



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

***Culture Rules: The Foundations of the
Rule of Law and Other Norms of Governance***

By: Amir N. Licht, Chanan Goldschmidt, and Shalom H. Schwartz

William Davidson Institute Working Paper Number 605
August 2003

Culture Rules: The Foundations of the
Rule of Law and Other Norms of Governance

Amir N. Licht, Chanan Goldschmidt, and Shalom H. Schwartz*

ABSTRACT

This study presents evidence about relations between national culture and social institutions. We operationalize culture with data on cultural dimensions for over 50 nations adopted from cross-cultural psychology and generate testable hypotheses about three basic social norms of governance: the rule of law, corruption, and accountability. These norms correlate systematically and strongly with national scores on cultural dimensions and also differ across cultural regions of the world. Regressions indicate that quantitative measures of national culture are alone remarkably predictive of governance, that economic inequality and British heritage add to predictive power, but that economic development and other factors add little. The results suggest a framework for understanding the relations between fundamental institutions of social order as well as policy implications for reform programs in transition economies.

This version: July 24, 2003 – DRAFT. Comments welcome.

JEL Codes: K00, O10, O19, P20, P26, P50, Z13 □

Keywords: Rule of Law, Corruption, Accountability, Culture, Governance, Economic Inequality, Economic Development. □

* Licht is at the Interdisciplinary Center Herzliya, Israel. Schwartz is at the Department of Psychology, Hebrew University in Jerusalem, Israel. For helpful comments we thank Omri Ben-Shahar, Scott Gehlbach, Henrik Lando, Barak Medina, Zvika Neeman, Tatiana Nenova, Eric Posner, Susan Rose-Ackerman, Daniel Treisman, and participants at the European Association of Law and Economics annual meeting and CEPR/WDI Conference on Transition Economies. Errors remain our own. Schwartz's work was supported by the Israel Science Foundation (grant No. 921/02-1).

I. INTRODUCTION

Culturally diverse views on the rule of law as a desirable mode of governance date from antiquity. Socrates and Confucius expounded the classic and diametrical positions. The scholastic debate over the optimal mechanisms of social order has not subsided since. Collectively referred to as “social institutions” (or simply “institutions”), the rule of law, together with accountability and curbing corruption, are considered primary mediators for development.¹ These principles are the central tenets in international institutions’ policies on “good governance” and “empowerment” (IMF 1997, World Bank 2000, 2001). International bodies are careful to acknowledge that reform programs need to be attentive to national cultures yet fail to specify ways to achieve this goal.

This study seeks to identify the foundations of these social institutions, in particular, their roots in national culture. We view the rule of law, curbing corruption, and accountability as part of a general category of social norms referred to as “norms of governance.” Social norms of governance prescribe desirable modes of wielding political, economic, or other forms of power. We postulate that the potency of such norms depends upon the prevailing, shared cultural value orientations in a society. We hypothesize that in societies whose prevailing culture emphasizes the moral equality of individuals and legitimizes individuals’ pursuit of their own preferences, we will find greater compliance with formal legal rules, exercise of discretionary power undistorted by bribes, and feedback mechanisms of accountability. Societies characterized by such a culture provide a more transparent normative environment

¹ The literature on this subject is burgeoning. For sample works, see Kufamnn, Kraay, and Zoido-Lobaton (1999); Knack and Keefer (1995); La Porta et al. (1997a); Hall and Jones (1999); Mauro (1995; 1997). For a review, Easterly and Levine (2002).

and enable individuals better to plan their moves. But can we measure culture reliably?

To test this broad hypothesis, this study advances a new framework for the discourse of culture and social institutions. We adopt established theories and empirical data from cross-cultural psychology to operationalize the cultural profiles of nations. We examine whether profiles of nations on cultural dimensions can predict perceived national differences in adherence to governance norms. Consistent with our theorizing, we find that they do. Emphases on individual autonomy and egalitarianism in national cultures correlate positively with better governance. Combining these cultural variables with variables for economic inequality and a history of British rule yields a parsimonious model remarkably predictive of governance and robust to various controls.

Results of this study enrich our understanding of links between social institutions and culture. They show how particular types of governance institutions are intimately related to general cultural characteristics of nations. Crucially, the evidence for such links is based on rigorous empirical analysis across many nations rather than on anecdotal speculations about culture and governance in specific nations. We will address the issue of causal relations among the various factors considered, though we cannot fully resolve it because these factors interact with one another to engender large-scale social equilibria. We argue, however, that for better understanding the dynamics of social institutions and for informing policy-making it is crucial to identify factors that may be more or less susceptible to change. Cultural orientations are relatively stable. They can therefore impede reform and induce path-dependence in social change. This has implications for development and reform programs, some of which we discuss.

II. THEORY AND HYPOTHESES

A. Values and Dimensions of Culture²

Definitions of culture abound. In order to distinguish culture from structural aspects of society that might influence governance, we define culture in subjective terms. Culture refers to the complex of meanings, symbols, and assumptions about what is good or bad, legitimate or illegitimate that underlie the prevailing practices and norms in a society (Bourdieu 1972; Markus and Kitayama 1994). Value emphases are the essence of culture seen this way. They are the implicitly or explicitly shared, abstract ideas about what is good, right, and desirable in a society (Williams 1970). They justify and guide the ways that social institutions (e.g., the family, education, economic, political, religious systems) function, their goals and modes of operation. Social actors (e.g., organizational leaders, policy-makers, individual persons) draw on these cultural value emphases to select actions, evaluate people and events, and explain or justify their actions and evaluations (Kluckhohn 1951).

Many different value emphases could be chosen to characterize cultures. Rather than using arbitrary intuitions to select values relevant to governance, we utilize the key dimensions of culture identified in the theoretical and empirical literature of cross-cultural psychology, the discipline that specializes in cross-national comparisons of culture. A common postulate in cross-cultural psychology is that all societies confront similar basic issues or problems when they come to regulate human activity (Kluckhohn and Strodtbeck 1961). The key dimensions of culture are derived from these issues, because the preferred ways of dealing with them are expressed in

² This part begins with a somewhat lengthy discussion of theories of cultural orientations and their empirical expression in value emphases, on the assumption that readers may not be familiar with them.

different societal value emphases. It is thus possible to characterize the culture of different societies by measuring the prevailing value emphases on these key dimensions. This yields unique cultural profiles.

Schwartz (1994; 1999) has provided the set of cultural value dimensions we mainly use in this study. He derived three bipolar, cultural value dimensions from three basic issues that confront all societies. In coping with these issues, societies exhibit greater or lesser emphasis on the values at one or the other pole of each dimension. Analysis of the bipolar dimensions yields seven value orientations on which cultures can be compared. The theory also specifies how these orientations relate to one another. We briefly describe these three value dimensions, the seven orientations, and the basic issues with which they deal. Figure 1 presents graphically the relations among the value dimensions and orientations.

[Figure 1 about here]

Embeddedness/Autonomy: This dimension concerns the desirable relationship between the individual and the group. Embeddedness refers to a cultural emphasis on the person as embedded in the group and committed to maintaining the status quo, propriety, and restraint of actions or inclinations that might disrupt group solidarity or the traditional order. The opposite pole of Autonomy describes cultures in which the person is viewed as an autonomous, bounded entity who finds meaning in his or her own uniqueness. It is possible to distinguish conceptually between two types of Autonomy. *Intellectual Autonomy:* A cultural emphasis on the desirability of individuals independently pursuing their own ideas and intellectual directions. *Affective Autonomy:* A cultural emphasis on the desirability of individuals independently pursuing affectively positive experience.

Hierarchy/Egalitarianism: This dimension concerns the desirable ways to guarantee responsible behavior that preserves the social fabric. Hierarchy refers to a cultural emphasis on obeying role obligations within a legitimately unequal distribution of power, roles, and resources. Egalitarianism refers to an emphasis on transcendence of selfish interests in favor of voluntary commitment to promoting the welfare of others whom one sees as moral equals.

Mastery/Harmony: This dimension concerns the relation of humankind to the natural and social world. Mastery refers to a cultural emphasis on getting ahead through active self-assertion in order to master, change, and exploit the natural and social environment. Harmony refers to an emphasis on accepting the social and physical world as it is, trying to comprehend and fit in rather than to change or exploit it.

Hofstede (1980; 2001) advances another pioneering dimensional framework for characterizing cultures to which we make certain references below. This theory and the findings based on it dominate current international management studies. Next, we set forth the Hofstede dimensions and the basic societal problems they address.

Individualism/Collectivism: This dimension refers to the relationship between individual and group. An individualist orientation values loosely knit social relations in which individuals are expected to care only for themselves and their immediate families. A collectivist orientation values tightly knit relations in which people expect their broad in-group (e.g., extended family, clan) to look after them in exchange for unquestioning loyalty.

Power Distance: This dimension concerns social inequality, including relations with authority. High power distance indicates that an unequal distribution of power in institutions is viewed as legitimate.

Uncertainty Avoidance: This dimension concerns cultural preferences for dealing with uncertainty. Are uncertainty and ambiguity viewed as disturbing and threatening or as acceptable challenges? The more threatening uncertainty is perceived to be, the more highly valued are beliefs and institutions that provide certainty.

*Masculinity/Femininity*³: This dimension concerns the social implications of gender-linked behavior. More “masculine” cultures value achievement, heroism, assertiveness, and material success. More “feminine” cultures emphasize relationships, modesty, caring for the weak, and interpersonal harmony.

B. Norms of Governance and Cultural Values

We consider the rule of law, corruption, and accountability collectively as social norms of governance. “Social norms” refer to what social psychologists call injunctive norms. Such norms specify behaviors that are seen as desirable or legitimate in the shared view of societal members and whose violation elicits at least informal disapproval (Cialdini and Trost 1998; *cf.* Ellickson 1991; Cooter 1998). “Governance” refers to modes of wielding power. International bodies used to focus on governance as exercising power in the public sphere but this concept also applies in the private sphere (as in corporate governance). Norms of governance thus stand

³ Although this label has elicited negative responses, Hofstede (2001, p. 280) argues that it reflects an empirical reality of gender differences that is independent of its normative undesirability.

for modes of behavior in situations of power differences that are widely approved of or tolerated in a society.

