

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

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ABSTRACT

This study presents evidence about relations between national culture and social institutions. We operationalize culture with data on cultural dimensions for 52 nations adopted from cross-cultural psychology and generate testable hypotheses about three basic social norms of governance: the rule of law, corruption, and accountability. These norms correlate systematically and strongly with national scores on cultural dimensions and also differ across cultural regions of the world. Regressions indicate that quantitative measures of national culture are alone remarkably predictive of governance, that economic inequality and British heritage add to predictive power, but that economic development adds little. The results suggest a framework for understanding the relations between fundamental institutions of social order as well as policy implications for reform programs in transition economies.

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I. INTRODUCTION

Culturally diverse views on the rule of law as a desirable mode of governance date from antiquity. Socrates and Confucius expounded the classic and diametrical positions. The scholastic debate over the optimal mechanisms of social order has not subsided since. Collectively referred to by economists as “social institutions” (or simply “institutions”), the rule of law, together with accountability and curbing corruption, are considered primary mediators for development.¹ These principles are the central tenets in a “good governance” agenda of the International Monetary Fund and the World Bank.² They also underlie the World Bank’s (2001) policy on empowering the poor.

This study seeks to identify the foundations of these social institutions, in particular, their roots in national culture.³ We view the rule of law, curbing corruption, and accountability as part of a general category of social norms referred to as “norms of governance.” Social norms of governance prescribe desirable modes of wielding political, economic, or other forms of power. We postulate that the potency of such norms depends upon the prevailing, shared cultural value orientations in a society. We hypothesize that in societies whose prevailing culture emphasizes the

¹ See, e.g., Kufamnn, Kraay, and Zoido-Lobaton (1999); Knack and Keefer (1995); La Porta et al. (1997a); Hall and Jones (1999); Easterly and Levine (2002); Mauro (1995; 1997); World Bank (1997a).

² See International Monetary Fund (1997); World Bank (1997b); World Bank (2000). An overview of the World Bank’s position and activities can be found at <http://www.worldbank.org/wbi/governance/>.

³ International bodies are careful to acknowledge that reform programs need to be attentive to national cultures yet fail to specify ways to achieve this goal. For example, “*cultural factors* touch upon issues of national sovereignty, values, and ideologies. External support for governance programmes should take into consideration changing national ideologies and sovereign goals of a country in addressing the requirements for governance. The prevailing concepts of sustainable human development and good governance are culture-bound to a large degree. Political, cultural, economic, and social circumstances will all contribute to indigenous definitions of sound governance.... Governance programmes should reflect national cultural factors and should not impose western practices and ideologies.” United Nations Development Programme (1997, 10). See also OECD (1999).

moral equality of individuals and legitimizes individuals' pursuit of their own preferences, we will find greater compliance with formal legal rules, exercise of discretionary power undistorted by bribes, and feedback mechanisms of accountability. Societies characterized by such a culture provide a more transparent normative environment and enable individuals better to plan their moves. But can we measure culture reliably?

To test this broad hypothesis, this study advances a new framework for the discourse of culture and governance. We adopt established theories and empirical data from cross-cultural psychology to operationalize the cultural profiles of nations. We examine whether profiles of nations on cultural dimensions can predict perceived national differences in adherence to governance norms. Consistent with our theorizing, we find that they do. Emphases on individual autonomy and egalitarianism in national cultures correlate positively with better governance. Relations between culture and good governance remain significant even after taking account of relations to governance of economic inequality and a history of British rule. Combining these cultural, economic, and historical variables yields a parsimonious model remarkably predictive of good governance. Interestingly, while the national level of economic development appears to interact with culture and governance, it adds little to the prediction of governance levels in our sample of 52 nations.

Results of this study enrich our understanding of links between social institutions and culture. They show how particular types of governance institutions are intimately related to general cultural characteristics of nations. Crucially, the evidence for such links is based on rigorous empirical analysis across many nations rather than on anecdotal speculations about culture and governance in specific nations. We will address the issue of causal relations among the various factors considered, though we

cannot fully resolve it because these factors interact with one another to engender large-scale social equilibria. The crucial point for policy-making, however, is to identify factors that may be more or less susceptible to change. Cultural orientations are relatively stable. This has implications for development and reform programs, some of which we discuss.

II. THEORY AND HYPOTHESES

This part begins with a somewhat lengthy discussion of theories of cultural orientations and their empirical expression in value emphases, on the assumption that readers may not be familiar with them. We then explicate how culture, thus defined, provides social norms with the injunctive force that is needed for voluntary compliance as opposed to compliance out of fear of legal sanction. Finally, we propose hypotheses that specify the particular cultural orientations that are likely to promote widespread respect for the law, denouncement of bribery, and accountability mechanisms. Note, that the analyses in this study are conducted at the societal level. All of the operations refer to characteristics of nations: prevailing cultural orientations, levels of adherence to governance norms, history of British rule, etc..

*A. Values and Dimensions of Culture*⁴

Definitions of culture abound. In order to distinguish culture from structural aspects of society that might influence governance, we define culture in subjective terms. Culture refers to the complex of meanings, symbols, and assumptions about what is good or bad, legitimate or illegitimate that underlie the prevailing practices and norms in a society (Bourdieu 1972; Markus and Kitayama 1994). Value emphases

⁴ For more detail, see Schwartz (1999).

are the essence of culture seen this way. They are the implicitly or explicitly shared, abstract ideas about what is good, right, and desirable in a society (Williams 1970).⁵ They justify and guide the ways that social institutions (e.g., the family, education, economic, political, religious systems) function, their goals and modes of operation. Social actors (e.g., organizational leaders, policy-makers, individual persons) draw on these cultural value emphases to select actions, evaluate people and events, and explain or justify their actions and evaluations (Kluckhohn 1951; Hofstede 1980; Schwartz 1999).

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

Schwartz (1994; 1999) has provided the first set of cultural value dimensions we use. He derived three bipolar, cultural value dimensions from three basic issues that confront all societies. In coping with these issues, societies exhibit greater or lesser

⁵ This definition is similar to that adopted in studies of the effects of societal development (e.g., Harrison and Huntington 2000) and widespread in cross-cultural psychology (e.g., Berry, Segall and Kagitcibasi 1997).

emphasis on the values at one or the other pole of each dimension. Analysis of the bipolar dimensions yields seven value orientations on which cultures can be compared. The theory also specifies how these orientations relate to one another. We briefly describe these three value dimensions, the seven orientations, and the basic issues with which they deal. Figure 1 presents graphically the relations among the value dimensions and orientations.

[Figure 1 about here]

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

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

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

Hofstede (1980; 1991; 2001) advances another pioneering dimensional framework for characterizing culture. This theory of cultural dimensions and the findings based on it dominate current international management studies. Next, we briefly set forth the Hofstede value dimensions and the basic societal problems they address. Here too, each dimension describes a range of possible stances between two polar extremes.

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

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

Uncertainty Avoidance: This dimension concerns cultural preferences for dealing with uncertainty. Are uncertainty and ambiguity viewed as disturbing and threatening or as acceptable challenges? The more threatening uncertainty is

perceived to be, the more highly valued are beliefs and institutions that provide certainty.

*Masculinity/Femininity*⁶: This dimension concerns the social implications of gender-linked behavior. More “masculine” cultures value achievement, heroism, assertiveness, and material success. More “feminine” cultures emphasize relationships, modesty, caring for the weak, and interpersonal harmony.

