 74 percent" (2011, ` p. 11). Sen continues by asking the question why the democratic system in India, despite its abundance of political parties, comparatively free and fair elections, uncensored media that is often very critical of the government, freedom of speech, free access to the internet and independent courts, does not result in greater improvements in the general human well-being for the vast majority of the population. This is, however, a question Amartya Sen has not (yet) provided an answer to.

This inability by many democratic polities to produce valued social outcomes is not only to be seen when comparing giant nations like China and India. It is also visible if one compares small countries. Two such cases are Jamaica and Singapore. Both are former British colonies that became independent during the early 1960s, a time when both countries were almost equally (very) poor nations and had almost exactly the same number of inhabitants (1,8 mil.). However, as Werlin (2007) has pointed out, if a team of "standard" social scientist would have predicted the future for these countries, it is very likely that they would have painted a very bleak picture for Singapore and a much brighter one for Jamaica. Compared to Singapore, Jamaica had large natural resources that were in high demand. It was also close to one of the world's biggest markets and, with its stunningly beautiful beaches and good climate, it would have been the ideal site for the development of a large tourist industry (especially since neighboring Cuba just had decided to leave that market). Singapore was in a much worse situation. At the time of independence, the country lacked marketable natural resource. It was located far away from the big markets, and had much more difficult racial and religious turmoil. However, as of today, not only is Singapore's GDP/capital almost ten times higher than that of Jamaica, Singapore also massively outperforms Jamaica on all standard measures of human well-being (Rothstein 2011, ch. 9). The problem that we face is that Jamaica has been a representative democracy with regular and reasonably free and fair elections resulting in many shifts in government since independence in 1962, while Singapore during the same period has been (and still is) an autocracy.

The dismal picture of democracies' performance that comes out from comparing cases such as above is for the most part confirmed in large-n studies. Using a set of thirty standard measures of national levels of human well-being and also some variables known to be related to human well-being such as capacity for taxation, and including between 75 and 169 countries, Holmberg and Rothstein (2011a, 2011b) find only weak[2], or no, or sometimes even negative, correlations between these standard measures of human well-being and the level of democracy. These results are confirmed by other studies such as Doucouliagos and Ulubasoglu (2008) and Norris (2012). The picture that comes out from available measures and statistics is this: Representative democracy is not a safe cure against severe poverty, economic inequality, illiteracy, general unhappiness among the population (or not satisfied with one's life), high infant mortality, short life-expectancy, high maternal mortality, lack of access to safe water or sanitation, gender inequality, low school attendance for girls or low interpersonal (social) trust. Thus, the results of democracy measured in these ways, is only weakly correlated, or even unrelated, to more "objective" measures of human well-being (such as population health statistics) as well as to subjective measures (such as subjective well-being or interpersonal trust).

Moreover, a well-known argument is that representative democracy would minimize the risk for internal violence and the outbreak of civil war. Norris, however, shows that this is not borne out by the facts. In itself, liberal representative democracy is not a safeguard against the outbreak of internal armed conflicts (Norris 2012). As Mann (2005) has argued, when it comes to ethnic conflicts, democracy has a "dark side" because in some cases political mobilization results in ethnic violence (cf Mansfield and Snyder 2005). In addition, Råby and Teorell (2010) using data of interstate military conflicts from 1984 to 2000, have shown that democracy, contrary to what has been more or less taken for granted in international relations research, is not strongly related to the absence of inter-state war. Instead, they find that control of corruption trumps level of democracy for predicting the absence of war. An objection to this bleak picture of the actual performance of democracies is the argument that democracy results in respect for human rights, which no doubt is an important achievement. However, as Råby and Teorell (2010) have argued that this is close to simply saying that democracy results in democracy since respect for at least basic human rights is a condition for a country being defined as a democracy.

These problematic results of democratic rule have for the most part been neglected in democratization studies, probably, because of a strong ideological commitment to the cause for democratization. Serious research, however, demands that we do not shy away from studying problems that are normatively difficult to handle.

[2] Correlations below 0,35 are considered as weak.

Needless to say, this project is not about discrediting representative democracy. The intrinsic values of, for example, human rights, freedom of expression and accountability through general and free and fair elections are seen as invaluable. The intention in this project is not to compare autocracies with democracies. Instead, the idea is to compare democracies with democracies. The central objective is to find out why some representative democracies seem to be dysfunctional while others are (for the most part) producing highly valued outcomes in terms of human well-being. It should be underlined that all countries that score at the top in, for example, the United Nations Human Development Index, are democracies. The problem is that a fairly large number of democracies have low scores. As a metaphor for this problem, development researchers Pritchett and Woolcock (2004) have coined the phrase "Getting to Denmark" to signify that country as a benchmark, not only as a democracy but as a democracy that has a number of features that make it possible to produce a high level of human well-being and good governance.