The core assumption underlying our hypotheses is that the cultural environment promotes and facilitates the emergence and perpetuation of particular norms of governance. Social norms are grounded in prevailing cultural value emphases, because values define broadly what is desirable in a society. Conceptual compatibility between general cultural values and more concrete norms therefore is necessary for an equilibrium among social institutions to emerge. Modes of wielding power that are compatible with prevailing value emphases are more likely to become social norms. This compatibility provides the norm with the legitimacy signal that triggers social incentive mechanisms for rewarding compliant behavior, and vice versa for deviant behavior. Modes of behavior that express values that are deemed objectionable or inferior will lack injunctive force and may not voluntarily be adhered to. Consequently, governance norms that are incompatible with the cultural environment are less likely to take root.

For these reasons, we propose to see culture as the foundation of social institutions.⁴ Societies that emphasize individual uniqueness and view individual persons as moral equals are likely to develop and sustain institutions that promote societal transparency that better enables societal members to plan their independent moves. In contrast, societies that emphasize these values less and view the individual as an embedded part of hierarchically organized groups are more likely to develop institutions that accommodate exercising power from above and that compromise the

⁴ Readers will readily see the relevance of this proposition to the notion of social capital (Coleman 1988; Putnam 1993) – an issue that exceeds the current scope.

interests of individual persons. The following sections apply this general hypothesis to three central institutions.

1. The Rule of Law

We focus on the most basic aspect of the rule of law, often called the formalistic or procedural aspect, or, more colloquially, “law and order” (Fuller 1964/1969; Rawls 1971). This aspect deals with the degree to which the behavior of individual persons and government authorities complies with formal legal rules. It is immaterial whether the rules are unjust or what political process (democratic or other) produced them. The only question is whether the rules are respected. The implicit assumption is that ordinarily—i.e., absent severe moral dilemmas—they should be (Raz 1979, pp. 212-14). Formally, the duty to obey the law is universal: Virtually every legal system calls on people to obey its rules. We are interested, however, in the rule of law not as a legal provision but rather as a social norm—a widely accepted injunction that promotes law-abidingness irrespective of legal sanctions – just because “it’s the law.”

The essence of the rule of law is that power ought to be used only in ways allowed by the law (Dicey 1914). The rule of law covers a broad variety of types of power. They range from long-term positions of power held by the state itself (as reflected in the German *Rechtsstaat* doctrine) or state organs (as in the separation of powers doctrine) to holding a public office. They also include power inherent in holding an executive office in a business corporation and power in short-term, fleeting situations that allow opportunistic behavior.

Endorsing the rule of law as an overarching norm is consistent with societal emphases on the cultural orientations of Autonomy and Egalitarianism. The gist of

Autonomy is the view of people as bounded entities who should be encouraged to cultivate their unique ideas and feelings. A rule-of-law state would express this orientation by providing people with a comprehensive set of rights and freedoms—e.g., of property and contract and, in democracies, also of speech—and by effectively enforcing them. Such an environment clarifies the content and scope of people’s entitlements, thus allowing them to better plan their independent moves (*cf.* Raz 1979, p. 214). An emphasis on cultural Egalitarianism, that socializes and exhorts societal members to treat one another as moral equals, would also promote a rule-of-law norm that entitles all to equal protection under the law.

In contrast, a rule-of-law norm is less likely to find support in societies whose culture emphasizes Embeddedness. The key values in such cultures—respect for tradition, honoring elders, and obedience—encourage people to seek guidance in sources other than the law. The relations of the rule of law to the Harmony/Mastery cultural dimension are more ambiguous. Mastery emphasizes assertiveness, which is compatible with people standing up for their rights. But Mastery also legitimizes using other people if necessary to advance personal or group interests, behavior that legal rights are intended to curb. Harmony values emphasize acceptance and preservation of the physical and social world, an approach neither compatible nor incompatible with a rule-of-law norm.

2. Corruption

Lord Acton (1972, p. 335) deftly captured the connection between power and corruption in remarking, “power tends to corrupt and absolute power corrupts absolutely.” Although there is no universal definition of corrupt behavior, the prominent definitions share a common emphasis on use of public office or power for private gains (Bardham 1997; Rose-Ackerman 1998). Corruption is antithetical to the

rule of law, particularly in the formalistic sense of this term. Adverse effects of widespread corruption include entrenching a social norm of disrespect for the law, rendering law enforcement agencies and the judiciary dysfunctional, and distorting private transactions by infiltrating into the sphere of private law.

Several economic models seek to explain how corruption may emerge and become a stable equilibrium despite its undesirability.⁵ History—particularly the colonial heritage of countries—has been noted as a factor that may bear on international variation in the incidence of corruption (Treisman 2000). But corruption researchers share the view that culture, loosely defined, is a major determinant of corruption (e.g., Rose-Ackerman 1999). Some take a country's predominant religion as a proxy for its culture. Yet there is no agreement about the mechanisms that may cause religion to affect the incidence of corruption (see La Porta et al. 1997b; Lipset and Lenz 2000; Treisman 2000; Paldam 2001).

We relate corruption to culture directly by drawing on cultural value dimensions. Corruption, in the sense of deriving material gain (bribes) from a power position, is incompatible with cultural emphases on Autonomy and Egalitarianism because it violates fairness in the pursuit of individual interests. Societal emphases on Autonomy and Egalitarianism thus strengthen the social norm against bribe-taking. Corruption is more compatible with Hierarchy and Mastery, which legitimize the use of power and the exploitation of others in the pursuit of individual or group interests. Note that this is reasoning at the cultural, not the individual level. Individuals in societies high on Hierarchy may well resent having to pay bribes. Nonetheless, they

⁵ See, for example, Andvig and Moene (1990); Cadot (1987); Ehrlich and Lui (1999); Shleifer and Vishny (1993); Tirole (1996).

will pay bribes if required and demand bribes if given the opportunity, without considering such conduct appalling. This is because cultural values legitimize the social norm that calls for them to do so.

3. Accountability

Accountability is a pervasive concept with a rich history – from Athenian democracy through religious injunctions to the evolution of democratic institutions. Today, accountability features highly in “good governance” programs, oftentimes as shorthand for “democratic accountability.” Whichever of its many definitions one prefers, accountability implies power relationships. A norm of accountability provides that the party holding power owes certain duties to the party subject to this power. Among other things, accountable holders of power are obliged to give an account of their decisions or actions (“transparency”). They are expected to explain or justify them and, in cases of misconduct, to bear responsibility and make amends. A norm of accountability creates feedback channels between the relevant parties.

The exact rights and obligations of the parties may vary considerably across situations even within a single country. For example, although similar in principle, the accountability of elected politicians, of civil servants, and of trustees to an estate entail different obligations. Consequently, hypotheses that relate accountability to cultural orientations must be tailored to the type of accountability in question. The sources we use to operationalize accountability concentrate on democratic accountability in the public sphere. They weave together aspects of representative democracy, civil liberties, and voice in general.

The cultural orientations of Autonomy and Egalitarianism clearly and directly imply a norm of democratic accountability. Various facets of freedom of expression

(speech, press, assembly, and demonstration) and of religion express values central to Intellectual Autonomy like freedom and broadmindedness. In contrast, Embeddedness calls for circumscribing individual freedoms in favor of social order and security. Societies high on Embeddedness are therefore more likely to compromise individual rights in the name of protecting the interests of the wider social group or nation.

Democratic accountability is also compatible with Egalitarianism as opposed to Hierarchy. Egalitarianism emphasizes the moral equality of those subject to state power and those who exercise it. Despite formal status differences, an egalitarian culture exhorts all voluntarily to promote the interests of all. In contrast, cultural Hierarchy legitimizes the pursuit of positions of authority and responses of submission to authority. This orientation is diametrically opposed to requiring accountability from superiors. Finally, accountability is incompatible with cultural Mastery, which legitimizes self-promotion even at the expense of others, in order to pursue individual or group interests..

C. Causal Effects and Additional Factors

Cultural values probably exert first-order influence on the governance norms discussed here in terms of promoting compliance with compatible norms. This is because the mechanisms that inculcate value preferences in societal members operate largely before these people face issues and situations affected by governance norms. The process of value acquisition at the individual level takes place unconsciously from infancy through adolescence by way of myriad social interactions. Thus, people growing up in a law-abiding society would have (on average) acquired value preferences that emphasize Autonomy and Egalitarianism generally before they may consider breaking the law. A social norm of law-abidingness surely enables people to

maintain these values, but this would be a secondary effect because it cannot feed back directly into the process of value acquisition at young ages (*Cf.* Kohlberg 1984, at least for Western societies).

Cultural influences on governance are interwoven with the influences of numerous other factors. These include economic factors, historical events, and the legal institutions that characterize countries. It is difficult to disentangle the causal relations among all these factors. Most probably, feedback mechanisms operate among culture, economics, and governance in every society, with governance systems resting on both legal and non-legal bases. In other words, many of the social phenomena discussed in this study are determined endogenously. A comprehensive analysis of the effects of culture on governance should consider the complex model of relations depicted in Figure 2. Single-headed arrows stand for unidirectional causal relationships between constructs. Double-headed arrows represent mutual influence. In what follows, we discuss some of these factors and later test their joint relations to governance.⁶

[Figure 2 around here]

The literature contains lively discussions about causal relations among culture (sometimes loosely defined), governance, and economic factors.⁷ Most writers hold that causality runs from governance to economic development, while acknowledging the possibility of positive mutual effects (Barro 1999; Kaufmann et al. 1999; Mauro 1995; Treisman 2000). However, Kaufmann and Kraay (2002) argue that “virtuous

⁶ Legal institutions are not included in the analysis because they would make it unduly complex. We return to this point below.

⁷ See, for example, Weber (1904/1930); Lal (1998); Casson and Godley (2000); Hofstede (2001); Sen (2003); Schwartz (2003).

circles” in which higher incomes lead to further improvements in governance are not always the case. Easterly (2001) reviews a large literature that documents negative associations between economic inequality and economic development. He presents evidence suggesting that inequality causes underdevelopment through, among other things, inferior social institutions (governance). The negative relations between economic inequality and governance are consistent with our hypotheses, as governance constrains opportunities for exploiting economic power.

