

NBER WORKING PAPER SERIES

THE QUALITY OF GOVERNMENT

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Working Paper 6727  
<http://www.nber.org/papers/w6727>

NATIONAL BUREAU OF ECONOMIC RESEARCH  
1050 Massachusetts Avenue  
Cambridge, MA 02138  
September 1998

The authors are extremely grateful to Alberto Alesina, Robert Barro, Olivier Blanchard, Colin Camerer, Brad DeLong, Edward Glaeser, Claudia Goldin, Simon Johnson, Lawrence Katz, David Laibson, David Landes, Daniel Treisman, and Lynn Zucker for discussions of this paper, and to Tatyana Nenova for research assistance. Any opinions expressed are those of the author and not those of the National Bureau of Economic Research.

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NBER Working Paper No. 6727  
September 1998  
JEL No. H11, N40, P50

### **ABSTRACT**

We investigate empirically the determinants of the quality of governments in a large cross-section of countries. We assess government performance using measures of government intervention, public sector efficiency, public good provision, size of government, and political freedom. We find that countries that are poor, close to the equator, ethnolinguistically heterogeneous, use French or socialist laws, or have high proportions of Catholics or Muslims exhibit inferior government performance. We also find that the larger governments tend to be the better performing ones. The importance of historical factors in explaining the variation in government performance across countries sheds light on the economic, political, and cultural theories of institutions.

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## 1. Introduction and overview.

In recent years, economists have stressed the idea that good economic institutions, particularly those in the public sector, are instrumental to economic growth. Some of such institutions include limited government, a relatively benign and uncorrupt bureaucracy, a legal system that protects property rights and enforces contracts, and modest taxation and regulation. Good government has been shown to contribute to economic development of European countries over the last millennium (North 1981, De Long and Shleifer 1993), to growth across countries over the last 40 years (Mauro 1995, Knack and Keefer 1995, Easterly and Levine 1997), and to successful transition from socialism to capitalism (Weingast 1995, Johnson, Kaufmann and Shleifer 1997). The importance of good government for growth thus appears to be a well-established empirical proposition.

This proposition raises an obvious question: how did some countries come to have good government, and others did not? How does history influence government performance? In this paper, we address these questions using data on government performance and its possible determinants for a large sample of countries. We present, and evaluate empirically, a number of theories that focus on economic, political, and cultural determinants of government performance.

As a first step, it is important to agree on what constitutes “good government.” We use the term “good” in this paper to stand for good-for-capitalist-development. One can alternatively consider good government performance to manifest itself in lower inequality, greater diversity among people, or maintained traditions, but here we keep the narrow view. Even on this narrow view, however, there are many distinct dimensions of good government performance. Following Montesquieu (1748) and Smith (1776), economists have focused on the security of property

rights -- lack of intervention by the government, benign regulation, low taxation -- as the crucial metric of good performance. Other signs of well-functioning government include high quality of the bureaucracy, successful provision of essential public goods, effective spending, and democracy -- which is both an end in itself and a mechanism for modifying institutions. In this paper, we examine all these separate dimensions of the quality of government.

The theories of determinants of institutional -- and more specifically government -- performance fall into three broad categories: economic, political, and cultural. We treat these groups of theories as sharply distinct, even though their advocates would surely accuse us of caricaturing their views. Economic theories (Demsetz 1967, North 1981) hold that institutions are created when it is efficient to create them, i.e., when the social benefits of building institutions exceed the transaction costs of doing so. Thus private property rights over land are created when land becomes scarce, and when the costs of enforcing such rights fall below the benefits. Political theories (Marx 1872, North 1990, Olson 1993), in contrast, focus on redistribution rather than efficiency, and hold that policies and institutions are shaped by those in power to stay in power and to transfer resources to themselves. For Marx, the interests in power are identified with "class," but they can also be autocrats, autonomous bureaucracies, organized religion, ethnic groups, or even particular organized economic interests (the nobility, state enterprises, or even the retirees). According to political theories, government policies are inefficient not because they are expensive to fix, but because their creators want them so. Finally, according to cultural theories (Weber 1958, Banfield 1958, Putnam 1993, Landes 1998), societies hold beliefs that shape collective action and government. Some societies are so intolerant or distrustful that their governments simply cannot function effectively.

To evaluate the ability of the different theories to explain the variation in government performance across countries, we need to find (reasonably) exogenous sources of variation in economic, political, and cultural characteristics of these countries. Begin with economic theories. Perhaps the most direct implication of these theories is that, as the scale of economic activity expands, better institutions become affordable, and hence government performance should improve (North 1981). Of course, better government in turn improves economic performance, so the scale of economic activity is endogenous. It turns out to be true that richer countries have better government, but hardly the whole story.

With political and cultural theories, we have better exogenous measures of country characteristics. We use two strategies for evaluating political theories, the essence of which we take to be that political divergence in society -- between social, ethnic, class, or other interests -- is detrimental to government performance. One strategy is to look at ethnic heterogeneity in a country, which several recent studies have identified as an important exogenous measure of redistributive tendencies (Easterly and Levine 1997, Alesina et al. 1997). Another strategy is to look at the legal systems, which can be viewed as indicators of the relative power of the State vis a vis property owners. In particular, common law has developed in England to some extent as a defense of Parliament and property owners against the attempts by the sovereign to regulate and expropriate them. Civil law, in contrast, has developed more as an instrument used by the sovereign for State building and controlling economic life. Finally, socialist law is the expression of ultimate control of the economy by the State. We use a country's legal system as a potential determinant of government performance.

To examine cultural theories, we follow a variety of authors, from Weber to Landes, who

use religion as a proxy for work ethic, tolerance, trust, and other characteristics of society that may be instrumental in shaping its government. We look at religious affiliations of the population as the potential cultural determinants of performance, and in particular focus on Catholic and Muslim religions which have been recently singled out by Landes (1998) as hostile to institutional development.

Our data show a strong positive association between per capita income and government performance, but also suggest that economic theories of institutions are not the whole story. To a significant extent, government performance is determined by political, and perhaps also cultural, factors. We find that ethnolinguistic heterogeneity and the use of a more interventionist legal system, such as socialist or French civil law, predict inferior government performance. So do the significant shares of Catholics or Muslims in the population. The influence of religion on government performance has a number of political, as well as cultural, interpretations.

In the next section of the paper, we spell out the different theories and their potentially testable predictions. In section 3, we describe our data and empirical strategy. In section 4, we present the main results bearing on the alternative theories. Section 5 concludes.

## 2. Theories of Institutional Development.

### *A. Measuring Government Performance.*

The government shapes the economic life of a country in a variety of ways: protecting or grabbing property, allowing or suppressing dissent, serving or abusing the public through its agents. To begin understanding what explains the variation in government performance across countries, our first step is to describe some of the dimensions of such performance.

Perhaps the most standard view is that a good government protects property rights, and keeps regulations and taxes light; that is, a good government is relatively non-interventionist (Smith 1776, North 1981, Knack and Keefer 1995). Our first group of measures, therefore, focuses on interventionism, and specifically on the quality of regulation and the security of property rights. One area where the interpretation of interventionism is ambiguous is taxation. On one view, high taxation is a measure of high intervention. On another view, high tax rates are imposed with the consent of the governed to finance sought-after public goods, whereas low taxes are all that a deeply interventionist government can hope to collect. Recent interpretations of higher taxes in Britain than in France in the 18th century (Brewer 1988, Finer 1997), as well as the evidence on transition from socialism (Johnson, Kaufmann and Shleifer 1997), are consistent with the notion that higher tax rates may go hand in hand with better institutions.

Non-interventionism is only one aspect of good government. A further important, and separate, dimension can be described as the efficiency of government, or the quality of the bureaucracy (Rauch 1995, Rauch and Evans 1997). When a government intervenes, it can do so reasonably efficiently, or with delays, corruption, and other distortions (Mauro 1995, Treisman 1997). When a government taxes, it can do so with relatively high compliance, or with low compliance, which often leads to corruption and arbitrary variation of effective tax rates across similarly situated taxpayers. On average, greater interventionism should be associated with lower efficiency, since entrusting officials with greater regulatory and taxing powers invites corruption and bureaucratic delay (Shleifer and Vishny 1993). Nonetheless, some bureaucracies deliver a given bundle of interventions more efficiently than others. There are many examples indicating that interventionism and efficiency are not just mirror images of each other. The

government in 18th century Britain was efficient by the standards of the day and (outside taxation) relatively non-interventionist, whereas the government of Frederick the Great of Prussia was also efficient, but highly interventionist (Johnson 1975, Ertman 1997). The Giolitti government in Italy before the First World War was highly corrupt and inefficient, but relatively non-interventionist; under Mussolini, the government became much more interventionist while keeping its low efficiency levels; under Christian Democrats after World War II, interventionism was reduced while the efficiency levels maintained (Mack Smith 1997). In theory, it may help development for a highly interventionist government to be inefficient (Huntington 1968). In any event, interventionism and efficiency are in part distinct aspects of government performance.

In addition to controlling, taxing, regulating, and charging bribes, governments in many countries actually provide public services that are essential for economic development. Government performance of a given country should be assessed in part by evaluating the quality of such public good provision as schooling, infant mortality, literacy, and infrastructure. While some of these goods are in part provided privately, governments have come to play a large role in delivering health, education, and infrastructure. High quality of these goods, as opposed to just high expenditure, is a sign of a well-functioning government.

A more problematic, but nonetheless important, indicator of performance is government expenditure on transfers, its own consumption, and public sector employment. High government expenditure in these areas may reflect its citizens' willingness to pay taxes because they like what the government does, and as such reflect good government. Alternatively, high expenditure on transfers and subsidies or on government consumption may reflect high levels of distortionary taxes and redistribution (Barro 1991), and hence represent a failure to protect the



public from state intervention. Some measures of the size of government, such as the size of the state-owned enterprise sector and the relative size of public sector employment (Shleifer and Vishny 1994, 1998), are perhaps more indicative of political and redistributive, rather than public-spirited, intent. Examining the determinants of these types of government spending may thus help us distinguish alternative theories of institutions.

A final dimension of good government we examine is democracy and political rights. We look at this both because political freedom is a crucial element of good government, and because economic freedom generally goes together with political freedom (Hayek 1944). The relationship between democracy and economic success has been difficult to find in recent data (Barro 1996), although over the longer span of history more limited governments have presided over more successful development (DeLong and Shleifer 1993).

### *B. Theories of Institutions*

Economists, historians, sociologists, and political scientists have developed a large number of theories of institutional development. Unfortunately, scholars often pursue their own theories without paying too much attention to the alternatives. This is true, for example, of Marx (1872), Weber (1958), Demsetz (1967), North (1981, 1990), Putnam (1993), Fukuyama (1995), and Landes (1998). Our goal is to provide some evidence that illuminates, and perhaps can distinguish, alternative theories of institutions and their implications for government performance. To this end, we first organize these theories (without presenting any new ones), and then present their possibly testable implications.

We divide the available theories into three broad categories: economic, political, and

cultural. These theories focus on different reasons for why institutions look the way they do: social efficiency needs in the case of economic theories, redistribution toward powerful groups in the case of political theories, and social beliefs in the case of cultural theories. Yet all these theories are consistent with economics more broadly in the sense that political actors pursue their selfish objectives in light of their beliefs. Even so, this division is probably too crude, and the writers we examined -- most notably North -- typically have economic, political and cultural elements to their stories.

Economic theories of institutions suggest that they are created whenever the social benefits of doing so exceed the costs (Demsetz 1967, North 1981)<sup>2</sup>. For example, a government protects private property when the returns to such protection exceed the cost of police. This theory generally takes the view that institutions are efficient, and that the trouble is the absence of institutions, rather than the existence of bad ones. Even if this theory is an important part of reality, it is at best incomplete -- we see too many extractive and inefficient governments around (Bates 1981, Olson 1996, Finer 1997, Shleifer and Vishny 1998).

A second group of theories of institutions is political; they state, roughly, that institutions and policies are shaped by those in power to stay in power and to amass resources. Government policies are used to control assets, including people, and to convert this control into wealth<sup>3</sup>. To Marx, societies are divided into social classes, and policies are designed by the ruling class.

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<sup>2</sup>Following Olson (1965), these theories pay a great deal of attention to free-rider problems that need to be overcome to produce any public goods, including institutions. This is where the cultural theory typically enters: ideology or beliefs help overcome free-riding.

<sup>3</sup>Analytically, we can analyze the political theories of institutions in terms of the control rights of various agents (Grossman and Hart 1986, Boycko, Shleifer and Vishny 1995, 1996).

Modern theories are more nuanced, and allow redistributive policies to be shaped by sovereigns, bureaucracies, ethnic groups, religions, or even particular lobbies. Thus the Mandarin bureaucracy shaped the Chinese government for its own, and the emperor's, benefit for hundreds of years, and the Communist bureaucracy in the USSR did the same during Soviet rule. What political theories have in common is the idea that, when some group in a society becomes powerful enough, it shapes policies to its own rather than social advantage<sup>4</sup>.

Perhaps the best illustrations of political theory come from the history of sovereign state-building, which has been magnificently recounted by Finer (1997). Finer shows, for example, how the Russian czars, Ottoman sultans, and Tokugawa shoguns created polities in which they had absolute unchecked power through near complete control over the military, the aristocracy, the religion, and the bureaucracy (see also Pipes 1974, Jones 1981, and Tilly 1990). These empires were short on property rights, long on government intervention, and (eventually) quite short on government efficiency as well; they had few laws or civil rights and relatively small governments. These qualities of government were an immediate consequence of the intent of the political rulers to maintain complete control over their subjects.

Finer contrasts this oriental despotism with European absolutism, where the power of the monarch was at least partially checked by law, and where the Church (in Catholic countries) and the aristocracy to some extent restricted autocratic control. These countries, as a consequence,

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<sup>4</sup>Governments become massively redistributive when there are relatively few very powerful groups with different interests, not when there are many relatively weak groups each pushing in its own direction. This view is consistent with Becker's (1983) notion that interactions of many relatively small lobbies lead to efficient outcomes, and inconsistent with Olson's (1982) view that increased density of such lobbies reduces efficiency through political stalemate. Having lots of weak articulated interests is better than having a few very strong ones.

had more secure property rights, and greater political rights of the subjects, although the sovereigns continually tried to restrict these rights to enhance their revenues. Civil law developed in Western Europe as part of such restrained control by the sovereigns over their subjects. Consistent with the point that government efficiency is a separate matter than intervention, some European countries, such as Prussia, managed to create relatively efficient bureaucracies, while others, such as Italy and France, have created “patrimonial” bureaucracies that used their powers to pursue personal interests of the officials rather than those of the sovereign (Ertman 1997).

Finally, in contrast to European absolutism, British government was shaped by the victory of aristocracy over the crown, and resulted in a more limited government, greater political freedoms, and a more efficient bureaucracy. Common law was developed, in part, as a mechanism of protecting the subjects from the crown. Perhaps surprisingly, the consent of the governed enabled the British Parliament to raise considerably higher tax revenues for military spending than the French kings could ever do (Brewer 1988): the British government was bigger though less interventionist<sup>5</sup>. Whatever the nuances of these histories, the basic point that institutions and policies are shaped not by considerations of efficiency but rather by the ability of the various players to extract rents, seems to be broadly confirmed by the narrative accounts of world history (see also Jones 1981, Kamen 1997, Ertman 1997, DeLong and Shleifer 1993, etc.).

In some cases, political and economic theories of institutions share similar predictions. For example, it may serve the interest of tax-extracting sovereigns to impose some constraints on

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<sup>5</sup>This contrasts with the very limited aristocratic government of Poland, where the barons occasionally could not agree to pay for armies needed to resist aggression, with the result that the government was small and the country got even smaller (Finer 1997, Ertman 1997).

their own powers so as to “fatten” the goose before roasting it, or even to provide public goods such as justice and property rights protection to enhance tax revenues (North 1981, Olson 1993). In those cases, even though the ultimate goal of a policy is redistribution toward the sovereign through enhanced tax collections, its immediate effect is to increase efficiency. Frederick the Great’s reforms are a great example of this phenomenon (Johnson 1975). Although kings are surely different from outright plunderers, the economic and political theories differ in that the former, in the first instance, do not accommodate purely rent-seeking policies. Unlike economic theories, political theories readily predict the existence of inefficient, interventionist, and distortionary policies that are put in place not because they raise the social product but because they redistribute it. Such clearly redistributive policies render political and economic theories at least in principle distinguishable.

Finally, cultural theories state that some societies form beliefs and ideas that are conducive to good government, while others do not (see Weber 1958). Some of these beliefs and ideas are non-verifiable (e.g., beliefs in punishments are rewards after death), others verifiable and false (e.g., certain racists and anti-semitic beliefs), still others self-fulfilling (e.g., the belief that your neighbors do not cooperate in any collective action and so you should not either). When these beliefs are highly pervasive and persistent, they get to be called “culture.”

Two recent instantly-famous versions of such cultural theories are due to Robert Putnam (1993) and David Landes (1998). Putnam’s theory (see also Coleman 1990 and Fukuyama 1995) states that trust in strangers facilitates collective action, which he views as essential for the provision of public goods. Putnam comments that in Italy the Catholic Church had adverse effects on trust, because “vertical bonds of authority are more characteristic of the Italian Church

than horizontal bonds of fellowship” (p.107). Putnam compares a variety of social outcomes in high-trust Northern Italy and low-trust Southern Italy, and finds confirmation of his views.

