

# Quality of Governance in “Old” and “New” EU Member States in a Comparative Perspective

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**Quality of Governance in “Old” and “New” EU Member States in a Comparative Perspective.** A question arises whether the quality of governance of the “old” EU member states is greater than that of the “new” ones. Intuitively speaking, “old” member states should fare much better. In the article, a measure of the quality of governance is presented, based on the World Bank’s *Worldwide Governance Indicators* (WGI) for 1996, 2003 and 2010. According to the authors, the quality of governance consists of three components: system persistence, inclusiveness and effectiveness. Findings indicate that most of the “old” EU member states perform much better with respect to the quality of governance compared to their “new” counterparts. Further, the relationship between the quality of governance and some aspects of socio-economic development is examined. In this regard, a strong correlation between most of the elements under consideration is detected. In conclusion, the authors assume that if the EU chooses not to elicit a higher quality of governance of its member states, it is destined to become a melee of states characterised by enormously different levels of democratic potential. As a consequence, inevitably, a question will arise as to the sustainability and sense of purpose of its very existence.  
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## Introduction

In general terms, governance refers to the frameworks within which people act and politics occurs (March – Olsen 1995: 6) and thus refers to the system of measures that involve setting the rules for the exercise of power as well as settling conflicts over such rules (Hyden 1999: 85). As such, it is one of the most widely used political concepts and holds a central place in contemporary debates in the social sciences (Pierre – Peters 2000: 1). However, when dealing with governance in the sense of its “quality” – especially if we seek to “measure” this phenomenon and compare different units (in our case, different countries) – we must be aware of the fact that we are dealing with one of the most complex and multi-layered social phenomena. The term “quality” is itself not “value neutral”, i.e. it is related to the values of the researcher and the cultural context of a particular society, which defines the desirability of a certain type of governance. Given that our analysis focuses on the situation in

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EU countries where democracy has been accepted with a broad national consensus, it is natural that the political system, with norms and principles characteristic of Western-type democracies, is the referential framework for our analysis. In this regard, the quality of the system of governance is inseparably connected to the quality of democracy. Its democratic character is an indispensable condition for a positive assessment of its performance.

The main goal of our article is to analyse different aspects of the governance and democratic performance of the countries of “old” Europe (EU-15) as well in those former communist countries from East-Central Europe (ECE) that only recently joined the Union. As far as the ECE countries are concerned, after the fall of their communist regimes, the installation of a parliamentary democracy was accepted with a broad social and political consensus. Their goal was to set up a democratic political system based on the norms and principles in place in established Western democracies. We claim that governance is a multi-dimensional entity that, nevertheless, can be conceptually apprehended and empirically evaluated. Different components of governance are interconnected and interrelated. Although all EU member states can be classified as consolidated democracies, when democracy is a type of political setting recognised as “the only game in town” (Przeworski 1991: 26; Linz – Stepan 1996: 15), there are still important differences among them.

Further, the relationship between the quality of governance and gross domestic product per person, as a proxy of economic effectiveness, will be examined. Namely, many studies reveal considerable levels of correlation between the quality of governance and economic performance as manifested by high levels of GDP (as well as its counterpart, GNI) per capita and higher, more stable economic growth levels (see World Economic Outlook 2003). We argue that the quality of governance represents a characteristic feature of a well-functioning democratic political system and is, simultaneously, important for maintaining conditions supporting economic competitiveness. Democracy is not only a result of economic development but also a generator of economic success (Sen 1999). As perceived by Armijo and Gervasoni (2010), both democratic contestation and participation produce economic benefits, especially in terms of preventing economic crises, since they foster more appropriate economic policies. In this regard, robust institutions of democratic governance are vital factors of a sustainable economic performance (see, for example, Fukuyama 2004; Kaufmann – Kraay 2002).

In this article, we will attempt to establish a relationship between various criteria of the quality of governance and the level of GNI per person as measured by purchasing power parity (GNI PPP) in the case of EU member states. In addition, we will arrange EU member states in various groups according to the quality of their governance. Three assumptions can be put

forward. First, we expect to establish high correlation levels among the respective quality of governance criteria themselves. Second, we expect to establish high levels of correlation between the respective criteria of governance and the level of GNI per person. Third, we expect most of the “old” EU member states to fare much better with respect to the quality of governance than their “new” counterparts.