Of the numerous historical factors that might relate to governance, we focus on episodes of British rule in countries’ history. There are now several accounts that link historical initial conditions (e.g., climate and diseases, land and crops) and colonization on the one hand with social institutions and economic development on the other hand (Acemoglu, Johnson, and Robinson 2001; 2002; Engerman and Sokoloff 1997; 2002; Treisman 2000). These works suggest a fundamental distinction between countries that have experienced British rule versus countries that have not, the latter being either under Latin colonization (Spanish, French, etc.) or none at all (see also Easterly and Levine 2003). We therefore expect a history of British rule to have a general positive relation with governance.

III. DATA

A. Measures of Culture

The Schwartz Data: Respondents from every inhabited continent completed a value survey anonymously in their native language (see Schwartz 1999). They rated the importance of 56 single values “as guiding principles in MY life.” Each value was followed in parentheses by a short explanatory phrase (e.g., WEALTH [material possessions, money]). Responses ranged from 7 (of supreme importance) to 3

(important) to 0 (not important) to -1 (opposed to my values). Examination of separate multidimensional scaling analyses of the 56 values within each of the different nations established that 45 of the values have equivalent meanings across cultures. Only these 45 values were therefore included in the analyses that assessed the existence of the theorized cultural dimensions. A Similarity Structure Analysis (SSA) of these values across nations supported the theory of cultural orientations and the a priori indices developed to measure the profiles of nations on three cultural value dimensions.⁸

Data for comparing nations might ideally be obtained from representative national samples. Even with such samples, however, inferences about national culture require caution. National populations differ in their demographic composition (e.g., distributions of age, education, occupation), and these different distributions affect average value priorities.⁹ Consequently, even when comparing the values of representative national samples, it would still be necessary to control for demographic differences between nations before we could confidently ascribe observed differences in value priorities to national culture alone. Moreover, many nations contain more than one sub-cultural group, so a single characterization based on a representative national sample is still misleading.

⁸ The SSA was performed on data from over 65,000 respondents from 195 samples in 67 nations, gathered between 1988 and 1993. See Borg and Lingo (1987); Guttman (1968).

⁹ The values of particular demographic groups (such as the elderly) are influenced not only by the prevailing culture, but by the unique experiences to which these groups are exposed by virtue of their social locations. Observed differences between the mean values of representative national samples reflect, therefore, not only the prevailing culture. They also reflect current differences in the demographic composition of national populations.

The approach taken instead was to obtain samples matched on critical characteristics, largely from the dominant cultural group in each nation.¹⁰ The focal type of sample was urban school teachers who teach the full range of subjects in grades 3-12 of the most common type of school system. No single occupational group represents a culture, but school teachers may have a number of advantages for characterizing national value priorities. As a group, they play an explicit role in value socialization, they are presumably key carriers of culture, and they probably reflect the mid-range of prevailing value priorities in most societies. By focusing on this single matched group, it was possible to obtain a relatively pure representation of national differences in value priorities, net of the influences of other national differences.¹¹

To compute the mean importance of a cultural orientation in a nation, the importance that members of the sample from that nation attributed to the set of value items that represent the orientation was averaged. For cross-national comparisons, sample differences in scale use were eliminated by centering the importance ratings of all seven orientations within each sample around its mean.

Analyses of the profiles of nations on the seven cultural orientations reveal that they form six major cultural groups: English-speaking, West European, East-Central European, Far Eastern, Latin American, and African. Some of the analyses in this study use this grouping of nations as the unit of reference.

¹⁰ In line with the vast majority of cross-cultural studies, this study compares nations as cultural groups. Where national boundaries encompassed heterogeneous groups with separate distinctive cultures, their data refer to the culture of the dominant group.

¹¹ To test the robustness of conclusions from the teacher samples, Schwartz (1999) performed parallel analyses with data from samples of college students, from a wide variety of majors, in each of 40 nations. Parallel analyses were performed with older vs. younger samples and male vs. female samples in each of 52 countries. The results supported the cultural value dimensions and yielded similar orders of nations on dimensions.

The Hofstede Data: Hofstede's (1980; 2001) study originated in an audit of company morale among the employees of the IBM corporation around the world at two points of time: around 1968 and around 1972. Factor analysis of country mean scores in 50 countries and three regions produced the four dimensions described above. Hofstede notes the criticism that "IBMers are very special people, not at all representative for our country". He argues, however, that the crucial requirement is that the samples be well-matched across countries, not that they be representative. He asserts that comparing IBM subsidiaries shows national culture differences with unusual clarity because they are so homogeneous in terms of employer, kind of work, and education level (Hofstede 1991, p. 252; 2001, p. 73).

B. Measures of Governance

The measures of governance are drawn from Kaufmann, Kraay, and Zoido-Lobaton's (1999) first round of governance indices. We use three indices called 'Rule of Law', 'Graft', and 'Voice and Accountability.' These indices gauge the perceived compliance in each country with the three norms specified above. Scores on these indices range from around -2.5 to around 2.5, with a mean of zero and a standard deviation of one. The indicators consist primarily of qualitative data, covering a wide range of topics, obtained from varied organizations, and representing the perspectives of diverse observers.¹² The polls used by Kaufmann et al. enabled them to integrate more indicators and to cover a broader set of issues than indices like those constructed by the International Country Risk Guide or Transparency International.¹³ Unlike the

¹² For a detailed discussion of the poll-of-polls methodology, see Treisman (2000, pp. 409-14).

¹³ See, for example, La Porta et al. (1999) (using ICRG's index); Treisman (2000) (using Transparency International's index). We repeated the analyses reported below with the indices of ICRG and Transparency International and received similar results.

Schwartz indices of culture, however, the governance indices are not based on data whose consistency of meaning across nations was evaluated.

The rule of law index mainly measures the traditional concept of “law and order”, incidence of crime, enforceability of private and government contracts, and respect for property rights. The non-corruption index gauges corruption among public officials and the frequency of “additional payments” to “get things done.” The accountability index concentrates on aspects of democratic accountability, civil liberties, and political rights. In sum, the indices measure the extent to which the injunctions of the three social norms are in fact followed in each country.

C. Other Data

To represent economic development in each country, we use the natural logarithm of the average of per capita gross domestic product (GDP) in the period 1990-1999. The data are from the World Bank’s World Development Indicators. Averaging GDP data over a ten-year period serves two goals: First, it smoothes out short-term fluctuations. This is particularly appropriate because we deal with long lasting social phenomena. Second, this time frame covers the early 1990s, during which most of Schwartz’s cultural measures were sampled, and the late 1990s (specifically, 1997-1998) to which the governance indices refer.

Economic inequality is measured with Gini coefficients based on surveys conducted between 1990 and 1999, taken from the World Bank’s World Development Indicators. Finally, we use a dummy variable index based on Treisman (2000) and the CIA World Factbook to indicate whether a country is the United Kingdom or had been under British rule of any kind (colony, mandate area, etc.).

IV. RESULTS

A. Norms of Governance and Cultural Value Dimensions

Table 1 gives a first approximation of the central finding of this study: Social norms of governance correlate strongly and systematically with cultural value dimensions. First consider the rule of law index. Countries with high scores for the prevalence of a rule of law are also high on Affective and Intellectual Autonomy and Egalitarianism, and low on Embeddedness, Hierarchy, and Mastery. Thus, the rule of law norm relates significantly to six of the seven cultural dimensions on which countries differ. We also note, without elaboration, that governance norms also correlates significantly with cultural dimensions distinguished by Hofstede. Widespread compliance with legal rules that govern interactions in the public and private spheres—namely, having a “law and order” tradition—is associated with a distinct profile of cultural values. Apparently, the duty to obey the law is not a universal principle of equal importance regardless of cultural diversity.

Table 1. Relations of Norms of Governance to Cultural Value Dimensions across Countries (Pearson Correlations)

A. Dimensions from Schwartz

<u>Cultural Dimension</u>	<u>Norm of Governance</u>		
	Rule of Law	Non-Corruption	Accountability
Embeddedness	-.64***	-.64***	-.70***
Hierarchy	-.47***	-.51***	-.67***
Mastery	-.25**	-.26**	-.35***
Affective Autonomy	.54***	.55***	.52***
Intellectual Autonomy	.49***	.48***	.55***
Egalitarianism	.52***	.60***	.61***
Harmony	.09	.09	.40***
<i>Number of Nations</i>	53	52	53

B. Dimensions from Hofstede

<u>Cultural Dimension</u>	<u>Norm of Governance</u>		
	Rule of Law	Non-Corruption	Accountability
Individualism	.66***	.71***	.72***
Power Distance	-.61***	-.67***	-.66***
Uncertainty Avoidance	-.31**	-.36***	-.11
Masculinity	-.10	-.15	-.02
<i>Number of Nations</i>	49	49	49

*** significant at 1%; ** significant at 5%.

Significance levels are one-tailed.

The findings for non-corruption are almost identical to those for the rule of law. This was to be expected because country scores for the rule of law and for non-corruption correlate very highly ($r = .94$). It may derive from the fact that corruption and the rule of law are antithetical. Yet, the survey items used by Kaufmann et al. to construct the rule of law and non-corruption indices do not overlap. The two indices purport to gauge separate social phenomena. Of course, respondents' answers to questions about the rule of law and corruption in a particular country may be interdependent. Nevertheless, the correlations of non-corruption with the cultural dimensions are informative. They strongly suggest that corruption is substantially grounded in the prevailing culture in a country. The correlations with particular dimensions point to the nature of the cultural supports for corruption.

Next consider accountability. In line with the hypotheses, national scores on the index of democratic accountability correlate significantly with all seven of the value dimensions from Schwartz. Unlike the rule of law and non-corruption indices, the accountability index exhibits a positive correlation with Harmony.

Considering the entire correlation matrix of social norms and value dimensions in Table 1, the overall consistency of the findings for the three governance indices is striking. It supports the notion that the three norms indeed belong to a common category – the category of norms of governance. The systematic correlations of these norms with underlying cultural dimensions suggest that they all draw their injunctive force from similar fundamental cultural orientations.