Knack and Keefer (1997) and La Porta et al. (1997) also find empirical support for the view that higher trust in strangers predicts better government performance, even across countries.

More recently, Landes (1998) argues that during the period of economic takeoff of Protestant countries, Catholic and Muslim countries in particular have acquired cultures of intolerance, xenophobia, and closed-mindedness that retarded their development. According to Landes, starting in the 15th century or even earlier, Catholic countries of Southern Europe and Latin America, egged on by the Church, burned heretics, forbid learning and travel by their citizens, censored books, and restricted the inflow of new ideas. In part, the Catholic Church felt threatened by other religions emerging from the Protestant Reformation, and in part it wanted to extend its influence. The consequences of such intolerance were both the enormous increase in the power of Church and State as they dedicated substantial resources to keeping out new ideas, and the inability of Catholic countries to learn from others. Landes believes that this intolerance was responsible for the decline of Spain, Portugal, and Italy, for poverty of Latin America, and for many other ills. Similarly, the decline of Muslim countries after the 13th century (that followed the golden age of openness and prosperity) is also explained by the newly-found but long lasting intolerance as a means of political and religious control.

Many cultural explanations of institutions and policies have a political element to them, as Landes’s emphasis on the use of intolerance for political ends makes clear. Thus the Spanish Inquisition might have been the supreme example of Catholic intolerance that Landes takes it to be. But it was, in the first place, a political attempt by Ferdinand and Isabella to wrest control

over religion from Rome by organizing religious life around the courts of Inquisition paid for by the Crown (Kamen 1997). Similarly, the Church throughout the Catholic world has fought the State to tax and regulate the citizenry (Barraclough 1972, Finder 1997, Mack Smith 1997, Putnam 1993). It ultimately lost, but not before making a significant imprint on the governments of these countries<sup>6</sup>. Interestingly, as Huntington (1991) explains, the Catholic Church in the 1960s switched from being a powerful force against liberalism (and therefore a source of poor culture, according to Landes) to a powerful force toward democratization, presumably again for the political reason of trying to maintain membership. Perhaps in part as a consequence, most of the countries that have democratized in the last thirty years, including Portugal, Spain, Poland, Hungary, Phillipines, Nicaragua, Argentina, Brazil, and Mexico, have been Catholic. Finally, one could argue that Tokugawa Japan -- perhaps the most intolerant and xenophobic polity of them all -- changed its policies in the Meiji Restoration because the cultural beliefs of the officials have become more "Western." But there is an obvious political explanation: the political interests of the Tokugawa shoguns, namely controlling internal threats, were very different from those of the Meiji reformers, namely addressing the external threat. In short, culture appears to be quite often shaped by politics.

### *C. Developing Hypotheses*

Our goal is to look for exogenous variation in economic, political, and cultural circumstances across countries that may account for the variation in government performance.

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<sup>6</sup>DeToqueville (1858) discusses the motivation of French revolutionaries by noting that "to overthrow the institutions of existing social order they must begin by destroying those of the Church, on which they were modeled and from which, indeed, they derived" (p. 151).

Finding such exogeneity is rather difficult. Economists looked at such variables as government consumption (Barro 1991), democracy (Barro 1996), corruption (Mauro 1995), and institutional quality (Knack and Keefer 1995) as determinants of economic growth. More recently, Hall and Jones (1998) have examined institutional quality, size of government, openness to trade and private ownership as determinants of productivity across countries, and made the brave argument that productivity is unlikely itself to influence institutions. From our perspective, of course, the quality of government is endogenous; to understand what determines government performance, and to distinguish between theories, we need to look at the more fundamental, or at least historically predetermined, variables.

From this perspective, economic theories of institutions are the hardest to test. The thrust of these theories is that economic development itself creates a demand for good government, and hence the appropriate measure of demand is per capita income. Based on this logic, our test of economic theories is to consider per capita income as a potential determinant of government performance. But good institutions themselves improve economic conditions. For example, we would expect better protection of property, improved government efficiency, higher quality private goods, perhaps big but good government, and perhaps political freedoms to enhance per capita income. We therefore have a relatively weak test of economic theories and, in fact, the paper focuses on other determinants of government performance.

We use two strategies to identify the relevance of political theories of institutions. The first measure of the State's predisposition to major redistribution is ethnic heterogeneity (see, e.g., Mauro 1995, Easterly and Levine 1997, Alesina et al. 1997). In ethnically heterogeneous societies, it has been common for the groups that come to power fashion government policies



that expropriate (or kill) the ethnic losers, restrict their freedom of opposition, and limit the production of public goods to prevent those outside the ruling group from also benefiting and getting stronger. Alesina et al. (1997) offer a theory in which disagreement over the nature of preferred public goods leads ethnically heterogeneous societies to demand fewer of those goods, but there are many other -- much more hostile -- mechanisms through which heterogeneity can undermine government performance. The political theories predict that, as ethnic heterogeneity increases, governments become more interventionist and less efficient, and the quality of public goods falls, as do the size of government and political freedom<sup>7</sup>.

Our second strategy for evaluating political theories is to consider each country's legal origin. We divide national commercial legal traditions into common law, French civil law, German civil law, Scandinavian law, and socialist law. These traditions were developed in England, France, Germany, Scandinavia, and the Soviet Union, but then spread through the world through conquest, colonization, imitation and voluntary adoption. The distinctions between the French, German, and Scandinavian families are relatively subtle (as we discuss below), but the distinctions between socialist, civil, and common law traditions are not.

To begin, socialist law is a clear manifestation of the State's intent to create institutions to maintain its power and extract resources, without much regard for protecting the economic interests or the liberties of the population. The goal of socialist law is to keep the Communist Party in power, not to protect property or freedom.

Civil Law, particularly since the time of Codification in the 19th century, has also been

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<sup>7</sup>One can alternatively argue that ethnic heterogeneity is related to ethnic hatred, which is cultural rather than political. Often, though not always, ethnic hatred seems to have political antecedents.

largely an instrument of the State in expanding its power, though in a more constrained way than socialist law (see Finer 1997, p. 1564, Elster et al. 1997, p. 39). It is not surprising that the principal legal Codes of the world were introduced by the two greatest State builders of the 19th century: Napoleon and Bismarck. Civil law is largely legislature-created, and is focused on discovering a just solution to a dispute (often from the point of view of the State) rather than on following a just procedure that protects individuals against the State (David and Brierley 1978, p. 331). Amusingly, Rene David -- whose book can be fairly seen as a treatise on the superiority of civil law over common law -- is surprised at France's weakness in the area of public law that deals with restraints on public officials (David and Brierley 1978, p.76)<sup>8</sup>. A civil legal tradition, then, can be taken as a proxy for an intent to build institutions to further the power of the State, although not to the same extent as in the socialist tradition.

The English common law tradition is entirely different in that its development starting in the 17th century has been shaped by Parliament and aristocracy at the expense of the crown, and hence it has reflected to a much greater extent the intent to limit the power of the sovereign (David and Brierley 1978, p. 303, Finer 1997, pp. 1347-1348). As a result of this influence, the judges who made common law "put their emphasis on the private rights of individuals and especially on their property rights" (Finer 1997, p. 1348). There is also more emphasis on restraining the government and on protecting the individual against the government. A common

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<sup>8</sup>An illustration is worth quoting in full: "Thus a taxpayer, even in the absence of any textually established right or some error committed in his case, can bargain with the tax authorities or obtain a release in view of his special circumstances. According to the French Ministère de l'économie et des finances, about 200,000 taxpayers each year obtain some reduction in or release from taxes upon an appeal to the *bienveillance* of the administration. *Le Monde*, August 9, 1968." (David and Brierley, 1978, p. 77).

law tradition, then, can be taken as a proxy for the intent to limit rather than strengthen, the State.

In our earlier work (La Porta et al. 1997b, 1998), we have considered legal traditions in a narrower context of examining legal protection of investors, and the effect of such protection on capital markets. Here we use legal traditions as cruder proxies for the political orientation of governments. Most clearly, we expect that countries with socialist laws have the most interventionist governments, next come countries with civil laws, and finally common law countries. We would predict the same ordering for political freedom. In other dimensions of the quality of government, however, the relationships might be more complicated.

We expect that government efficiency is the lowest in socialist law countries, in part because the extreme power of the State corrupts the bureaucracies. We also expect that government efficiency should be high in common law, Scandinavian, and German civil law countries, despite the interventionist stance of the law in the latter two groups, largely because these countries have managed to build professional rather than patrimonial bureaucracies, based on the armies and professional civil servants rather than aristocrats and clerics (Ertman 1997, Finer 1997). We expect the French civil law countries to be intermediate in government efficiency, because the bureaucracy was built to be powerful and largely unconstrained. Having made these conjectures, we note that our theoretical and historical priors in this dimension of government performance are relatively weak.

The predicted effects of the legal systems on public good provision and government spending are not entirely straightforward either. We expect socialist law countries, in part because of their commitment to equality and in part because of their militarism, to do well on education and infant mortality, though not necessarily on infrastructure. With respect to public

good provision and the size of government, we have no strong priors: civil law countries may have a greater interest in state expansion but a lower ability to tax than the common law countries. A more interventionist state is not necessarily a larger one.

One possible concern with using legal systems as independent variables is that they are, to some extent, endogenous -- a symptom of the relative power of the State and its subjects rather than the cause. Thus common law acquired its rules because the crown was weak in the first place, and not the other way around. But this concern, while legitimate, makes legal systems particularly appropriate independent variables for testing political theories of institutions. Suppose that legal systems, which were acquired centuries ago as part of the political process (both voluntarily and not), are found to influence government performance today. This would mean that the historically determined political allocation of power, as reflected in the law, shapes government performance today, precisely as the political theory predicts. Despite their historical endogeneity, legal variables serve our empirical purpose extremely well.

Finally, we come to the cultural theories. Following Weber (1958), Putnam (1993), and Landes (1998), our proxy for the dimension of culture that influences government performance is religion; more precisely, the percentage of population in each country belonging to different religious affiliations. In an earlier paper (La Porta et. al. 1997), we provided some evidence that countries whose populations belong primarily to what we called "hierarchical religions" -- Catholicism, Islam, and Greek Orthodox -- exhibit inferior government performance to that of largely Protestant countries. In this paper, we separate out the three most widely spread religions

-- Muslim, Catholic, and Protestant -- from all others<sup>9</sup>. We also focus on Muslim and Catholic religions because Landes (1998) singles them out as particularly detrimental to development.

To begin, we note that cultural theories typically do not focus on government. Weber (1958) is interested in entrepreneurship, Putnam (1993) focuses on public good provision, and Landes (1998) is concerned with the flow of people, goods, and ideas between countries. Nonetheless, we try to develop some hypotheses for the effects of religion on governments.

It is probably fair to say that both Muslim and Catholic countries would be viewed by the adherents of cultural theories as being more interventionist -- in part because the doctrines of these religions are more interventionist (they like to tell people what to do) than Protestantism, and in part because these religions grew to support State power. Cultural theories would probably also predict that governments in predominantly Catholic and Muslim countries are less efficient, partly as a consequence of excessive power, and partly because bureaucracies in these countries, particularly the Catholic ones, have developed from religious ranks (clerk comes from cleric), and hence were not as dependent on the sovereign. Cultural theories would definitely predict inferior provision of public goods in Muslim and Catholic countries, although Putnam's story here is a bit political: religion competes with, and undermines, the State in the provision of public goods<sup>10</sup>. We would not even conjecture what these theories predict for government consumption. Finally, these theories, particularly Landes (1998), would surely predict that

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<sup>9</sup>We do not focus on the Orthodox religion here because it is not as widely spread as the other three and because many people in (at least formerly) Orthodox, but later on socialist, countries report to be non-religious.

<sup>10</sup>Another version of the cultural story is that religions that require their followers to read the sacred texts (such as Protestantism) encourage literacy, whereas religions that rely on the auditory absorption of information (such as Catholicism) discourage literacy.

Muslim and Catholic countries have fewer civil rights: the State-supported intolerance in these countries requires a curtailment of freedom to be carried out. (Remember, however, the switch by the Catholic Church after Vatican II in the 1960s).

### 3. Data.

Our analysis is based on a data set of measures of government performance and their potential determinants in (up to) 152 countries. Since we are combining a large number of data sets, we have different numbers of observations for different variables, with some regressions covering as few as 47 countries. The data typically also come from different years, although most of the data are from the 1990s. The definitions and sources for all the variables used in this paper are summarized in Table 1.

To gain robustness, we try to use as our measures of government performance both objective and survey measures from different data sources. This is particularly important for subjective assessments of government performance, since *within the same survey* responses to different questions may simply reflect some general underlying sentiment toward a country. When different surveys use different respondents, this risk is reduced.

We measure government intervention by an index of property rights protection, an index of the quality of business regulation, and the top marginal tax rate. We measure government efficiency by survey scores on corruption, bureaucratic delays, and tax compliance. We also include in this category a measure of relative wages of government officials, to see if higher wages are associated with more efficient government. We measure the output of public goods by infant mortality, school attainment, illiteracy, and an index of infrastructure quality. (With

illiteracy and infant mortality, we depart from the convention that higher values of the measure refer to better performance.) We measure the size of the public sector by government transfers and subsidies, government consumption, an index of the size of the state enterprise sector (higher value means smaller), and a measure of the relative size of public sector employment. Finally, we use indices of democracy and of political rights in our democracy category.

Table 2 presents the correlations between the dependent variables, which reveal a number of fascinating patterns. The correlations between measures of government performance within the same category are generally high. In the intervention category, there is a positive correlation between property rights protection and the business regulation index, but the top tax rate is not significantly related to these two measures of government intervention. This result gets back to the earlier point: high taxes are not necessarily a sign of an inferior government.

In the government efficiency category, less corrupt countries also have fewer bureaucratic delays and higher tax compliance. Tax compliance and the score on bureaucratic delays are also positively correlated. These correlations support the view that corruption is another side of bureaucratic discretion, since delays create the opportunities to take bribes. Finally, corruption is negatively correlated with the relative wages of government officials. Contrary to the view that higher pay for bureaucrats is a remedy for corruption, the raw correlation suggests just the opposite. It is likely instead that in countries where bureaucrats have much power, they collect both higher wages and significant bribes. Consistent with this view as well, countries where the government is more efficient (including less corrupt) are on average also less interventionist.

The measures of public good output are highly correlated with each other. Low infant mortality, significant school attainment, low illiteracy, and high quality infrastructure typically

come together. Countries with good public goods are also the ones with efficient government, low(!) relative government wages, and less intervention (except for the high top tax rate).

With the exception of the SOE index, the various measures of the size of government are strongly correlated with each other. Countries with bigger government consumption, transfers and labor are less corrupt; they have fewer bureaucratic delays and better provision of public goods, but also higher tax rates. Figures 1 and 2 present the scatter plots of the corruption index and infant mortality respectively, against government transfers and subsidies as a share of GDP. The scatter plots, as well as the correlations more generally, show clearly that bigger governments, while taxing more, look better on a just about every measure of performance. This result -- that the larger governments tend to be the higher quality ones -- is one of our key findings. It does not imply, of course, that it is often desirable to expand a government of *a given quality*<sup>11</sup>.

The measures of democracy and political rights are highly correlated with each other. Freer governments are larger, more efficient, intervene less and provide better public goods.

The correlations between the independent variables are presented in Table 3, and they too deliver interesting findings. We have three broad factors that may be related to government performance: ethnolinguistic fractionalization (measured, following Easterly and Levine 1997, as the average of several measures of ethnic diversity), the origin of commercial laws, and religious composition of the population (the percentage of the population in the three most widely spread religions). We also include latitude and (the log of) per capita income as control variables. We

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<sup>11</sup>Lindbeck (1997), for example, suggests that even a reasonably efficient government, such as that of post-war Sweden, can become too imposing to sustain economic growth.



discussed per capita income already. We include (the scaled absolute value of) latitude because temperate zones have more productive agriculture and healthier climates, which has enabled them to develop their economies, and possibly institutions as well (Landes 1998).

Ethnolinguistic fractionalization (EF) is unrelated to any of our religious or legal origin variables, but is significantly negatively correlated with latitude and per capita income. It is noteworthy that EF captures a different aspect of society than religion and law.

The correlations between the legal and religious variables are predictable, but important. First, there are significant negative correlations between the percentages of Protestants and Muslims, Catholics and Muslims, Catholics and other religions, and Muslims and other religions across countries. Second, Catholic countries typically have French legal origin; Protestant countries typically have an English or Scandinavian legal origin, and are less likely to have French legal origin; other religions are more likely to have a socialist legal origin, presumably because of the significant presence of Orthodox religion in socialist countries. Third, Scandinavian and German legal origin countries, as well as Protestant countries, are richer. Fourth, ethnolinguistically fractionalized and common law countries tend to be closer to the equator, whereas socialist and Scandinavian legal origin countries further away from it. Of course, Scandinavia and Germany have not had many colonies, and hence their legal traditions are restricted to wealthy European and East Asian countries.