### **Democratic governance in contemporary society**

Dilemmas about the future of democracy as a system of governance at the national as well as supra-national level lead us to the very notion of democracy. Notions of democracy range from minimalist approaches in the sense of a Schumpeterian perception, stressing its competitive dimension as a system in which citizens can choose between different political actors/elites (Schumpeter 1996), to the approaches of participative democracy stressing the institutionalisation of people’s participative opportunities (Wolfe 1985; Pateman 2000), and other more qualitative notions, taking into account the conditions needed for its healthy functioning such as the rule of law, free media, mechanisms for empowering the citizenry, or spontaneous co-operation among agents (see, for example, Adam – Roncevic 2003; Roncevic – Makarovic 2010). Despite the desirability of such a kind of qualitative definition, it is necessary to warn against seeing democracy as encapsulating everything desirable for people’s well-being. As Schmitter and Karl (1991: 85) state, democracy is not necessarily more economically and administratively efficient and run in a more orderly manner than other forms of government. According to Huntington (1993: 10), elected government can be dysfunctional in many ways, which makes it undesirable but not undemocratic. However, one can state that such a democracy has a lower quality (see, for example, O’Donnell 2007).

In our conceptualisation, good governance is connected to the notion of democracy as an “extended polyarchy”. This involves supplementing the original (Dahleian) concept, primarily related to the electoral dimension of accountability (i.e. processes of political selection based on freedom of political action and political equality) (see Dahl 1971; 1989; 1998), with mechanisms of permanent control over power-holders through the institutional balance of power among different branches of government as well as through the mutual checking of civil and state actors on a different level of polity. Our definition of good, i.e. democratic, governance is thus in accordance with a “wider” notion of democracy, as it encompasses not only the formal rules and institutional norms but also the performance of democratic institutions and their agents. As March and Olsen (1995: 44) stated, “democratic governance is more than the management of efficient political coalition building and exchange within prior

constraints... It involves moulding social and political life – shaping history, an understanding of it, and an ability to learn from it.”

### **Components of good governance**

Our concept of democratic governance refers to governance as politics (the expression of different interests, political competition and relations among political actors) as well as governance as policy (the creation and implementation of different policies concerning different social spheres). In the language of systems theory, it refers to the “input” (impulses from the environment like political demand and support) and “output” dimensions (“products” of the political system, e.g. legislation and various social arrangements) of the political system (Almond – Powell 1966; Blondel 1972). It refers to the institutional level as well as the level of political action and political values. It therefore refers to both vertical and horizontal accountability.

The concept consists of the following three dimensions: system persistence, inclusiveness and effectiveness.<sup>3</sup>

*System persistence* refers to the system’s endurance and the persistence of democratic principles. It comprises three main elements: the absence of threats, legitimacy, and the stability of institutions and processes. The basic condition for the persistence of any polity is its “physical security” as expressed in the absence of activities directed at a violent change of the political order. Related to the problem of these threats is the issue of legitimacy which, as defined by Lipset (1959: 29), includes “the capacity to produce and maintain a belief that political institutions, or forms, are the most appropriate for the society”. Legitimacy leads to both elites and ordinary citizens accepting and practicing the norms and principles of the political order (Beetham 1991). As perceived by Olsen (2002: 593), “the integrative power of democratic politics depends on the ability to rally broad public support for institutions and policies.” For a democratic political process to function properly, a certain stability and continuity is necessary, meaning that political institutions need time and resources to perform their tasks.

*Inclusiveness* denotes the extent to which the actual institutional arrangements and political process match the standards of the polyarchic type of democracy. Its main characteristics are the active involvement of the widest range of people in political processes on the basis of their individuality, and thus diversity, as well as autonomy regarding the choice of their political role and involvement, is important. Its main elements are participation and competition – which are also dimensions of the Dahleian model of polyarchy

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<sup>3</sup> In this sense, it overlaps considerably with the concept of governance as defined by World Bank analysts, consisting of six clusters of indicators: voice and accountability, political stability, government effectiveness, regulatory burden, rule of law, and control of corruption, as elaborated in the empirical part of the article.

(Dahl 1971). Participation refers to citizens' engagement in the decision-making process through more or less formalised channels. It consists of all activities that aim to influence the actions and results of the political system (Smith et al. 1980). Participation only has some meaning in the context of political pluralism, whose main characteristic is the competition of different actors for political support, which then leads to the existence of political alternatives. For real competition to take place, institutional requisites are necessary that, firstly, enable the autonomous organisation of social groups and, secondly, assure their equal treatment in the political and public sphere. The most important institutional requisites are the protection of human rights and civil liberties, as well as some factors of the political system's environment – media pluralism is especially important here.