The literature points at two general problems behind the existence of dysfunctional democracies. One is lack of "good governance", often but not entirely a synonym for systemic corruption (Rothstein 2011). Here, empirical research has produced a surprising result, namely that democratization does not easily translate into lower levels of corruption. In fact corruption is often worst in newly democratized countries. Large-n analyses show that the relation between degree of democracy and level of corruption is U- or J-shaped (Montinola and Jackman 2002; Sung 2004). About this problem, the noted democratization researcher and promoter Larry Diamond had the following to say when the U.S. based *National Endowment for Democracy* celebrated its first twenty-five years of operations:

> There is a specter haunting democracy in the world today. It is bad governance—governance that serves only the interests of a narrow ruling elite. Governance that is drenched in corruption, patronage, favoritism, and abuse of power. Governance that is not responding to the massive and long-deferred social agenda of reducing inequality and unemployment and fighting against dehumanizing poverty. Governance that is not delivering broad improvement in people's lives because it is stealing, squandering, or skewing the available resources (Diamond 2007, p. 119)

It needs to be underlined that *bad governance* should not be seen as a problem that is confined to developing countries and former communist countries. Advanced states like Greece and Italy are now ranked below a handful of states in Africa in one of the most widely used measures of corruption (Rothstein and Teorell 2012). In addition, both expert-based and survey-based measures of perceptions of "quality of government" and corruption show a huge variation between different EU-states and, interestingly enough, also between regions in some of these states (Charron, Lapuente, and Dykstra 2012). Another case in point is that several well-placed economists have argued that the background to the financial and economic crisis, that started with Wall Street 2008, can be found in how the powerful investment banks on Wall Street used their influence to relax regulatory oversight and capital requirements (Johnson 2009; Kaufmann 2008).

The issue of *bad governance* is connected to a second reason for why some democracies can be defined as dysfunctional, namely the inability to handle the public finances in a sustainable way. Huge budget deficits are a plague not only for many developing countries but now also for a number of old and rich countries. The current political situation in countries like Greece and Italy must be considered as a de facto introduction of "rule by technocrats". The system of representative democracy in these countries has not been able to produce governments that are either capable or willing to create sustainability in the public finances. Instead, these countries are now ruled by presumably highly skilled technocrats that have not stood for election by the people. Elected politicians in many countries have fallen for the temptation of bribing their electorates to re-elect them by delivering more services and benefits to their population (or, to be more correct, to key segments of their populations) than they have been willing to tax them for (Norris 2012).

However, also at this point, there are huge differences between democratic countries. It is often taken for granted that this is just a problem of "too much spending", but that cannot be the case. Comparing the larger Western EU countries[3] which today carry the highest deficits in their public finances (Belgium, Greece, Portugal, Italy and Portugal), public spending is on average 50,4 percent which is actually 1,2 percent lower than the six countries in this group (Austria Denmark, Finland, Germany, Netherlands, Norway and Sweden and Austria) that have their public finances in relatively good order.[4] The problem is thus not the level of

[3] Excluding Iceland and Luxemburg
[4] The first countries have more than 100 percent debt as a percentage of GDP while the latter's debt is below 80 percent. Source: OECD Statistics 2010, Public Finances (www.stats.oecd.org)

public spending as such, but the inability by some representative democracies to match their spending ambitions with the levels of taxation necessary to support them. The theoretical idea of the need to incorporate sustainable public finances into the set of dependent variables is taken from Elinor Ostrom's (2005) research on how local communities in many parts of the world, by establishing various democratic procedures, have been able to handle "common pool resources" in a sustainable manner, thereby avoiding depletion of important natural resources. This can be understood as a "public good" approach to democratic politics and Ostrom's research tries to answer the question which institutional arrangements that are most suitable for local communities when they try to solve this very difficult problem. **The idea in this project is to view sustainable public finances as such a "public good" and to try to answer the question as to which types of institutional arrangements at the national level are most suitable for avoiding economic and social depletion through the poor control of public finances**