#### 4. Regression Results.

In this section, we present regressions of determinants of government performance. We present each regression both with and without the logarithm of per capita income and latitude

controls<sup>12</sup>. The argument for including per capita income (or for that matter, latitude) is that, on the economic theory of institutions, development improves government performance<sup>13</sup>. On the other hand, on *any* theory, good policies themselves enhance per capita income. Including income in the regressions together with other determinants of performance would then spuriously reduce our estimates of the impact of these determinants on the quality of government. For example, if ethnolinguistic fractionalization (EF) undermines government performance, and poor performance reduces per capita income, then including income in the regression of government performance on EF would reduce the estimated effect of the latter. We estimate the regressions both ways, and try to understand how the results depend on the specification.

We present the results in Tables 4-6. Since religious affiliations and legal origins are correlated with each other, and EF appears to be uncorrelated with either, we include legal origin and EF together as independent variables in Table 4, and religious affiliation and EF in Table 5. In Table 6, we include EF, legal origin, and religious affiliation together.

Looking at Table 4 (or Table 5) we note that the logarithm of per capita income (and latitude) generally has a strong positive effect on government performance. Richer countries are less interventionist in that they protect property rights and regulate better, although they also have higher marginal tax rates. Richer countries also have more efficient governments, better

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<sup>12</sup>The logarithm of per capita income and latitude are strongly correlated with each other. We also ran the regressions including them one at a time. Each is nearly always significant when included alone. Countries that are further from the equator, or richer, have better government performance. We include them together because the correlation between them is not perfect.

<sup>13</sup>Hall and Jones (1998) make the argument that per capita income (or productivity) should not have a direct effect on institutional quality, based on their impression that, in the U.S., institutions were better in 1790 than in 1990. The economic theory of institutions, which Hall and Jones appear to endorse, argues that causation goes precisely in the opposite direction.

provision of public goods, and -- as Wagner law suggests -- a larger public sector (except a smaller state enterprise sector).

The results on per capita income mean either that there is some merit to the economic theories of institutions, or that good governments promote development, or both. Consistent with the importance of the correlation between government performance and per capita income, the explanatory power of the regressions generally rises sharply when per capita income is included in the regressions. Having established the importance of this correlation, we can now turn to the central question: do historical factors, as suggested by the political and cultural theories, help explain the variation in government performance across countries? As we show below, the answer is yes.

#### *Ethnolinguistic Fractionalization (EF)*

We discuss EF results based on Table 4, which only includes variables suggested by the political theories of institutions. The results on EF in Table 5 are similar. In the specifications excluding latitude and per capita income, EF has a very consistent adverse effect on government performance. Higher fractionalization is associated with more interventionism (worse property rights and regulation), lower government efficiency (more corruption, longer delays, lower tax compliance), inferior provision of public goods (higher infant mortality and illiteracy, lower school attainment and infrastructure quality), smaller government (transfers, consumption and public employment), though more state enterprises, and finally less political freedom. The adverse effects of EF on government performance are broadly consistent with the argument that EF captures the predisposition of ethnic groups in power to redistribute.

The negative effect of EF on government performance generally becomes insignificant once we control for per capita income and latitude. (Recall that EF is itself negatively correlated with per capita income.) Controlling for how poor they are, ethnolinguistically fractionalized countries do not have especially bad governments. One exception to this finding is public good provision, which is inferior in divided countries even controlling for their poverty. Another exception is the prevalence of state ownership of firms, which is higher in divided countries even controlling for per capita income. The latter result is particularly noteworthy because state-owned enterprises are such an important mechanism of political redistribution. The effect of per capita income control may mean that EF adversely affects government performance, and bad performance in turn reduces per capita income, as the standard version of the political theory would suggest. Alternatively these results may mean that people in high EF countries are less productive, perhaps because of private rent-seeking and warfare, and that low income in turn adversely influences government. Because the first interpretation seems to us to be more straightforward, we interpret the EF evidence as supporting the political theories of institutions<sup>14</sup>.

### *Legal Origin*

The regressions in Table 4 also assess the influence of legal origin on government performance. To begin, the results of the effects of the socialist legal origin are exactly as predicted by the political theory. Compared to those in common law countries, and even controlling for per capita income, latitude and EF, government in countries of socialist legal

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<sup>14</sup>EF may reduce productivity because it undermines human capital accumulation. To the extent that EF does that through undermining public education, however, the direct effect is on the government institution of public education rather than on productivity.

origin are more interventionist across the board (have worse protection of property rights, more intrusive regulation, and higher tax rates) as well as less efficient (lower score on bureaucratic delays and tax compliance, though not on corruption). Interestingly, they have lower relative wages of public sector employees. Socialist origin countries have higher infant mortality, though not controlling for how poor they are, and poorer infrastructure quality, even controlling for per capita income. However, they do very well on school attainment especially controlling for how poor they are -- some evidence that their egalitarianism or militarism benefits education.

Turning to the size of government, socialist origin countries have sharply higher transfers and subsidies and more state enterprises, but also lower government consumption than common law countries, *ceteris paribus*. In general, then, we see that socialist law is associated with more interventionism, less efficiency, bigger government transfers, and less democracy -- consistent with the obvious political story that socialist policies serve to enhance the power of the State.

The results on the French legal origin are equally striking. Compared to common law countries, French origin countries are sharply more interventionist (have higher top rates, less secure property rights, and worse regulation). They also have less efficient governments, as measured by bureaucratic delays and tax compliance, though not the corruption score. French origin countries pay relatively higher wages to bureaucrats than common law countries do, though this does not buy them greater government efficiency. French origin countries fall behind common law countries in public good provision: they have higher infant mortality, lower school attainment, higher illiteracy rates, and lower infrastructure quality. There is not much evidence of a difference in the pattern of government spending, except that French origin countries have lower public employment. Finally, French origin countries score worse on our democracy

measures than the common law countries. Most of these results hold both with and without per capita income and latitude controls. As predicted by the political theory then, the state-building intent incorporated into the design of the French legal system translates, many decades later, into significantly more interventionist and less efficient government, less political freedom, and evidently less provision of basic public goods.

The results on the German legal origin suggest that these countries are rather similar to those of common law origin controlling for income and latitude. These controls are particularly important because German origin countries are generally located in central Europe and East Asia, and tend to be relatively rich. Finally, compared to common law countries, Scandinavian origin countries are sharply more interventionist (in fact, the pattern of coefficients here is similar to that for socialist countries), though -- with a notable exception of lower tax compliance -- they do not have less efficient governments. Scandinavian origin countries also tend to have better public goods and higher public spending than common law countries. Controlling for per capita income and latitude reduces the difference, although in the area of public employment, the Scandinavian origin countries are out on a limb even controlling for income. These results point to important differences between civil law countries of different origins. In particular, the German and Scandinavian evidence -- while consistent with the political theory of institutions -- is not nearly as striking as that for countries using French law.

The contrast between the socialist, common law, and French origins, however, is very significant and persistent across the variety of measures. Governments in the socialist law countries are the most anti-market, and those in the common law countries most pro-market, with governments in French origin countries in the middle. The fact that this political heritage matters

so much for government performance supports the political theory of institutions, especially when combined with the evidence on the importance of ethnolinguistic fractionalization.

### *Religious Affiliation*

Table 5 reports the effects of religious affiliations on government performance. Recall that we exclude from the regression the percentage of each country's population reporting to be Protestants. Note first that the results on EF in Table 5 are similar to those in Table 4: EF has a sharp negative influence on government performance, but this influence is captured by the lower per capita income (and closeness to the equator) of high EF countries.

Table 5 reveals that both Catholic and Muslim affiliations of the population are associated with worse government performance, though, as in the case with EF, both of these influences generally become insignificant once per capita income and latitude are controlled for.

Begin with the Catholic affiliation. With the notable exception of the marginal tax rate, Catholic countries are generally more interventionist. Their governments are also less efficient, including more corrupt, but better paid. Catholic countries do worse on public good provision than Protestant countries, they have smaller transfers, government consumption, and public sector employment, and are significantly less democratic. Virtually all of these effects, however, become insignificant once we control for per capita income and latitude. As with EF, there are two stories. The one we find less plausible suggests that Catholics are less productive, and this translates into inferior government. The more plausible argument is that the worse-functioning governments of the Catholic countries reduce income, with the result that the adverse effect of

the religious affiliation on the quality of government is in part captured by per capita income<sup>15</sup>.

The effect of the Muslim affiliation is generally in the same direction as that of the Catholic affiliation, only stronger. Muslim countries tend to have more interventionist and less efficient, but better paid, governments, although these effects are generally captured by their lower per capita income. There is a remarkably large negative effect of the Muslim affiliation on public good provision, which appears to be strong enough to even survive the income and latitude controls<sup>16</sup>. Muslim countries also tend to have smaller governments (though less so with controls), and be sharply less democratic, even controlling for their poverty. Muslim affiliation thus has a pronounced adverse effect on government performance. If we take the view that the amelioration of this effect when per capita income is included is a consequence of the adverse effects of bad government on income, the problem to be explained only gets bigger.

Finally, we note two side issues that come up in these regressions. First, the results on relative government wages show that both Muslim and Catholic countries pay higher relative government wages than Protestant countries do, but their bureaucracies are still less efficient. The story with government wages and corruption is thus more complicated than the World Bank, inspired by the East Asian experience, would argue (World Bank 1995). In many Catholic and Muslim countries, officials are paid relatively well, but still misuse their power. There are more

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<sup>15</sup>As with ethnic fractionalization, particular religious affiliations may adversely affect human capital accumulation, which in turn reduces income. As with EF, one way in which this happens is that religion undermines public education, so the causation is through government.

<sup>16</sup>Since we are looking at the outcome of public good provision, as opposed to just government expenditure on it, our evidence is inconsistent with the theory that Catholic or Muslim religions *substitute* for the lack of *public* provision of education through *their own* provision.



basic factors determining government efficiency than just the relative pay of the bureaucrats<sup>17</sup>.

Second, compared to Protestant countries, both Catholic and Muslim countries exhibit both poor government performance and low tax rates combined with small government transfers and consumption. This evidence, as well as all the other evidence we have presented, seems squarely inconsistent with the idea that a good government is a small government. Rather, poorly functioning governments tend to be relatively small, and to collect fewer taxes, whereas well functioning governments tend to be much larger, presumably at least in part with the consent of the governed. This view is consistent with the finding that the one activity that poorly functioning governments do more of is operate state firms -- a redistributive rather than wealth-creating function. This view is also consistent with historical research (Brewer 1988), and with the recent evidence from the post-communist transition (Johnson et al. 1997).

### *Law or Religion?*

The evidence in Table 5 does not tell us whether the negative influences of Catholic and Muslim affiliations on government performance are a consequence of troubled political history or of culture. We have made a number of a priori arguments suggesting that cultural theories can work through politics, and that a political interpretation of the religious variables may be more appropriate. That is, the use of the religion for political purposes in Muslim and Catholic countries, and the destructive competition between Church and State in Catholic countries in particular, may have shaped policies in ways that ended up being quite hostile to market

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<sup>17</sup>An alternative interpretation of these findings is that, in Catholic and Muslim countries, general educational attainment is low, and hence the bureaucrats are relatively overpaid because they are better educated relative to the rest of the population than are the Protestant bureaucrats.

development. It is possible that such politics worked by adversely affecting tolerance, as in Landes (1998), or trust, as in Putnam (1993) and La Porta et al. (1997), but the heritage that adversely affects government performance seems to be largely political.

However, as we noted earlier, legal origins and religious affiliations are correlated with each other. To understand the facts better, as well as to make further progress in interpreting the evidence, we would like to know which set of variables, if any, wins out in a horse race. As a final step, therefore, we run regressions that include ethnolinguistic fractionalization, legal origins, and religious affiliations in the same specification. Table 6 presents the results.

We can summarize the findings without discussing each regression individually. Ethnolinguistic fractionalization survives as an important determinant of government performance. Moreover, as a general rule, legal origins -- particularly socialist and French -- continue to exert significant adverse influence on government performance, even controlling for religion. Religious variables, however, generally become insignificant. Catholic affiliation loses its statistical significance almost always (exceptions are bureaucratic delays, infrastructure quality, and government consumption), as does the Muslim affiliation (exceptions are bureaucratic delays, school attainment, illiteracy, and infrastructure quality). Statist laws are thus a more robust predictor of poor government performance than interventionist religions.

If we take religion as a proxy for cultural influences on government, and ethnolinguistic fractionalization and law as proxies for political influences, this evidence provides further support for the political theories. In our data, these political variables provide the most pervasive, and relatively clearly interpretable, influence on government performance.

*Other Factors*

There are two variables -- colonial status and continent -- that we have not included in our statistical analysis, that arguably qualify as potentially exogenous determinants of government performance, and that are often used in the cross-sectional studies of economic growth. For completeness, we make some comments about these variables.

Several writers measure whether a country is a former colony, and, if so, what country it was a colony of (Barro 1996b, Treisman 1997, Hall and Jones 1998). The usual justification for using this variable is that the colonizer has transplanted into the colony some of its key institutions, such as religion and law, which in turn influenced subsequent development. We already include religion and law as independent variables, and hence measure these possible colonial influences directly rather than indirectly. As important, we have found it difficult to identify the colonial status of particular countries. For example, Barro (1996b) does not classify Hungary, Czechoslovakia, or Italy as former colonies, even though each was at times (at least partially) controlled by the Habsburg empire, and the former two were arguably colonized by the Soviet Union as well. Because of such difficulties, we stick to our more direct measures.

From the theoretical viewpoint, the justification for using continents as determinants of government performance is also problematic. Various writers find slow growth in Latin America and Africa (Barro 1991, Easterly and Levine 1997), but the significance of the continent effects is attributed to the omitted institutional factors, such as religion or, as Easterly and Levine (1997) argue directly for Africa, ethnolinguistic fractionalization. Since we measure the political and cultural influences on performance directly, the case for including the continent effects is weak. We also include latitude in the regressions, which is the one theoretically justified measure of

geography. Still, we have rerun our regressions controlling for continents. These controls have predictable effects. The Africa dummy in particular weakens but does not eliminate the effect of EF, and the Latin America dummy weakens but does not eliminate the effects of French laws or Catholicism. Again, we take this evidence to mean not that the continents have an independent influence on government performance, but rather that they serve as proxies for the more fundamental determinants of the quality of government discussed in this paper.

## 5. Conclusion.

We have set out to examine whether, from the perspective of promoting development, the quality of government across countries varies in systematic ways. We assess the quality of government using proxies for interventionism, public sector efficiency, quality of public good provision, government size, and political freedom. The data show clearly that, using these measures of performance, the quality of governments varies systematically across countries. Rich nations have better governments than poor ones. Ethnolinguistically homogeneous countries have better governments than the heterogeneous ones. Common law countries have better governments than French civil law or socialist law countries. Predominantly Protestant countries have better governments than either predominantly Catholic or predominantly Muslim countries. These results tend to be consistent across the many measures of government performance we use.

These results present clear evidence of systematic influence of historical circumstances, as captured by ethnolinguistic heterogeneity, legal origins, and religion, on government performance. Government performance is surely in part determined by economic development,

but it is also shaped by systematic variation in the histories of individual countries. This conclusion, we believe, is strongly supported by the data.

The results are more difficult to interpret as supporting a particular version of political or cultural theories of institutions. Taken as a whole, however, the results support the political theories, since ethnolinguistic heterogeneity and legal origin remain extremely important factors shaping government performance, even controlling for religion. In addition to showing that history matters, therefore, we believe that we have provided some evidence that it is political history that matters most clearly. At the same time, we would not interpret our evidence as outright rejecting the cultural theories of institutions.

Finally, we have consistently found that the better performing governments are also larger, and collect higher taxes. Poorly performing governments, in contrast, are smaller and collect fewer taxes. This result does not of course imply that it is often, or ever, socially desirable to expand a government of a given quality, but it tells us that identifying big government with bad government can be highly misleading. The question of how the better governments get to be bigger, or vice versa, remains open for future work.