In general, *effectiveness* refers to the ability of the government/political system to achieve consensually reached social goals and maintain the sustainable development of society. Its two key dimensions are efficiency and transparency. *Efficiency*<sup>4</sup> is the ability of state institutions to arrive at and implement optimal political decisions. It includes the performance of government/political institutions: the competence and autonomy of civil service on one hand, and the ability of the state to provide the optimal functioning of social (sub)systems in accordance with their own systemic logic on the other. Especially in the economic field, it refers to relative openness and the absence of discriminatory regulation. *Transparency* (which to some extent overlaps with efficiency) denotes the “visibility” of the relationship between different institutional actors, the affirmation of social behaviour in accordance with consensually accepted social norms, and the sanctioning of any violations of these norms. The existence of an efficient legal framework is a basic precondition of transparency, particularly the efficient performance of the rule of law. Another important element of transparency is related to corruption. Corruption, defined as the misuse of public resources for private gain (Friedrich 1972; Thomas et al. 2000), is one of the most evident indications of a weak rule of law and the inefficiency of state institutions and, vice versa, the ability to control corruption represents an important element of good governance.

The conceptualisation of democratic governance presented here is certainly somewhat ideal-typic. Its components are quite strongly interconnected and interrelated. In our view, the efficiency of state institutions, especially the rule of law, represents a necessary precondition of system persistence along with

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<sup>4</sup> We refer to Etzioni's distinction between “effectiveness”, i.e. the extent to which goals (of organisation) have been fulfilled, and “efficiency”, i.e. the costs of certain results (Etzioni, 1964). In our case, “effectiveness” is perceived in wider terms (it refers to general developmental goals), while “efficiency” is seen in a narrower sense (it refers to developmental costs); for example, reaching a high level of material welfare is a matter of effectiveness, while global warming is a matter of efficiency.

participation and competition. On the other hand, inclusiveness in the sense of the active role of citizens and the competition of political actors for their support should encourage institutional efficiency and the transparency of the political process.

It is obvious that inclusiveness and effectiveness are complementary and mutually reinforcing properties. The latter has often been neglected in analyses of democracy and has been disregarded in evaluations of democratic performance. Some authors have also rejected inclusion of the system's stability as an indication of the level of democracy (Bollen 1991). Yet it is a fact that it forms the framework for both of the abovementioned properties to take place. However, it should be stressed that sometimes there is a trade-off between effectiveness and inclusiveness. As Diamond (1990) states in a treatise on the paradoxes of democracy, three major tensions inherent in democratic order have to be resolved: the tension between conflict and consensus, the tension between the ability to govern and representation, and the tension between efficacy and consent. For each of these, a proper balance should be established in order for the system to function optimally. In this regard, we would especially like to warn against idealising participation as some kind of panacea for all the problems of modern democracy. Excessive participation can, in the absence of appropriate institutional mechanisms, cause problems for a political system's functioning and even contribute to its destabilisation. As argued by Moravcsik (2004: 346): "If democratic decision-making is pushed too far, the result can be the collapse of democracy, if not violent conflict." The key element of good governance, in the sense of maintaining sustainable socio-economic development, is the accountability of power-holders (compare Berg-Schlusser 2004). This refers to the fact that decision-makers do not enjoy unlimited autonomy but have to justify their actions (Held – Koenig-Archibugi 2004: 127). What is needed to achieve and maintain it are both "internal" controls in the form of mutual checks and balances of autonomous government institutions, i.e. "horizontal accountability", or an effective rule of law; and "external" control in the form of a dispersion of political power, the existence of counter-elites, and societal pluralism.

### **Quality of governance and economic performance: Empirical data**

Indicating and evaluating different aspects of governance is a demanding task because of the complexity of the research subject, especially since we are mostly dealing with factors based on human action that are therefore hard to quantify. For this reason, the analysis of governance is usually based on so-called "soft" data, chiefly data from public opinion surveys and expert assessments. These data are then used in the form of individual indicators or composite indexes (referring to some wider categories).

Such data can be problematic since their subjectivity can produce biased estimates. Inappropriately composed survey samples can by themselves produce such a bias, since biased data can be provided by selected focus groups expressing their own self-interests. In contrast, there are also problems with “hard” data. The methodology used to gather such data may be problematic. In addition, in many fields of human and business activity, it is quite impossible to obtain valuable information. Some fields of human activity are simply inaccessible through hard data, while in some other areas, e.g. in the field of corruption, the quality of data depends on the efficiency of the judiciary and the police force. It is interesting to note that, according to Kaufmann, “soft” data – as far as measuring the quality of governance is concerned – are even more reliable than “hard” data (cf. Kaufmann et al. 2003; 2010).