Several approaches for understanding why some democracies perform better than other have been put forward. An early important effort in this field to differentiate between various forms of democracies based on their ability to perform is Katzenstein (1985). He pointed out that a number of "small" democracies in Europe (Austria, Switzerland and the Scandinavian countries) managed to handle the challenge to adopt their economies to fluctuations on the world market remarkably well. His explanation for this was that they had established various forms for interest mediation between the state and the main actors in the economy. Katzenstein's research has been very important but it is limited by only looking at economic performance as the main outcome (dependent) variable and by using only a small number of cases. Another major scholar in this area is Arendt Lijphart (1999) who has analyzed the institutional differences between "consensus" and "majoritarian" democracies for 36 countries, arguing that the former system is better in producing political stability, control over public finances and inclusion of minorities. While these are important factors, they are still mostly within the political domain and do not include human well-being and control of corruption. A third important work in this field is the "varieties of capitalism" approach that was launched by Hall and Soskice (2001). While all these are important, they are limited in two respects. First, Katzenstein as well Hall and Soskice have only economic performance and industrial relations as their dependent variables. An important exception is Iversen's and Sockice's (2006) analysis of the effects of different electoral system but they limit their explanatory ambitions to what this implies for economic redistribution. Secondly, none of these approaches has carried out a systematic analysis of the relation between how the democratic system is institutionalized and the three clusters of outcome variables that will be central to this project, namely variables related to human well-being, corruption and sustainable management of the public finances

A third set of approaches has tried to identify causal linkages between democratic institutions and levels of corruption. Gerring and Thacker (2004) found that unitary and parliamentary forms of government helped to reduce levels of corruption, while Kunicova and Rose-Ackerman (2005) found that presidential democracies had more corruption than parliamentary ones, and that multi-party (proportional) representation fare worse than two-party "first-past-the-post" systems. Others have found that meritocratic recruitment lowers corruption (Dahlström, Lapuente, and Teorell 2011). While these studies are valuable, they do not take into account more than a few institutional dimensions.

While the above mentioned approaches are too limited to achieve our goals in this project, a second set of approaches are too general. These are those theories that portray representative democracy as a more or less doomed enterprise, because the shortcomings of the principal agents. Voters are described as irrational and irresponsible, politicians as self-interested agents, that are willing to disregard the "common good" for short-sighted electoral gains, and civil servants as being more interested in maximizing their budgets instead of serving the "public good". In short, various forms of opportunistic behaviour will make representative democracy dysfunctional (Caplan 2007; Tullock, Seldon, and Brady 2002). Another such general approach has pointed to the problem that all voting systems can produce results that are inconsistent with "the will of the people" with the result that decisions produced by a representative democracy can be arbitrary (Gaertner 2006). While there is probably a grain of truth in all this, the problem is that these approaches are not well suited for explaining why not all democracies become dysfunctional. The implication is that these very general approaches cannot be used effectively for explaining the huge variation that exists between how well contemporary democratic systems perform for the three outcome variables that are chosen for this project. Simply put, these approaches fail to explain why not all representative democracies drown in opportunism, arbitrariness, irresponsible myopic behaviour, or a combination of all three (Mackie 2003; Wittman 1995).

A fourth type of explanation can be labeled the historical-cultural approach. Foremost among these are Putnam's theory about the importance of social capital for "making democracy work" (Putnam et. al. 1993).

Societies in which social networks are abundant and social trust is high have according to Putnam better democracies. According to Putnam, social trust is generated when people are active in voluntary associations. While the evidence that social trust is important for creating well-functioning democracies is convincing, the problem with this approach is that what the theory states about how social trust is generated has not been confirmed in empirical research. On the contrary, empirical work shows that social trust is for the most part generated from how people perceive the fairness and quality of the political institutions in the society in which they live (Rothstein 2005; Rothstein and Uslaner 2005). Corruption in the public sector has a strong negative effect on the level of social trust. The implication is that how the government institutions are organized, especially those that implement public policies, is important. This is thus a further argument for having the institutional configuration of democracies as the main independent variable influencing their relative success or failure in both economic and social terms.

2. Progress beyond state of the art

It should by now be clear what this project aims to explain, namely why some democracies are doing a much better job than others in (a) producing human well-being, (b) curbing corruption and (c) managing their public finances in a sustainable way. Since most of political science have "politics" as the main dependent variable (who wins elections, what policies are enacted, what explains voting behavior), this admittedly bold ambition for what we set out to explain is in itself "progress-beyond-state-of the-art". This also holds for the set of independent variables that will be central for this project. While there exist a huge amount of research about policy outcomes and policy effects (including policy failures), this has mainly been carried out by political economists and, for population health, by scholars in epidemiology (for a notable exception see Lamont & Hall 2009 and, for the EU, Scharpf 1999). To the extent that they have been interested in explaining the variation in policy outcomes by variables related to the political system, only a very crude set of independent variables have usually been applied. For example, if democracies perform better than non-democracies. Przeworski et al (2000) employs such a dichotomous measure stating that a democracy is "a regime in which those who govern are selected through contested elections" where "contested" is defined as the presence of "an opposition that has some chance of winning office".