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Figure 1

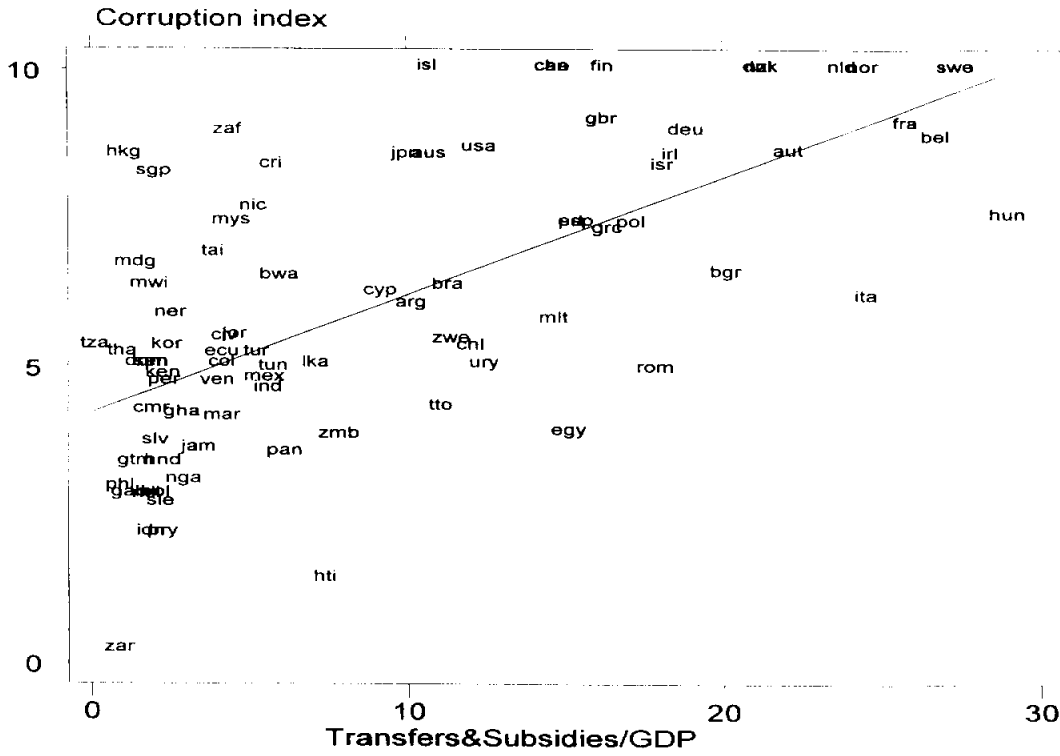
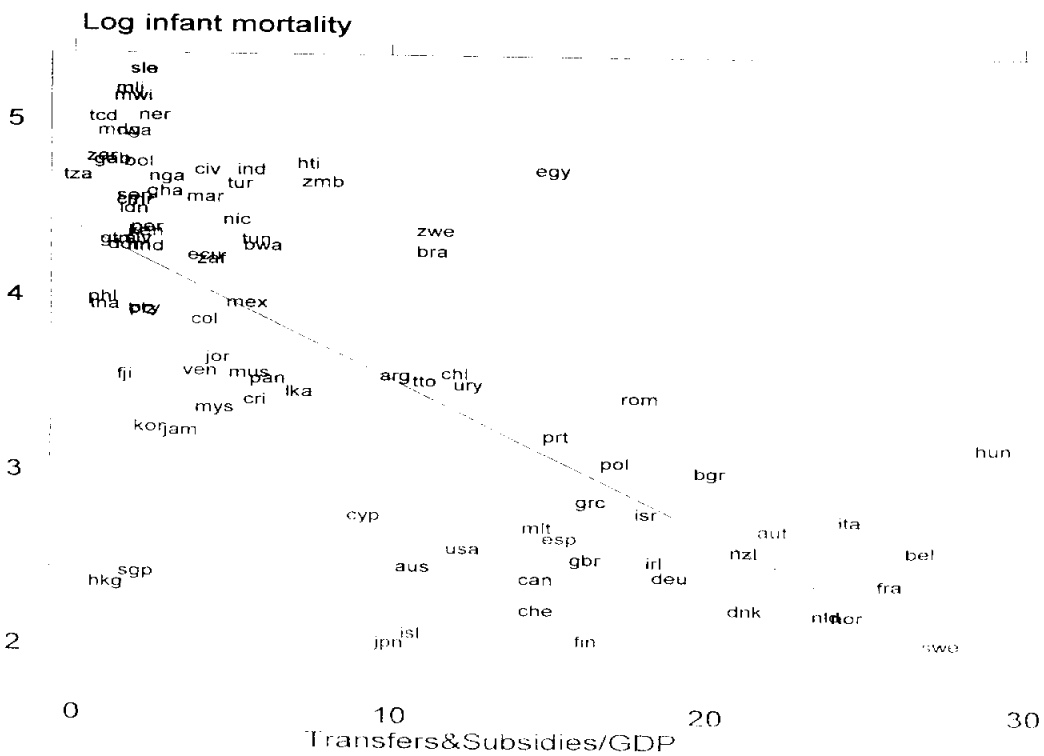


Figure 2



**Table 1**  
**Description of the variables**

Variable name	Description and source	Number of observations
<b><i>Interference with the private sector:</i></b>		
Property rights index	A rating of property rights in each country (on a scale from 1 to 5). The more protection private property receives, the higher the score. The score is based, broadly, on the degree of legal protection of private property, the extent to which the government protects and enforces laws that protect private property, the probability that the government will expropriate private property, and the country's legal protection to private property. Source: <i>1997 Index of Economic Freedom</i> .	149
Business Regulation index	A rating of regulation policies related to opening a business and keeping open a business (on a scale from 1 to 5). Higher score means that regulations are straight-forward and applied uniformly to all businesses and that regulations are less of a burden to business. Source: <i>1997 Index of Economic Freedom</i> .	149
Top tax rate	Top marginal tax rate for each country in 1994. Source: <i>Economic Freedom of the World, 1975-1995</i> .	82
<b><i>Efficiency:</i></b>		
Corruption	Corruption in government index. Low ratings indicate "high government officials are likely to demand special payments" and "illegal payments are generally expected thought lower levels of government" in the form of "bribes connected with import and export licenses, exchange controls, tax assessment, policy protection, or loans." Scale from 0 to 10. Average of the months of April and October in the monthly index between 1982 and 1995. Source: <i>International Country Risk Guide (ICRG)</i>	126
Bureaucratic delays	An indicator of bureaucratic delays (red tape). Low ratings indicate lower levels of red tape in the bureaucracy of the country. Scale from 0 to 10. The index is published three times per year. The data is the average of the years between 1972 and 1995. Source: <i>Business Environmental Risk Intelligence's (BERI) Operation Risk Index</i> .	60
Tax compliance	Assessment of the level of tax compliance. Scale from 0 to 6, where higher scores indicate higher compliance. Data is for 1995. Source: <i>The Global Competitiveness Report 1996</i> .	49
Avg. government wages / GDP per capita	The ratio of average wages of central government to per capita GDP in each country. Certain non-wage benefits are not included in the estimate of the average central government wage. Source: <i>Schiavo-Campo, de Tommaso and Mukherjee, 1997</i> .	63
<b><i>Output of public goods:</i></b>		
Log of infant mortality	Logarithm of the number of deaths of infants under one year of age per one thousand live births for the years 1970-1995. Source: <i>World Development Indicators 1997 (WDI)</i> .	196
Log of school attainment	Log of schooling taken over five year periods (1960-65, 1970-75, and 1980-85). Each value is obtained as the logarithm of (1+ average years of school attainment during the respective period). Source: <i>Barro and Lee, 1994</i> .	106
Illiteracy rate	Average of adult illiteracy rate for the years 1990-1995. Adult illiteracy rate is the proportion of adults aged 15 and above who cannot, with understanding, read and write a short, simple statement on their everyday life, 1990-1995. Scale 0 to 100. Source: <i>WDI</i> .	128
Infrastructure quality	Assessment of the "facilities for and ease of communication between headquarters and the operation, and within the country," as well as the quality of the transportation. Average data for the years 1972 to 1995. Scale from 0 to 10 with higher scores for superior quality. Source: <i>BERI's Operation Risk Index</i> .	60
<b><i>Size of public sector:</i></b>		
Transfers and subsidies / GDP	Total government transfers and subsidies as a percentage of GDP (scale from 0 to 100). Average for the years 1975-1995. Source: <i>Economic Freedom of the World, 1975-1995 (with data from the World Bank and International Monetary Fund)</i> .	90
Government consumption / GDP	Government consumption expenditures as a percentage of GDP (scale from 0 to 100). Average for the years 1975-1995. Government consumption expenditures "include all spending on goods and services purchased by the government –things like national defense, road maintenance, wages and salaries, office space, and government-owned vehicles. Since it is obtained from the national income accounts, it includes all levels of government spending. It does not include direct transfers and subsidies, since these do not enter into the national income accounts. Source: <i>Economic Freedom of the World, 1975-1995 (with data from the World Bank and International Monetary Fund)</i> .	104
SOEs in the economy	Index of State-Owned Enterprises as a share of the economy (scale from 0 to 10). Higher scores include countries with less government-owned enterprises which are estimated to produce less of the country's output. As the estimated size and breath of the SOE sector increases, countries are assigned lower ratings. Average of the score for the years 1975-1995. Source: <i>Economic Freedom of the World, 1975-1995</i> .	104

Table 1 (Continued)

Variable name	Description and source	Number of observations
Public sector employment / total population	Average of the ratio of public sector employment in general government to total population for the years 1976-1996. General government employment includes employment in "all government department offices, organizations and other bodies which are agencies or instruments of the central or local authorities whether accounted for or financed in, ordinary or extraordinary budgets or extra-budgetary funds. They are not solely engaged in administration but also in defense and public order, in the promotion of economic growth and in the provision of education, health and cultural and social services." Source: <i>Schiavo-Campo, de Tommaso and Mukherjee, 1997.</i>	124
<b>Political freedom:</b>		
Democracy index	Average of democracy score for the period 1970-1994. Scale from 0 to 10, with lower values indicating a less democratic environment. Source: <i>Polity III: Regime Type and Political Authority, 1800-1994.</i>	161
Political rights index	Index of political rights. Higher ratings indicate countries that come closer "to the ideals suggested by the checklist questions of: (1) free and fair elections; (2) those elected rule; (3) there are competitive parties or other competitive political groupings; (4) the opposition has an important role and power; and (5) the entities have self-determination or an extremely high degree of autonomy. Source: <i>Freedom of the World, 1996.</i>	209
<b>Determinants:</b>		
Ethnolinguistic fractionalization	Average value of five different indices of ethnolinguistic fractionalization. Its value ranges from 0 to 1. The five component indices are: (1) index of ethnolinguistic fractionalization in 1960, which measures the probability that two randomly selected people from a given country will not belong to the same ethnolinguistic group (the index is based on the number and size of population groups as distinguished by their ethnic and linguistic status); (2) probability of two randomly selected individuals speaking different languages; (3) probability of two randomly selected individuals do not speak the same language; (4) percent of the population not speaking the official language; and (5) percent of the population not speaking the most widely used language. Sources: <i>Easterly and Levine, 1997. The sources of the components of the average index are: (1) Atlas Narodov Mira, 1964; (2) Muller, 1964; (3) Roberts, 1962; (4) and (5) Gunnemark, 1991.</i>	161
Legal origin	Identifies the legal origin of the Company Law or Commercial Code of each country. There are five possible origins: (1) English Common Law; (2) French Commercial Code; (3) German Commercial Code; (4) Scandinavian Commercial Code; and (5) Socialist/Communist laws. Source: <i>La Porta, Lopez-de-Silanes, Shleifer and Vishny, 1998, extended using "Foreign Laws: Current Sources of Basic Legislation in Jurisdictions of the World," 1989; and CIA World Factbook 1996.</i>	212
Religion	Identifies the percentage of the population of each country that belonged to the three most widely spread religions in the world in 1980. For countries of recent formation, the data is available for 1990-95. The numbers are in percent (scale from 0 to 100). The three religions identified here are: (1) Roman Catholic; (2) Protestant; and (3) Muslim. The residual is called "other religions". Sources: <i>World Christian Encyclopedia 1982, Worldmark Encyclopedia of Nations 1995, Statistical Abstract of the World 1995, Demographic Yearbook 1995, CIA World Factbook 1996.</i>	209
<b>Economic Development:</b>		
Latitude	The absolute value of the latitude of the country, scaled to take values between 0 and 1. Source: <i>CIA Factbook.</i>	209
Log GNP per capita	Logarithm of GNP per capita expressed in current US dollars for the period 1970-1995. Source: <i>WDI.</i>	186

**Table 2**  
Correlations of dependent variables

	Interference with private sector				Efficiency				Output of public goods				Size of public sector			Political freedom
	Property rights index	Business regulation index	Top tax rate	Corrupt.	Bureau. delays	Tax compl.	Gov. wages / GNP pc.	L. infant mortality	L. school attainm.	Illiteracy rate	Infrastr. index	Transf. & Subs. / GDP	Gov. consum / GDP	SOEs index	Gov. labor / population	Democracy Index
Business regulation	.7382 <sup>a</sup>															
Top tax rate	.1190	.0752														
Corruption	.5035 <sup>a</sup>	.4066 <sup>a</sup>	.2613													
Bureaucratic delays	.7100 <sup>a</sup>	.6938 <sup>a</sup>	.2789	.8550 <sup>a</sup>												
Tax compliance	.6628 <sup>a</sup>	.5640 <sup>a</sup>	.0059	.5353 <sup>a</sup>	.6552 <sup>a</sup>											
Gov. wages - GNP percap.	-.0277	.0022	-.2862	-.5039 <sup>a</sup>	-.3598	.0013										
Log infant mortality	-.5860 <sup>a</sup>	-.5704 <sup>a</sup>	-.2385	-.7192 <sup>a</sup>	-.8075 <sup>a</sup>	-.5516 <sup>b</sup>	.4585 <sup>b</sup>									
Log school attainment	.6553 <sup>a</sup>	.5684 <sup>a</sup>	.1888	.6912 <sup>a</sup>	.6783 <sup>a</sup>	.5080	-.4874	-.8674 <sup>a</sup>								
Illiteracy rate	-.4211 <sup>a</sup>	-.4392 <sup>a</sup>	.3115	-.2250	-.4342	-.1162	.6113	.7811 <sup>a</sup>	-.8694 <sup>a</sup>							
Infrastructure index	.7410 <sup>a</sup>	.6836 <sup>a</sup>	.4035	.8142 <sup>a</sup>	.9298 <sup>a</sup>	.6229 <sup>a</sup>	-.3429	-.7907 <sup>a</sup>	.6793 <sup>a</sup>	-.3759						
Transfers & subs. / GDP	.4831 <sup>a</sup>	.3257	.4183 <sup>b</sup>	.6512 <sup>a</sup>	.4858 <sup>a</sup>	.1207	-.5229	-.7147 <sup>a</sup>	.6514 <sup>a</sup>	-.3038	.5545 <sup>a</sup>					
G. consumpt. / GDP	.1788	.1884	.3324	.4604 <sup>a</sup>	.4662	.2402	-.1852	-.3300	.2734	.0012	.4686 <sup>a</sup>	.4005 <sup>b</sup>				
SOEs index	.2431	.2950	-.1683	.1550	.5379 <sup>a</sup>	.6008 <sup>a</sup>	.1657	-.1794	.1446	-.1705	.4735 <sup>a</sup>	-.2976	-.1434			
Gov. labor / population	.3811 <sup>b</sup>	.3157	.2692	.6077 <sup>a</sup>	.4703	.3047	-.4202	.7064 <sup>a</sup>	.6833 <sup>a</sup>	-.5207 <sup>a</sup>	.4969 <sup>b</sup>	.7222 <sup>a</sup>	.0362	.5235 <sup>a</sup>		
Democracy index	.5921 <sup>c</sup>	.4735 <sup>a</sup>	.1209	.6395 <sup>a</sup>	.6653 <sup>a</sup>	.3120	-.2132	-.7033 <sup>a</sup>	.6606 <sup>a</sup>	-.4545 <sup>a</sup>	.7381 <sup>a</sup>	.4727 <sup>a</sup>	.2386	.5141 <sup>a</sup>		
Political rights index	.6022 <sup>a</sup>	.4600 <sup>b</sup>	.0338	.5388 <sup>a</sup>	.6251 <sup>a</sup>	.2165	-.1169	-.5673 <sup>a</sup>	.6708 <sup>a</sup>	-.4171 <sup>a</sup>	.6681 <sup>a</sup>	.5954 <sup>a</sup>	.1520	.3702 <sup>a</sup>	.7394 <sup>a</sup>	

a = significant at 1% level; b = significant at 5% level; c = significant at 10% level.



**Table 3**  
**Correlations of independent variables**

	Ethnolinguistic fractionalization	English legal origin	Socialist legal origin	French legal origin	German legal origin	Scandinavian legal origin	Protestant	Catholic	Muslim	Other religions	Latitude
English legal origin	.1568										
Socialist legal origin	-.1741	-.3223 <sup>a</sup>									
French legal origin	.0538	-.6345 <sup>a</sup>	-.3894 <sup>a</sup>								
German legal origin	-.1491	-.1339	-.0822	-.1618							
Scandinavian legal origin	-.1566	-.1126	-.0691	-.1361	-.0287						
Protestant	-.0576	.2446 <sup>b</sup>	-.2062	-.2754 <sup>a</sup>	.0238	.5165 <sup>a</sup>					
Catholic	-.1882	-.2316	-.1984	.4013 <sup>a</sup>	.0328	-.1386	-.1569				
Muslim	.1912	-.0725	-.0483	.1779	-.1152	-.0975	-.3473 <sup>a</sup>	-.4885 <sup>a</sup>			
Other religions	.0615	.1348	.4504 <sup>a</sup>	-.4601 <sup>a</sup>	.0745	-.1104	-.1683	-.4746 <sup>a</sup>	-.3021 <sup>a</sup>		
Latitude	-.4458 <sup>a</sup>	-.2758 <sup>a</sup>	.4426 <sup>a</sup>	-.2429	.1745	.3382 <sup>a</sup>	.1872	-.1389	-.0664	.1160	
Log GNP per capita	-.4427 <sup>a</sup>	-.0096	-.0193	-.1651	-.2687 <sup>b</sup>	.2817 <sup>b</sup>	.2614 <sup>b</sup>	.1216	-.1875	-.1102	.5314 <sup>a</sup>

a=significant at 1% level; b=significant at 5% level; c=significant at 10% level.

**Table 4**  
**Government performance and legal origin**

Ordinary least squares regressions of a cross-section of countries around the world. The dependent variables are classified into five different groups: (i) interference with the private sector; (ii) efficiency; (iii) output of public goods; (iv) size of public sector; and (v) political freedom. Robust standard errors are shown in parentheses. The independent variables are: (1) an average of 5 indicators of ethnolinguistic fractionalization; (2) a set of "legal origin" dummies ( Socialist, French, German, Scandinavian and the omitted dummy being English); (3) latitude; and (4) log GNP per capita.