B. Norms of Governance across Cultural Regions

We next examine whether culturally similar groups of nations exhibit similar norms of governance. Table 2 presents the mean scores for the three governance

norms in each of the world's cultural regions identified by Schwartz and the differences between the regions. These differences are tested statistically with Tukey tests, appropriate for post hoc pair-wise comparisons, and with the less stringent *t*-tests, that are commonly used in the governance literature. With regard to all three norms of governance, the English-speaking and West European regions exhibit similar high levels. These two regions score significantly higher than the African, East European, Far Eastern, and Latin American regions on the rule of law and non-corruption. There are no significant differences among the latter sets of nations. With regard to accountability, the English-speaking and West European regions again score higher than all the other regions. In this case, however, the nations in the African region exhibit somewhat lower levels of accountability than those in Eastern Europe.

Table 2. Comparison of Mean Scores for the Rule of Law, Non-Corruption and Accountability across Cultural Regions Identified by Schwartz

Differences between Means of Regions						
<u>A. Rule of Law</u>	Mean	AF	EE	ES	FE	LA
Africa (AF)	.21					
Eastern Europe (EE)	.16	.05				
English-speaking (ES)	1.47	1.26***	1.30***			
Far East (FE)	.62	.41	.46	.85*#		
Latin America (LA)	-.05	.26	.21	1.52***	.67	
Western Europe (WE)	1.41	1.20***	1.25***	.06	.79**#	1.46***
<u>B. Non-Corruption</u>						
Africa (AF)	-.23					
Eastern Europe (EE)	.07	.30				

English-speaking (ES)	1.67	1.90***	1.60***			
Far East (FE)	.40	.63	.33	1.27***		
Latin America (LA)	-.10	.12	.17	1.77***	.51	
Western Europe (WE)	1.58	1.80***	1.51***	.09	1.17***	1.68***
<hr/> <u>C. Accountability</u> <hr/>						
Africa (AF)	-.33					
Eastern Europe (EE)	.62	.94*##				
English-speaking (ES)	1.43	1.76***	.82*##			
Far East (FE)	.04	.37	.58	1.39***		
Latin America (LA)	.35	.68	.26	1.08**#	.31	
Western Europe (WE)	1.47	1.80***	.85**#	.04	1.43***	1.12***

Significance by both Tukey and *t* tests: *** at 1%, ** at 5%, * at 10%; other levels of significance by *t* test: **# or *## at 1% and *# at 5%.

These results point to the existence of two cultural mega-regions in the world, in terms of levels of governance. One mega-region consists of the English-speaking and West European nations and one consists of the remaining regions. This finding supports the notion that the social institutions captured by Kaufmann et al's indices draw on cultural values that prevail in Western societies but not in others. Although not all nations in each mega-region may differ from all the nations in the other mega-region, overall, compliance with norms of governance is substantially higher in the first mega-region than in the second. Such substantial differences in governance are likely to have consequences in many important domains that affect the welfare of citizens. For instance, Kaufmann et al. (2000) show that an improvement of one standard deviation—a one unit increase here—in the rule of law or non-corruption

indices is associated with between a two- and fourfold increase in per capita income, a decline in infant mortality of similar magnitude, and an improvement of 15-25 percentage points in literacy levels.

C. Adding Other Factors to the Picture

1. Methodological Notes

As noted above, the literature on possible causes and effects of governance is in flux. The goal of this study is to enrich the existing picture by pointing to the pivotal role of cultural factors in sustaining social norms of governance. This section explicates the extent to which cultural orientations can predict the prevalence of governance norms even when other factors are taken into account. Fully resolving causality issues is beyond the scope of the present study but we address some aspects below. In considering the regressions, note that we use only one polar orientation from each bipolar dimension. These polar orientations represent the Embeddedness/Autonomy, Hierarchy/Egalitarianism, and Harmony/Mastery dimensions of culture. Finally, although Kaufmann et al.'s poll-of-polls methodology allows for weighing score variance in the regressions, doing so with the current data increases the overall predicted variance only slightly. We therefore opted to use the more conservative and familiar OLS method.

2. The Rule of Law

Table 3 presents regressions of the rule of law on culture alone and together with various combinations of economic and historical indicators. Countries' cultural profiles alone (column 1) explain almost half of the variance in the level of compliance with the law. As hypothesized, Embeddedness and Hierarchy predict lower levels of compliance with the law. This reflects both their negative effects and

the hypothesized positive influence of the orientations opposed to them on the bipolar cultural dimensions, Autonomy and Egalitarianism. Thus, the results for culture alone are impressive. A British heritage predicts higher levels of the rule of law (column 2). Introducing this historical factor eliminates the effects of the Harmony (Mastery) dimension of culture.¹⁴ The other two cultural dimensions, Embeddedness (Autonomy) and Hierarchy (Egalitarianism), continue to predict significantly, with nearly identical coefficients. The association between these cultural emphases and the rule of law thus appears unrelated to the historical fact of having a British heritage and to other factors it may capture, like a common law legal system.

¹⁴ The countries with a British rule heritage (both English-speaking and non-English-speaking) on average score lower (at 1%) on cultural Harmony than countries without such heritage.

*Table 3. Regressions of the Rule of Law on Schwartz Cultural Dimensions
and Other Factors*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Embeddedness	-.59*** (5.10)	-.58*** (5.75)	-.66*** (6.21)	-.60*** (5.97)	-.58*** (6.71)	-.49*** (4.12)	-.52*** (6.16)	-.49*** (5.08)
Hierarchy	-.31** (2.59)	-.33** (3.14)	-.35*** (3.20)	-.31*** (3.01)	-.34*** (3.80)	-.27** (2.54)	-.29*** (3.33)	-.30*** (3.30)
Harmony	-.26** (2.27)	-.04 (.37)	-.23** (2.18)	-.31*** (3.08)	-.11 (1.02)	-.03 (.87)	-.09 (.91)	-.11 (1.06)
British heritage		.42*** (4.06)			.35*** (3.84)	.33*** (3.52)	.29*** (3.21)	.18 (1.07)
Gini coefficient				-.27*** (2.70)	-.25** (2.82)	-.23** (2.64)	-.22** (2.61)	-.22** (2.58)
Log GDP/Capita					.16 (1.12)			
Protestantism							.20** (2.46)	.20** (2.37)
Fractionalization								-.08 (.93)
Common law								.13 (.79)
Adjusted R ²	.47	.60	.63	.68	.76	.76	.79	.78
F	16.62***	20.53***	25.60***	23.98***	28.70***	24.29***	28.00***	20.94***
N	53	53	45	45	45	45	45	45

*** significant at 1%; ** significant at 5%.

Standardized beta coefficients. *t*-statistic absolute values are reported in parentheses.

Columns (3)-(8) relate to the same set of countries.

Economic inequality, as measured by the Gini coefficient, correlates negatively with the rule of law, irrespective of a country's cultural profile (column 4). To allow comparability, we report regression results for cultural dimensions alone in the sub-sample for which the Gini coefficient is available (column 3). The variance predicted by culture alone in this sub-sample is 63%. Including the Gini coefficient increases the adjusted R -squared to 68%. The coefficients for Embeddedness and Hierarchy do not change significantly and the coefficient for Harmony strengthens somewhat. Economic inequality is apparently inimical to the rule of law. Higher inequality may provide the wealthy with more opportunities to exploit their economic power to infringe on the rights of the poor. At the same time, people who face higher levels of economic inequality may be more willing to break the law.

The next regression (column 5) adds both economic inequality and British heritage to the cultural dimensions as predictors of the rule of law. This combination of cultural, economic, and historical factors explains 76% of the variance. All but the Harmony (Mastery) dimension contribute uniquely to the variance in the rule of law. Adding economic inequality and British heritage has little effect on the coefficients for Embeddedness and Hierarchy. These four variables have independent associations with levels of legality. Taken together, this parsimonious set of variables permits good prediction of the countries in which people obey the law to a lesser or greater degree. It may well point to some of the reasons *why* people obey the law.¹⁵

¹⁵ In this view, compliance with the law stems from a combination of cultural, economic, and historical factors. Hence, Tyler's (1990) theory regarding the role of individual perceptions about the fairness of laws and legal procedures may need to be modified to take account of prevailing culture as well.

3. Corruption

This section repeats the same regression analyses for predicting non-corruption levels. Because the indices for the rule of law and for non-corruption are highly correlated conceptually and empirically, similar results indeed obtain (Table 4). To avoid repetition, we compare the two sets of results in general and leave it to readers to examine the tables in detail.

*Table 4. Regressions of Non-Corruption on Schwartz Cultural Dimensions
and Other Factors*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Embeddedness	-.58***	-.57***	-.68***	-.64***	-.63***	-.48***	-.55***	-.51***
	(5.20)	(6.20)	(7.54)	(7.19)	(8.21)	(4.86)	(8.20)	(6.87)
Hierarchy	-.39***	-.42***	-.44***	-.40***	-.44***	-.33***	-.37***	-.37***
	(3.31)	(4.29)	(4.63)	(4.40)	(5.52)	(3.70)	(5.32)	(5.36)
Harmony	-.29**	-.06	-.31***	-.36***	-.18*	-.15*	-.16**	-.19**
	(2.61)	(.58)	(3.39)	(3.99)	(1.94)	(1.73)	(2.06)	(2.38)
British heritage		.46***			.31***	.28***	.22***	-.02
		(4.70)			(3.76)	(3.45)	(3.07)	(.11)
Gini coefficient				-.19**	-.16*	-.13*	-.12*	-.15**
				(2.06)	(1.99)	(1.71)	(1.80)	(2.07)
Log GDP/Capita						.27**		
						(2.30)		
Protestantism							.28***	.27***
							(4.16)	(4.00)
Fractionalization								-.04
								(-.61)
Common law								.25
								(1.35)
Adjusted R ²	.51	.66	.73	.75	.81	.83	.87	.89
F	18.87***	25.90***	38.81***	32.52***	37.63***	35.77***	47.70***	36.47***
N	52	52	44	44	44	44	44	44

*** significant at 1%; ** significant at 5%.

Standardized beta coefficients. *t*-statistic absolute values are reported in parentheses.

Columns (3)-(8) relate to the same set of countries.