B. Norms of Governance and Cultural Values

We use “social norms” to refer to what social psychologists call injunctive norms (Cialdini and Trost 1998) and legal economists call “ought” statements (Cooter 1998; Ellickson 2001). Injunctive social norms specify behaviors that are seen as desirable or legitimate in the shared view of societal members and whose violation elicits at least informal disapproval. (Injunctive norms differ from descriptive norms, which merely describe social regularities.) Social norms are grounded in prevailing cultural value emphases, because values define broadly what is desirable in a society. Social norms that guide the legitimate exercise of power are an important category of norms. We call these norms collectively “norms of governance” (Licht 2002).

The term “governance” has become popular since the mid-1990s, *inter alia*, as a result of “good governance” projects sponsored by the United Nations, the World Bank, and the IMF. These bodies define governance as the traditions and institutions by which authority in a country is exercised for the common good (Annan 1998; World Bank 1994; IMF 1996). This definition is compatible with the operational agenda of these bodies. However, governance need not be limited to the public

⁶ Although this label has elicited negative responses, Hofstede (2001, p. 280) argues that it reflects an empirical reality of gender differences that is independent of its normative undesirability.

sphere. Governance also applies in the private sphere—as in corporate governance. It consists of rules and structures for wielding power over other people’s interests—namely, for tackling various agency problems. Unless otherwise noted, we treat these norms as generally applicable to both the public and private spheres.

The core assumption underlying our hypotheses is that the cultural environment promotes and facilitates the emergence and perpetuation of particular norms of governance. Governance norms that are incompatible with the cultural environment are unlikely to take root. Cultures that emphasize individual uniqueness and view individual persons as moral equals are likely to develop norms that promote societal transparency that better enables societal members to plan their independent moves. In contrast, cultures that emphasize these values less and view the individual as an embedded part of hierarchically organized groups are more likely to develop norms that accommodate exercising power from above and that compromise the interests of individual persons. The following sections apply this general hypothesis to social norms in three specific domains.

1. The Rule of Law

We focus on what may be regarded as the most basic aspect of the rule of law, often called the formal or procedural aspect, or, more colloquially, “law and order” (Fuller 1964/1969; Rawls 1971, p. 154). This aspect deals with the degree to which the behavior of individual persons and government authorities complies with formal legal rules. It is immaterial whether the rules are unjust or what political process (democratic or other) produced them. The only question is whether the rules are respected. The implicit assumption is that ordinarily—i.e., absent severe moral dilemmas—they should be (Raz 1979, pp. 212-14). Formally, the duty to obey the law is universal: Virtually every legal system calls on people to obey its rules. Yet the

degree of actual compliance with the law varies greatly among countries. We are therefore interested in the rule of law not as a legal doctrine but rather as a social norm—a widely-accepted injunction that promotes law-abidingness irrespective of legal sanctions – just because “it’s the law.”

Legal economists show increasing interest in social norms in light of accumulating evidence that they may replace legal norms in certain communities (e.g., Bernstein 1992; 1996; Ellickson 1991.) When a mode of conduct sanctioned by law also enjoys the status of a social norm, private enforcement may complement or substitute state enforcement. Of particular interest are mechanisms to integrate the potency of social norms with the malleability of legal norms—namely, ways to use the law to foster the emergence of beneficial social norms (Sunstein 1996; Cooter 1996a; 1998; McAdams 2000). Successful implementation of such mechanisms hinges, however, on the prevalence of a more fundamental norm upholding the rule of law in society. Only with the dual character of a legal doctrine and a social norm, can the rule-of-law norm function as an interface between the formal legal system and the informal social normative system.

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

Endorsing the rule of law as an overarching norm is consistent with societal emphases on the cultural orientations of Autonomy and Egalitarianism in Schwartz’s

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

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

Turning to the dimensions in Hofstede’s theory, a rule-of-law norm is most compatible with cultural emphases on Individualism and low Power Distance. Societal members in individualistic societies are expected to pursue their own (sometime selfish) goals in life. A rule-of-law state provides an easier environment in which to do this because it sets a legal framework that allows every person to have her

fair chance to pursue her goals. Societies high on Collectivism assign less importance to protecting individuals' interests or satisfying their preferences. The premise of Collectivism is that group interests take precedence over individual interests. Countries whose culture is more collectivist may therefore give less emphasis to enforcing laws intended to shield personal rights and property from encroachment. High cultural Power Distance gives greater freedom to those in positions of power in the system to act in ways they see as appropriate. This may enable them to evade legal rules and enjoy benefits that are not legally theirs.

2. Corruption

Lord Acton (1972, p. 335) deftly captured the connection between power and corruption in remarking, “power tends to corrupt and absolute power corrupts absolutely.” Although there is no universal or comprehensive definition of corrupt behavior, the prominent definitions share a common emphasis on use of public office or power for private gains (Bardham 1997; Rose-Ackerman 1998). Variants of this definition are employed by the international financial institutions as well as by non-governmental organizations. Recently, this definition has been extended to the private sector.⁷ Corruption is antithetical to the rule of law, particularly in the formalistic sense of this term. Adverse effects of widespread corruption include entrenching a social norm of disrespect for the law, rendering law enforcement agencies and the judiciary dysfunctional, and distorting private transactions by infiltrating into the sphere of private law.

⁷ See, e.g., Asia Development Bank (2001) (adopting a shorthand definition of corruption as “the abuse of public or private office for personal gain”).

Several economic models seek to explain how corruption may emerge and become a stable equilibrium despite its undesirability.⁸ History—particularly the colonial heritage of countries—has been noted as a factor that may bear on international variation in the incidence of corruption (Treisman 2000). But corruption researchers share the view that culture, loosely defined, is a major determinant of corruption. Rose-Ackerman (1999, pp. 106-10) argues that the definition of bribes and gifts is a cultural matter and may be blurred in societies based on strong interpersonal relations. Others take a country’s predominant religion as a proxy for its culture. They offer a variety of approaches to the mechanisms that may cause religion to affect the incidence of corruption. La Porta et al. (1997b), for example, link religion to the incidence of corruption by viewing religion as representing an inclination to hierarchical structures. Lipset and Lenz (2000) advance a rich analysis of possible links between religion and corruption (see also Treisman 2000; Paldam 2001).

We relate corruption to culture directly by drawing on cultural value dimensions. Recently, Hofstede documented associations between his value dimensions and Transparency International’s scores of perceived corruption. Hofstede (2001, pp. 132-33) reasoned that “larger power distances in a society mean fewer checks and balances on the use of power—that is, a stronger temptation for power holders to enrich themselves illegally.” Hofstede’s proposition thus blends corruption with (absence of) accountability and relates both to high Power Distance. We would add that societies high on Individualism may be less susceptible to endemic corruption because corruption signals disrespect for individual persons’ property and independent discretion.

⁸ See, for example, Andvig and Moene (1990); Cadot (1987); Ehrlich and Lui (1999); Shleifer and Vishny (1993); Tirole (1996).

The cultural dimensions identified by Schwartz are also relevant to the incidence of corruption. Corruption, in the sense of deriving material gain (bribes) from a power position, is incompatible with cultural emphases on Autonomy and Egalitarianism because it violates fairness in the pursuit of individual interests. Societal emphases on Autonomy and Egalitarianism thus strengthen the social norm against bribe-taking. Corruption is more compatible with Hierarchy and Mastery which legitimize the use of power and the exploitation of others in the pursuit of individual or group interests. Recall that this is reasoning at the cultural, not the individual level. Individuals in societies high on Hierarchy may well resent having to pay bribes. Nonetheless, they will pay bribes if necessary and demand bribes if given the opportunity, without considering such conduct appalling. This is because cultural values legitimize the social norm that calls for them to do so.

3. Accountability

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

Accountability is related to the rule of law, although relations between these two concepts apply primarily in democratic regimes. Legal scholars consider accountability a necessary element in producing a meaningful sense of the rule of law (Fallon 1997, p. 11) and as fulfilling an instrumental role in preserving the rule of law (Raz 1979, p. 218). Production and enforcement of law by accountable state organs and through democratic processes support the formal aspect of the rule of law.