In this analysis, we use only one set of data that is “hard”, i.e. GNI per person, measured as purchasing power parity, reflecting the purchasing power of inhabitants of EU member states.

Three sets of data are presented in the article: the data for 1996, the year the survey on quality of governance started, the data for 2003, an interim point of WGI surveys, and the data for 2010, the last survey data available. We believe that a comparison of the results of three identical statistical analyses made in three points in time allows us to make some general conclusions on the direction and magnitude of changes in various aspects of the quality of governance of 27 EU member states.

### **Indicators of the quality of governance**

The research survey *Worldwide Governance Indicators* (WGI) has been conducted since 1996.<sup>5</sup> Using the WGI data, we can arrange EU member states according to the quality of their governance.<sup>6</sup> WGI measures the following six dimensions of governance: voice and accountability (various aspects of political process, civil liberties, and political rights), political stability (absence of the likelihood that the government in power will be destabilised or overthrown by possibly unconstitutional and/or violent means), government effectiveness (quality of public service provision, quality of bureaucracy, competence of public officials, and credibility of the government’s commitment to its policies), regulatory quality (the government’s ability to provide conditions for free economic activities), rule of law (the level of respect for social rules and the ability to enforce them), and control of

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<sup>5</sup> The survey covers more than 200 countries and territories. Its estimates and indexes are constructed on the basis of a very wide spectrum of over 300 indicators from numerous data sources. For more information on the survey, its methodology and results, see <http://info.worldbank.org/governance/wgi/index.asp>.

<sup>6</sup> The countries are assessed with values on a scale from -2.5 to 2.5 (the higher the value, the better the quality of governance).

corruption (presence of different forms of corruption, attitudes to corruption, and the ability to control it). According to the concept of governance we have presented above, the first dimension is an indicator of *inclusiveness*, the second of *system persistence*, while the other four are indicators of *effectiveness*. Moreover, effectiveness consists of two additional dimensions, *efficiency* and *transparency*. Government effectiveness and regulatory quality are indicators of efficiency, whereas rule of law and corruption are indicators of transparency.

### **The results**

The analysis shows that the quality of governance dimensions are strongly related to each other since the correlations among them are very, or even exceptionally, high (see Table 1). The correlations between voice and accountability, government effectiveness, rule of law, control of corruption and regulatory quality are extremely high. The same goes for government effectiveness, rule of law, control of corruption, and regulatory quality. In short, the correlations among various quality of governance aspects, with the sole exception of political stability, are extremely high.

The comparison of data from 1996, 2003 and 2010 reveals that, in general, the level of correlation between various dimensions of governance rose during the period analysed. We assume that any given dimension of quality of governance, with the exception of political stability, reflects the overall quality of governance in a given EU member state to a higher degree in 2010 than in 1996. We assume, furthermore, that the economic crisis is revealing the true potential of governance of each EU member state.

Even in the case of political stability, correlations are quite high. However, in this case there are some interesting features that have to be mentioned. Firstly, political stability is the only aspect of governance that has declined, considering the data for 1996 and 2010. And secondly, political stability is, beyond any doubt, the most volatile aspect of governance, as revealed by the data for 2003. Data for 2003 produce only relatively weak correlations or no correlations at all. We can assume that established democracies are quite sensitive to threats of political instability, whether these are from terrorism or wars fought abroad. In the case of 2003, the instability was caused by the aftermath of the September 11<sup>th</sup> terrorist attacks and by the Afghan War, which started in October 2001. On the other hand, the relatively weak correlations produced by the 2010 data can be attributed to social tensions, the consequence of global recession.

We assume that inclusiveness, as one of three components of democratic governance besides system persistence and effectiveness, plays an important role in how democratic systems function as they are established and performed in advanced societies. In addition, we assume that the efficient working of the



government and state apparatus somehow encourages participation, and vice-versa. Of course, it would be interesting to know the direction of influence, i.e. whether efficient governance encourages citizens to participate in decision-making processes, and whether citizens' participation contributes to higher levels of the rule of law, lower levels of corruption, and government effectiveness as such. We can assume that it is a mutually reinforcing process.

