Book Review: Is Good Governance Good for Development?

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While good governance is a worthy goal, this book argues that it is not a prerequisite for economic growth or development. The book aims to expose the methodological shortcomings of the commonly-used governance indicators developed within the World Bank. ***Alex Moore*** *finds that this is certainly a worthwhile read for students of development and governance.*

Is Good Governance Good for Development? Jomo Kwame Sundaram and Anis Chowdhury. United Nations Publications. August 2012.

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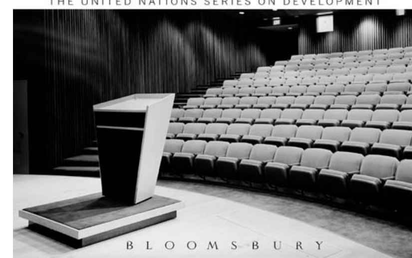
As one may anticipate from the title, the general tone of *Is Good Governance Good for Development?* is sceptical, with the authors arguing that donors and academics have chosen to prioritise "good governance" reforms despite limited empirical support. Throughout the book the main interest is in the role of governance in promoting growth, and this is tackled explicitly by the book's editors – Jomo Kwame Sundaram and Anis Chowdhury – in their introductory chapter, as well as Arthur Goldsmith in "Is Governance Reform a Catalyst for Development?". In the final essay, Mushtaq Khan concludes by proposing a "growth-enhancing approach to governance".



In their introduction, the editors provide a broad critique of the current literature on development and growth. They choose to concentrate primarily on measurement issues, devoting several pages to a critique of the World Bank's Worldwide Governance Indicators and associated research: "This most widely used data set, and the conclusions derived from it on government effectiveness, are, at best, partial and, at worst, misleading", they argue. Although the Governance Indicators have been used elsewhere to demonstrate the importance of governance reforms, the editors hold that "the ostensible evidence using [these] problematic measures actually suggests that growth and development improves governance, rather than vice versa".

The problem of identifying cause and effect, rather than simple correlation, is a theme that runs throughout the book. Arthur Goldsmith therefore takes a detailed look at four case studies – Argentina, Jamaica, Mauritius and the United States – to ask whether good governance preceded episodes of economic expansion. He finds that the evidence is far from clear. In the case of the United States for example, one of the most dramatic periods of technological and economic expansions occurred during the Gilded Age (1866-1900). Goldsmith argues however that "public institutions from that time look secretive, personalistic and arbitrary when measured by today's standards". Even the protection of property rights was not assured during the period. Goldsmith notes that state judges "were prone to reinterpret common law with respect to property and contracts" and that states were granted "widespread authority to use their power of eminent domain to expropriate assets and assist private companies". Goldsmith concludes from his four case studies that "good governance reforms are more effect than cause of sped-up development, though over time they seem to become a more important factor in sustaining development".

In the book's concluding chapter, Mushtaq Khan argues that good governance, as currently conceived, can only ever be "more effect than cause" of development. Khan notes that developing countries lack the resources required to enforce good governance, and these resources can only come from development itself. As Khan notes, "it is unlikely for a poor country to achieve enforcement of the rule of law or of property rights that is significantly beyond its ability to pay for these public goods". It is no coincidence therefore that developing countries score poorly on every common measure of good governance. Given their constraints, significant improvements in governance are unrealistic in the short- to medium-term, and "most regression analysis shows that the additional growth that *feasible* improvements in good governance can offer is limited".

The solution to these capacity constraints is what Kahn terms a "growth-enhancing approach to governance". This approach identifies specific market failures within a country, and looks for feasible reforms that can address each failure. Importantly, the optimal solution may not always be that prescribed by the traditional principles of good governance. The cost of establishing property rights over land for example is prohibitive for many developing countries. It may be necessary therefore for governments to intervene directly in land markets, including through compulsory purchase orders. Universal principles of "good governance" are therefore inadequate – "we would expect feasible and effective strategies of incremental reform to be different across countries, depending on their political settlements and other initial conditions".

This emphasis on country-specific, feasible reforms is a positive one, and it is echoed by a number of the book's contributors. It is not so clear however that this represents such a significant divergence from mainstream thinking as suggested. In his concluding comments for example, Khan notes that "international agencies do not like to admit that this kind of country-specific experimentation drives development because this does not allow a consistent and general set of policy advice to be provided to all countries". Yet international agencies (and donors) invest heavily in country-specific research, and recipient countries are expected to develop their own reform agenda – as formalised in the 2005 Paris Declaration on Aid Effectiveness. The introductory chapter acknowledges that mainstream thinking on governance has moved beyond the "Washington Consensus", but this is not always clear in subsequent sections.

Likewise, the academic literature in this field is perhaps more advanced than the authors tend to give credit for. There is an abundance of work on the political economy of reform, as well as the need to develop state capacity. Moreover, the evidence supporting good governance reforms is never really given its fair due. There is strong and varied evidence linking governance reforms with improved outcomes, on many levels, and not all of these need be country-specific. In the case of basic infrastructure for example, chronically lacking in most developing countries, better governance has been shown to increase investment, improve performance and reduce capital costs. The necessary reforms are perfectly feasible for most countries and (as evidence shows) can have real effects. Given the vast resources that international organisations and donors invest in such areas, it seems reasonable for them to encourage and monitor basic governance reforms.

Ultimately though, this book is about presenting an alternative perspective on governance. It argues that wholesale reforms can be extremely difficult to achieve, and resources may be better spent elsewhere. As the editors note in the introduction, "a more useful question may be how to achieve economic growth and development in spite of weak governance". This viewpoint is valuable and deserves to be heard. For those studying or working in the field therefore, *Is Good Governance Good for Development?* is a very worthwhile read.

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