Teorell (2010) has convincingly criticized this and other dichotomous (or absolute) measures for democracy and instead argued for a graded definition and measurement strategy. The graded measure of democracy that he (together with Hadenius) has constructed is based on the average scores of political rights and civil liberties reported by Freedom House, and the combined autocracy and democracy scores derived from the Polity IV data set (Hadenius & Teorell 2005). This index goes from 0 to 10 where 10 is most democratic and as the authors show, this index performs better both in terms of validity and reliability than its constituents parts. While very useful for measuring the impact of the level of democracy, this measure does not capture the complex institutional variation that exists between democratic systems. Democracy is not only "more or less", it can also be constructed in very different ways. This project will go beyond both the "either or" and "more or less" view about democracy and apply a more stringent approach that is based on institutional theory.

When we compare political systems, we will not only find that they are more or less democratic. It is also the case that when we compare the latter, we will find huge variation in how their main institutions are designed. The following thought experiment is constructed to show why this is the case. Every representative democracy has to solve a number of issues for which different institutions has been created (or evolved). For example, the electoral system, the degree of decentralization, the formation of the organizations that are to implement laws and policies, the way expert knowledge is infused into the decision-making process, and so on. Democratic theory does not provide precise answers to how these institutions should be constructed (Dahl 1989; Shapiro 2003; Shapiro and Macedo 2000). There is, to take an obvious example, not a clear answer in democratic theory that tells us if a proportional electoral system (giving rise to a multi-party system) is to prefer or if a first-past-post system that usually produces a two-party system would be a better choice. As the table below shows, at least ten such institutional dimensions can be identified in every representative democracy.

Table 1. Examples of basic institutional variation among representative democracies.

Type of institution	*Institutional variations*
Electoral system:	Proportional vs. majoritarian
Legislative assembly:	Unicameral vs. bicameral
Government structure:	Unitarian vs. federalist
Central executive:	Parliamentarism vs. presidentialism
Judicial review:	Strong vs. weak (or no) judicial review
Local governments:	Weak vs. strong local autonomy
Civil service:	Spoils recruitment vs. merit-recruitment
Protection of minorities:	Strong versus weak protection
Referendums:	Regularly used vs. not used.
Consultation of experts	Routine vs. ad hoc

According to the main works in democratic theory, none of the various choices that can be made on the ten institutional dimensions are mutually exclusive. In theory, everything can be combined (even though some combinations are less likely than others). Thus, the result from this thought experiment shows that there are at least 1024 ways of constructing a representative democracy[5]. Since many of these dimensions are in reality not dichotomous but to varying extent continues (more or less strong judicial review, more of less spoils recruitment to the civil service, more or less decentralization to local governments, etc.), the possible variation is in fact much larger than "1024". To be concrete, the Swiss, the Danish, the Brazilian, the South African and the British democracies, to just take five examples, are institutionally configured in very different ways. And while it is true that there is some "clustering" in these dimensions, there are also surprising differences. For example, the relation between the central civil service and the cabinet in Finland and Sweden are very different from how this relation is institutionalized in Denmark and Norway. Australia is the only former British colony that has compulsory voting. Another dimension that is of particular interest for this policy is how expert knowledge is handled in the decision-making process. Some democracies have developed established routines in the decision-making process to ensure that expert knowledge is used in both the preparation and implementation of public policies. In other democracies, the use of expert knowledge is more ad-hoc. In many policy fields, the demand is not only that decisions about policies are taken in a democratically correct manner but that especially in areas such as population health, and environmental issues, we also want them to be "true" or at least in line with the "best available knowledge".

Another important institutional variation is the extent of so-called veto-points in a democratic system. The argument is that some combinations in the figure above give rise to many such veto points that can make it difficult for governments to act in a determined and responsible way. If there are many un-coordinated actors (the executive, the courts, the legislative assemblies, the sub-national governments, organized interest groups), the democratic machinery may be unable to produce coherent and effective policies (Tsebelis 2002). Yet another possible dimension to add is the extent to which the country uses what in public administration research is known "new public management" techniques when implementing public policies or if it relies more on traditional style Weberian bureaucracy (Christensen and Lægreid 2011; Peters and Pierre 2010).

Issues about gender equality will be important for this project for two main reasons. The first is that measures of gender equality correlate strongly with many measures of human well-being. The reason for this is probably that many of these measures concern the situation of children and since mothers all over the world take more responsibility for the well-being of children than fathers and policies, that improve the situation for children, correlates with an improved position of women in society (Engster and Stensöta 2011). Secondly, large-n cross-country research about corruption find substantial correlations between higher levels of gender equality in the political system and lower levels of corruption even when a large number of other variables are controlled for (Wängnerud 2012).