**Table 1: Matrix of Pearson's correlations of dimensions of governance of EU member states**

	V & A	POST	GEFF	REGQ	RLAW	CCOR
V & A	1	0.588** 0.571** 0.767**	0.956** 0.907** 0.927**	0.882** 0.891** 0.822**	0.956** 0.943** 0.952**	0.948** 0.898** 0.872**
POST		1	0.592** 0.369 0.701**	0.568** 0.471* 0.647**	0.550** 0.496** 0.757**	0.568** 0.063 0.722**
GEFF			1	0.902** 0.905** 0.845**	0.952** 0.934** 0.952**	0.943** 0.942** 0.925**
REGQ				1	0.921** 0.905** 0.812**	0.900** 0.891** 0.796**
RLAW					1	0.950** 0.949** 0.921**
CCOR						1

\*\* : Correlation is significant at the 0.01 level (two tailed)

\* : Correlation is significant at the 0.05 level (two tailed)

**Abbreviations:** V & A: voice and accountability, POST: political stability, GEFF: government effectiveness, REGQ: regulatory quality, RLAW: rule of law, CCOR: control of corruption, Note on columns: In the uppermost line there are correlations for 2010, in the middle for 2003 and in the lowest line the correlations for 1996.

**Source:**

WGI data set in Excel format: <http://info.worldbank.org/governance/wgi/index.asp> (31.12.2011)

Calculations by the authors.

The correlations between the indicator of economic performance, GNI as measured by purchasing power parity, and the quality of governance dimensions are quite or very high, reflecting the strong interdependence between quality of governance and economic performance. Voice and accountability, control of corruption and rule of law show the highest levels of correlation (see Table 2). Countries with the best governance performance are also the most successful with regard to economic development, as measured by GNI per capita – one of the most commonly used indicators of economic

performance besides GDP per capita. In this regard, it is evident that democracy is not a quality or goal of its own in the sense of classical ideals of freedom and equality, but contributes to the effective functioning of other societal fields like the economy.

Comparison of data from 1996, 2003 and 2010 reveals some interesting features. Levels of correlation between GNI and various aspects of quality of governance rose in the cases of voice and accountability, control of corruption and regulatory quality when comparing data for 1996 and 2010. On the other hand, levels of correlation weakened in the cases of rule of law, government effectiveness and political stability. Again, correlation between GNI and political stability is the most volatile.

**Table 2: Matrix of Pearson's correlations of dimensions of governance and GNI, as measured by purchasing power parity (GNI PPP) of EU member states**

	V & A	POST	GEFF	REGQ	RLAW	CCOR
GNI PPP	0.843**	0.442*	0.768**	0.712**	0.775**	0.809**
	0.770**	0.275	0.848**	0.796**	0.839**	0.811**
	0.799**	0.646**	0.855**	0.666**	0.850**	0.792**

\*\* : Correlation is significant at the 0.01 level (two tailed)

\* : Correlation is significant at the 0.05 level (two tailed)

**Sources:**

GNI data set: GNI PPP for 1996: <http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?page=2> (31.12.2011) GNI PPP for 2003: <http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?page=1> (31.12.2011) GNI PPP for 2010: <http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD> (31.12.2011)

WGI data set in Excel format: <http://info.worldbank.org/governance/wgi/index.asp> (31.12.2011)

Calculations by the authors.

We assume that varying levels of correlation reflect and reveal the dependence of economic performance on various aspects of quality of governance. An assumption can be made that some EU member states are “overachievers” (on overachievers cf. Porter, 2004) as far as economic performance is concerned – their economic performance is unsustainable in the medium and long term, since it is not underpinned by a healthy institutional environment. Economic recession has started to reveal flaws in quality of their governance. As a consequence, in case of several EU member states, GNI should stagnate or decrease to appropriate levels. This is to be expected, since recession is due to last for years to come. In turn, we can expect recession to aggravate social tensions, leading to lower levels of political stability in “overachiever” EU member states.

Let us now present the quality of governance in the EU member states according to the “raw” WGI 2010 data. Regarding *voice and accountability*, the most favourably evaluated EU countries are Denmark and Sweden, followed by Luxembourg, Finland and the Netherlands, while among the “new” member states they are Malta, followed by Slovenia, Estonia and Cyprus. The “newest” members, Bulgaria and Romania, are evaluated as the worst.

Regarding *political stability* (in the narrow sense), the best ranking “old” EU countries are Luxembourg, Finland, Austria, Sweden, Denmark and Ireland. Malta, Poland, Slovakia, Slovenia and the Czech Republic are the best ranking “new” members. These countries rank higher in this dimension than many Western democracies like Italy, the United Kingdom, Greece and Spain. Italy takes 21<sup>st</sup>, Cyprus and United Kingdom 22<sup>nd</sup> and 23<sup>rd</sup>, Bulgaria and Romania take 24<sup>th</sup> and 25<sup>th</sup> place, while the most poorly evaluated EU member states are Greece and Spain, which take 26<sup>th</sup> and 27<sup>th</sup> place.