Dependent Variables	Independent Variables								Adj. R <sup>2</sup> [N]
	Ethnolinguistic fractionalization	Socialist legal origin	French legal origin	German legal origin	Scandinavian legal origin	Latitude	Log GNP per capita	Intercept	
<i>Interference with the private sector</i>									
Property rights index	-0.8259 <sup>b</sup> (0.2995)	-1.3861 <sup>a</sup> (0.3800)	-0.7037 <sup>a</sup> (0.2005)	1.0839 <sup>a</sup> (0.2206)	0.8794 <sup>a</sup> (0.2853)	-----	-----	3.9813 <sup>a</sup> (0.2346)	0.3164 [124]
	0.3317 (0.2630)	-1.1139 <sup>a</sup> (0.2618)	-0.5592 <sup>a</sup> (0.1455)	0.0684 (0.2481)	-0.5310 <sup>b</sup> (0.2619)	1.6382 <sup>a</sup> (0.4957)	0.4172 <sup>a</sup> (0.0720)	0.1907 (0.5028)	0.6311 [124]
Business regulation index	-1.0995 <sup>a</sup> (0.2747)	-1.0508 <sup>a</sup> (0.2988)	-0.4668 <sup>b</sup> (0.1860)	-0.0907 (0.2685)	-0.0966 (0.2680)	-----	-----	3.3774 <sup>a</sup> (0.2216)	0.1974 [124]
	-0.2452 (0.2483)	-0.6104 <sup>b</sup> (0.2365)	-0.3457 <sup>b</sup> (0.1329)	-0.8799 <sup>a</sup> (0.2646)	-0.9913 <sup>a</sup> (0.2471)	0.1776 (0.5372)	0.4382 <sup>a</sup> (0.0767)	-0.1049 (0.5005)	0.5216 [124]
Top marginal tax rate in 1994	4.8702 (5.4254)	13.1457 <sup>b</sup> (5.1124)	2.1327 (3.0166)	10.8190 <sup>c</sup> (5.6843)	19.6456 <sup>a</sup> (5.2545)	-----	-----	36.1538 <sup>a</sup> (3.0844)	0.1460 [79]
	17.0318 <sup>b</sup> (6.5439)	11.5953 <sup>c</sup> (6.1884)	4.4868 (2.8969)	6.6684 (6.0867)	10.4847 <sup>c</sup> (5.8976)	20.8175 <sup>b</sup> (9.2875)	2.3956 (1.6754)	7.4816 (13.217)	0.2758 [79]
<i>Efficiency</i>									
Corruption	-2.1657 <sup>a</sup> (0.7622)	-0.0716 (0.6729)	-0.7552 (0.5125)	1.6525 <sup>c</sup> (0.8932)	3.5506 <sup>a</sup> (0.5879)	-----	-----	6.6085 <sup>a</sup> (0.6306)	0.2983 [114]
	0.6466 (0.8108)	0.2337 (0.6066)	-0.4105 (0.3873)	0.0091 (0.5378)	0.7869 <sup>c</sup> (0.4840)	4.0864 <sup>a</sup> (1.3598)	0.7953 <sup>a</sup> (0.1910)	-1.2485 (1.4530)	0.5764 [114]
Bureaucratic delays	-1.9774 <sup>a</sup> (0.6289)	-2.1272 <sup>a</sup> (0.6034)	-1.4942 <sup>a</sup> (0.3956)	0.5035 (0.5862)	0.3617 (0.4016)	-----	-----	6.1036 <sup>a</sup> (0.3861)	0.5027 [54]
	0.1833 (0.6424)	-0.4898 (0.5783)	-0.8478 <sup>a</sup> (0.2774)	0.1754 (0.3257)	-0.0665 (0.2724)	-0.1704 (0.9509)	0.7675 <sup>a</sup> (0.1722)	-0.8376 (1.3409)	0.7435 [54]
Tax compliance	-1.3688 <sup>b</sup> (0.6014)	-2.0663 <sup>a</sup> (0.2907)	-1.6107 <sup>a</sup> (0.2566)	-0.5537 (0.3359)	-0.9029 <sup>a</sup> (0.2987)	-----	-----	4.4435 <sup>a</sup> (0.2353)	0.4995 [48]
	-0.7822 (0.6782)	-1.3561 <sup>b</sup> (0.5349)	-1.3226 <sup>a</sup> (0.2738)	-0.6174 <sup>b</sup> (0.2744)	-0.8640 <sup>b</sup> (0.3392)	-0.7798 (0.9042)	0.3469 <sup>b</sup> (0.1708)	1.5782 (1.4022)	0.5718 [48]
Avg. government wages / GNP per capita	0.4962 (0.9003)	-0.5503 <sup>c</sup> (0.2844)	1.0939 <sup>a</sup> (0.2881)	-0.3595 (0.2267)	-0.4707 <sup>c</sup> (0.2554)	-----	-----	1.5625 <sup>a</sup> (0.2697)	0.4272 [47]
	0.1654 (0.6898)	-1.6913 <sup>a</sup> (0.4749)	0.5171 (0.3128)	0.0939 (0.3640)	-0.4526 (0.3705)	1.9247 <sup>b</sup> (0.8489)	-0.6425 <sup>a</sup> (0.1502)	6.4064 <sup>a</sup> (1.1449)	0.6041 [47]
<i>Output of public goods</i>									
Log of infant mortality	1.4426 <sup>a</sup> (0.1816)	0.4598 <sup>c</sup> (0.2509)	0.3816 <sup>a</sup> (0.1313)	-0.8521 <sup>a</sup> (0.2688)	-1.2477 <sup>a</sup> (0.1399)	-----	-----	3.2093 <sup>a</sup> (0.1393)	0.4299 [151]
	0.4452 <sup>a</sup> (0.1247)	-0.1008 (0.1630)	0.2094 <sup>a</sup> (0.0726)	0.0506 (0.1336)	-0.2325 <sup>b</sup> (0.1153)	-0.1451 (0.2973)	-0.5233 <sup>a</sup> (0.0401)	7.3733 <sup>a</sup> (0.2769)	0.8385 [151]
Log of school attainment	-0.9514 <sup>a</sup> (0.1596)	0.4098 <sup>a</sup> (0.1138)	-0.2763 <sup>a</sup> (0.1057)	0.1962 (0.1466)	0.3962 <sup>a</sup> (0.1141)	-----	-----	1.8309 <sup>a</sup> (0.1136)	0.4004 [102]
	-0.2384 (0.1185)	0.5494 <sup>a</sup> (0.0831)	-0.1883 <sup>a</sup> (0.0686)	-0.2317 <sup>a</sup> (0.0844)	-0.0876 (0.0977)	-0.3054 (0.2547)	0.3479 <sup>b</sup> (0.0352)	-0.8604 <sup>a</sup> (0.2514)	0.7556 [102]

Dependent Variables	Independent Variables								Adj. R <sup>2</sup> [N]
	Ethnolinguistic fractionalization	Socialist legal origin	French legal origin	German legal origin	Scandinavian legal origin	Latitude	Log GNP per capita	Intercept	
Literacy rate	32.0410 <sup>a</sup> (6.0274)	9.9141 (8.2983)	8.1702 <sup>b</sup> (4.1744)	-11.556 <sup>a</sup> (4.2921)	-----	-----	-----	14.4063 (4.2921)	0.2154 [116]
	16.4024 <sup>a</sup> (5.0588)	-12.947 (8.7744)	5.1094 <sup>c</sup> (2.9942)	-7.1497 <sup>b</sup> (3.2073)	-----	28.4967 <sup>b</sup> (11.410)	-14.289 <sup>a</sup> (1.7650)	113.086 <sup>a</sup> (12.882)	0.5945 [116]
Infrastructure quality index	-2.4722 <sup>a</sup> (0.6830)	-3.5534 <sup>a</sup> (0.9442)	-1.7139 <sup>a</sup> (0.4666)	0.8913 (0.7314)	0.6043 (0.4535)	-----	-----	7.2514 <sup>a</sup> (0.4666)	0.5314 [54]
	0.7378 (0.5581)	-1.5345 <sup>c</sup> (0.8026)	-0.7726 <sup>a</sup> (0.2787)	0.4386 (0.3882)	-0.3074 (0.2994)	1.3420 (0.9022)	0.9478 <sup>a</sup> (0.1776)	2.0253 (1.3525)	0.8240 [54]
<b>Size of public sector</b>									
Transfers and subsidies as % of GDP	-11.069 <sup>a</sup> (1.9433)	9.5935 <sup>a</sup> (2.8150)	-1.7408 (1.4086)	0.7947 (3.3462)	8.4380 <sup>a</sup> (3.0626)	-----	-----	12.3694 <sup>a</sup> (1.5847)	0.4135 [88]
	-1.0853 (1.7668)	6.7989 <sup>b</sup> (2.7920)	0.5268 (1.0485)	-3.7271 (2.3284)	-1.6230 (3.3284)	22.2183 <sup>a</sup> (3.9537)	1.8792 <sup>a</sup> (0.5528)	-11.538 <sup>a</sup> (4.2783)	0.7218 [88]
Government consumption as % of GDP	-2.0344 (1.4620)	-5.7350 <sup>a</sup> (1.3459)	-1.6788 (1.1198)	-1.5499 (1.8936)	5.9173 <sup>a</sup> (1.9874)	-----	-----	16.3402 <sup>a</sup> (1.2285)	0.1818 [100]
	0.6617 (1.5967)	-6.7699 <sup>a</sup> (1.3787)	-1.2052 (1.0411)	-3.3049 <sup>c</sup> (1.9298)	2.6416 (2.2078)	5.9178 <sup>c</sup> (3.2642)	0.6555 (0.5206)	9.0833 <sup>a</sup> (3.4203)	0.2594 [100]
SDEs in the economy index	-1.7653 <sup>b</sup> (0.7042)	-4.9635 <sup>a</sup> (0.4746)	-0.1209 (0.4774)	0.5434 (1.0262)	-1.1847 (0.7603)	-----	-----	5.3144 <sup>a</sup> (0.5031)	0.2213 [100]
	-1.4844 <sup>b</sup> (0.7489)	-4.4589 <sup>a</sup> (0.5099)	-0.0683 (0.4662)	0.1212 (1.0293)	-1.2105 (0.8639)	-2.1800 (1.7007)	0.4492 <sup>b</sup> (0.2102)	2.5190 <sup>c</sup> (1.3091)	0.2575 [100]
Public sector employment / total population	-3.4957 <sup>a</sup> (0.6232)	-0.6837 (0.8481)	-1.1089 <sup>b</sup> (0.4762)	-0.5941 (0.9998)	8.8644 <sup>a</sup> (1.1733)	-----	-----	5.2341 <sup>a</sup> (0.5465)	0.5877 [101]
	-0.9478 <sup>c</sup> (0.5618)	0.6269 (0.7439)	-0.6723 <sup>b</sup> (0.3283)	-2.5966 <sup>a</sup> (0.9226)	6.6636 <sup>a</sup> (1.2112)	0.1170 (1.8435)	1.2429 <sup>a</sup> (0.2421)	-4.7012 <sup>a</sup> (1.4857)	0.7644 [101]
<b>Political freedom</b>									
Democracy index	-4.1753 <sup>a</sup> (1.0769)	-5.4741 <sup>a</sup> (0.7942)	-2.4889 <sup>a</sup> (0.7453)	0.8801 (1.7639)	3.4016 <sup>a</sup> (0.8019)	-----	-----	6.9052 <sup>a</sup> (0.8510)	0.3217 [125]
	-0.4720 (0.9398)	-3.8954 <sup>a</sup> (0.7875)	-2.0485 <sup>a</sup> (0.5504)	-2.5033 <sup>b</sup> (1.2611)	-0.7896 (0.6022)	1.6326 (2.6534)	1.8107 <sup>a</sup> (0.3016)	-7.6192 <sup>c</sup> (1.7230)	0.6235 [125]
Political rights index	-2.1852 <sup>a</sup> (0.5625)	-1.4376 <sup>c</sup> (0.8028)	-0.5438 (0.3631)	1.2831 <sup>a</sup> (0.4058)	1.4713 <sup>a</sup> (0.3243)	-----	-----	5.6893 <sup>a</sup> (0.3462)	0.1696 [152]
	-0.5865 (0.5799)	-1.0240 (0.6698)	-0.3322 (0.3262)	-0.2927 (0.3348)	-0.6364 (0.4028)	2.1300 (1.3905)	0.6545 <sup>a</sup> (0.1962)	-0.0442 (1.2936)	0.3409 [152]

a=Significant at 1% level; b=Significant at 5% level; c=Significant at 10% level.

**Table 5**  
**Government performance and religion**

Ordinary least squares regressions of a cross-section of countries around the world. The dependent variables are classified into five different groups: (i) interference with the private sector; (ii) efficiency; (iii) output of public goods; (iv) size of the public sector; and (v) political freedom. Robust standard errors are shown in parentheses. The independent variables are: (1) an average of 5 indicators of ethno-linguistic fractionalization; (2) Roman Catholic population (as a % of total); (3) Muslim population (as a % of total); (4) other denominations which is the residual population which does not report to profess Protestant, Catholic or Muslim religions (as a % of total population) (the omitted population is the Protestant population); (5) latitude; (6) log GNP per capita.

Dependent Variables	Independent Variables						Intercept	Adj. R <sup>2</sup> [N]
	Ethnolinguistic fractionalization	Catholic	Muslim	Other denominations	Latitude	Log GNP per capita		
<i>Interference with the private sector</i>								
Property rights index	-0.6782 <sup>b</sup> (0.2837)	-0.0136 <sup>a</sup> (0.0033)	-0.0191 <sup>a</sup> (0.0036)	-0.0146 <sup>a</sup> (0.0044)	-----	-----	4.8511 <sup>a</sup> (0.2669)	0.1751 [124]
	0.5977 <sup>b</sup> (0.2715)	-0.0018 (0.0023)	-0.0028 (0.0039)	-0.0008 (0.0031)	1.0599 <sup>c</sup> (0.5927)	0.5065 <sup>a</sup> (0.0905)	-0.6214 (0.6470)	0.5534 [124]
Business regulation index	-0.8425 <sup>a</sup> (0.2397)	-0.0051 <sup>c</sup> (0.0026)	-0.0080 <sup>b</sup> (0.0032)	-0.0030 (0.0038)	-----	-----	3.3945 <sup>a</sup> (0.2259)	0.1280 [124]
	-0.0938 (0.2499)	0.0022 (0.0028)	0.0044 (0.0037)	0.0069 <sup>b</sup> (0.0031)	-0.5668 (0.5431)	0.5019 <sup>a</sup> (0.0811)	-1.0849 (0.6024)	0.4832 [124]
Top marginal tax rate in 1994	-4.1950 (5.3031)	-0.1741 <sup>a</sup> (0.0621)	-0.0733 (0.0614)	-0.1210 (0.0740)	-----	-----	54.6132 <sup>a</sup> (5.4033)	0.1123 [79]
	10.3710 (6.5545)	-0.0528 (0.0652)	0.0401 (0.0677)	-0.0287 (0.0793)	21.6080 <sup>b</sup> (9.8276)	2.3691 (1.8765)	16.0797 (15.303)	0.2524 [79]
<i>Efficiency</i>								
Corruption	-2.7490 <sup>a</sup> (0.6294)	-0.0372 <sup>a</sup> (0.0086)	-0.0430 <sup>a</sup> (0.0084)	-0.0281 <sup>a</sup> (0.0078)	-----	-----	9.7124 <sup>a</sup> (0.7729)	0.2856 [114]
	0.5425 (0.8118)	-0.0088 (0.0076)	-0.0089 (0.0077)	-0.0002 (0.0072)	4.5201 <sup>a</sup> (1.3451)	0.7685 <sup>a</sup> (0.1656)	-0.7953 (1.6261)	0.5785 [114]
Bureaucratic delays	-1.3983 <sup>b</sup> (0.6435)	-0.0275 <sup>a</sup> (0.0060)	-0.0368 <sup>a</sup> (0.0067)	-0.0195 <sup>b</sup> (0.0080)	-----	-----	7.3743 <sup>a</sup> (0.5321)	0.4174 [54]
	0.4664 (0.5602)	-0.0118 <sup>b</sup> (0.0048)	-0.0151 <sup>c</sup> (0.0076)	-0.0029 (0.0054)	-0.1791 (0.9667)	0.8158 <sup>a</sup> (0.1608)	-0.9464 (1.3895)	0.7465 [54]
Tax compliance	-0.6224 (0.6206)	-0.0120 <sup>a</sup> (0.0042)	-0.0081 (0.0053)	-0.0005 (0.0051)	-----	-----	3.8719 <sup>a</sup> (0.3225)	0.1934 [48]
	0.0704 (0.5118)	-0.0060 (0.0046)	0.0061 (0.0068)	0.0052 (0.0049)	-1.3669 <sup>c</sup> (0.7438)	0.6488 <sup>a</sup> (0.0962)	-1.6844 <sup>c</sup> (0.9590)	0.5143 [48]
Avg. government wages / GNP per capita	0.6454 (0.9849)	0.0125 <sup>a</sup> (0.0041)	0.0220 <sup>a</sup> (0.0041)	0.0078 (0.0076)	-----	-----	0.9357 <sup>a</sup> (0.2620)	0.3044 [47]
	0.5692 (0.8712)	0.0039 (0.0042)	0.0102 <sup>c</sup> (0.0057)	-0.0011 (0.0096)	-0.5068 (0.9240)	-0.2923 (0.1828)	4.2686 <sup>a</sup> (1.5396)	0.3990 [47]
<i>Output of public goods</i>								
Log of infant mortality	1.4039 <sup>a</sup> (0.1656)	0.0083 <sup>a</sup> (0.0027)	0.0166 <sup>a</sup> (0.0024)	0.0082 <sup>a</sup> (0.0033)	-----	-----	2.5138 <sup>a</sup> (0.2244)	0.4292 [151]
	0.4047 <sup>a</sup> (0.1284)	0.0003 (0.0015)	0.0046 <sup>a</sup> (0.0017)	-0.0016 (0.0017)	-0.4940 <sup>b</sup> (0.2450)	-0.4879 <sup>a</sup> (0.0370)	7.2572 <sup>a</sup> (0.3063)	0.8506 [151]
Log of school attainment	-0.8640 <sup>a</sup> (0.1414)	-0.0043 <sup>b</sup> (0.0017)	-0.0112 <sup>a</sup> (0.0017)	-0.0031 (0.0022)	-----	-----	2.1424 <sup>a</sup> (0.1458)	0.4830 [102]
	-0.1774 (0.1255)	-0.0008 (0.0018)	-0.0055 <sup>a</sup> (0.0017)	-0.0005 (0.0020)	0.1143 (0.2684)	0.2747 <sup>a</sup> (0.0391)	-0.4212 (0.3175)	0.7603 [102]