The norm of accountability differs from the rule of law and non-corruption in that its content is more dependent on circumstances. That is, the exact obligations owed by the accountable party may vary considerably across situations even within a single country. For example, although similar in principle, the accountability of elected politicians, of civil servants, and of trustees to an estate entail different obligations. Consequently, hypotheses that relate accountability to cultural orientations must be tailored to the type of accountability in question. The sources used to operationalize accountability in the present study concentrate on democratic accountability in the public sphere. They weave together aspects of representative democracy, civil liberties, and voice in general (see Appendix 1).

The cultural orientations of Autonomy and Egalitarianism clearly and directly imply a norm of democratic accountability. Various facets of freedom of expression (speech, press, assembly, and demonstration) and of religion express values central to Intellectual Autonomy like freedom and broadmindedness. In contrast, Embeddedness calls for circumscribing individual freedoms in favor of social order and security (see Appendix 1). Societies high on Embeddedness are therefore more likely to compromise individual rights in the name of protecting the interests of the wider social group or nation.

Democratic accountability is also compatible with Egalitarianism as opposed to Hierarchy. Egalitarianism emphasizes the moral equality of those subject to state power and those who exercise it. Despite formal status differences, an egalitarian culture exhorts all voluntarily to promote the interests of all. In contrast, cultural Hierarchy legitimizes the pursuit of positions of authority and responses of submission to authority. This orientation is diametrically opposed to requiring accountability from superiors. Finally, accountability is incompatible with cultural Mastery, which legitimizes self-promotion even at the expense of others, in order to pursue individual or group interests. We expect societies that are low on Mastery and high on Egalitarianism to have representative legislatures and protect minority rights (therefore limiting such exploitations, see Appendix 1).

A cultural emphasis on Individualism, according to Hofstede, is compatible with the selfish pursuit of personal interests in relations with others. It may, therefore, induce them constantly to be on guard. As a counter-measure to mitigate suspicions and facilitate social interaction in power relations, a norm of accountability may emerge in individualist cultures. Democratic accountability functions to provide answerability in the public sphere. In collectivist societies, loyalty within the ingroup is, in principle, unquestioning and unquestioned. Accountability-based governance may not be needed and in fact could invoke resentment as subverting group cohesion. Beyond the ingroup, loyalty is not expected. Modern, complex collectivist societies might need governance norms to regulate relations among ingroups and constrain exploitative behavior across group boundaries. Yet accountability-based governance may fail to take root because of its foreignness to within-ingroup relations. In both contexts, therefore, accountability may not emerge, but for different reasons.

Democratic accountability and accountability in general are also compatible with low Power Distance. In societies whose culture is low on Power Distance, inequality of roles is established only for convenience and power holders are not seen as superior persons (Hofstede 2001, pp. 97-98). Requiring accountability from power holders does not express disrespect or undermine their authority. The opposite is true for societies high on Power Distance. Such a cultural emphasis reflects a premise that superiors do not err, so accountability is not called for. Moreover, high Power Distance is expressed in fear of authority, which is likely to prevent inferiors from demanding accountability from power holders.

C. Additional Factors

Cultural influences on governance are interwoven with the influences of numerous other factors. These include economic factors, historical events, and the legal institutions that characterize countries. It is difficult to disentangle the causal relations among all these factors. Most probably, feedback mechanisms operate among culture, economics, and governance in every society, with governance systems resting on both legal and non-legal foundations. In other words, many of the social phenomena discussed in this study are determined endogenously. A comprehensive analysis of the effects of culture on governance should consider the complex model of relations depicted in Figure 2. Single-headed arrows stand for unidirectional causal relationships between constructs. Double-headed arrows represent mutual influence. In what follows, we discuss some of these factors and later test their joint relations to governance.⁹

⁹ Legal institutions are not included in the analysis because they would make it unduly complex. We return to this point in the Discussion. For a value dimension analysis of corporate governance laws, see

[Figure 2 around here]

The literature contains lively discussions about causal relations among culture (sometimes loosely defined), governance, and economic factors.¹⁰ Most writers hold that causality runs from governance to economic development, while acknowledging the possibility of positive mutual effects.¹¹ However, Kaufmann and Kraay (2002) argue that “virtuous circles” in which higher incomes lead to further improvements in governance are not always the case. Easterly (2001) reviews a large literature that documents negative associations between economic inequality and economic development. He presents evidence suggesting that inequality causes underdevelopment through, among other things, inferior social institutions (governance) and schooling. The negative relations between economic inequality and governance are consistent with our hypotheses, as governance constrains opportunities for exploiting economic power.

Of the numerous historical factors that might relate to culture and governance, we focus on episodes of British rule in countries’ history. Researchers have noted that “settlement” rather than “extraction” colonization, better governance, and higher development are all associated with British as compared with Spanish, French, and other colonizers. Acemoglu, Johnson, and Robinson (2001; 2002) argue that European colonizers established settlement colonies where expected levels of settler mortality were low due to environmental factors (climate and diseases). In settlement colonies, colonizers established social institutions that remained intact after

Licht, Goldschmidt, and Schwartz (2002).

¹⁰ See, for example, Weber (1904/1930); Lal (1998); Casson and Godley (2000); Hofstede (2001); Sen (2003); Schwartz, (2003).

¹¹ See Barro (1999); Kaufmann et al. (1999); Mauro (1995); Treisman (2000).

independence and contributed to higher development. Engerman and Sokoloff (1997; 2002) relate growth paths in the Americas to endowment factors (land and crops) which entailed different inequality levels in colonies. Easterly and Levine (2002) claim that the association between these initial condition factors and development is attributable solely to the quality of governance institutions. Treisman (2000) observed that Britain and countries formerly under British rule of any sort (including control under a League of Nations mandate) have especially low levels of perceived corruption and that this feature dominates a common law family affiliation. We therefore expect a history of British rule to have a general positive relation with governance.

III. DATA

A. Measures of Culture

1. On National Cultures

In order to use culture as an explanatory variable, it is necessary to delimit the cultural groups to be used. The vast majority of cross-cultural studies have compared nations. In nations that have existed for some time, there are strong forces towards cultural integration. There is usually a single dominant language, educational system, army, and political system, and shared mass media, markets, services, and national symbols (e.g., flags, sports teams). Both Hofstede and Schwartz thus used means of national samples on cultural dimensions to represent national cultures. Recent examination of sub-samples from different regions or religions in several countries from around the world supports the use of nations as a cultural unit (Schwartz 2003). Where national boundaries encompassed heterogeneous groups with separate distinctive cultures, their data refer to the culture of the dominant group.

2. The Schwartz Data

Value Scores: Respondents from every inhabited continent completed a value survey anonymously in their native language.¹² They rated the importance of 56 single values “as guiding principles in MY life.” Each value was followed in parentheses by a short explanatory phrase (e.g., WEALTH [material possessions, money]). Responses ranged from 7 (of supreme importance) to 3 (important) to 0 (not important) to -1 (opposed to my values). Examination of separate multidimensional scaling analyses of the 56 values within each of the different nations established that 45 of the values have equivalent meanings across cultures. Only these 45 values were therefore included in the analyses that assessed the existence of the theorized cultural dimensions. A Similarity Structure Analysis (SSA) of these values across nations supported the theory of cultural orientations and the a priori indices developed to measure the profiles of nations on three cultural value dimensions.¹³

Data for comparing nations might ideally be obtained from representative national samples. Even with such samples, however, inferences about national culture require caution. National populations differ in their demographic composition (e.g., distributions of age, education, occupation), and these different distributions affect average value priorities.¹⁴ Consequently, even when comparing the values of representative national samples, it would still be necessary to control for demographic

¹² The survey is described in Schwartz (1999).