[5] $2^{10} = 1024$

A central point for this project is that democracy is not only "either-or", or "more-or-less". If we look more closely upon their institutional configurations, existing democracies are very different entities and this need to be taken into account when we try to answer why some democracies can be characterized as dysfunctional and others as well-functioning. **The central objective of this project is to find out if some ways of organizing representative democracy alongside existing institutional dimensions result in better outcomes for measures of human well-being, the control of corruption and the sustainability in the public finances.**

A specific theoretical problem that will be addressed in this project relates to institutional theory and the "institutional turn" in the social sciences. Around 1990, three major works were published that have had a profound impact on the analysis of the importance of institutions, namely, James B. March and Johan P. Olsen's *Rediscovering Institutions*, Douglass C. North's *Institutions, Institutional Change and Economic Performance* and Elinor Ostrom's *Governing the Commons*. Although coming from different intellectual traditions, they had one thing in common, namely they challenged the then dominating societal views in studies of social and economic outcomes. These paradigms in the social sciences (for example, Pluralism, Elitism and Marxism and in political science various "system theories") all argued that variables like economic power configurations, industrial development, systems of social stratifications or the structure of class divisions were central in explaining social and economic outcomes. Contrary to this, the institutionally orientated scholars argued that political institutions, broadly understood, were central in explaining social and economic outcomes.

In political science, this became known as "Bringing the State Back In" (Evans, Skocpol & Rueschemeyer 1985). In short, instead of focusing on how economic and sociological variables determined politics and outcomes of the political systems, the institutional approach turned the causal logic around by arguing that the character of a society's political institutions to a large extent determined its economic and social development. In common language, the institutional turn in the social sciences showed why "the rules of the game" should have a more central role in social science research. **The question that remains largely unresolved in this approach is which institutions matter for different outcomes?** Since every modern society has an abundance of institutions at various levels, durability and formalization, this question is very complex. In development research, something close to a general agreement has emerged that it is the variation in formal and informal institutions that explains why some countries prosper and others do not (Acemoglu and Robinson 2012; North, Wallis, and Weingast 2009; Rodrik 2007). This project can be seen as a large-scale test of this theory. Simply put, is it the case that the more well-functioning democracies entail a different type of institutional configurations than the more dysfunctional democracies. This project may thus confirm the major tenets in institutional theory but it may also invalidate them. The results may show that it is the formal institutions, that are important, or that instead it is the informal/practical "operating procedures" through which the rules are implemented that explains the extent of the variation. In both cases, the ambition is that the results from this project will have a major impact on the future of institutional theory. The outstanding problem is that, even after two decades of research, we still do not know which particular institutions (or set of institutions) that matter.

This problem is clearly seen in that two recent major works in this approach offer only vague and very general answers to this issue. North Wallis and Weingast (2009) point at "closed" vs. "open access" institutions while Acemoglu and Robinson (2012) differentiate between "inclusive" vs. "extractive" institutions". It should not come as a surprise that societies that are characterized by "closed" or "extractive" institutions will have difficulties in producing good outcomes. In other words, the theoretical distance between the independent and the dependent variables in these studies is too short. Another problem with this lack of precision is that very few normative and/or policy oriented guidelines have emerged. In sum, while we know that there is a huge variation in how well "old and rich" as well as "new and poor" democracies manage to produce valued outcomes, and while the dominant theories point at the importance to institutions, when it comes to the institutions that make up the democratic machinery, no systematic account exists of how this two phenomena are related. The admittedly "high risk" ambition of this project is nothing less than providing a "final test" of the acclaimed institutional theories above for democratic institutions.

2. Methodology

Following Shapiro (2005), methodologically this project will be strictly problem-driven, as opposed to method-driven or theory-driven. The implication is that methods will be chosen solely by how well they can help us analyse the problem as described above. Shapiro's argument against research that is theory-driven is that this may result in approaches that are geared at theory-confirmation. Although this project relies heavily on various institutional theories, results that would disconfirm this set of theories are as interesting as the opposite. Another such result can very well be that while the institutions that make up the democratic systems are unrelated to the valued outcomes specified above, other institutions matter a lot, for example various legal institutions such as systems of property rights.

A second implication of the problem-driven approach is that various methods will be used since the problem at hand entails various aspects that cannot be addressed with a single type of method. A special, and admittedly somewhat risky ambition of this project, is to combine insights from political philosophy as well as from empirical research to this problem (cf. Rothstein 1998). The reason is that what should count as normatively valued outcomes, as suggested by Amartya Sen (2009), or, to use a title from a recent and important book, *Successful societies* (Hall and Lamont 2009), are issues that cannot be treated without entering the discussion in political philosophy. The same goes for definitions of what should count as *good government* and *corruption* (Holmberg and Rothstein 2012) and probably also for *sustainable public finances*. One central part of this project is to present a well-grounded normative analysis for these issues. Let me underline that I share the view, held by most, that it cannot be scientifically demonstrated that certain normative standpoints are more correct (in the sense of closer to the truth) than others. It is rather a question of tracking down, as far as this is possible, persuasive arguments that certain conclusions follow logically from certain basic principles - principles over which, we can reasonably hope, far-reaching agreement can be reached. It is presumably the case, as John Rawls has claimed, that

> … in philosophy questions at the most fundamental level are not usually settled by conclusive argument. What is obvious to some persons and accepted as a basic idea is unintelligible to others. The way to resolve the matter is to consider after due reflection which view, when fully worked out, offers the most coherent and convincing argument (Rawls 1993, p. 53).