Dependent Variables	Independent Variables							
	Ethnolinguistic fractionalization	Catholic	Muslim	Other denominations	Latitude	Log GNP per capita	Intercept	Adj. R <sup>2</sup> [N]
Illiteracy rate	27.7599 <sup>a</sup> (5.3080)	0.0908 (0.0988)	0.3875 <sup>a</sup> (0.0960)	0.1598 (0.1265)	-----	-----	3.6510 (9.1492)	0.3860 [116]
	15.0234 <sup>a</sup> (5.1316)	0.0313 (0.0674)	0.2490 <sup>a</sup> (0.0718)	0.0381 (0.0906)	8.3258 (13.165)	-12.066 <sup>a</sup> (1.2225)	96.5462 <sup>a</sup> (10.488)	0.6690 [116]
Infrastructure quality index	-1.6625 <sup>b</sup> (0.7231)	-0.0364 <sup>a</sup> (0.0081)	-0.0469 <sup>a</sup> (0.0085)	-0.0297 <sup>b</sup> (0.0113)	-----	-----	9.1259 <sup>a</sup> (0.6915)	0.3774 [54]
	1.2809 <sup>b</sup> (0.6039)	-0.0112 <sup>c</sup> (0.0057)	-0.0131 (0.0092)	-0.0030 (0.0057)	0.4773 (1.0769)	1.1732 <sup>a</sup> (0.1847)	-3.3849 <sup>b</sup> (1.5471)	0.8059 [54]
<i>Size of public sector</i>								
Transfers and subsidies as % of GDP	-12.663 <sup>a</sup> (1.9090)	-0.0860 <sup>b</sup> (0.0331)	-0.1090 <sup>a</sup> (0.0281)	-0.0729 <sup>b</sup> (0.0347)	-----	-----	20.1694 <sup>a</sup> (2.7997)	0.3414 [88]
	-0.5782 (2.0731)	0.0395 (0.0292)	-0.0003 (0.0298)	0.0333 (0.0319)	28.2789 <sup>a</sup> (3.7928)	0.8617 <sup>c</sup> (0.4963)	-8.2484 (4.9815)	0.6950 [88]
Government consumption as % of GDP	-2.2423 (1.3779)	-0.0962 <sup>a</sup> (0.0181)	-0.0639 <sup>a</sup> (0.0193)	-0.0851 <sup>a</sup> (0.0264)	-----	-----	22.8594 <sup>a</sup> (1.5556)	0.1932 [100]
	0.1052 (1.5478)	-0.0750 <sup>a</sup> (0.0192)	-0.0323 (0.0227)	-0.0683 <sup>b</sup> (0.0279)	-0.0968 (3.1882)	1.1052 <sup>b</sup> (0.5137)	12.1620 <sup>a</sup> (4.4892)	0.2564 [100]
SOEs in the economy index	-0.9083 (0.7474)	0.0036 (0.0089)	-0.0061 (0.0085)	-0.0061 (0.0122)	-----	-----	4.7480 <sup>a</sup> (0.7444)	0.0396 [100]
	-1.2360 (0.8074)	-0.0026 (0.0109)	-0.0023 (0.0101)	-0.0067 (0.0129)	-4.9474 <sup>b</sup> (2.0089)	0.6518 <sup>b</sup> (0.2504)	1.7897 (1.9201)	0.1277 [100]
Public sector employment / total population	-4.0507 <sup>a</sup> (0.6329)	-0.0764 <sup>a</sup> (0.0158)	-0.0740 <sup>a</sup> (0.0135)	-0.0761 <sup>a</sup> (0.0146)	-----	-----	11.6229 <sup>a</sup> (1.4097)	0.4694 [100]
	-1.3935 (0.6972)	-0.0498 <sup>a</sup> (0.0128)	-0.0422 <sup>a</sup> (0.0121)	-0.0454 <sup>a</sup> (0.0140)	2.3145 (1.7412)	0.9498 <sup>a</sup> (0.2490)	0.8020 (2.2609)	0.6332 [100]
<i>Political freedom</i>								
Democracy index	-3.0046 <sup>a</sup> (0.9543)	-0.0550 <sup>a</sup> (0.0112)	-0.0865 <sup>a</sup> (0.0111)	-0.0692 <sup>a</sup> (0.0129)	-----	-----	10.8593 <sup>a</sup> (0.8900)	0.3026 [125]
	0.5512 (0.9931)	-0.0204 <sup>c</sup> (0.0120)	-0.0357 <sup>a</sup> (0.0133)	-0.0259 <sup>c</sup> (0.0134)	0.8540 (2.5435)	1.7378 <sup>a</sup> (0.3968)	-6.5016 <sup>a</sup> (2.2928)	0.5741 [125]
Political rights index	-1.5323 <sup>a</sup> (0.5202)	-0.0127 <sup>b</sup> (0.0050)	-0.0432 <sup>a</sup> (0.0054)	-0.0254 <sup>a</sup> (0.0069)	-----	-----	7.2391 <sup>a</sup> (0.4178)	0.3510 [152]
	-0.0755 (0.5516)	-0.0006 (0.0052)	-0.0291 <sup>a</sup> (0.0066)	-0.0132 <sup>b</sup> (0.0067)	2.6524 <sup>a</sup> (0.9412)	0.4192 <sup>a</sup> (0.1548)	2.0483 (1.2980)	0.4755 [152]

a=Significant at 1% level; b=Significant at 5% level; c=Significant at 10% level.

**Table 6**  
**Government performance, legal origin and religion**

Ordinary least squares regressions of a cross-section of countries around the world. The dependent variables are classified into five different groups: (i) interference with the private sector; (ii) public sector efficiency; (iii) output of public goods; (iv) size of public sector; and (v) political freedom. Robust standard errors are shown in parentheses. The independent variables are: (1) an average of 5 indicators of ethno-linguistic fractionalization; (2) a set of "legal origin" dummies (French, Socialist, German, Scandinavian and the omitted dummy being English); (3) Roman Catholic population (as a % of total); (4) Muslim population (as a % of total); (5) residual population (as a % of total); (6) latitude; (7) log GNP per capita; (8) other denominations which is the residual population which does not report to profess Protestant, Catholic or Muslim religions (as a % of total population); (9) omitted population is the Protestant population; (10) log GNP per capita.

Dependent Variables	Independent Variables										Adj. R <sup>2</sup> [N]	
	Ethnolinguistic fractionalization	Socialist legal origin	French legal origin	German legal origin	Scandinavian legal origin	Catholic	Muslim	Other religions	Latitude	Log GNP per capita		Intercept
<i>Interference with the private sector</i>												
Property rights index	-0.7013 <sup>b</sup> (0.3041)	-1.3894 <sup>a</sup> (0.3932)	-0.7900 <sup>a</sup> (0.2730)	0.9918 <sup>a</sup> (0.2052)	0.9416 <sup>c</sup> (0.5101)	0.0041 (0.0066)	-0.0037 (0.0068)	-0.0003 (0.0060)	-----	-----	3.9053 <sup>a</sup> (0.5176)	0.3557 [124]
Business regulation index	0.3843 (0.2661)	-1.2522 <sup>a</sup> (0.3048)	-0.6531 <sup>a</sup> (0.1870)	0.0519 (0.2383)	-0.1921 (0.4238)	0.0062 (0.0044)	0.0024 (0.0050)	0.0049 (0.0044)	1.7985 <sup>a</sup> (0.5801)	0.3892 <sup>a</sup> (0.0929)	-0.0431 (0.7176)	0.6408 [124]
Top marginal tax rate in 1994	-1.0988 <sup>a</sup> (0.2759)	-1.2348 <sup>a</sup> (0.3420)	-0.3404 (0.2277)	-0.1500 (0.2375)	-0.0095 (0.4170)	-0.0004 (0.0053)	-0.0034 (0.0055)	0.0040 (0.0053)	-----	-----	3.2539 <sup>a</sup> (0.4318)	0.2299 [124]
	-0.2661 (0.2479)	-0.8376 <sup>a</sup> (0.2812)	-0.2491 (0.1633)	-0.9027 <sup>a</sup> (0.1810)	-0.6382 (0.4003)	0.0030 (0.0043)	0.0039 (0.0046)	0.0084 <sup>c</sup> (0.0043)	0.1859 (0.5908)	0.4570 <sup>a</sup> (0.0914)	-0.7207 (0.6776)	0.5479 [124]
	1.4378 (5.7018)	14.9193 <sup>a</sup> (4.6331)	6.5827 (4.4391)	10.5544 <sup>c</sup> (5.8712)	11.1248 (9.6287)	-0.1657 (0.1233)	-0.0586 (0.1103)	-0.0791 (0.1152)	-----	-----	45.8541 <sup>a</sup> (10.121)	0.2039 [79]
	13.9829 <sup>b</sup> (6.5626)	13.9606 <sup>b</sup> (6.0011)	7.6698 <sup>c</sup> (4.1466)	6.4841 (5.9912)	7.1961 (7.6966)	-0.0962 (0.0908)	0.0159 (0.0918)	-0.0215 (0.1023)	16.8895 (10.964)	2.9196 (1.8765)	8.9102 (15.468)	0.3229 [79]
<i>Efficiency</i>												
Corruption	-2.2008 <sup>a</sup> (0.8273)	-0.1559 (0.6641)	-0.5023 (0.5516)	1.4193 (0.8955)	2.6055 (1.6767)	-0.0115 (0.0203)	-0.0204 (0.0189)	-0.0087 (0.0180)	-----	-----	7.6444 <sup>a</sup> (1.8791)	0.3237 [114]
Bureaucratic delays	0.5909 (0.8821)	-0.0732 (0.5916)	-0.2364 (0.4404)	-0.0929 (0.5779)	0.9132 (1.1987)	0.0001 (0.0149)	-0.0014 (0.0143)	0.0067 (0.0134)	4.3158 <sup>a</sup> (1.4094)	0.7725 <sup>a</sup> (0.1984)	-1.3701 (2.1381)	0.5818 [114]
Tax compliance	-2.0774 <sup>a</sup> (0.6394)	-2.0465 <sup>a</sup> (0.5910)	-1.0801 <sup>a</sup> (0.4012)	0.1384 (0.4674)	-2.3447 <sup>a</sup> (0.8156)	-0.0350 <sup>a</sup> (0.0107)	-0.0442 <sup>a</sup> (0.0105)	-0.0322 <sup>a</sup> (0.0106)	-----	-----	9.1862 <sup>a</sup> (0.8196)	0.6430 [54]
	-0.2225 (0.6107)	-0.7470 (0.6091)	-0.5488 <sup>c</sup> (0.3206)	-0.0030 (0.3308)	-1.6180 <sup>b</sup> (0.6397)	-0.0224 <sup>b</sup> (0.0090)	-0.0264 <sup>b</sup> (0.0107)	-0.0165 <sup>c</sup> (0.0089)	0.1007 (1.1806)	0.6362 <sup>a</sup> (0.2220)	2.0056 (2.0288)	0.7885 [54]
	-1.4229 <sup>b</sup> (0.5966)	-1.9495 <sup>a</sup> (0.3106)	-1.4780 <sup>a</sup> (0.3036)	-0.5448 <sup>c</sup> (0.3203)	-1.4599 <sup>b</sup> (0.5636)	-0.0090 (0.0079)	-0.0038 (0.0086)	-0.0071 (0.0075)	-----	-----	5.0747 <sup>a</sup> (0.6132)	0.5201 [48]
Avg. government wages / GNP per capita	-0.6969 (0.6030)	-0.9764 <sup>b</sup> (0.4741)	-1.0886 <sup>a</sup> (0.2587)	-0.5867 <sup>b</sup> (0.2714)	-1.0331 <sup>c</sup> (0.5601)	-0.0056 (0.0070)	0.0054 (0.0087)	-0.0013 (0.0074)	-1.0134 (0.7531)	0.4711 <sup>a</sup> (0.1430)	0.7286 (1.5921)	0.6283 [48]
	0.9124 (0.8598)	-0.7845 <sup>a</sup> (0.2731)	1.2156 <sup>a</sup> (0.3086)	-0.0643 (0.2873)	-0.3760 (0.6509)	-0.0037 (0.0074)	0.0045 (0.0077)	0.0058 (0.0089)	-----	-----	1.3803 <sup>c</sup> (0.7166)	0.5010 [47]
	0.5150 (0.7203)	-1.8937 <sup>a</sup> (0.5136)	1.1686 <sup>a</sup> (0.3380)	0.4324 (0.3049)	-1.3567 <sup>c</sup> (0.7655)	-0.0200 <sup>b</sup> (0.0087)	-0.0204 <sup>c</sup> (0.0101)	-0.0091 (0.0103)	2.4471 <sup>b</sup> (0.9250)	-0.8031 <sup>a</sup> (0.1872)	8.5803 <sup>a</sup> (1.8527)	0.6672 [47]