The regression coefficients for non-corruption are similar in sign and magnitude to those obtained for the rule of law. Somewhat more variance is predicted in non-corruption, ranging from 4 to 10% higher for corresponding models. The model that includes national cultural profiles, economic inequality, and a British heritage as predictors explains 81% of the variance in perceived corruption (column 5). For non-corruption, however, all variables, including the Harmony (Mastery) cultural dimension, contribute significantly. High cultural Embeddedness (vs. Autonomy) again emerges as the strongest predictor. The cultural dimensions are somewhat stronger predictors and the other variables somewhat weaker predictors of non-corruption than for the rule of law.

4. Accountability

Like the norms of legality and non-corruption, the level of democratic accountability in the public sphere also relates clearly to features of the encompassing national culture. Results of the regressions presented in Table 5 are consistent with the results for the former two norms, but they are not identical. In the basic cultural model (column 1), Embeddedness and Hierarchy have a significant, negative, and relatively equal role, whereas Harmony has virtually no effect. These variables alone predict 62% of the variance. Consistent with our hypotheses, societal emphases on Embeddedness (vs. Autonomy) and Hierarchy (vs. Egalitarianism) values are inimical to the prevalence of democratic accountability.

Table 5. Regressions of Democratic Accountability on Schwartz Cultural Dimensions and Other Factors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Embeddedness	-.49*** (4.97)	-.48*** (5.25)	-.51*** (4.92)	-.47*** (4.58)	-.45*** (4.81)	-.24** (2.00)	-.41*** (4.27)	-.40*** (3.81)
Hierarchy	-.42*** (4.11)	-.44*** (4.53)	-.44*** (4.03)	-.40*** (3.85)	-.43*** (4.41)	-.28** (2.50)	-.39*** (3.98)	-.44*** (4.41)
Harmony	.03 (.32)	.17* (1.67)	.01 (.09)	-.06 (.59)	.11 (.96)	.14 (1.33)	.12 (1.08)	.09 (.78)
British heritage		.27** (2.07)			.28*** (2.86)	.23** (2.44)	.24** (2.34)	-.07 (.37)
Gini coefficient				-.21** (2.09)	-.19** (2.04)	-.16* (1.79)	-.17* (1.82)	-.19** (2.06)
Log GDP/Capita						.36** (2.52)		
Protestantism							.15 (1.59)	-.12 (1.32)
Fractionalization								-.02 (.24)
Common law								.35* (2.01)
Adjusted R ²	.62	.67	.64	.67	.72	.75	.73	.74
F	28.89***	26.95***	26.94***	22.98***	23.30***	23.13***	20.60***	16.82***
N	53	53	45	45	45	45	45	45

*** significant at 1%; ** significant at 5%; * significant at 10%.

Standardized beta coefficients. *t*-statistic absolute values are reported in parentheses.

Columns (3)-(8) relate to the same set of countries.

Both a heritage of British rule (column 2) and economic inequality (column 4) add to the variance in accountability that is accounted for. Together, the cultural, historical, and economic factors predict 72% of the variance in accountability (column 5). Consistent with the previous findings, economic inequality has a negative effect on the level of accountability: The larger the differences between rich and poor, the less likely are the politically powerful (and, plausibly, richer) to be accountable to weaker constituencies. A heritage of British rule increases accountability.

5. Taking Economic Development into Account

Researchers have noted that including governance as an independent variable in regressions to predict economic development (or vice versa) entails downward estimation biases in light of potential reverse causality. Efforts to sidestep this problem usually employ instrumental variables in two-step least squares (2SLS) regressions. But such efforts are not always successful or feasible.¹⁶ Nonetheless, we include economic development as a predictor in the regressions in the interest of assessing whether even such underestimates point to a significant role for cultural and historical factors.¹⁷

Column 6 in each of Tables 3-5 presents results of predicting the rule of law, non-corruption, and democratic accountability, respectively, simultaneously with the three cultural variables, British heritage, economic inequality, and with economic development. Surprisingly, for the rule of law (Table 3), economic development exhibits no independent predictive power. Neither does it add to the variance in the

¹⁶ See, for instance, Kaufmann et al. (1999); Hall and Jones (1999); Mauro (1995). The endogeneity of GDP per capita led Beck, Demirguc-Kunt, and Levine (2003) to exclude it from their analyses.

¹⁷ If Kaufmann and Kraay (2002) are correct in claiming that development does not feed back positively to governance, including development in the regressions may be less of a problem in this regard.

rule of law accounted for by the other variables. For non-corruption (Table 4) and democratic accountability (Table 5), GDP per capita has significant positive coefficients. The three cultural dimensions, British heritage, and economic inequality retain predictive power, but their strength is reduced by including GDP per capita.

The addition of GDP per capita to the already high levels of variance explained is very small (from 0% for the rule of law to 3% for accountability). When we entered GDP per capita last in hierarchical regressions, the added variance it explains in non-corruption and in accountability was not significant. Hence, the models that include and that do not include this measure of economic development may be considered equivalent. The regression analyses including GDP per capita support the view that governance and economic development are associated. They suggest, however, that cultural, historical, and economic inequality play an independent part in explaining governance across countries. Adding economic development to these factors yields little if any additional predictive power. Thus these are fundamental factors whose relations to governance may be interpreted without reference to economic development.

6. Competing Accounts

Columns 7-8 in each of Tables 3-5 present regressions in which we control for factors that may be considered as competing accounts. Of the countless potential candidates we chose variables that are commonly used in the literature and could have a broad impact on social institutions. Specifically, we introduce a dummy variable for whether the country's dominant religion is Protestantism. A country's dominant religion certainly can infuse its culture with normative injunctions. Weber (1904/1930) associated Protestantism with individualism. Others (e.g., La Porta et al. 1999) distinguish Protestantism from other denominations as being less hierarchical.

A dummy variable for common law origin of the country's legal system captures differences in the content of legal rules as well as propensities for legal formalism (Djankov et al. 2003). A variable for ethnic fractionalization, drawn from Alesina et al. (2002), captures externally determined levels of homogeneity in societies.

Readers are referred to the tables for detailed results. In brief, none of these control variables causes cultural Embeddedness (Autonomy) or Hierarchy (Egalitarianism) to lose much of their predictive power for governance. Protestantism predicts positively only for the rule of law and non-corruption but with weaker coefficients than Embeddedness and Hierarchy. Adding variables for Catholic or Moslem denominations did not change this picture. The substantial overlap between having a British rule heritage and a common law origin probably accounts for both having non-significant coefficients for the rule of law and non-corruption, and for the shift of significance to the common law variable for accountability. Finally, a striking finding is the near-zero coefficient for ethnic fractionalization in the presence of variables for culture and economic inequality. This does not suggest that the makeup of society is unimportant (see Mauro 1995; Hall and Jones 1999; Easterly 2001). Possibly, it is cultural orientations that mediate between fractionalization and institutional quality as the latter is reflected in social norms. Ethnic fractionalization increases the salience of one's ingroup affiliation and is therefore associated with Embeddedness (Schwartz 2003). Introducing an interaction term of Embeddedness and ethnic fractionalization did not change the results, however.

7. Toward Discerning Causality

A notable feature of the governance literature is its focus on discerning causality between social institutions and other national characteristics. Researchers

have gone to great lengths to construct instrumental variables that would be considered immune to reverse causality, often turning to historically determined factors (e.g., La Porta et al. 1999; Acemoglu et al. 2000). Historical variables may not be available even in theory for all cultural dimensions, and contemporary variables are susceptible to the fact that cultural value emphases transcend particular life situations such that their imprint is pervasive. Nor are there time series for cultural value dimensions available at present.¹⁸

As posited above, the mechanism that links cultural orientations with social norms of governance does not preclude reverse causality. Current psychological theories imply, however, that feedback influence of governance norms on culture may be secondary. In our view, the relative stability of culture versus governance should equally concern policy-makers as does the direction of causality. We next present some evidence that may shed light on both issues.

Table 6 presents regressions of the three governance norms on three value dimensions identified by Hofstede, British heritage, and economic inequality. Only the coefficients of Individualism and Power Distance are significant (economic inequality is weakly significant only for the rule of law). Recall that the Hofstede dataset originates in data collected nearly two generations ago. This allows one to consider the cultural data roughly as coming from a lagged period even in the timescales that are relevant for cultural change. Because these dimensions are conceptually different than the Schwartz dimensions they cannot be used directly as instruments. These regressions do show, however, that national cultural profiles of

¹⁸ The World Values Survey led by Ronald Inglehart has gone through several rounds for some countries. Cross-national differences in responses have been found to be stable, however (Inglehart and Baker 2000).

past generations are strong predictors of contemporary social institutions.

These results suggest that these social factors may be stable over time, and, indirectly, point to the direction of causality from culture to governance.

Table 6. Regressions of Governance Norms on Hofstede Cultural Dimensions and Other Factors

	Rule of Law		Non-Corruption		Accountability	
	(1)	(2)	(3)	(4)	(5)	(6)
Individualism	.41*** (2.81)	.56*** (4.10)	.43*** (3.29)	.62*** (5.29)	.54*** (4.10)	.60*** (4.15)
Power Distance	-.32** (2.27)	-.25** (2.00)	-.35*** (2.78)	-.36*** (3.33)	-.33** (2.60)	-.29** (2.17)
Uncertainty Avoid	-.11 (.99)	.06 (.50)	-.15 (1.49)	.01 (.92)	.13 (1.27)	.10 (.79)
British heritage		-.13 (1.11)		-.15 (1.54)		-.14 (.28)
Gini coefficient		-.21* (1.80)		-.03 (.32)		-.07 (.56)
Adjusted R ²	.46	.65	.57	.74	.56	.60
F	14.85***	16.75***	22.00***	24.78***	21.67***	13.63***
N	49	43	49	43	49	43

*** significant at 1%; ** significant at 5%; * significant at 10%.

Standardized beta coefficients. *t*-statistic absolute values are reported in parentheses.