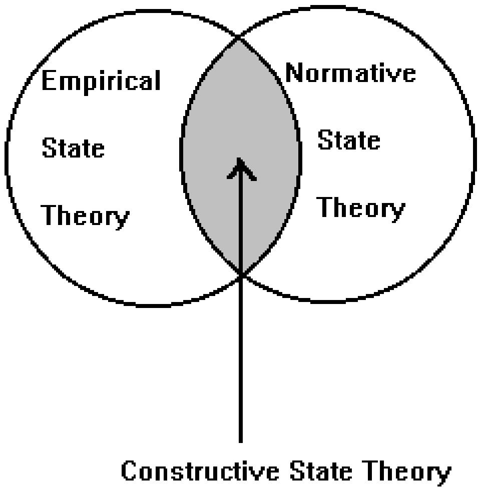
The object of intellectual discipline here is to render such argumentation - in respect to both basic and derivative principles - as clear, open, and logical as possible, and thereby to grant potential critics ready access to the object of their assaults, by exposing it to plain view. The scientific character of this discourse resides in its logical method for the giving and taking of arguments, rather than in any rules regarding the presentation of evidence. There are a lot of very complicated issues to take into account in this normative analysis. For example, how should we combine demands for personal freedom and integrity with goals related to increased population health? How should freedom of religion be combined with goals for an education and curricula based on science? How should policies for gender equality be carried out in societies in which religious norms tend to subordinate women? How are we to value goals for increased economic prosperity with ambitions related to social justice? Is corruption always a bad thing or can it in some cases be defended as a mean for getting around bureaucratic domination? The normative/philosophical part of this project will use the type of method Rawls suggested and intends to answer the following question: *What ought the (democratic) state to do?*

The first empirical parts of this project intend to create a data-set that contains precise information about the institutional configurations of existing democracies. This part of the project will result in a new set of data that has never been systematized before. As with the other data-sets constructed by the Quality of Government Institute at University of Gothenburg (QoG, see below), this data will be made freely available making it possible to scholars all over the world to use them at the same time as they are being used in this project. Exactly how many and which institutional dimensions that will be included in this data-set will be decided as part of the research, but the ten described in table 1 above will be included. Dimension will be either dichotomous (e.g., federal or unitary states) or on a scale (e.g., use of expert knowledge) on which the countries will be placed. Placing each country for every institutional dimension we identify will be a huge task that will involve a lot of deliberations both within the research team and with the local network (see below). Some of this data is available from existing sources but for some of the institutional dimensions we will have to collect data from primary sources. For example, there exists no up-to-date data for the extent to which meritocratic recruitment to the civil service is used in democratic countries. For some of the dimensions we intend to use web-based expert surveys, a method that has been previously used by the QoG Institute and that has produced good results. On example where this method will be used is for grading the strength of judicial review by Supreme courts. We will use as recent data as is possible to get for each country. For deciding which countries that should be considered as "democratic" we will use the scale created by Hadenius and Teorell described above. As of today, measures are available for 196 countries of which there are about 90 that according to their suggested break-off point should be seen as democracies. This phase of the project will be completed by month 18. The ambition is that this freely available dataset will become a major asset for comparative research in the social sciences.

The second empirical part of this project will be to systematically compare existing democracies on the three output dimensions specified above. For this, the project will draw on the two already existing databases that has been established by the QoG Institute which contain what is probably the now largest sets of data on various measures of human well-being, corruption and governance. We intend to add to this database the necessary information about public finances, which is easily available for most democratic countries. One can say that this part of the analysis intends to answer the question *"what is the democratic state capable of doing".* This second part should be completed by month 24.