¹³ The SSA was performed on data from over 65,000 respondents from 195 samples in 67 nations, gathered between 1988 and 1993. See Borg and Lingo (1987); Guttman (1968).

¹⁴ The values of particular demographic groups (such as the elderly) are influenced not only by the prevailing culture, but by the unique experiences to which these groups are exposed by virtue of their social locations. Observed differences between the mean values of representative national samples reflect, therefore, not only the prevailing culture. They also reflect current differences in the demographic composition of national populations.

differences between nations before we could confidently ascribe observed differences in value priorities to national culture alone. Moreover, as noted earlier, many nations contain more than one sub-cultural group, so a single characterization based on a representative national sample is still misleading.

The approach taken instead was to obtain samples matched on critical characteristics, largely from the dominant cultural group in each nation. The focal type of sample was urban school teachers who teach the full range of subjects in grades 3-12 of the most common type of school system. No single occupational group represents a culture, but school teachers may have a number of advantages for characterizing national value priorities. As a group, they play an explicit role in value socialization, they are presumably key carriers of culture, and they probably reflect the mid-range of prevailing value priorities in most societies. By focusing on this single matched group, it was possible to obtain a relatively pure representation of national differences in value priorities, net of the influences of other national differences.¹⁵

To compute the mean importance of a cultural orientation in a nation, the importance that members of the sample from that nation attributed to the set of value items that represent the orientation was averaged. For example, the mean importance of Hierarchy is the average of the ratings of authority, wealth, social power, influential, and humble; the mean importance of Affective Autonomy is the average of the ratings of varied life, exciting life, pleasure, and enjoying life. For cross-

¹⁵ To test the robustness of conclusions from the teacher samples, Schwartz (1999) performed parallel analyses with data from samples of college students, from a wide variety of majors, in each of 40 nations. Parallel analyses were performed with older vs. younger samples and male vs. female samples in each of 52 countries. The results supported the cultural value dimensions and yielded similar orders of nations on dimensions.

national comparisons, sample differences in scale use were eliminated by centering the importance ratings of all seven values within each sample around its mean.

Cultural Regions: Some of the analyses in the present study use groupings of nations as the unit of reference. Analyses of the profiles of nations on the seven cultural orientations reveal that they form six major cultural groups: English-speaking, West European, East-Central European, Far Eastern, Latin American, and African (Schwartz 1999; see Appendices 2 and 3).¹⁶

3. The Hofstede Data

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

B. Measures of Governance

The measures of governance are drawn from the work of Kaufmann, Kraay, and Zoido-Lobaton (1999). Kaufmann et al. follow the World Bank's definition of

¹⁶ We ignore a more recent distinction of a Confucian region in this paper.

governance as the traditions and institutions that determine how authority is exercised in a particular country. They classified several hundred cross-country indicators into six dimensions of governance. The indicators were based on polls of experts and on cross-country surveys. They consist primarily of qualitative data, covering a wide range of topics, obtained from varied organizations, and representing the perspectives of diverse observers.¹⁷ Kaufmann et al. developed quantitative indices of six broad governance concepts by aggregating relevant indicators. The data cover virtually all the countries in the world. We use three indices that Kaufmann et al. called ‘Rule of Law’, ‘Graft’, and ‘Voice and Accountability.’ These indices gauge the perceived compliance with the three norms we specified above (rule of law, non-corruption, accountability) in each country. Scores on these indices range from around -2.5 to around 2.5, with a mean of zero and a standard deviation of one. Higher scores indicate more desirable outcomes.

The rule of law index mainly measures the traditional concept of “law and order”, incidence of crime, enforceability of private and government contracts, and respect for property rights. The non-corruption index gauges corruption among public officials and the frequency of “additional payments” to “get things done.” The accountability index concentrates on aspects of democratic accountability, civil liberties, and political rights (see Appendix 1). In sum, the indices measure the extent to which the injunctions of the three social norms are in fact followed in each country. The polls used by Kaufmann et al. enabled them to integrate more indicators and to cover a broader set of issues than indices like those constructed by the International

¹⁷ For a detailed discussion of the poll-of-polls methodology, see Treisman (2000, pp. 409-14).

Country Risk Guide and Transparency International.¹⁸ Unlike the Schwartz indices of culture, however, the indices of governance norms are not based on data whose consistency of meaning across nations was evaluated.

C. Other Data

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

Economic inequality is measured with Gini coefficients based on surveys conducted between 1990 and 1999, taken from the World Bank's World Development Indicators. GDP and Gini values correlate negatively in our sample ($r = -.40$), reflecting the fact that economic inequality is greater in poorer countries. Finally, we use a dummy variable index based on Treisman (2000) to indicate whether a country is the United Kingdom or had been under British rule of any kind (colony, mandate area, etc.).¹⁹

¹⁸ See, for example, La Porta et al. (1999) (using ICRG's index); Treisman (2000) (using Transparency International's index). We repeated the analyses reported below with the indices of ICRG and Transparency International and received similar results.

¹⁹ Countries not included in Treisman (2000) were coded according to the Central Intelligence Agency's (2001) Factbook.

IV. RESULTS

For the empirical analysis of relations between norms of governance and national culture, we adopt two approaches. First, we treat countries as the unit of analysis and examine relations between country scores for the norms of governance and for each of the cultural dimensions. Second, we treat cultural regions, comprised of countries with similar cultural profiles, as the unit of analysis. This allows us to investigate broad international patterns in the prevalence of governance norms.

A. Norms of Governance and Cultural Value Dimensions

Table 1 gives a first approximation of the central finding of this study: Social norms of governance correlate strongly and systematically with cultural value dimensions. First consider the rule of law index. Countries with high scores for the prevalence of a rule of law are also high on Affective and Intellectual Autonomy and Egalitarianism, and low on Embeddedness, Hierarchy, and Mastery. Thus, the rule of law norm relates significantly to six of the seven cultural dimensions on which countries differ according to Schwartz. This norm also correlates significantly with three of the four cultural dimensions distinguished by Hofstede. Countries scoring high on the rule of law are high on Individualism and low on Power Distance and Uncertainty Avoidance. In sum, widespread compliance with legal rules that govern interactions in the public and private spheres—namely, having a “law and order” tradition—is associated with a distinct profile of cultural values. Apparently, the duty to obey the law is not a universal principle of equal importance regardless of cultural diversity.

[Table 1 around here.]

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

Next consider accountability. In line with the hypotheses, national scores on the index of democratic accountability correlate significantly with all seven of the value dimensions from Schwartz. Unlike the rule of law and non-corruption indices, the accountability index exhibits a positive correlation with Harmony. Accountability, like the rule of law and non-corruption, correlates positively with the Hofstede dimension of Individualism and negatively with Power Distance. However, accountability is not related to Uncertainty Avoidance.

Considering the entire correlation matrix of social norms and value dimensions in Table 1, the overall consistency of the findings for the three governance indices is striking. It supports the notion that the three norms indeed belong to a common category – the category of norms of governance. The systematic correlations

of these norms with underlying cultural dimensions suggest that they all draw their injunctive force from similar fundamental cultural orientations.

B. Norms of Governance across Cultural Regions

We next examine whether culturally similar groups of nations exhibit similar norms of governance. Table 2 presents the mean scores for the three governance norms in each of the world's cultural regions identified by Schwartz and the differences between the regions. These differences are tested statistically with Tukey tests, appropriate for post hoc pair-wise comparisons, and with the less stringent *t*-tests, that are commonly used in the governance literature. With regard to all three norms of governance, the English-speaking and West European regions exhibit similar high levels. These two regions score significantly higher than the African, East European, Far Eastern, and Latin American regions on the rule of law and non-corruption. There are no significant differences among the latter sets of nations. With regard to accountability, the English-speaking and West European regions again score higher than all the other regions. In this case, however, the nations in the African region exhibit somewhat lower levels of accountability than those in Eastern Europe.