V. DISCUSSION

Some 2500 years ago, the city of Athens sentenced Socrates to death for religious heresy and corrupting the youth. Socrates refused to escape from jail. The “Laws,” he argued, would come and tell him that by escaping he would break his agreement with them and undermine the stability of the state (Plato 1977). Socrates’s position is often presented as the classic arguments for the duty to obey the law and, generally, for the importance of the rule of law for social order. At about the same time, in equally powerful terms Confucius derided the rule of law as a means for establishing social order in China. In the Confucian vision, social harmony and righteousness rather than justice are the symbol of the ideal society. Contemporary scholars continue to debate the validity of these two positions. But Socrates and Confucius remain fine examples of the diametrical stances toward promoting social order through the rule of law that cultures may embody.

The current study provides empirical findings relevant to this ancient controversy. Rather than viewing culture merely as a legacy of generations past, we operationalize culture as a contemporary social reality. We draw on theories from cross-cultural psychology that identify key dimensions on which national cultures can be compared. We have used national scores on these dimensions to examine relations of culture to the rule of law. The analyses reveal substantial and consistent links between the cultural emphases in societies and levels of the rule of law. Largely similar links are also found between culture and non-corruption and accountability.

The similarity of the associations of national culture with levels of the rule of law, non-corruption, and accountability supports the notion that governance norms form a general system of social norms that rests on cultural foundations. Of course, good governance is not entirely a product of culture. As we have seen, both economic and historical factors also account for substantial variation in governance. Yet, culture makes its independent contribution over and above these factors.

Consistent with previous research, we document generally positive relations between economic development and governance. Whatever the causal processes that link economics and governance, cultural value emphases constitute an essential component in—if not a determinant of—governance systems. Cultural orientations apparently foster and strengthen compliance with governance norms. At the same time, these norms give concrete expression to abstract cultural orientations in regulating human relations and transactions. Since the social phenomena discussed in this study are interrelated, policy formation should consider, in addition to the direction of causal links, also which components in these social systems may be less susceptible to change.

The theories and data on which we draw suggest that cultural orientations change slowly, over time spans of decades and centuries. Cultural orientations represent general societal emphases that are deeply ingrained in the functioning of major societal institutions, in widespread practices, in symbols and traditions, and, through adaptation and socialization, in the values of individuals. This process of value acquisition is sensitive to actual circumstances and implicit cues more than to formal reform and indoctrination (Schwartz, Bardi, and Bianchi 2000). As a result, cultural value emphases may preserve and perpetuate the imprint of ancient intellectual legacies and historical initial conditions (Inglehart and Baker 2000);

Schwartz and Ros 1995). To the extent that cultural emphases express societal responses to ecological factors (e.g., ethnic fractionalization), the relative stability of such factors may further entrench prevailing orientations. This stability of cultural orientations may impede reform and induce path-dependence in social change. The strength of linkage between governance norms and culture documented here lends support to the view that certain cultural profiles might create vicious circles of underdevelopment (Harrison and Huntington 2000; Greif 1994; see also North 1990; Williamson 2000).

The present findings, thus, have significant implications for people and institutions engaged in development projects around the world and, in particular, in institutional reform programs. Policy makers declare that culture must be factored into development programs.¹⁹ But how this should be done is far from obvious. Particular cultural profiles in major world regions are less compatible with “good governance,” as defined in these programs, than the profiles in West European and English-speaking countries. In our view, these findings warrant serious rethinking of development programs.

The insight that culture underlies governance does not necessarily imply that countries scoring low on the governance indices are doomed because of their cultural endowment. But the assumption that certain cultural profiles are more conducive to good governance poses a grave dilemma for policy makers. Domestic political leaders may find it difficult to run campaigns that draw on foreign values: the citizenry may

¹⁹ Consider the concluding statement in the World Bank’s *Governance and Poverty Toolkit*: “Perhaps most important for sustainability [of institutional reforms] is the match between the design of reforms and the environment in which they must take root if they are to be effective. It is important to understand the degree of rule-respect in the society, the extent of informality, the role of informal networks and the way in which power and influence are exercised, if reforms are to be relevant to their institutional context.” (Girishankar 2001, p. 36).

feel that they are alien or resent their foreignness. International agencies may hesitate to promote policies that can readily be depicted as a new form of imperialism. And efforts to transplant cultural orientations or to replace entire value systems are likely to prove difficult.

An alternative approach for designing effective governance reforms would entail decoupling culture and governance and reconstructing culture-compatible governance systems. In this view, “good Asian governance” could be different from, but just as good as, a West European version of governance. For instance, an ideal-type of governance that drew on Confucian elements might be more appealing to people in certain Asian countries and thus easier to implement. In the Confucian view, social order rests, in addition to righteousness, on relationships of superiority and subordination. In ancient Chinese ideology it was said that “equal queens, equal sons, equal powers and equal cities—all lead to disorder” (Young 1981, p. 36). Indeed, economically successful Asian countries were sometimes characterized as having “authoritarian” regimes (e.g., Zakaria 1994). The issue of “Asian values” and their relations to economic development and human rights is a thorny one. Our findings indicate that societal emphases on Hierarchy may be conducive to corruption and inimical to democratic accountability and to the rule of law. Whether governance systems that draw on such cultural emphases can be successful in the long run (and how this should be judged) is debatable and exceeds the scope of this study.

The present findings suggest, however, that aspects of authority and hierarchy constitute only part of the picture. The Autonomy/Embeddedness dimension may point to the most fundamental issue, even when other aspects are taken into account. Providing people with comprehensive rights and freedoms—and, more fundamentally, with ample individual choice—runs counter to the societal emphasis

on Embeddedness that is common in many Asian countries. At least in countries influenced by Confucian traditions, such cultural emphases are further accompanied by deeply rooted epistemologies and cognitive styles that differ markedly from those prevailing in the United States, for example (Nisbett et al. 2001; Peng et al. 2001). It follows that policies that champion strengthening individual agency—such as Sen’s (1999) “development as freedom” thesis or the World Bank’s empowerment strategy—may be especially difficult to implement in these countries.

VI. CONCLUSION

This study seeks to advance our understanding of the ways in which culture matters. It shows how social norms concerning the rule of law, non-corruption, and accountability—whose merit may seem universal and self-evident to some—vary across cultural regions of the world. It reveals the associations of these norms with the prevailing culture in different nations. The relations of culture to governance norms are substantial even when critical economic and historical factors are considered. These findings may be helpful in assessing legal systems and economic mechanisms. More generally, they suggest a framework for understanding the relations between fundamental institutions of social order.

REFERENCES

- Acemoglu, Daron, Johnson, Simon, and Robinson, James A. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation." *Am. Econ. Rev.* 91: 1369-1401.
- _____. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *Q. J. Econ.* 117: 1231-1294.
- Acton, John E.E.D. 1972. "Acton-Creighton Correspondence." In Himmelfarb, Gertrude, ed. *Essays on Freedom and Power*. Glencoe, Ill.: Free Press.
- Alesina, Alberto et al. 2002. "Fractionalization." Working Paper.
- Andvig, Jens, and Ove Moene, Karl. 1990. "How Corruption may Corrupt." *J. Econ. Behavior & Org.* 13: 63-76.
- Bardham, Pranab. 1997. "Corruption and Development: A Review of Issues." *J. Econ. Lit.* 35: 1320-46.
- Barro, Robert J. 1999. "Determinants of Democracy." *J. Pol. Econ.* 107: S158-83.
- Beck, Thorsten, Demirguc-Kunt, Asli, and Levine, Ross. 2003. "Law, Endowments, and Finance." *J. Fin. Econ.* (forthcoming).
- Borg, Ingwer, and Lingo, James C. 1987. *Multidimensional Similarity Structure Analysis*. New York: Springer-Verlag,
- Cadot, Olivier. 1987. "Corruption as a Gamble." *J. Pub. Econ.* 33: 223-44.
- Casson, Mark, and Godley, Andrew, eds. 2000. *Cultural Factors in Economic Growth*. New York: Springer,
- Cialdini, Robert B., and Trost, Melanie R. 1998. "Social influence: Social norms, Conformity and Compliance." In Gilbert, Daniel T. et al., eds. *The Handbook of Social Psychology* (4th ed.) Oxford University Press and McGraw-Hill,
- Coleman, James. 1988. "Social Capital in the Creation of Human Capital". *Am. J. Sociology* 94: S95-S120.
- Cooter, Robert D. 1998. "Expressive Law and Economics." *J. Legal Stud.* 27: 585-608.
- Dicey, Albert Venn. 1914. *Introduction to the Study of the Law of the Constitution* (8th ed). London: Macmillan and co.
- Djankov, Simeon et al. 2003. "Courts: The Lex Mundi Project." *Q. J. Econ.* 118: 453-517.
- Easterly, William. 2001. "Inequality Does Cause Underdevelopment: New Evidence from Commodity Endowments, Middle Class Share, and Other Determinants of Per Capita Income." Working Paper.
- _____, and Levine, Ross. 2003. "Tropics, Germs, and Crops: How Endowments Influence Economic Development." *J. Monetary Econ.* 50: 3-39.
- Ehrlich, Isaac, and Lui, Francis T. 1999. "Bureaucratic Corruption and Endogenous Economic Growth." *J. Pol. Econ.* 107: S270-29.
- Ellickson, Robert C. 1991. *Order Without Law: How Neighbors Settle Disputes*.