Philosophical research based on normative theories about the state is usually held strictly apart from empirical research based on positive theory. This traditional division of labor within political science (and the social sciences in general), is unfortunate since there are many things a state can do that it, according to normative theory, should refrain from doing. An example is policies relying on utilitarian theories that while increasing the overall utility for the majority may result in severe violations of individuals' rights or the interest of minorities. A parallel line of reasoning from empirical theory is that are there are a number of things that a state, according to normative theory, ought to do that empirical research shows are impossible to achieve or implement, at least at reasonable costs. This project intends to break this division between normative and positive/empirical theory by arguing for the possibility of a *constructive theory* in political science. Such a theory will try to identify the "space" where the "is" and "ought" overlap, as in the model below:

Figure 2. Empirical, normative and constructive state theories



For the analytical parts of the project, two different methods for analyzing the relations between the variations in institutional dimensions between democratic countries and the three sets of outcome variables will be used. First, standard as well as more advanced statistical techniques will be used for detecting systematic patterns of correlations and clusters in the material. Central questions will be if there are "clusters" of countries that have similar institutional configurations and to what extent these relate to our three sets of outcome variables. Another important issue is of course if some institutional dimensions correlate more than others with the outcome variables. A large set of "non-institutional" control variables (economic, religious, cultural, geographic, etc.) will of course be used in these quantitative analyses.

As is well known, correlation is not causation. Causality is particularly complicated in a case like this because of the problems of endogeneity and various "feed-back" mechanisms between the variables. This problem will be handled in two ways. One is to improve our theoretical understanding of how the causal mechanisms between the variables work. Simply put, we will try to increase the theoretical specifications for questions like: if variable X "moves" why and how does it make variable Y "move" even under control for type Z variables. This will rely on a set of methodological tools developed by scholars in what has been labeled the *social mechanisms approach* in sociology and political science (Gerring 2007; Hedstrom and Swedberg 1998). Secondly, the statistical analysis will also be used to select cases to be studied in a more historical and detailed way using what is known the comparative case method. To take two possible such studies. Even if there will be systematic clusters/correlations between institutional configurations and outcomes, it is likely that we will also have "outliers" in the material. These will be of interest to study as single "deviant cases" but a preferable method is to, if the data allows, compare cases/countries. We may find that there are two or more democratic countries that are very similar in many of their institutional dimensions and also on other non-institutional features (economic standard, cultural variables, length of being a democracy), yet have very different outcomes either in levels of human well-being, control of corruption or status of public finances, or all three. Or we may find countries that are very similar in outcomes and also similar in other non-institutional respects, but vary a great deal in their institutional configurations. In both these hypothetical cases, we will deploy the comparative case method which will include so called path-dependency analyses of historical trajectories.

3. Resources (incl. project costs)

Project environment and local resources:

This project will be hosted by The Quality of Government (QoG) Institute, which is located at the Department of Political Science at University of Gothenburg. The QoG Institute was established in 2004 by professors Sören Holmberg and Bo Rothstein and received a six year "center of excellence" grant from The Bank of Sweden Tercentenary Foundation (Riksbankens Jubileumsfond) in 2006. It now consists of about 20 researchers, PhD students and research assistants. Researchers at the QoG Institute have also received additional funding from various Swedish and EU sources. The aim of this institute is to carry out and promote research about the causes, consequences and nature of "Good Governance and the "Quality of Government" - that is, trustworthy, reliable, impartial, uncorrupted and competent government institutions that implement public policies. A central part of the QoG Institute has been to create a world-class database for facilitating work in this area. A central idea behind the QoG databases was to make them freely available in order to promote research in this area and they are now used by scholars all over the globe. The quality and importance of this work was recognized by the Comparative Politics section of the American Political Science Association in 2010, when Rothstein together with his colleagues Jan Teorell and Sören Holmberg received the "Data Set Award for a publicly available data set that has made an important contribution to the field of comparative politics".

This project will be able to use this infrastructure as an important resource. In addition, a group of younger scholars and two senior scholars have accepted to become members of a local support network. These are Dr. Monika Bauhr, Dr. Nicholas Charron, Dr. Carl Dahlström, Dr. Michelle D'Arcy, Dr. Marcia Grimes, Dr. Maria Gustavson, Prof. Sören Holmberg, Dr. Staffan Kumlin, Dr. Victor Lapuente, Dr. Staffan I. Lindberg, Dr. Anna Persson, Dr. Helena O. Stensöta, Prof. Lena Wängnerud (for more information about QoG, visit www.qog.pol.gu.se). They will participate in the project's seminars and internal conferences and also provide support, when recruiting the project team as well as Ph.D. candidates. It should be added that while this is a project in political science, the P. I. as well as the QoG Institute have established extensive contacts and also direct collaborations with scholars from other disciplines such as economics, sociology, anthropology and psychology. These interdisciplinary contacts will be used as an important resource for the project.

The Department of Political Science at University of Gothenburg is one of the foremost political science departments in the Nordic countries. When University of Gothenburg recently organized an evaluation of all research units, carried out by a large team of internationally recognized scholars, the department received a very favorable evaluation. The quality of research was evaluated as "excellent" (second highest on a six point scale) while the department's organization and research infrastructure was stated as "outstanding" (highest score). When the Swedish Science Council evaluated Swedish Political Science 2002, the group of international scholars that carried out the evaluation ranked the department as the foremost in the country.