[Table 2 around here.]

These results point to the existence of two cultural mega-regions in the world, in terms of levels of governance. One mega-region consists of the English-speaking and West European nations and one consists of the remaining regions. Although not all nations in each mega-region may differ from all the nations in the other mega-region, overall, compliance with norms of governance is substantially higher in the first mega-region than in the second. Such substantial differences in governance are likely to have consequences in many important domains that affect the welfare of

citizens. For instance, Kaufmann et al. (2000) show that an improvement of one standard deviation—a one unit increase here—in the rule of law or non-corruption indices is associated with between a two- and fourfold increase in per capita income, a decline in infant mortality of similar magnitude, and an improvement of 15-25 percentage points in literacy levels.

B. Adding History and Economic Factors to the Picture

1. Methodological Notes

As noted above, the literature on possible causes and effects of governance is in flux. The goal of this study is to enrich the existing picture by pointing to the pivotal role of cultural factors in sustaining social norms of governance. This section explicates the extent to which cultural orientations can predict the prevalence of governance norms even when other factors are taken into account. Fully resolving causality issues is beyond the scope of the present study, but we address some aspects in the Discussion. To reduce complexity, the analyses that follow use only the Schwartz dimensions. Two methodological points deserve mention before we present the regressions.

First, recall that the seven cultural orientations in Schwartz's dimensional theory form a circular structure of bipolar value dimensions (see Figure 1). It is problematic statistically to include in the same regression variables that are empirically opposed. We therefore used only one polar orientation from each bipolar dimension. After running regressions with different specifications of the cultural orientations, we selected the Embeddedness, Hierarchy, and Harmony polar orientations. These polar orientations represent the Embeddedness/Autonomy, Hierarchy/Egalitarianism, and Harmony/Mastery dimensions of culture.

Second, the poll-of-polls methodology used to derive mean country scores on governance also yields data about the variance of each score. The variance reflects the degree of consensus among the different surveys used to construct each score. This makes it possible to give greater weight in the regressions to those governance scores on which there was greater consensus (e.g., Treisman 2000). Doing so with the current data increases the variance explained in the regressions by a few percentage points at most, as compared to ordinary least squares (OLS) regression. It does not change the qualitative results. We therefore opted to use the more conservative and familiar OLS method.

2. The Rule of Law

Table 3 presents regressions of the rule of law on culture alone and together with various combinations of economic and historical indicators. The results are standardized and intercept values are omitted. Countries' cultural profiles alone (column 1) explain almost half of the variance in the level of compliance with the law. All three cultural orientations contribute significantly to the level of the rule of law. As hypothesized, Embeddedness and Hierarchy predict lower levels of compliance with the law. This reflects both their negative effects and the hypothesized positive influence of the orientations opposed to them on the bipolar cultural dimensions, Autonomy and Egalitarianism. Thus, the results for culture alone are impressive.

A British heritage predicts higher levels of the rule of law (column 2). Introducing this historical factor eliminates the effects of the Harmony (Mastery) dimension of culture – a point to which we return below. The other two cultural dimensions, Embeddedness (Autonomy) and Hierarchy (Egalitarianism), continue to predict significantly, with nearly identical coefficients. The association between these

cultural emphases and the rule of law thus appears unrelated to the historical fact of having a British heritage and to other factors it may capture.

[Table 3 around here]

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

The next regression (column 5) adds both economic inequality and British heritage to the cultural dimensions as predictors of the rule of law. This combination of cultural, economic, and historical factors explains 76% of the variance. All but the Harmony (Mastery) dimension contribute uniquely to the variance in the rule of law. Adding economic inequality and British heritage has little effect on the coefficients for Embeddedness and Hierarchy. These four variables have independent associations with levels of legality. Taken together, this parsimonious set of variables permits good

prediction of the countries in which people obey the law to a lesser or greater degree. It may well point to some of the reasons *why* people obey the law.²⁰

3. Corruption

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

[Table 4 around here]

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

²⁰ In this view, compliance with the law stems from a combination of cultural, economic, and historical factors. Hence, Tyler's (1990) theory regarding the role of individual perceptions about the fairness of laws and legal procedures may need to be modified to take account of prevailing culture as well.

British heritage has little effect on the predictive power of cultural Embeddedness (Autonomy) and Hierarchy (Egalitarianism) (column 5).

4. Accountability

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

[Table 5 around here]

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

5. Taking Level of Economic Development into Account

Given the substantial associations between governance institutions and economic development, it is important to consider how development bears on the relations we have examined. Explicating relations among culture, governance, and

economic performance is problematic in light of feedback relations that may exist among these factors. Specifically, culture may support societal compliance with governance norms, which increases development, but level of development, in turn, influences culture.

Researchers have noted that including governance as an independent variable in regressions to predict economic development (or vice versa) entails downward estimation biases. Efforts to sidestep this problem usually introduce instrumental variables in two-step-least-squares (2SLS) regressions. But such efforts are not always successful or feasible.²¹ Including economic development as a predictor in the regressions may lead to underestimates of the relations of variables to norms of governance. Nonetheless, we do so in the interest of assessing whether even such underestimates point to a significant role for cultural and historical factors.²²

Column 6 in each of Tables 3-5 presents results of predicting the rule of law, non-corruption, and democratic accountability, respectively, simultaneously with the three cultural variables, British heritage, economic inequality, and with economic development. Surprisingly, for the rule of law (Table 3), economic development exhibits no independent predictive power, as shown by the non-significant beta for GDP per capita. Neither does it add to the variance in the rule of law accounted for by the other variables. For non-corruption (Table 4) and democratic accountability

²¹ See, for instance, Kaufmann et al. (1999); Hall and Jones (1999); Mauro (1995). Estimation problems due to the endogeneity of GDP per capita led Beck, Demirguc-Kunt, and Levine (2002) to exclude this variable from their analyses. Fully avoiding endogeneity problems may be difficult, if not impossible. Cultural emphases transcend particular life situations such that their imprint is pervasive. Using an instrumental variable technique based on contemporaneous variables is therefore not a valid approach. Using historical or geographical variables as instruments could eliminate traces of reverse causality, but such variables may not be available even in theory for all the cultural dimensions.

²²If Kaufmann and Kraay (2002) are correct in claiming that development does not feed back positively to governance, including development in the regressions may be less of a problem in this regard.

(Table 5), GDP per capita has significant positive coefficients. One can expect less corruption and greater accountability in more developed countries, even after controlling for the three cultural dimensions, British heritage, and economic inequality. These latter variables retain predictive power, but their strength is reduced by including GDP per capita.

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

6. Cultural Regions

Table 6 provides another perspective on the cultural region analysis presented in Table 2. We use a regression approach to examine the extent to which countries' locations in particular cultural regions might account for their levels of compliance with governance norms. Dummy variables were constructed for the cultural regions identified by Schwartz. The group of English-speaking countries, whose mean score on the rule of law index is the highest in our sample, was omitted and thus serves as a benchmark. Table 6 reports the results for the three norms of governance. We also

show regressions including economic development whose inter-relations with the regional variables may be more tenuous than with cultural dimensions.²³

[Table 6 around here]

The regressions including only location in cultural regions (columns 1, 3, 5) reinforce the findings reported in Table 2. We again find that the world can be dichotomized into mega-regions of high and low governance. English-speaking and West European countries exhibit much higher levels of law and order, non-corruption, and democratic accountability than countries in other cultural regions. Interestingly, the location of countries in cultural regions accounts for approximately the same proportions of variance in governance norms as the country scores on the three underlying cultural dimensions (compare Table 6 with Tables 3, 4, and 5).