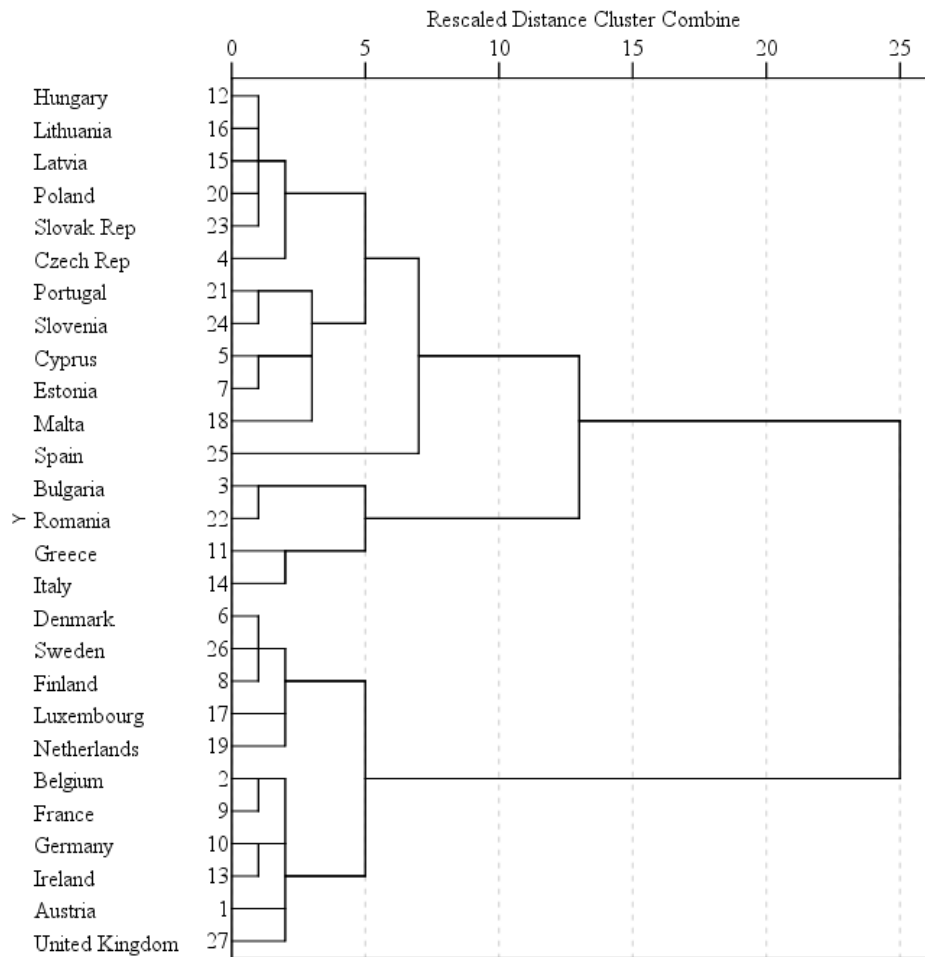
Among the “old” EU countries, *government effectiveness* is most favourably assessed in Finland, followed by Denmark, Sweden, Austria and the Netherlands. Greece and Italy share 24<sup>th</sup> and 25<sup>th</sup> place. Among the “new” EU members, Cyprus, Estonia, Malta and Slovenia rank the highest. Bulgaria and Romania take 26<sup>th</sup> and 27<sup>th</sup> place, respectively.

Regarding *regulatory quality*, Denmark, Finland, the Netherlands, the United Kingdom, Sweden and Luxembourg are at the top of the “old” EU countries. Estonia, the highest ranking “new” member, takes 10<sup>th</sup> place, followed by Malta (11<sup>th</sup>), Cyprus (12<sup>th</sup>) and the Czech Republic (15<sup>th</sup>). At the lower end, Slovenia takes 24<sup>th</sup> place, Romania 25<sup>th</sup>, Greece 26<sup>th</sup> and Bulgaria 27<sup>th</sup>.

Finland, Sweden, Denmark and Luxembourg, followed by the Netherlands and Austria rank highest among the “old” EU countries regarding *rule of law*. Malta, Cyprus and Estonia are the most favourably assessed “new” EU countries, followed by Slovenia and the Czech Republic. Again, Bulgaria and Romania take their accustomed positions. However, Greece (23<sup>rd</sup>) and Italy (25<sup>th</sup>) are at their heels.