Personnel:

The Principal Investigator has a position as Research Professor at University of Gothenburg which enables him to spend 85 percent of his time for research and he therefor requires no salary funding from the project. He will spend at least 50 percent of his time working with this project.

The 1,5 positions as research assistants will be employed for the extensive data-collection and statistical analyses. It is likely that there will be a change of this category after month 24 since the competence needed for collecting and systematizing data is different from what is needed for carrying out advanced statistical analyses.

The four positions as researchers will either be filled by post-docs or by more experienced researchers and will be announced internationally. The working language of the project will be English. The positions will be open for scholars in political science, economics, sociology or political philosophy. Since this is a project that will rely on collaboration between researchers with different methodological skills and theoretical interests, the recruitment process will be crucial and will therefore be given the outmost attention by the P.I. The project will need scholars that not only have very high qualifications in their special fields, but who are interested in collaboration with colleagues that work with different methods and theories. Special attention will be given to team-building and the use of "complementary competences" in reports and publications.

It is possible that some of these positions will be filled by members of the local network mentioned above, but the ambition is to recruit at least half to the team from the outside. These positions will be funded by the project for 80 percent. The remaining 20 percent will be used for teaching, supervision of Ph.D students and administrative tasks that will be funded by the Department of Political Science.

The project will involve further Ph.D. students (probably three to five) but they will be funded by University of Gothenburg. However, in relation to their research being within the domain of the project, they will be supported for participating in conferences and equipment related to their research for the project. The project members will be strongly involved in various international networks, which motivate the costs for travel to conferences. Equipment relates to computers, the costs for a project website and the standard equipment needed for this type of research. Each year will entail two internal workshops to which the members of the local network for the project will also be invited. Two international conferences for about 20 invited scholars will be held during the third and last year of the project. The sum asked for the international advisory group is for them to spend time as Visiting Scholars at the project. They will not be paid by the project but the project will cover their expenses for travel, lodging and meals.

This project will also have an international advisory group. The members of this group are all internationally established scholars that have carried out influential research of high relevance for the project. The international advisory group will not serve as a board with common board meetings since from earlier experience we have found such arrangements to be ineffective. Instead, the members of the international advisory group have all accepted to provide intellectual input to the project in various other forms on an individual basis. They will also all be invited to visit the project for shorter periods (one or two weeks) as well as to the two international conferences. The international advisory group will have the following eight members:

Professor T. K. Ahn, Dept of Political Science, Seoul National University
Professor Keith Dowding, Research School of Social Science, Australian National University
Professor Francis Fukuyama, Center for Development and the Rule of Law, Stanford University
Professor Desmond King, Nuffield College, Oxford University
Professor Michele Lamont, Dept. of Sociology, Harvard University
Professor Vivien Schmidt, Dept. of International Relations and Political Science, Boston University
Professor Sven H. Steinmo, Dept. of Political and Social Science, European University Institute
Professor Susan Stokes, Dept. of Political Science, Yale University

	Category	month 1 to 18	month 19 to 36	month 37 to 54	month 55 to 60	Total 60 months
Direct Costs:	*Personnel:*					
	Personnel:					
	PI (50%)					-
	Res.assistant (2)	173 613	213 645	165 682	55 973	608 913
	Researcher	96 228	98 811	102 170	34 517	331 726
	Researcher	96 228	98 811	102 170	34 517	331 726
	Researcher	96 228	98 811	102 170	34 517	331 726
	Researcher	0	66 310	67 654	0	133 964
	Total Personnel:	462 297	576 388	539 846	159 523	1 738 054
	Other Direct Costs:					
	Equipment	12 353	12 353	12 353	4 118	41 176
	Travel	26 471	26 471	26 471	8 824	88 235
	Data	8 824	8 824	8 824	2 941	29 412
	Workshops,Conference	8 824	8 824	8 824	2 941	29 412
	Internat. Conferences	0	35 294	35 294	0	70 588
	Internat. Advisor Group	17 647	17 647	17 647	5 882	58 824
	Total Other Direct:	74 118	109 412	109 412	24 706	317 647
	Total Direct Costs:	536 414	685 800	649 258	184 229	**2 055 701**
Indirect Costs	Max 20%	107 283	137 160	129 852	36 846	411 140
Subcontracting Costs:	(No overheads)		4 000	4 000	4 000	12 000
Project Total Costs	(by year and total)	643 697	826 960	783 109	225 074	2 478 841
Requested Grant	(by year and total)	643 697	826 960	783 109	225 074	2 478 841

For the above cost table, please indicate the % of working time the PI dedicates to the project over the period of the grant:	**50 %**

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