A richer picture emerges when the level of economic development is included. As we saw earlier, economic development is associated with compliance with norms of governance, possibly reflecting reciprocal influence. Here, this holds for the rule of law and non-corruption. Location in the African cultural region ceases to be a negative predictor (in comparison with English-speaking countries) for these two norms in the presence of a GDP per capita variable. For Far Eastern countries, this is the case only for the rule of law. Governance levels in Eastern Europe and Latin America, however, continue to be lower than in English-speaking countries when economic development is controlled, although the size of the differences diminishes.

²³ British heritage is not included in these analyses due to the high overlap between the dummy variable that represents it and the cultural region classification: All the English-speaking countries and three out of four African countries in our sample have a British heritage, while none of the countries in Western Europe, Eastern Europe, and Latin America does. Results for the Gini coefficient were mostly non-significant.

Regression analyses of democratic accountability across cultural regions are reported in columns (5)-(6). Including GDP per capita in the regression has a more modest effect than it has for the rule of law and non-corruption. Compared with the latter norms, the differences between the coefficients of Western and non-Western regions remain significant and the coefficient for economic development is much lower. The increase in predictive power is also moderate: 7%, compared with 16-25% for non-corruption and the rule of law. These results indicate that regional differences in the prevalence of democratic accountability are more strongly tied with culture than with economic development.

C. A Note on Harmony and British Heritage

Two of the three bipolar cultural dimensions in the Schwartz theory, Autonomy/Embeddedness and Egalitarianism/Hierarchy, exhibit significant and stable relations with governance norms, as predicted based on theory. Better governance is robustly associated with societal emphases on cultural Autonomy (vs. Embeddedness) and Egalitarianism (vs. Hierarchy). In the regression analyses, these two dimensions have most of the predictive power, while Harmony (vs. Mastery) adds only marginally.

The picture with regard to Harmony/Mastery is mixed. Recall that Harmony does not correlate with the rule of law (.09) and non-corruption (.09), but correlates positively with accountability (.40) (Table 1). In the regressions including all three cultural dimensions, however, the beta coefficient for Harmony is significantly negative for the rule of law (-.26) and non-corruption (-.29) and near zero for accountability (.03) (Tables 3, 4, 5, column 1). Thus, the variance in Harmony that is not shared with the other cultural dimensions does relate to the first two norms. A heritage of British rule may be the key to understanding this variability.

Nations with a heritage of British rule, both English-speaking and non-English speaking, are unusually low on Harmony (and high on Mastery). And a British heritage relates positively (at 1%) to all three norms of governance and substantially to the rule of law and non-corruption. The lower emphasis on Harmony in English-speaking nations has been attributed to the shared frontier experience of these countries and to their traditions of pragmatic development and entrepreneurial activity (Schwartz and Ros 1995). British rulers may also have influenced the Harmony/Mastery orientation of the non-English-speaking territories they controlled through the institutional reforms and development in which they engaged there.

Once one controls the effects of a British heritage by introducing it into the regressions, the effects of Harmony on the rule of law and non-corruption largely disappear (Tables 3 and 4, column 2). Thus, Harmony is not related to these norms across the remaining nations. A weak positive effect appears for accountability (Table 5, column 2). This suggests that Harmony, which opposes exploitative assertiveness by individuals or groups, contributes to an atmosphere of voice and accountability.

V. DISCUSSION

Some 2500 years ago, the city of Athens sentenced Socrates to death for religious heresy and corrupting the youth. Socrates refused to escape from jail. The “Laws,” he argued, would come and tell him that by escaping he would break his agreement with them and undermine the stability of the state (Plato 1977). Socrates’s position is often presented as the classic exposition of arguments for the duty to obey the law and, generally, for the importance of the rule of law for social order. At about the same time, in equally powerful terms Confucius derided the rule of law as a means

for establishing social order in China. In the Confucian vision, social harmony and righteousness rather than justice are the symbol of the ideal society.²⁴ Contemporary scholars continue to debate the validity of these two positions. But Socrates and Confucius remain fine examples of the diametrical stances toward promoting social order through the rule of law that cultures may embody.

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

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

²⁴ This vision is nicely captured in Confucius's maxim: "If people are directed by laws (fa), and regulated by punishment, they will try to avoid punishment but have no sense of shame; if they are directed by virtue and regulated by ethics (li), they will have a sense of shame and so become good." (Confucius's Lunyu [The Analects], as translated by Dellapenna 1997).

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

The theories and data on which we draw suggest that cultural orientations change slowly, over time spans of decades and centuries. Cultural orientations represent general societal emphases that are deeply ingrained in the functioning of major societal institutions, in widespread practices, in symbols and traditions, and, through adaptation and socialization, in the values of individuals. As a result, cultural value emphases may preserve and perpetuate the imprint of ancient intellectual legacies and historical initial conditions (Inglehart and Baker 2000; Schwartz and Ros 1995). Several factors contribute to the relative stability of cultures, sometimes even in the face of exogenous shocks. Among these factors, the process of value acquisition at the individual level takes place unconsciously from infancy through adolescence by way of myriad social interactions. This process is sensitive to actual circumstances and implicit cues more than to formal reform and indoctrination (Schwartz, Bardi, and Bianchi 2000). To the extent that cultural emphases reflect

societal responses to contemporary ecological factors (e.g., ethnic fractionalization²⁵), the relative stability of such factors may further entrench prevailing orientations. This stability of cultural orientations may impede reform and induce path-dependence in social change. The strength of linkage between governance norms and culture documented here lends support to the view that certain cultural profiles might create vicious circles of underdevelopment (e.g., Harrison and Huntington 2000; Greif 1994).

The present findings, thus, have significant implications for people and institutions engaged in development projects around the world and, in particular, in institutional reform programs. As noted above, policy makers declare that culture must be factored into development programs.²⁶ But how this should be done is far from obvious. Particular cultural profiles in major world regions are less compatible with “good governance,” as defined in these programs, than the profiles in West European and English-speaking countries. In our view, these findings warrant serious rethinking of development programs.

The insight that culture underlies governance does not necessarily imply that countries scoring low on the governance indices are doomed because of their cultural endowment. But the assumption that certain cultural profiles are more conducive to good governance poses a grave dilemma for policy makers. Domestic political leaders

²⁵ Ethnic fractionalization has been shown to correlate both with governance and development and with cultural values of Embeddedness and Mastery. See, respectively, Mauro (1995); Alesina et al. (2002); and Schwartz (2003).

²⁶ Consider the concluding statement in the World Bank’s Governance and Poverty Toolkit: “Perhaps most important for sustainability [of institutional reforms] is the match between the design of reforms and the environment in which they must take root if they are to be effective. It is important to understand the degree of rule-respect in the society, the extent of informality, the role of informal networks and the way in which power and influence are exercised, if reforms are to be relevant to their institutional context.” (Girishankar 2001, p. 36).

may find it difficult to run campaigns that draw on foreign values: the citizenry may feel that they are alien or resent their foreignness. International agencies may hesitate to promote policies that can readily be depicted as a new form of imperialism. And efforts to transplant cultural orientations or to replace entire value systems are likely to prove difficult.