Dependent Variables

Independent Variables

	Ethno-linguistic fractionalization	Socialist legal origin	French legal origin	German legal origin	Scandinavian legal origin	Catholic	Muslim	Other religions	Latitude	Log GNP per capita	Intercept	Adj. R <sup>2</sup> [N]
<i>Output of public goods</i>												
Log of infant mortality	1.2610 <sup>a</sup> (0.1805)	0.5676 <sup>b</sup> (0.2751)	0.4244 <sup>a</sup> (0.1571)	-0.7441 <sup>a</sup> (0.2692)	-1.4558 <sup>a</sup> (0.2510)	-0.0056 (0.0038)	0.0045 (0.0033)	-0.0036 (0.0038)	-----	-----	3.4664 <sup>a</sup> (0.2827)	0.5255 [151]
Log of school attainment	0.4020 <sup>a</sup> (0.1300)	0.1408 (0.1727)	0.2609 <sup>a</sup> (0.0794)	0.0983 (0.1268)	-0.4970 <sup>b</sup> (0.2120)	-0.0053 <sup>b</sup> (0.0025)	0.0000 (0.0024)	-0.0053 <sup>b</sup> (0.0025)	-0.4252 (0.2836)	-0.4754 <sup>a</sup> (0.0415)	7.4267 <sup>a</sup> (0.3683)	0.8637 [151]
	-0.7840 <sup>a</sup> (0.1499)	0.3276 <sup>a</sup> (0.1058)	-0.2593 <sup>b</sup> (0.1065)	0.1521 (0.1416)	0.3324 (0.2476)	0.0004 (0.0032)	-0.0069 <sup>b</sup> (0.0031)	-0.0008 (0.0034)	-----	-----	1.8889 <sup>a</sup> (0.2801)	0.5322 [102]
	-0.1821 (0.1199)	0.4050 <sup>a</sup> (0.0964)	-0.1914 <sup>a</sup> (0.0643)	-0.2251 <sup>b</sup> (0.0916)	-0.1966 (0.1932)	-0.0000 (0.0025)	-0.0045 (0.0023)	0.0011 (0.0028)	0.0249 (0.2611)	0.2942 <sup>a</sup> (0.0389)	-0.4628 (0.3354)	0.7974 [102]
Illiteracy rate	27.0753 <sup>a</sup> (5.4717)	7.7474 (10.479)	8.9148 <sup>c</sup> (4.9304)	-12.881 <sup>b</sup> (6.1284)	-----	-0.0490 (0.1245)	0.2737 <sup>a</sup> (0.1229)	0.0884 (0.1544)	-----	-----	8.5013 (9.7099)	0.4226 [116]
Infrastructure quality index	12.5505 <sup>b</sup> (5.0585)	-10.404 (9.8843)	6.8149 <sup>c</sup> (3.5124)	-5.0399 (4.6052)	-----	-0.0497 (0.0874)	0.1873 <sup>b</sup> (0.0867)	0.0537 (0.1077)	5.7156 (12.903)	-12.246 <sup>a</sup> (1.3433)	99.6097 <sup>a</sup> (10.965)	0.6878 [116]
	-2.6254 <sup>a</sup> (0.6199)	-3.3972 <sup>a</sup> (0.7994)	-1.1956 <sup>a</sup> (0.4079)	0.4224 (0.6621)	-3.1489 <sup>a</sup> (1.1454)	-0.0482 <sup>a</sup> (0.0131)	-0.0587 <sup>a</sup> (0.0126)	-0.0458 <sup>a</sup> (0.0127)	-----	-----	11.5389 <sup>a</sup> (1.1681)	0.6711 [54]
	0.2361 (0.5079)	-1.8375 <sup>b</sup> (0.7730)	-0.3693 (0.2823)	0.2153 (0.4692)	-2.2470 <sup>a</sup> (0.7525)	-0.0284 <sup>a</sup> (0.0091)	-0.0328 <sup>a</sup> (0.0109)	-0.0204 <sup>b</sup> (0.0087)	1.6779 (1.0857)	0.7915 <sup>a</sup> (0.2180)	1.4527 (1.9191)	0.8647 [54]
<i>Size of public sector</i>												
Transfers and subsidies as % of GDP	-10.429 <sup>a</sup> (2.2704)	10.0018 <sup>a</sup> (2.7618)	-1.6490 (2.1624)	0.7443 (3.1120)	5.8750 (6.5351)	-0.0259 (0.0782)	-0.0514 (0.0697)	-0.0422 (0.0682)	-----	-----	15.2889 <sup>b</sup> (6.4337)	0.4266 [88]
	-0.3402 (2.0479)	6.1352 <sup>b</sup> (3.0242)	0.3590 (1.2501)	-3.6369 (2.3440)	-0.5825 (4.3890)	0.0218 (0.0415)	-0.0087 (0.0393)	0.0157 (0.0394)	24.1427 <sup>a</sup> (3.9456)	1.5940 <sup>a</sup> (0.5324)	-11.381 <sup>b</sup> (5.3205)	0.7297 [88]
Government consumption as % of GDP	-3.0761 <sup>c</sup> (1.5586)	-5.0546 <sup>a</sup> (1.5113)	-0.7166 (1.1828)	-1.7008 (1.9574)	0.2411 (3.2478)	-0.0843 <sup>b</sup> (0.0332)	-0.0558 <sup>c</sup> (0.0303)	-0.0714 <sup>c</sup> (0.0383)	-----	-----	22.7980 <sup>a</sup> (2.6229)	0.2316 [100]
	-0.4569 (1.5940)	-5.4747 <sup>a</sup> (1.4245)	-0.4151 (1.0868)	-3.4240 <sup>c</sup> (2.0800)	-1.4461 (3.0986)	-0.0706 <sup>b</sup> (0.0312)	-0.0339 (0.0315)	-0.0576 (0.0370)	3.1099 (3.4085)	0.9854 <sup>c</sup> (0.5706)	12.5943 <sup>b</sup> (5.3128)	0.3074 [100]
SOEs in the economy index	-1.7574 <sup>b</sup> (0.7749)	-5.0152 <sup>a</sup> (0.5294)	0.0354 (0.5594)	0.3548 (1.0483)	-2.0452 (1.4665)	-0.0098 (0.0180)	-0.0189 (0.0161)	-0.0091 (0.0177)	-----	-----	6.2642 <sup>a</sup> (1.5382)	0.2450 [100]
	-1.5762 <sup>c</sup> (0.8258)	-4.5385 <sup>a</sup> (0.6178)	-0.0379 (0.5697)	0.0848 (1.0463)	-1.9666 (1.3848)	-0.0094 (0.0184)	-0.0137 (0.0165)	-0.0089 (0.0181)	-1.8264 (1.9240)	0.3692 (0.2416)	3.8933 (2.2718)	0.2648 [100]
Public sector employment / total population	-3.3400 <sup>a</sup> (0.6646)	-0.3848 (0.9318)	-1.1109 <sup>b</sup> (0.4833)	-0.6880 (0.9384)	8.0477 <sup>a</sup> (1.8996)	-0.0075 (0.0167)	-0.0149 (0.0143)	-0.0147 (0.0159)	-----	-----	6.2029 <sup>a</sup> (1.4515)	0.5978 [100]
	-0.9215 (0.5762)	0.6805 (0.8417)	-0.7417 <sup>c</sup> (0.3940)	-2.5817 <sup>b</sup> (1.6003)	6.9815 <sup>a</sup> (1.6004)	0.0042 (0.0124)	0.0068 (0.0117)	0.0038 (0.0141)	-0.1045 (2.0524)	1.2912 <sup>a</sup> (0.2835)	-5.3766 <sup>b</sup> (2.3324)	0.7657 [100]

Dependent Variables	Independent Variables										Adj. R <sup>2</sup> [N]	
	Ethnolinguistic fractionalization	Socialist legal origin	French legal origin	German legal origin	Scandinavian legal origin	Catholic	Muslim	Other religions	Latitude	Log GNP per capita		Intercept
<i>Political freedom</i>												
Democracy index	-3.5236 <sup>a</sup> (1.1404)	-4.9840 <sup>a</sup> (0.8777)	-2.5819 <sup>a</sup> (0.8671)	0.4810 (1.5157)	1.5197 (2.0742)	-0.0081 (0.0265)	-0.0464 (0.0247)	-0.0302 (0.0250)	-----	-----	9.0226 <sup>a</sup> (2.3289)	0.4262 [125]
Political rights index	-0.2370 (1.0095)	-4.2093 <sup>a</sup> (0.9607)	-2.1704 <sup>a</sup> (0.6412)	-2.4051 <sup>b</sup> (1.1647)	-1.2381 (1.6795)	0.0031 (0.0217)	-0.0203 (0.0212)	-0.0085 (0.0216)	3.2446 (2.6246)	1.4940 <sup>a</sup> (0.3303)	-5.1883 <sup>c</sup> (2.9477)	0.6511 [125]
	-1.5088 <sup>a</sup> (0.5672)	-1.0721 (0.7895)	-0.7744 <sup>c</sup> (0.4081)	0.9945 <sup>a</sup> (0.3667)	0.6585 (0.6596)	-0.0006 (0.0092)	-0.0327 <sup>a</sup> (0.0090)	-0.0154 (0.0096)	-----	-----	6.5948 <sup>a</sup> (0.7466)	0.3792 [152]
	-0.2595 (0.5705)	-1.3386 <sup>c</sup> (0.6793)	-0.7521 <sup>c</sup> (0.3711)	-0.4058 (0.4524)	-1.5218 <sup>b</sup> (0.6528)	-0.0003 (0.0084)	-0.0305 <sup>a</sup> (0.0086)	-0.0137 (0.0087)	3.9678 <sup>a</sup> (1.0809)	0.3138 <sup>c</sup> (0.1631)	2.9411 <sup>b</sup> (1.4209)	0.5005 [152]

Significant at 1% level; b=Significant at 5% level; c=Significant at 10% level.



**Appendix A**  
**Summary statistics**

Variable	Number of obs.	Mean	Standard Deviation	Minimum	Maximum
<b><i>Interference with the private sector:</i></b>					
Property rights index	149	3.2752	1.1500	1	5
Regulation index	149	2.7047	0.9480	1	5
Top marginal tax rate	82	41.390	12.2812	0	66
<b><i>Efficiency:</i></b>					
Corruption index	126	5.6532	2.2945	0.1786	10
Bureaucratic delays	60	4.6872	1.4454	2.0292	7.7760
Tax compliance	49	3.1571	1.0019	1.43	5.05
Avg. government wages / GNP per capita	63	1.9111	1.2816	0.1	7.1
<b><i>Output of public goods:</i></b>					
Log infant mortality	196	3.7207	0.9020	1.9792	5.2444
Log school achievement	106	1.3934	0.5900	0.1484	2.4356
Illiteracy rate	128	31.0057	22.5418	1.8	81.3
Infrastructure quality	60	5.5284	1.8732	1.5	9.1521
<b><i>Size of public sector:</i></b>					
Transfers and subsidies as % of GDP	90	9.1837	8.3419	0.1	37.2
Government consumption as % of GDP	104	15.028	4.9606	6.68	33.8
SOEs in the economy	104	4.3654	2.2212	0	10
Public sector employment as % of population	124	4.3773	3.2256	.4	17.3973
<b><i>Political freedom:</i></b>					
Democracy index	161	3.6739	3.8922	0	10
Political rights index	209	4.6029	2.2361	1	7
<b><i>Determinants:</i></b>					
Ethno-linguistic fractionalization	161	0.3264	0.3006	0	1
English legal origin	212	0.3443	0.4763	0	1
Socialist legal origin	212	0.1651	0.3721	0	1
French legal origin	212	0.4339	0.4967	0	1
German legal origin	212	0.0330	0.1791	0	1
Scandinavian legal origin	212	0.0236	0.1521	0	1
Protestant population as % of total	206	14.6932	23.3400	0	99.8
Roman Catholic population as % of total	209	32.4077	36.1883	0	99.1
Muslim population as % of total	209	21.7399	35.2773	0	99.9
Other population as % of total	206	30.9192	31.8005	0	100.0
<b><i>Economic Development:</i></b>					
Latitude	209	0.2810	0.1885	0	0.8
Log GNP per capita	186	7.2858	1.3572	4.6471	10.1517

**Appendix B**  
**Independent variables by country**

Country	Code	Ethnolig. Fraction.	Legal origin					Religion (percent of population)				Latitude	Log GNP per capita
			English	Socialist	French	German	Scandin.	Protestant	Catholic	Muslim	Other den.		
Afghanistan	afg	0.4484	0	0	1	0	0	0.00	0.00	99.30	0.70	0.3667	5.2644
Albania	alb	0.0017	0	1	0	0	0	0.00	0.00	20.50	79.50	0.4556	6.0638
Algeria	dza	0.2937	0	0	1	0	0	0.00	0.50	99.10	0.40	0.3111	7.4568
American Samoa	asm		1	0	0	0	0	76.00	20.60	0.00	3.40	0.1578	8.1864
Anorra	ado		0	0	1	0	0	0.50	99.10	0.00	0.40	0.4700	
Angola	ago	0.7728	0	0	1	0	0	19.80	68.70	0.00	11.50	0.1367	6.4080
Antigua and Barbuda	atg	0.0000	1	0	0	0	0	42.20	10.20	0.40	47.20	0.1892	8.4185
Argentina	arg	0.1769	0	0	1	0	0	2.70	91.60	0.20	5.50	0.3778	8.1177
Armenia	arm		0	1	0	0	0	0.00	0.00	0.00	100.00	0.4444	7.2282
Aruba	abw		0	0	1	0	0	8.00	86.00	0.00	6.00	0.1367	
Australia	aus	0.1128	1	0	0	0	0	23.50	29.60	0.20	46.70	0.3000	9.3327
Austria	aut	0.0332	0	0	0	1	0	6.50	88.80	0.60	4.10	0.5244	9.3520
Azerbaijan	aze	0.0000	0	1	0	0	0	0.00	0.00	93.40	6.60	0.4478	6.8773
Bahamas, The	bhs	0.0000	1	0	0	0	0	47.20	25.50	0.00	27.30	0.2683	8.8955
Bahrain	bhr		1	0	0	0	0	0.90	0.80	95.00	3.30	0.2889	8.9605
Bangladesh	bgd	0.0000	1	0	0	0	0	0.20	0.20	85.90	13.70	0.2667	5.0582
Barbados	brb	0.0733	1	0	0	0	0	33.20	5.90	0.20	60.70	0.1456	8.2713
Belarus	blr		0	1	0	0	0	0.00	14.00	0.00	86.00	0.5889	7.9818
Belgium	bel	0.3638	0	0	1	0	0	0.40	90.00	1.10	8.50	0.5611	9.3566
Belize	blz	0.4091	1	0	0	0	0	13.20	66.80	0.00	20.00	0.1906	7.0908
Benin	ben	0.6831	0	0	1	0	0	2.80	18.50	15.20	63.50	0.1033	5.7114
Bermuda	bmu	0.0000	1	0	0	0	0	27.00	18.60	0.00	54.40	0.3578	9.6338
Bhutan	btn	0.4375	1	0	0	0	0	0.00	0.00	5.00	95.00	0.3033	5.9807
Bolivia	bol	0.5994	0	0	1	0	0	2.30	92.50	0.00	5.20	0.1889	6.2779
Bosnia and Herzegovina	bih		0	1	0	0	0	4.00	15.00	40.00	41.00	0.4889	
Botswana	bwa	0.3775	1	0	0	0	0	26.80	9.40	0.00	63.80	0.2444	7.1306
Brazil	bra	0.0558	0	0	1	0	0	4.00	87.80	0.10	8.10	0.1111	7.5254
Brunei	brn	0.5000	1	0	0	0	0	1.10	3.20	64.20	31.50	0.0478	10.0455
Bulgaria	bgr	0.1157	0	1	0	0	0	0.40	0.50	10.60	88.50	0.4778	7.6232
Burkina Faso	bfa	0.5467	0	0	1	0	0	1.60	9.00	43.00	46.40	0.1444	5.3379
Burundi	bdi	0.0133	0	0	1	0	0	4.90	78.30	0.90	15.90	0.0367	5.1779
Cambodia	khm	0.1335	0	1	0	0	0	0.10	0.10	2.40	97.40	0.1444	5.3566
Cameroon	cmr	0.8520	0	0	1	0	0	18.10	35.00	22.00	24.90	0.0667	6.4922
Canada	can	0.3762	1	0	0	0	0	29.60	46.60	0.60	23.20	0.6667	9.4392
Cape Verde	cpv	0.3750	0	0	1	0	0	3.00	95.90	0.00	1.10	0.1778	6.1755
Cayman Islands	cym		1	0	0	0	0	92.40	2.60	0.00	5.00	0.2144	
Central African Republic	caf	0.7856	0	0	1	0	0	50.00	33.10	3.20	13.70	0.0778	5.6565
Chad	tcd	0.6662	0	0	1	0	0	11.60	21.00	44.00	23.40	0.1667	5.0508
Chile	chi	0.0506	0	0	1	0	0	1.90	82.10	0.00	16.00	0.3333	7.5252
China	chn	0.2333	0	1	0	0	0	0.00	0.00	2.40	97.60	0.3889	5.9946
Colombia	col	0.0558	0	0	1	0	0	0.90	96.60	0.20	2.30	0.0444	6.9396
Cook Island	com	1.0000	0	0	1	0	0	0.10	0.10	99.70	0.10	0.1344	6.0981
Congo	cog	0.6693	0	0	1	0	0	24.90	53.90	0.40	20.80	0.0111	6.6613
Costa Rica	cri	0.0532	0	0	1	0	0	5.80	90.50	0.00	3.70	0.1111	7.2865
Cote d'Ivoire	civ	0.8565	0	0	1	0	0	4.70	18.50	24.00	52.80	0.0889	6.5819
Croatia	hrv		0	1	0	0	0	0.40	76.50	1.20	21.90	0.5011	7.9181
Cuba	cub		0	1	0	0	0	0.80	32.00	0.00	67.20	0.2367	
Cyprus	cyp	0.3000	1	0	0	0	0	0.60	1.30	18.50	79.60	0.3889	8.6090
Czech Republic	cze		0	1	0	0	0	4.60	39.20	0.00	56.20	0.5494	8.0889
Denmark	dnk	0.0275	0	0	0	0	1	95.20	0.60	0.20	4.00	0.6222	9.5613
Djibouti	dji	0.7143	0	0	1	0	0	0.20	6.70	90.60	2.50	0.1256	
Dominica	dma	0.5000	1	0	0	0	0	8.30	89.80	0.00	1.90	0.1478	7.1474
Dominican Republic	dom	0.0108	0	0	1	0	0	1.40	96.60	0.00	2.00	0.2111	6.8041
Ecuador	ecu	0.3254	0	0	1	0	0	1.90	96.40	0.00	1.70	0.0222	6.8946
Egypt, Arab Republic	egy	0.0231	0	0	1	0	0	0.20	0.20	81.80	17.80	0.3000	6.2851