Comment:

Comment:

- Cambridge, MA: Harvard University Press.
- Engerman, Stanley, and Sokoloff, Kenneth. 1997. "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States." In Haber, Stephen, ed. *How Latin America Fell Behind*. Stanford, Calif.: Stanford University Press,
- _____. 2002. "Factor Endowments, Inequality, and Paths of Development Among New World Economies." NBER Working Paper No. 9259.
- Fuller, Lon L. 1964/1969. *The Morality of Law*. New Haven and London: Yale University Press.
- Girishankar, Navin et al. "Governance and Poverty Reduction." In *Poverty Reduction Strategy Sourcebook*. 2001, available at <www.worldbank.org/poverty/strategies/chapters/governance/gov0427.pdf>.
- Greif, Avner. 1994. "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies." *J. Pol. Econ.* 102: 912-950.
- Guttman, Louis. 1968. "A General Nonmetric Technique for Finding The Smallest Coordinate Space for a Configuration of Points." *Psychometrica* 33: 469-506.
- Hall, Robert, and Jones, Charles. 1999. "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *Q. J. Econ.* 114: 83-116.
- Harrison, Lawrence E., and Huntington, Samuel P., eds. 2000. *Culture Matters: How Values Shape Human Progress*. New York: Basic Books.
- Hofstede, Geert H. 1980. *Culture's Consequences: International Differences in Work-Related Values*. Thousand Oaks, CA: Sage.
- _____. 1991. *Cultures and Organizations: Software of the Mind*. Thousand Oaks, CA: Sage.
- _____. 2001 *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations* (2d ed.). Thousands Oaks, CA: Sage.
- Inglehart, Ronald and Baker, Wayne, 2000. "Modernization, Cultural Change, and the Persistence of Traditional Values." *Am. Soc'l Rev.* 65: 19-51
- International Monetary Fund. 1997. *Good Governance: The IMF's Role*. Washington, D.C.: The IMF.
- Kaufmann, Daniel, and Kraay, Aart. 2002. "Growth Without Governance." Working Paper. The World Bank.
- _____, and Zoido-Lobato, Pablo. 1999. "Governance Matters." Working Paper. The World Bank.
- _____. "Governance Matters: From Measurement to Action." 2000. *Fin. & Develop.* 37 (2): 10-3.
- Kluckhohn, Clyde. 1951. "Value and Value Orientations in the Theory of Action." In Parsons, Talkot, and Shils, Edward, eds. *Toward a General Theory of Action*. Cambridge: Harvard University Press.
- Kluckhohn, Florence R., and Strodtbeck, Fred L. 1961. *Variations in Value Orientations*. Evanston, Ill.: Row. Peterson.

Comment:

Comment:

Comment:

- Knack, Stephen, and Keefer, Philip. 1995. "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures." *Economics & Politics* 7: 207-227.
- Kohlberg, Lawrence. 1984. *The Psychology of Moral Development*. San Francisco: Harper & Row.
- La Porta, Rafael Lopez-De-Silanes, Florencio, Shleifer, Andrei, and Vishny, Robert W. 1997a. "Legal Determinants of External Finance." *J. Fin.* 52(3): 1131-1150.
- _____. 1997b. "Trust in Large Organizations." *Am. Econ. Rev. Paper and Proceedings* 87(2): 333-38.
- _____. 1999. "The Quality of Government." *J. L. Econ. & Org.* 15: 222-79.
- Lal, Deepak. 1998. *Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance*. Cambridge, Mass.: MIT Press.
- Lipset, Seymour Martin, and Salman Lenz, Gabriel. 2000. "Corruption, Culture, and Markets." In Harrison, Lawrence E., and Huntington, Samuel P., eds. *Culture Matters: How Values Shape Human Progress*. New York: Basic Books.
- Mauro, Paolo. 1995. "Corruption and Growth." *Q. J. Econ.* 110(3): 681-712.
- _____. 1997. "The Effect of Corruption on Growth, Investment, and Government Expenditure." In Elliot, Kimberley A., ed. *Corruption and the Global Economy*. Washington, DC: Institute for International Economics.
- Nisbett, Richard E. et al. 2001. "Culture as Systems of Thought: Holistic versus Analytic Cognition." *Psychol. Rev.* 108: 291-310.
- North, Douglas C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge Univ. Press.
- Paldam, Martin. 2001. "Corruption and Religion: Adding to the Economic Model." *Kyklos* 54(2/3): 383-414.
- Peng, Kaiping, Ames, Daniel R., and Knowles, Eric. 2001. "Culture and Human Inference." In Matsumoto, D., ed. *Handbook of Culture and Psychology*. Oxford, New York: Oxford University Press.
- Plato. 1977. "Crito." In *Euthyphro, Apology of Socrates and Crito* (John Burnet trans.). Oxford: Clarendon Press.
- Putnam, Robert, with Roberto Leonardi and Raffella Nanetti. 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.
- Rawls, John. 1971. *A Theory of Justice*. Cambridge, Mass.: Belknap Press of Harvard University Press.
- Raz, Joseph. 1979. *The Authority of Law*. Oxford: Oxford University Press.
- Rose-Ackerman, Susan. 1998. "Corruption." In Newman, Peter, ed. 1 *The New Palgrave Dictionary of Law and Economics*. London, UK: Macmillan Reference; New York, NY, USA: Stockton Press.
- _____. 1999. *Corruption and Government: Causes, Consequences, and Reform*. Cambridge, UK; New York: Cambridge University Press.

- Schwartz, Shalom H. 1994. "Universals in the Content and Structure of Values: Theoretical Advances and Empirical Tests in 20 Countries." In Zanna, M., ed. *Advances in Experimental Social Psychology*. New York: Academic Press.
- _____. 1999. "Cultural Value Differences: Some Implications for Work." *Appl'd Psychol. Int'l Rev.* 48: 23-47.
- _____. 2003. "Mapping and Interpreting Cultural Differences around the World." In Vinken, Henk, Soeters, Joseph, and Ester, Peter, eds. *Comparing Cultures*.
- _____. Bardi, Anat and Bianchi, Gabriel. 2000. "Value Adaptation to the Imposition and Collapse of Communist Regimes in East-Central Europe." In Renshon, Stanley A. and Duckitt, John, eds. *Political Psychology: Cultural and Cross-Cultural Foundations*. New York: New York University Press.
- _____, and Ros, Maria. 1995. "Values in the West: A Theoretical and Empirical Challenge to the Individualism-Collectivism Cultural Dimension." *World Psychol.* 1: 99-122.
- Sen, Amartya. 1999. *Development as Freedom*. Oxford: Oxford University Press.
- _____. 2003. "How Does Culture Matter". In Rao, Vijayendra, and Walton, Michael, eds. *Culture and Public Action* (forthcoming).
- Shleifer, Andrei, and Vishny, Robert W. 1993. "Corruption." *Q. J. Econ.* 108: 599-617.
- Tirole, Jean. 1996. "A Theory of Collective Reputations (with Applications to the Persistence of Corruption and to Firm Quality)." *Rev. Econ. Stud.* 63: 1-22.
- Treisman, Daniel. 2000. "The Causes of Corruption: A Cross-National Study." *J. Pub. Econ.* 76(3): 399-457.
- Tyler, Tom R. 1990. *Why People Obey the Law*. New Haven: Yale University Press.
- Weber, Max. 1904. *Protestant Ethic and the Spirit of Capitalism*. New York: Scribner; London: Allen & Unwin, (1930 English translation).
- Williams, Robin M. 1970. *American Society: A Sociological Interpretation*. (3rd ed.). New York: Knopf.
- Williamson, Oliver E. 2000. "The New Institutional Economics: Taking Stock, Looking Ahead." *J. Econ. Lit.* 38: 595-613.
- World Bank, The. 2000. *The Rule of Law as a Goal of Development Policy*. Washington D.C.: World Bank,
- _____. 2001. *World Development Report: Attacking Poverty*. Washington D.C.: World Bank,
- Young, Stephen B. 1981. "The Concept of Justice in Pre-Imperial China." In Wilson, Richard W. et al., eds. *Moral Behavior in Chinese Society*. New York, NY: Praeger.
- Zakaria, Fareed. 1994. "Culture is Destiny: A Conversation with Lee Kuan Yew." *Foreign Affairs* 73(2): 109-126.

APPENDICES

*Appendix 1. Correlation Matrix**Appendix 2. Country Samples and Classification into Cultural Regions*

Country	Schwartz	Hofstede	Country	Schwartz	Hofstede
			Ghana	AF	0
Argentina	LA	1	Greece	WE	1
Australia	ES	1			
Austria	WE	1	Hong Kong	FE	1
Belgium		1	Hungary	EE	0
Bolivia	LA	0	India	FE	1
Brazil	LA	1	Indonesia	FE	1
Canada	ES	1	Iran		1
Chile	LA	1	Ireland	ES	1
China	FE	0	Israel	ES	1
Colombia		1	Italy	WE	1
Cyprus	ME	0	Japan	FE	1
Czech Republic	EE	0	Macedonia	EE	0
Denmark	WE	1	Malaysia	FE	1
Ecuador		1	Mexico	LA	1
Estonia	EE	0	Namibia	AF	0
Ethiopia	AF	0	Nepal	FE	0
Finland	WE	1	Netherlands	WE	1
France	WE	1	New Zealand	ES	1
Georgia	EE	0	Norway	WE	1
Germany	WE	1	Pakistan		1

Country	Schwartz	Hofstede	Country	Schwartz	Hofstede
Peru		1	Switzerland	WE	1
Philippines	FE	1	Taiwan	FE	1
Poland	EE	0			
Portugal	WE	1	Thailand		1
			Turkey	ME	1
Russia	EE	0	Uganda	AF	0
Singapore	FE	1	United Kingdom	ES	1
Slovakia	EE	0	United States	ES	1
Slovenia	EE	0	Uruguay		1
South Africa	WE	1	Venezuela	LA	1
South Korea	WE	1	Yugoslavia		1
Spain		1	Zimbabwe	AF	0
Sweden		1			

AF, EE, ES, FE, LA, ME, WE – In Schwartz’s sample, respectively: African, Eastern Europe, English-speaking, Far East, Latin America, Mediterranean, Western Europe.

1, 0 – In Hofstede’s sample, respectively: included or not included.