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

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

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

This study has dealt with the social normative environment in which legal systems operate. The law too plays a role in the interaction between culture, governance, and economics, as alluded to before. Recent cross-sectional analyses connect the origin of countries’ legal systems—under a traditional classification of legal families—both to economic growth and to the operation of the court system. Mahoney (2001) argues that, in comparison to civil law systems, common law systems produce improvements in property rights and contract enforcement that may speed economic growth (see also Levine 1999; Beck et al. 2002). Mahoney relates his findings to Hayek’s (1960; 1973) views on the different emphases on individual liberty and the role of the state implicit in the common law and civil law legal families. Djankov et al. (2001) present evidence that legal family affiliation—which they relate to colonial transplantation—is associated with procedural formalism in court enforcement of basic contract and property rights.

One need not adopt Hayek’s controversial views about the rule of law to appreciate that the current study generalizes some of these insights. It directly connects law-related norms with national cultural emphases and cultural regions on the one hand with colonial history on the other. Among other things, the present

framework sidesteps the problematic classification into legal families and distinguishes between the possible influence of cultural factors and of colonial history. Together with evidence presented by others, this study suggests a mode of reform that concentrates on institutions more than on legal transplantation. Further research on the performance of legal systems should benefit from acknowledging the importance of law-related social norms and, more fundamentally, of culture.

Finally, the theories and data on cultural dimensions employed in this study have a reasonable claim to universal applicability in literate societies. In comparison, the governance indices used here might be biased toward Western views of the rule of law, corruption, and accountability. These indices were indeed based on multinational polls from non-Western as well as Western countries and on surveys of internationally experienced experts. Nevertheless, there is certainly room for improving the cross-national operationalization of governance norms to make it more universal.

VI. CONCLUSION

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

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TABLES

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

A. Dimensions from Schwartz

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

B. Dimensions from Hofstede

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

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

Significance levels are one-tailed.

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

Differences between Means of Regions						
<u>A. Rule of Law</u>	Mean	AF	EE	ES	FE	LA
Africa (AF)	.21					
Eastern Europe (EE)	.16	.05				
English-speaking (ES)	1.47	1.26***	1.30***			
Far East (FE)	.62	.41	.46	.85*#		
Latin America (LA)	-.05	.26	.21	1.52***	.67	
Western Europe (WE)	1.41	1.20***	1.25***	.06	.79***#	1.46***
<u>B. Non-Corruption</u>						
Africa (AF)	-.23					
Eastern Europe (EE)	.07	.30				
English-speaking (ES)	1.67	1.90***	1.60***			
Far East (FE)	.40	.63	.33	1.27***		
Latin America (LA)	-.10	.12	.17	1.77***	.51	
Western Europe (WE)	1.58	1.80***	1.51***	.09	1.17***	1.68***
<u>C. Accountability</u>						
Africa (AF)	-.33					
Eastern Europe (EE)	.62	.94*##				
English-speaking (ES)	1.43	1.76***	.82*##			
Far East (FE)	.04	.37	.58	1.39***		
Latin America (LA)	.35	.68	.26	1.08***#	.31	
Western Europe (WE)	1.47	1.80***	.85***#	.04	1.43***	1.12***

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

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

Factors

	(1)	(2)	(3)	(4)	(5)	(6)
Embeddedness	-.59*** (5.10)	-.58*** (5.75)	-.66*** (6.21)	-.60*** (5.97)	-.58*** (6.71)	-.49*** (4.12)
Hierarchy	-.31** (2.59)	-.33** (3.14)	-.35*** (3.20)	-.31*** (3.01)	-.34*** (3.80)	-.27** (2.54)
Harmony	-.26** (2.27)	-.04 (.37)	-.23** (2.18)	-.31*** (3.08)	-.11 (1.02)	-.03 (.87)
British heritage		.42*** (4.06)			.35*** (3.84)	.33*** (3.52)
Gini coefficient				-.27*** (2.70)	-.25** (2.82)	-.23** (2.64)
Log GDP/Capita						.16 (1.12)
Adjusted R2	.47	.60	.63	.68	.76	.76
F	16.62***	20.53***	25.60***	23.98***	28.70***	24.29***
N	53	53	45	45	45	45

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

t-statistic absolute values are reported in parentheses. Intercepts are not shown.

Columns (3)-(6) relate to the same set of countries.

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

Factors

	(1)	(2)	(3)	(4)	(5)	(6)
Embeddedness	-.58***	-.57***	-.68***	-.64***	-.63***	-.48***
	(5.20)	(6.20)	(7.54)	(7.19)	(8.21)	(4.86)
Hierarchy	-.39***	-.42***	-.44***	-.40***	-.44***	-.33***
	(3.31)	(4.29)	(4.63)	(4.40)	(5.52)	(3.70)
Harmony	-.29**	-.06	-.31***	-.36***	-.18*	-.15*
	(2.61)	(.58)	(3.39)	(3.99)	(1.94)	(1.73)
British heritage		.46***			.31***	.28***
		(4.70)			(3.76)	(3.45)
Gini coefficient				-.19**	-.16*	-.13*
				(2.06)	(1.99)	(1.71)
Log GDP/Capita						.27**
						(2.30)
Adjusted R^2	.51	.66	.73	.75	.81	.83
F	18.87***	25.90***	38.81***	32.52***	37.63***	35.77***
N	52	52	44	44	44	44

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

t -statistic absolute values are reported in parentheses. Intercepts are not shown.

Columns (3)-(6) relate to the same set of countries.

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

	(1)	(2)	(3)	(4)	(5)	(6)
Embeddedness	-.49*** (4.97)	-.48*** (5.25)	-.51*** (4.92)	-.47*** (4.58)	-.45*** (4.81)	-.24** (2.00)
Hierarchy	-.42*** (4.11)	-.44*** (4.53)	-.44*** (4.03)	-.40*** (3.85)	-.43*** (4.41)	-.28** (2.50)
Harmony	.03 (.32)	.17* (1.67)	.01 (.09)	-.06 (.59)	.11 (.96)	.14 (1.33)
British heritage		.27** (2.07)			.28*** (2.86)	.23** (2.44)
Gini coefficient				-.21** (2.09)	-.19** (2.04)	-.16* (1.79)
Log GDP/Capita						.36** (2.52)
Adjusted R^2	.62	.67	.64	.67	.72	.75
F	28.89***	26.95***	26.94***	22.98***	23.30***	23.13***
N	53	53	45	45	45	45

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

t -statistic absolute values are reported in parentheses. Intercepts are not shown.

Columns (3)-(6) relate to the same set of countries.

Table 6. Regression of Governance Norms in Countries on their Cultural Region and Economic Level

	Governance Norm					
	Rule of Law		Non-Corruption		Accountability	
Cultural Region	(1)	(2)	(3)	(4)	(5)	(6)
Africa	-.45*** (3.58)	.14 (1.10)	-.60*** (5.45)	-.06 (.50)	-.66*** (6.23)	-.38*** (2.74)
Eastern Europe	-.63*** (4.41)	-.32*** (2.78)	-.67*** (5.45)	-.39*** (3.75)	-.41*** (3.43)	-.26** (2.18)
Far East	-.46*** (3.26)	-.07 (.54)	-.51*** (4.23)	-.21* (2.00)	-.69*** (5.85)	-.51*** (4.09)
Latin America	-.59*** (4.54)	-.29*** (2.68)	-.61*** (5.36)	-.33*** (3.37)	-.44*** (4.02)	-.29** (2.62)
Western Europe	-.03 (.21)	-.03 (.25)	-.04 (.33)	-.04 (.40)	.02 (.17)	.02 (.20)
Log GDP/Capita		.78*** (6.43)		.67*** (5.88)		.37*** (2.90)
Adjusted R^2	.48	.73	.62	.78	.64	.71
F	10.25***	23.22***	16.68***	30.05***	18.80***	20.68***
N	51	50	51	50	51	50

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

t -statistic absolute values are reported in parentheses.