Country	Code	Ethnolig. Fraction.	Legal origin					Religion (percent of population)				Latitude	Log GNP per capita
			English	Socialist	French	German	Scandin.	Protestant	Catholic	Muslim	Other den.		
Equatorial Guinea	gnq	0.6250	0	0	1	0	0	4.90	71.30	0.50	23.30	0.0222	5.9369
Eritrea	eri		0	0	1	0	0		0.00	33.00		0.1667	
Estonia	est		0	1	0	0	0	66.00	2.00	0.01	31.99	0.6556	8.1819
Ethiopia	eth	0.6771	0	0	1	0	0	3.80	0.70	31.40	64.10	0.0889	4.9923
Faroe Islands	fro		0	0	1	0	0	99.80	0.10	0.00	0.10	0.6889	
Fiji	fji	0.8000	1	0	0	0	0	39.10	9.00	7.80	44.10	0.2000	7.3458
Finland	fin	0.1050	0	0	0	0	1	93.10	0.10	0.00	6.80	0.7111	9.4051
France	fra	0.1455	0	0	1	0	0	2.40	76.40	3.00	18.20	0.5111	9.4229
French Polynesia	pyf		0	0	1	0	0	54.00	39.40	0.00	6.60	0.1667	8.4025
French Guiana	guf		0	0	1	0	0	3.90	87.00	1.00	8.10	0.0444	7.6704
Gabon	gab	0.7967	0	0	1	0	0	18.80	65.20	0.80	15.20	0.0111	8.2050
Gambia, The	gmb	0.7804	1	0	0	0	0	0.40	1.90	84.80	12.90	0.1476	5.6013
Georgia	geo		0	1	0	0	0	0.00	1.00	11.00	88.00	0.4667	7.1468
Germany *	deu	0.0438	0	0	0	1	0	46.40	35.00	0.02	18.58	0.5667	10.1517
Ghana	gha	0.7061	1	0	0	0	0	25.80	18.70	15.70	39.80	0.0889	5.8978
Greece	grc	0.0778	0	0	1	0	0	0.10	0.40	1.50	98.00	0.4333	8.3488
Greenland	gri		0	0	1	0	0	98.60	0.10	0.00	1.30	0.8000	
Grenada	grd	0.0000	1	0	0	0	0	13.20	64.40	0.20	22.20	0.1341	7.7341
Guadeloupe	glp	0.0000	0	0	1	0	0	1.90	95.10	1.10	1.90	0.1794	7.8429
Guam	gum		1	0	0	0	0	16.40	79.50	0.00	4.10	0.1476	
Guatemala	gtm	0.4767	0	0	1	0	0	4.90	94.00	0.00	1.10	0.1700	6.8143
Guinea	gin	0.7598	0	0	1	0	0	0.10	1.10	69.00	29.80	0.1222	6.1712
Guinea-bissau	gnb	0.8500	0	0	1	0	0	0.60	10.20	38.30	50.90	0.1333	5.2666
Guyana	guy	0.2378	1	0	0	0	0	18.00	18.00	9.00	55.00	0.0556	6.2404
Haiti	hti	0.0644	0	0	1	0	0	12.80	82.60	0.00	4.60	0.2111	5.5458
Honduras	hnd	0.0974	0	0	1	0	0	2.60	95.80	0.10	1.50	0.1667	6.3762
Hong Kong	hkg	0.2368	1	0	0	0	0	7.50	7.90	0.50	84.10	0.2461	8.9795
Hungary	hun	0.0651	0	1	0	0	0	21.60	53.90	0.00	24.50	0.5222	7.8221
Iceland	isl	0.1000	0	0	0	0	1	96.60	0.70	0.00	2.70	0.7222	9.5796
India	ind	0.7422	1	0	0	0	0	1.10	1.30	11.60	86.00	0.2222	5.5215
Indonesia	idn	0.6906	0	0	1	0	0	4.80	2.70	43.40	49.10	0.0556	6.1649
Iran	irn		0	0	1	0	0	0.00	0.10	97.90	2.00	0.3556	7.8999
Iraq	irq		0	0	1	0	0	0.00	1.80	95.80	2.40	0.3667	
Ireland	irl	0.0904	1	0	0	0	0	1.10	95.30	0.00	3.60	0.5889	8.7672
Isle of Man	imy		1	0	0	0	0	20.90	10.00	0.00	69.10	0.6017	
Israel	isr	0.3271	1	0	0	0	0	0.20	1.00	8.00	90.80	0.3478	8.8921
Italy	ita	0.0389	0	0	1	0	0	0.40	83.20	0.10	16.30	0.4722	9.1711
Jamaica	jam	0.0125	1	0	0	0	0	55.50	9.60	0.10	34.80	0.2017	7.1416
Japan	jpn	0.0099	0	0	0	1	0	0.90	0.60	0.00	98.50	0.4000	9.5834
Jordan	jor	0.0297	0	0	1	0	0	0.30	1.70	93.00	5.00	0.3444	7.3947
Kazakstan	kaz		0	1	0	0	0	2.00	3.00	47.00	48.00	0.5333	7.5571
Kenya	ken	0.8270	1	0	0	0	0	19.30	26.40	6.00	48.30	0.0111	5.7304
Kiribati	kir	0.5000	1	0	0	0	0	45.30	49.00	0.00	5.70	0.0139	6.6948
Korea, South	kor	0.0000	0	0	0	1	0	12.20	3.90	0.00	83.90	0.4111	8.0338
Korea, Democratic Rep.	prk		0	1	0	0	0	0.00	0.00	0.00	100.00	0.4444	
Kuwait	kwt		0	0	1	0	0	0.10	2.10	95.10	2.70	0.3256	9.5581
Kyrgyz Republic	kgz		0	1	0	0	0	0.00	0.00	70.00	30.00	0.4556	6.9497
Lao, People's Dem. R.	lao	0.2500	0	1	0	0	0	0.20	0.80	1.00	98.00	0.2000	5.5703
Latvia	lva		0	1	0	0	0	14.10	18.20	0.01	67.69	0.6333	8.0794
Lebanon	lbn	0.1140	0	0	1	0	0	1.00	36.20	37.40	25.40	0.3722	7.4989
Lesotho	lso	0.2098	1	0	0	0	0	29.80	43.50	0.00	26.70	0.3256	6.0115
Liberia	lbr	0.8031	1	0	0	0	0	18.60	1.90	21.20	58.30	0.0700	6.1408
Libya	lby	0.1214	0	0	1	0	0	0.10	0.20	98.10	1.60	0.2778	8.7087
Liechtenstein	lie		0	0	0	1	0	10.70	87.90	0.00	1.40	0.5233	
Lithuania	ltu		0	1	0	0	0		80.00	0.00		0.6222	7.8258
Luxembourg	lux	0.2167	0	0	1	0	0	1.20	93.00	0.00	5.80	0.5494	9.8336
Macao	mac		0	0	1	0	0	0.50	8.80	0.00	90.70	0.2456	
Macedonia	mkd		0	1	0	0	0	1.00	0.50	30.10	68.40	0.4611	6.7511

Country	Code	Ethnolig. Fraction.	Legal origin					Religion (percent of population)				Latitude	Log GNP per capita
			English	Socialist	French	German	Scandin.	Protestant	Catholic	Muslim	Other den.		
Madagascar	mdg	0.0627	0	0	1	0	0	22.00	26.00	1.70	50.30	0.2222	5.6334
Malawi	mwi	0.6224	1	0	0	0	0	31.50	27.60	16.20	24.70	0.1478	5.0679
Malaysia	mys	0.6104	1	0	0	0	0	1.40	2.80	49.40	46.40	0.0256	7.4685
Maldives	mdv	0.0333	1	0	0	0	0	0.00	0.10	99.90	0.00	0.0350	6.5399
Mali	mli	0.8086	0	0	1	0	0	0.20	0.70	80.00	19.10	0.1889	5.2571
Malta	mlt	0.1033	0	0	1	0	0	0.50	97.30	0.00	2.20	0.3944	8.1821
Marshall Islands	mhl		1	0	0	0	0		0.00	0.00		0.1000	
Martinique	mtq	0.0000	0	0	1	0	0	2.20	95.50	0.10	2.20	0.1600	7.9817
Mauritania	mrt	0.2700	0	0	1	0	0	0.00	0.30	99.40	0.30	0.2222	5.9818
Mauritius	mus	0.7085	0	0	1	0	0	0.90	31.20	16.40	51.50	0.2241	7.5414
Mayotte	myt		0	0	1	0	0	0.30	0.90	98.80	0.00	0.1389	
Mexico	mex	0.1741	0	0	1	0	0	1.20	94.70	0.00	4.10	0.2556	7.7009
Micronesia, Fed. States	fsm		1	0	0	0	0	49.20	45.60	0.00	5.20	0.0728	7.5756
Moldova	mda		0	1	0	0	0	0.00	0.00	0.00	100.00	0.5222	7.2097
Monaco	mco		0	0	1	0	0	4.60	90.70	0.00	4.70	0.4827	
Mongolia	mng	0.0737	0	1	0	0	0	0.00	0.00	1.40	98.60	0.5111	6.9417
Morocco	mar	0.3480	0	0	1	0	0	0.00	0.20	99.40	0.40	0.3556	6.6175
Mozambique	moz	0.7863	0	0	1	0	0	6.80	31.40	13.00	48.80	0.2017	4.7198
Myanmar	mmr	0.3840	0	1	0	0	0	3.20	0.90	3.60	92.30	0.2444	
Namibia	nam	0.7283	1	0	0	0	0	64.20	19.10	0.00	16.70	0.2444	7.4553
Nepal	npl	0.4500	1	0	0	0	0	0.00	0.00	3.00	97.00	0.3111	4.9977
Netherlands	nld	0.0634	0	0	1	0	0	42.40	42.60	1.00	14.00	0.5811	9.3772
Netherlands Antilles	ant	0.1389	0	0	1	0	0	9.20	87.20	0.10	3.50	0.1350	8.7041
New Zealand	nzl	0.1476	1	0	0	0	0	37.90	18.70	0.00	43.40	0.4556	8.9693
New Caledonia	ncl		0	0	1	0	0	18.10	72.50	4.00	5.40	0.2367	8.6326
Nicaragua	nic	0.0992	0	0	1	0	0	4.40	94.70	0.00	0.90	0.1444	6.3723
Niger	ner	0.7329	0	0	1	0	0	0.00	0.20	87.90	11.90	0.1778	5.6140
Nigeria	nga	0.8567	1	0	0	0	0	15.80	12.10	45.00	27.10	0.1111	6.3670
Norway	nor	0.0699	0	0	0	0	1	97.80	0.30	0.10	1.80	0.6889	9.6846
Oman	omn		0	0	1	0	0	0.10	0.10	98.90	0.90	0.2333	8.2575
Pakistan	pak	0.6216	1	0	0	0	0	0.80	0.50	96.80	1.90	0.3333	5.7316
Panama	pan	0.1908	0	0	1	0	0	5.20	85.00	4.50	5.30	0.1000	7.5004
Papua New Guinea	png	0.8027	1	0	0	0	0	58.40	32.80	0.00	8.80	0.0667	6.6082
Paraguay	pry	0.4111	0	0	1	0	0	1.90	96.00	0.00	2.10	0.2556	6.9660
Peru	per	0.4316	0	0	1	0	0	2.70	95.10	0.00	2.20	0.1111	7.0173
Philippines	phl	0.7238	0	0	1	0	0	3.80	84.10	4.30	7.80	0.1444	6.3657
Poland	pol	0.0390	0	1	0	0	0	0.10	81.00	0.00	18.90	0.5778	7.5977
Portugal	prt	0.0025	0	0	1	0	0	1.10	94.10	0.00	4.80	0.4367	8.2380
Puerto Rico	pri	0.0267	0	0	1	0	0	5.10	91.50	0.00	3.40	0.2017	8.2965
Qatar	qat		0	0	1	0	0	0.90	1.20	92.40	5.50	0.2811	9.7441
Reunion	reu		0	0	1	0	0	0.50	96.30	2.20	1.00	0.2340	
Romania	rom	0.1220	0	1	0	0	0	5.80	4.90	1.20	88.10	0.5111	7.2793
Russian Federation	rus		0	1	0	0	0	0.00	1.40	11.30	87.30	0.6667	8.0705
Rwanda	rwa	0.0609	0	0	1	0	0	11.60	55.60	8.60	24.20	0.0222	5.3901
Salvador, El	slv	0.0514	0	0	1	0	0	2.40	96.20	0.00	1.40	0.1500	6.6524
Sao Tome and Principe	stp	0.0000	0	0	1	0	0	2.20	92.40	0.00	5.40	0.0111	5.9841
Saudi Arabia	sau		1	0	0	0	0	0.10	0.10	98.80	1.00	0.2778	9.1006
Senegal	sen	0.7789	0	0	1	0	0	0.10	5.60	91.00	3.30	0.1556	6.1754
Seychelles	syc	0.0000	0	0	1	0	0	1.10	89.30	0.30	9.30	0.0483	7.9420
Sierra Leone	sle	0.8130	1	0	0	0	0	4.80	2.20	39.40	53.60	0.0922	5.5518
Singapore	sgp	0.3215	1	0	0	0	0	2.60	4.70	17.40	75.30	0.0136	9.0233
Slovak Republic	svk		0	1	0	0	0	8.40	74.00	0.00	17.60	0.5378	7.9918
Slovenia	svn		0	1	0	0	0	0.00	71.40	1.50	27.10	0.5111	8.8777
Solomon Island	slb	0.5714	1	0	0	0	0	39.80	19.10	0.00	41.10	0.0889	6.3531
Somalia	som	0.0791	1	0	0	0	0	0.00	0.00	99.80	0.20	0.1111	4.6471
South Africa	zaf	0.8310	1	0	0	0	0	39.00	10.40	1.30	49.30	0.3222	7.6137
Spain	esp	0.2745	0	0	1	0	0	0.10	96.90	0.00	3.00	0.4444	8.7537
Sri Lanka	lka	0.3257	1	0	0	0	0	0.40	6.80	7.70	85.60	0.0778	5.9197

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			English	Socialist	French	German	Scandin.	Protestant	Catholic	Muslim	Other den.		
St. Kitts and Nevis	kna	0.0000	1	0	0	0	0	52.00	8.20	0.00	39.80	0.1911	8.0191
St. Lucia	lca	0.5833	1	0	0	0	0	6.30	88.30	0.00	5.40	0.1503	7.9153
St. Vincent Antilles	vct	0.0000	1	0	0	0	0	40.70	19.40	0.00	39.90	0.1461	6.9234
Sudan	sdn	0.5122	1	0	0	0	0	0.10	4.40	73.00	22.50	0.1667	5.8957
Suriname	sur	0.7500	0	0	1	0	0	36.60	36.00	13.00	14.40	0.0444	7.5038
Swaziland	swz	0.0000	1	0	0	0	0	33.90	10.80	0.10	55.20	0.2922	6.6870
Sweden	swe	0.0650	0	0	0	0	1	68.40	1.40	0.10	30.10	0.6889	9.6034
Switzerland	che	0.3076	0	0	0	1	0	43.20	52.80	0.30	3.70	0.5222	9.8667
Syrian Arab Republic	syr	0.0948	0	0	1	0	0	0.20	1.30	89.60	8.90	0.3889	7.0118
Taiwan	tai	0.2551	0	0	0	1	0	3.00	1.50	0.50	95.00	0.2589	8.6052
Tajikistan	tjk		0	1	0	0	0	0.00	0.00	85.00	15.00	0.4333	6.4547
Tanzania	tza	0.8902	1	0	0	0	0	11.20	28.20	32.50	28.10	0.0667	5.1980
Thailand	tha	0.3569	1	0	0	0	0	0.20	0.40	3.90	95.50	0.1667	6.8697
Togo	tgo	0.7285	0	0	1	0	0	6.10	29.30	17.00	47.60	0.0889	5.7328
Tonga	ton	0.0000	1	0	0	0	0	61.90	17.90	0.00	20.20	0.2222	7.1199
Trinidad and Tobago	tto	0.2313	1	0	0	0	0	13.20	35.80	6.50	44.50	0.1222	8.2123
Tunisia	tun	0.0703	0	0	1	0	0	0.00	0.10	99.40	0.50	0.3778	7.0194
Turkey	tur	0.1636	0	0	1	0	0	0.00	0.10	99.20	0.70	0.4333	7.3620
Turkmenistan	tkm		0	1	0	0	0	0.00	0.00	87.00	13.00	0.4444	7.0838
Uganda	uga	0.8358	1	0	0	0	0	1.90	49.60	6.60	41.90	0.0111	5.6250
Ukraine	ukr		0	1	0	0	0	0.00	0.00	0.00	100.00	0.5444	7.7826
United States of America	usa	0.2090	1	0	0	0	0	43.60	30.00	0.80	25.60	0.4222	9.6180
United Arab Emirates	are	0.0000	1	0	0	0	0	0.30	0.40	94.90	4.40	0.2667	9.9490
United Kingdom	gbr	0.1063	1	0	0	0	0	16.10	13.10	1.40	69.40	0.6000	9.1654
Uruguay	ury	0.0667	0	0	1	0	0	1.90	59.50	0.00	38.60	0.3667	7.7373
Uzbekistan	uzb		0	1	0	0	0	0.00	0.00	88.00	12.00	0.4556	6.9233
Vanuatu	vut	0.5441	1	0	0	0	0	54.60	16.90	0.00	28.50	0.1778	6.9703
Venezuela	ven	0.0525	0	0	1	0	0	1.00	94.80	0.00	4.20	0.0889	8.0399
Vietnam	vnm	0.1176	0	1	0	0	0	0.20	3.90	1.00	94.90	0.1778	5.3148
Virgin Islands	vir		1	0	0	0	0	43.00	33.60	0.00	23.40	0.2022	
Western Samoa	wsm	0.0000	1	0	0	0	0	76.30	21.30	0.00	2.40	0.1483	6.7601
Yemen, Republic <sup>b</sup>	yem	0.0122	0	0	1	0	0	0.10	0.00	99.50	0.40	0.1667	5.6168
Zaire	zar	0.8723	0	0	1	0	0	29.00	48.40	1.40	21.20	0.0000	5.7921
Zambia	zmb	0.8294	1	0	0	0	0	31.90	26.20	0.30	41.60	0.1667	6.1321
Zimbabwe	zwe	0.5986	1	0	0	0	0	21.40	14.40	0.90	63.30	0.2222	6.4040

a = Ethnolinguistic fractionalization for Germany is the index calculated for the former West Germany.

b = Ethnolinguistic fractionalization for the Republic of Yemen is the average of the former North and South Yemen.