As regards *control of corruption*, Denmark, Sweden, Netherlands and Finland are at the top of the “old” EU member states. Cyprus, Malta, Estonia, and Slovenia are the least corrupt “new” member states. At the lower end, Italy takes 24<sup>th</sup>, Greece 25<sup>th</sup>, Romania 26<sup>th</sup> and Bulgaria 27<sup>th</sup> place.

**Graph 1: Hierarchical cluster analysis of the quality of governance of EU member states in 2010 – dendrogram using average linkage between groups**



**Source:**

WGI data set in Excel format: <http://info.worldbank.org/governance/wgi/index.asp> (31.12.2011)  
Calculations by the authors.

In general, the quality of governance is the worst in Italy and Greece and even worse in Bulgaria and Romania. These are the “patients” of the EU and it remains to be seen whether they will succumb to political instability and social disintegration.

Two groups emerge when arranging EU members into groups according to the dimensions of governance as measured in 2010 using hierarchical cluster analysis, with each being divided into several subgroups (see Graph 1).

The first group is made up of “old” member states of the EU, minus “Mediterranean countries” (Spain, Portugal, Italy and Greece). This is a group of high quality of governance. The second group is made up, as expected, of the remaining states, namely the “new” member states, plus the Mediterranean bunch. This is a group of average and low quality of governance.

Moreover, each of the groups could be divided into subgroups. The first group could be divided into a “subgroup of excellent” and a “subgroup of considerable quality of governance”. A subgroup of excellent quality of governance is comprised of the Scandinavian countries Denmark, Finland and Sweden, and includes the Netherlands and Luxembourg. Denmark stands out as the best of the excellent. A subgroup of considerable quality of governance is comprised of Austria, the United Kingdom, Germany, Ireland, Belgium and France.

The second group is more diverse, although it is possible to divide it into at least three subgroups, a subgroup of “average”, “low” and “critical quality of governance”. It is easy to define the subgroup of critical quality of governance; this group is comprised of Greece, Italy, Romania and Bulgaria. A subgroup of average quality of governance is comprised of Cyprus, Malta, Estonia, Spain, Portugal and Slovenia. As far as the trend in quality of governance is concerned, some of the countries characterised by an average quality of governance are on a downward trajectory and some are on an upward trajectory. E.g., comparing data of 1996, 2003 and 2010 shows that Slovenia’s quality of governance is gradually declining, while Estonia’s is improving.

A subgroup of “low quality of governance” is comprised of the Czech Republic, Lithuania, Poland, Hungary, Slovakia and Latvia. Again, some countries characterised by a low quality of governance are improving their governance, while some are on a downward trajectory.

A comparison of groups according to 1996, 2003 and 2010 data shows some interesting trends. Firstly, the group with a high quality of governance is gradually shrinking. In 1996, it numbered 15, in 2003 13, and in 2010 11 countries. On the other end, the number of countries characterised by average and low quality of governance is growing. In 1996, it numbered 12, in 2003 14 and in 2010 16 countries. There were 4 countries characterised by a critical quality of governance in 2010, and 2 in 1996 and 2003.<sup>7</sup>

We assume that a high quality of governance represents an important point of resilience in the face of a prolonged economic recession. Being unable to

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<sup>7</sup> In the article, only the arrangement into groups according to the 2010 data is presented in Graph 1. The arrangements according to the 1996 and 2003 data are available on request.

regulate crisis processes, some countries that belong to the group characterised by average and low quality of governance are on the brink of a systemic crisis. Democracy in these countries is losing ground, and they are endangered by political instability. The low quality of their governance adds to the possibility of these societies disintegrating. We have already witnessed riots in some of these societies, i.e. extensive riots in Greece and, some time ago, riots in Bulgaria, Latvia and Hungary. While outbursts of public anger in countries with a “considerable quality of governance”, such as France, could be overcome leaving democracy unscathed, even average and low quality of governance lead to growing distrust in democracy, its institutions and leadership.