Excluded region: English-speaking.

APPENDICES

Appendix 1. Kaufmann et al.'s (1999) Main Survey Items

Source	Rule of Law	Graft	Voice and Accountability
Political Risk Services (PRS)	Law and order tradition	Corruption in the political system as a "threat to foreign investment"	Democratic accountability: Responsiveness of the government to its people, free and fair elections; Military in politics: Reduces accountability
Economist Intelligence Unit (EIU)	Corruption in banking; Crime	Corruption among public officials	Change in government, orderly transfer; Legal system, transparency, fairness
World Development Report	Theft and crime (now); Confidence in authority to secure property (now); Unpredictability of the judiciary (now); Crime and theft as obstacles to business	Frequency of "additional payments" to "get things done"; Corruption as "obstacle to business"	Business is kept informed of important developments in rules and policies; Business has a voice to express its concerns over changes in laws or policies

Standard and Poor/McGraw-Hill	Losses and Costs of Crime; Enforceability of private contracts; Enforceability of government contracts; Kidnapping of Foreigners	Corruption among public officials, effectiveness of anticorruption initiatives	
Heritage Foundation/Wall Street Journal	Black Market; Property Rights		

This Appendix details the main survey items used by Kaufmann, Kraay, and Zoido-Lobatón to construct their governance indicators and the sources from which these items were drawn. Only items included in “representative sources” – namely, sources with substantial country coverage – are mentioned here. *Source:* Kaufmann et al. (1999, tbls. G1, G5, G6).

Appendix 2. List of Countries and Classifications into Cultural Regions

British		
Country	Cultural Region	Heritage
Argentina	Latin America	0
Australia	English-speaking	1
Austria	Western Europe	0
Bolivia	Latin America	0
Brazil	Latin America	0
Canada	English-speaking	1
Chile	Latin America	0
China	Far East	0
Cyprus	Middle East	1
Czech Republic	Eastern Europe	0
Denmark	Western Europe	0
Estonia	Eastern Europe	0
Ethiopia	Africa	0
Finland	Western Europe	0
France	Western Europe	0
Georgia	Eastern Europe	0
Germany	Western Europe	0
Ghana	Africa	1
Greece	Western Europe	0
Hong Kong	Far East	1
Hungary	Eastern Europe	0

India	Far East	1
Indonesia	Far East	0
Ireland	English-speaking	1
Israel	English-speaking	1
Italy	Western Europe	0
Japan	Far East	0
Macedonia	Eastern Europe	0
Malaysia	Far East	1
Mexico	Latin America	0
Namibia	Africa	0
Nepal	Far East	0
Netherlands	Western Europe	0
New Zealand	English-speaking	1
Norway	Western Europe	0
Philippines	Far East	0
Poland	Eastern Europe	0
Portugal	Western Europe	0
Russia	Eastern Europe	0
Singapore	Far East	1
Slovakia	Eastern Europe	0
Slovenia	Eastern Europe	0
Spain	Western Europe	0
Sweden	Western Europe	0
Switzerland	Western Europe	0
Taiwan	Far East	0

Turkey	Middle East	0
Uganda	Africa	1
United Kingdom	English-speaking	1
United States	English-speaking	1
Venezuela	Latin America	0
Zimbabwe	Africa	1

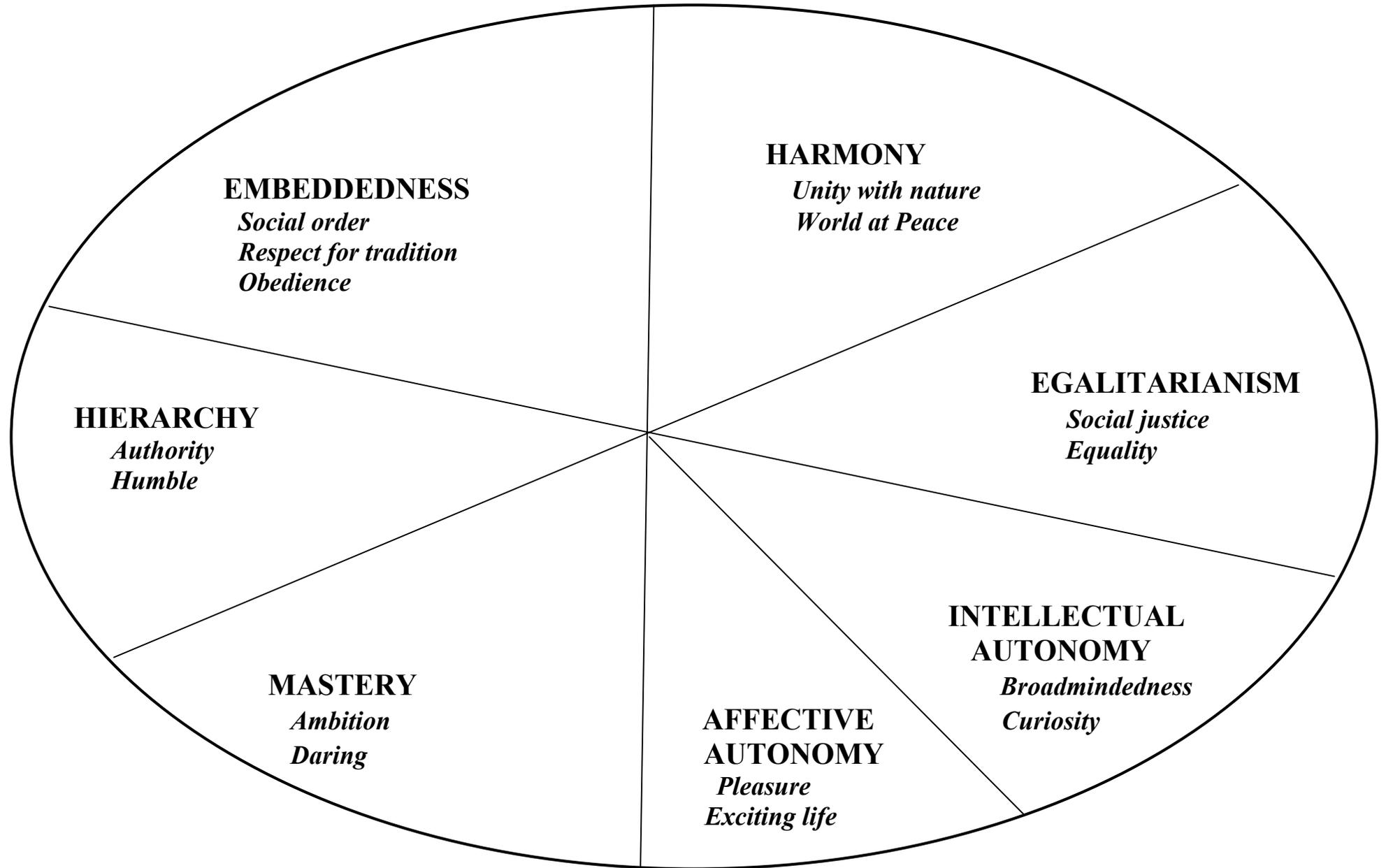
Appendix 3. Mean Scores on Cultural Value Dimensions in Cultural Regions

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

FIGURE LEGENDS AND FIGURES

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

Figure 2. Interactions between Governance and Other Factors



EMBEDDEDNESS

Social order
Respect for tradition
Obedience

HARMONY

Unity with nature
World at Peace

EGALITARIANISM

Social justice
Equality

**INTELLECTUAL
AUTONOMY**

Broadmindedness
Curiosity

**AFFECTIVE
AUTONOMY**

Pleasure
Exciting life

MASTERY

Ambition
Daring

HIERARCHY

Authority
Humble