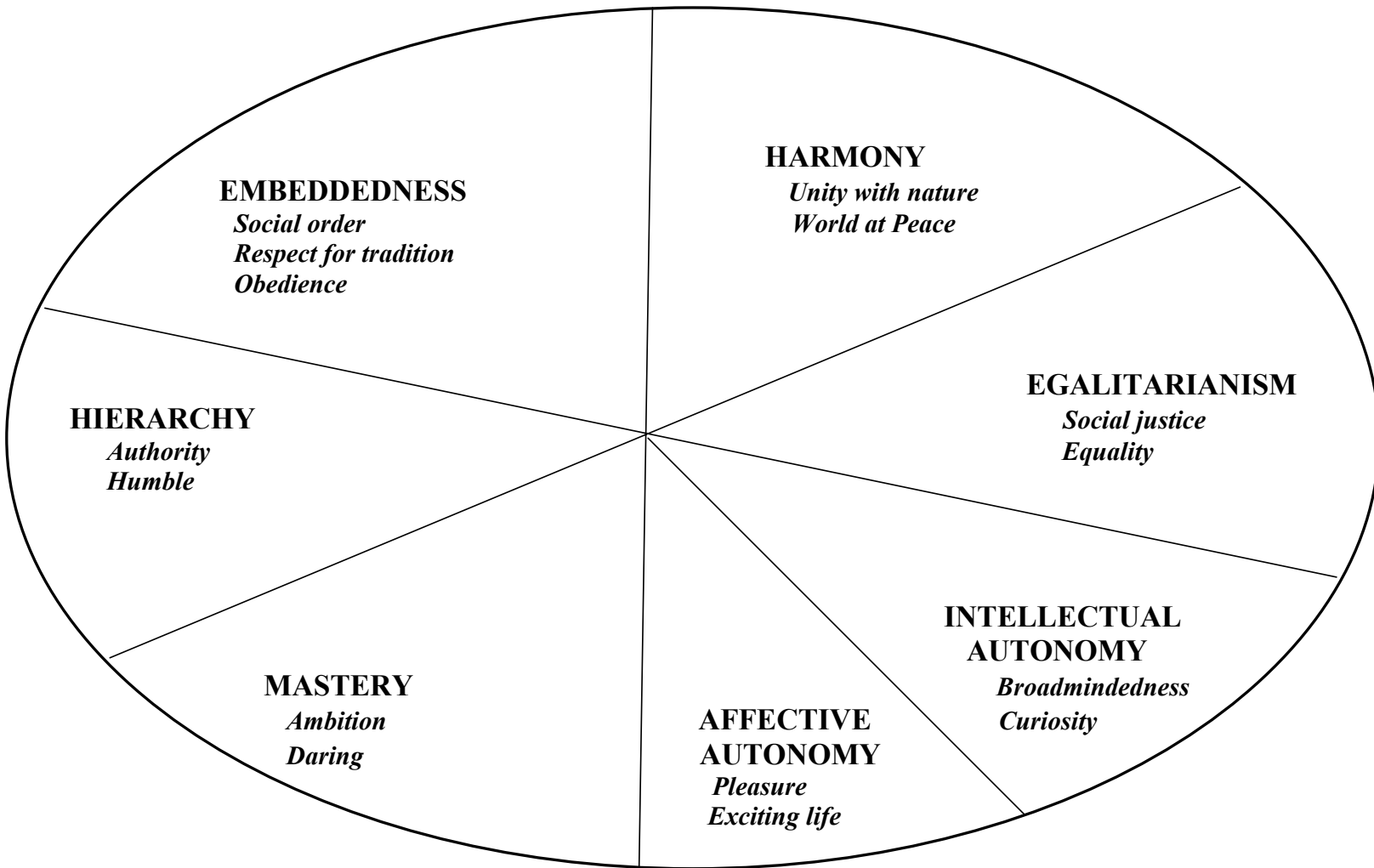
Appendix 3. Mean Scores on Cultural Value Dimensions in Cultural Regions

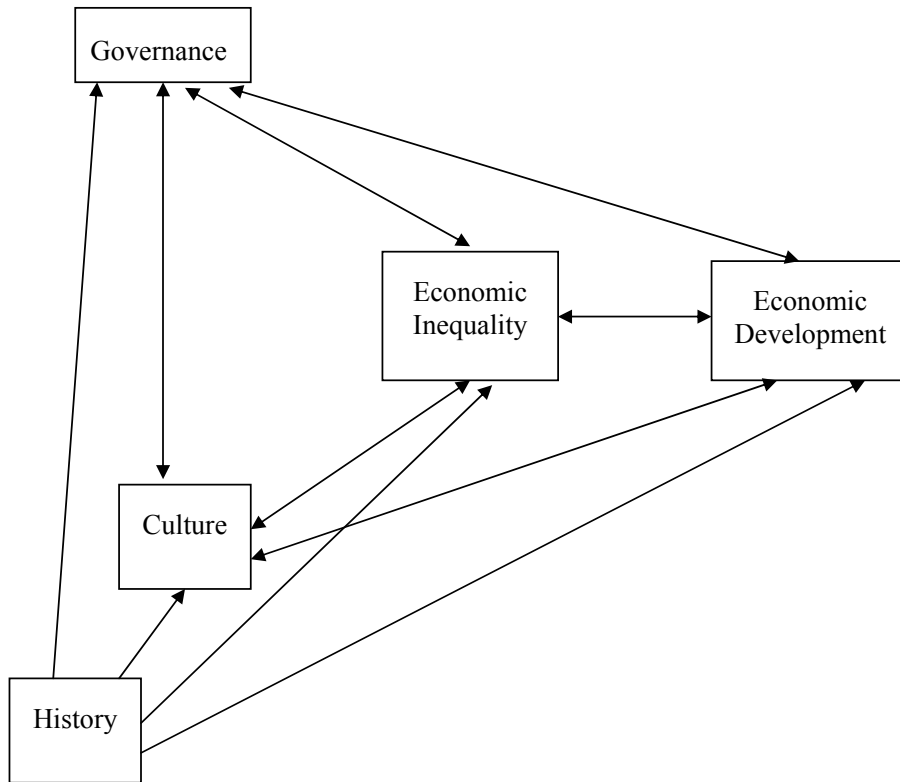
Region and # Countries	Cultural Value Dimensions						
	Harmony	Embedded- ness	Hierarchy	Mastery	Affective Autonomy	Intellectual Autonomy	Egalitar- ianism
Africa (5)	3.75	4.17	2.71	4.20	3.04	4.20	4.52
Eastern Europe (12)	4.49	4.00	2.31	3.85	3.01	4.29	4.63
English-speaking (7)	3.91	3.66	2.26	4.01	3.64	4.38	4.94
Far East (10)	4.05	4.02	2.85	4.07	3.09	4.09	4.49
Latin America (6)	4.25	3.85	2.24	4.00	3.00	4.40	4.91
Western Europe (14)	4.57	3.34	1.90	3.93	3.74	4.86	5.13

FIGURE LEGENDS AND FIGURES

Figure 1. The Structure of Cultural Value Dimensions according to Schwartz

Figure 2. Interactions between Governance and Other Factors





DAVIDSON INSTITUTE WORKING PAPER SERIES - Most Recent Papers

The entire Working Paper Series may be downloaded free of charge at: www.wdi.bus.umich.edu

CURRENT AS OF 8/11/03

Publication	Authors	Date
No. 605: Culture Rules: The Foundations of the Rule of Law and Other Norms of Governance	Amir N. Licht, Chanan Goldschmidt, and Shalom H. Schwartz	Aug. 2003
No. 604: Institutional Subversion: Evidence from Russian Regions	Irina Slinko, Evgeny Yakovlev, and Ekaterina Zhuravskaya	Aug. 2003
No. 603: The Effects of Privitization and International Competitive Pressure on Firms' Price-Cost Margins: Micro Evidence from Emerging Economics	Jozef Konings, Patrick Van Cayseele and Frederic Warzynski	Aug. 2003
No. 602: The Usefulness of Corruptible Elections	Loren Brandt and Matthew Turner	Aug. 2003
No. 601: Banking Reform In Russia: A Window of Opportunity	Abdur Chowdhury	Aug. 2003
No. 600: The Impact of Structural Reforms on Employment Growth and Labour Productivity: Evidence from Bulgaria and Romania	Ralitza Dimova	Aug. 2003
No. 599: Does Product Differentiation Explain The Increase in Exports of Transition Countries?	Yener Kandogan	July 2003
No. 598: Organizational Culture and Effectiveness: Can American Theory Be Applied in Russia?	Carl F. Fey and Daniel R. Denison	July 2003
No. 597: Asymmetric Fluctuation Bands in ERM and ERM-II: Lessons from the Past and Future Challenges for EU Acceding Countries	Balázs Égert and Rafal Kierzenkowski	July 2003
No. 596: Mass Privatisation, Corporate Governance and Endogenous Ownership Structure	Irena Grosfeld	July 2003
No. 595: WTO Accession: What's in it for Russia?	Abdur Chowdhury	July 2003
No. 594: The Political-Economy of Argentina's Debacle	Marcos A. Buscaglia	July 2003
No. 593: While Labour Hoarding May Be Over, Insiders' Control Is Not. Determinants of Employment Growth in Polish Large Firms, 1996-2001	Kate Bishop and Tomasz Mickiewicz	July 2003
No. 592: Globalization and Trust: Theory and Evidence from Cooperatives	Ramon Casadesus-Masanell and Tarun Khanna	June 2003
No. 591: Restructuring or Disintegration of the German Corporate Network: Globalization as a Fifth Column	Bruce Kogut and Gordon Walker	June 2003
No. 590: Institutional Change and Firm Creation in East-Central Europe: An Embedded Politics Approach	Gerald A. McDermott	June 2003
No. 589: Legitimacy, Interest Group Pressure and Institutional Change: The Case of Foreign Investment and Host Country Governments	Witold J. Henisz and Bennet A. Zelner	June 2003
No. 588: Institutions and the Vicious Circle of Distrust in the Russian Household Deposit Market, 1992-1999	Andrew Spicer and William Pyle	June 2003
No. 587: Foreign Direct Investment and the Business Environment in Developing Countries: the Impact of Bilateral Investment Treaties	Jennifer Tobin and Susan Rose-Ackerman	June 2003
No. 586: Trust in China: A Cross-Regional Analysis	Rongzhu Ke and Weiyang Zhang	June 2003
No. 585: Family Control and the Rent-Seeking Society	Randall Morck and Bernard Yeung	June 2003
No. 584: Wage Determination: Privatised, New Private and State Owned Companies, Empirical Evidence from Panel Data	Tomasz Mickiewicz and Kate Bishop	June 2003
No. 583: An Investigation of Firm-Level R&D Capabilities in East Asia	Gary H. Jefferson and Zhong Kaifeng	June 2003
No. 582: R&D and Technology Transfer: Firm Level Evidence From Chinese Industry	Albert G.Z. Hu, Gary H. Jefferson, Guan Xiaojing and Qian Jinchang	June 2003
No. 581: Credit Market Disequilibrium in Poland: Can We Find What We Expect? Non-Stationarity and the "Min" Condition	Christophe Hurlin and Rafal Kierzenkowski	June 2003