### **Assessment of the quality of governance in EU member states**

The analysis confirmed all three of our introductory theses, i.e. a high correlation among the different components of governance, a high correlation between the quality of governance and selected economic development indicator, i.e. GNI, and evident differences among the “old” and “new” EU member states. Arranging member states into groups according to the quality of their governance using hierarchical cluster analysis reveals a core of the EU-27. It comprises “old” EU member states, i.e. a group of countries of “excellent” and “considerable quality of governance” (including Denmark, Finland, Sweden, Netherlands, Luxembourg, Austria, United Kingdom, Germany, Ireland, Belgium and France). These are also countries with a well-functioning economy where people enjoy a very high standard of living; demonstrating that democratic stability and economic performance are interrelated and mutually enforcing. It is interesting to note that Spain and Portugal do not belong to this group, not to mention Italy and Greece, two “cradles” of democracy. This should serve as a warning since it appears that high quality governance is not a self-fulfilling prophecy. Some institutional, social and cultural preconditions have to be met to arrive at this stage.

Regarding the “new” EU members from ECE, we can say that only some of them have successfully accomplished the democratic transition and, therefore, only a few have established the basic institutional requisites of sustainable democratic development. Their democratic systems are, to some degree, consolidated – they have established the key institutional mechanisms needed for the successful functioning of democracy (Tomsic 2002). However, regarding indicators of quality of governance, these countries lag behind the majority of the world’s most developed democracies. Presumably, it will take quite a long time even for some of the most politically developed post-communist countries to achieve a state of democratic governance comparable

to that of the core of the “old” EU member states, characterised by a high quality of governance.

It is plausible to argue that certain societal preconditions must be met to enter this stage of development of democratic governance. Further, one may claim that in the case of the quality of governance, culture is of considerable importance. There are historically derived cultural dispositions that contribute to self-control (self-imposed discipline) and self-initiative (active participation) in the context of the long-term process of modernisation (Adam et al. 2005). This refers to a set of cultural patterns that Piotr Sztompka (1993) defined as “civilisational competence”. This leads us to the conclusion that it is appropriate to stress interrelatedness as the combined influence of economic, cultural and political elements when discussing levels of governance quality.

## **Discussion**

The effectiveness and transparency of state institutions are important – and often neglected – aspects of democratic governance. In this sense, the authors of this paper argue for a more realistic or, in Schmitter’s terms, “postliberal” notion of democracy (Schmitter 1995). The postliberal notion of democracy acknowledges that the overwhelming participative involvement of citizens in political processes is unfeasible in contemporary complex societies<sup>8</sup> and thus the control over power-holders has to be performed by different specialised, highly professional and autonomous state institutions. However, such an understanding of democracy requires us to face one of the most important problems of the theory of democracy, namely, that of establishing the mechanisms to perform the task of “guarding the guardians”. Therefore, control exercised by the political opposition, media and civil society is also necessary. In sum, what is needed is such an institutional setting that provides a combination of mechanisms of “vertical” and “horizontal” accountability (O’Donnell). Control over power-holders by the political opposition, media and civil society organisations should be reinforced and performed on a daily basis by a network of independent regulatory institutions.

The substantial differences we encounter when analysing the quality of governance of EU member states beg some questions. We must ask ourselves if it is possible to improve governance in a group characterised by low and critical quality of governance. This group includes “new” member states from ECE, plus Bulgaria and Romania, as well as Italy and Greece from the “old” member states. The institutional umbrella of the EU should function as an “external anchor”, providing for the control of state apparatuses and

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<sup>8</sup> The preoccupation with the participatory dimension of democracy is even more problematic at the level of the EU as a supra-national entity since no entity such as a “European demos” exists (see Weiler 1995) and where national identity still dominates over any European identity (see, for example, Pinteric 2005).

bureaucratic elites of its respective members. However, the question is whether the EU is willing and able to function as an agent of “horizontal accountability”, transcending national borders in the opposite direction. Namely, conditioned by the implementation of its core normative structure (including democratic standards), integration into the EU was an important factor of the consolidation of democracy for the new EU members. However, formal EU membership does not guarantee the continuous upgrading of the quality of governance, due to weakness on the side of the EU, i.e. practically nonexistent monitoring mechanisms put in place after the accession. This “external control” could mainly be exerted through institutions of the European rule of law and other instruments of “horizontal accountability”.

The building of institutions of effective governance should and must be deliberate and therefore the reform processes, as well as governance itself, must be systematic and well led. We should be aware that a high level of welfare does not by itself produce good governance, i.e. efficient institutions. What is needed in the current situation, determined by the global economic recession, is a careful and conscious approach. The main objective should be to strengthen the robustness of regulatory institutions at both national and EU levels by enhancing their effectiveness and efficiency. If the EU chooses not to control, demand and elicit a higher quality of governance from its member states, it is destined to become composed of states characterised by enormously different levels of democratic potential. As a consequence and inevitably, a question will arise about the sustainability and sense of purpose of its very existence.

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