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Sources of Rationalized Governance: Cross-National Longitudinal Analyses, 1985- 2002

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CDDRL was founded by a generous grant from the Bill and Flora Hewlett Foundation in October in 2002 as part of the Stanford Institute for International Studies at Stanford University. The Center supports analytic studies, policy relevant research, training and outreach activities to assist developing countries in the design and implementation of policies to foster growth, democracy, and the rule of law.

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**Sources of Rationalized Governance:
Cross-National Longitudinal Analyses, 1985-2002**

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Sources of Rationalized Governance: Cross-National Longitudinal Analyses, 1985-2002

ABSTRACT

We assess the factors affecting national administrative rationalization in the context of the current worldwide movement for governance reforms. Focusing on indicators of corruption control, the rule of law, bureaucratic effectiveness, and investment openness, we conduct cross-national and longitudinal analyses for the period 1985-2002. First, we find a modest overall expansion of rationalization in countries worldwide, with the most substantial changes occurring in developing countries and previously communist countries. Change is mostly on the specific indicator of investment openness. Second, we find that national change tends to reflect links with global society – expanded trade, the penetration of scientific logics, and embeddedness in world organizational activity play prominent roles. We conclude, then, that the rationalization of national governance, as with a good many other dimensions of modernization, is not simply or principally a consequence of endogenous national development or social complexity. Rather, it directly reflects international trade, and institutional linkages with wider rationalizing movements in the current context of a neoliberal world polity.

“Bribery is a widespread phenomenon in international business transactions, including trade and investment, which raises serious moral and political concerns, undermines good governance and economic development, and distorts international competitive conditions.”

Excerpt from OECD’s 1997 *Convention on Combating Bribery*¹

“Market-supporting institutions do much to promote growth and reduce poverty.”

The World Bank, *World Development Report 2002*²

“National one-sidedness, narrow mindedness become more and more impossible...”

*Manifesto of the Communist Party*³

Worldwide calls are made to combat corruption, expand public oversight, and solidify the rule of law. These efforts make up a range of social movements operating at a global level aiming at rationalizing organizational reform. The dominant vision is a neoliberal one, assuming transparent nation-states operating in a world of open international markets. Within and among these states highly rationalized firms and public agencies are to operate, with clear purposes, effective management, transparent accounting, and high quality standards. Governments, corporations and public-interest groups initiate administrative reforms, hoping to establish good governance practices worldwide – in private- and public-sector institutions, as well as in national and local governments. The goal is to eliminate the destabilizing, and presumably destructive, effects of bad governance⁴ on markets and societies.

¹ In its full name “Convention on Fighting Bribery of Foreign Officials in Transnational Business Transactions”; See http://www.worldpolicies.com/english/tb_oecd_convention.html, Preamble section. 19 December 2002.

² See, World Bank 2002:4.

³ In Karl Marx “The Revolution of 1948” (1973 reprint; Harmondsworth), p. 71.

⁴ Now sometimes named “misgovernance”; see, for example, Banejee 1997.

The global diffusion of the social movement for improved organization and governance has been the focus of much research. Scholars analyze the global patterns of institutionalization and expansion of administrative changes and interpret their meanings, their sources and their consequences. Studies focus on corporate practices (e.g., Westphal et al. 1997, Davis and Greve 1999, Gooderham et al. 1999, Guler et al. 2002), and public administration procedures (e.g., Tolbert and Zucker 1983, Kim et al. 2002). They consider national (e.g., Evans and Rauch 1999) and firm-level practices (e.g., Fligstein 1985, Westphal et al. 1997, Gooderham et al. 1999, Guler et al. 2002). Attention goes to both private (e.g., Fligstein 1985, Gooderham et al. 1999) and public sectors (e.g., Goldsmith 1999, Kim et al. 2002). And, organizational and governance properties are analyzed as dependent variables or outcomes (Guler et al. 2002, Kim et al. 2002, Grigorescu 2003), as well as independent variables or sources (e.g., Tolbert and Zucker 1983, Mauro 1995, Westphal et al. 1997, Ehrlich and Lui 1999, Evans and Rauch 1999, Finel and Lord 1999). Studies tend to focus mainly on single dimensions of governance, such as corporate compliance with ISO-9000 standards (e.g., Guler et al. 2002), anti-corruption measures (Mauro 1995), governmental mechanisms of transparency (Grigorescu 2003), or un-official economic activity (Friedman et al. 2000). But it is generally understood that the diffusion of individual governance measures is part of a process that is global in character.

In this work we wish to add to this body of knowledge both methodologically and conceptually. Methodologically, we employ longitudinal analyses, and join previous studies that rely on composite indices to reflect the notions of governance (e.g., Mauro 1995, Evans and Rauch 1999).⁵ Our main aim, however, is substantive and theoretical: to advance arguments that global factors, and national linkages to them, play major roles in affecting governance reforms.

Conceptually, we seek to make two main claims: the first about the model of governance and the second about the factors that influence its global spread. First, we argue that governance reform is a part of global rationalization, which generally addresses (and constitutes) a variety of social activities, behaviors and organizations. We show descriptively that rationalized governance and specifically the latest wave of governance reforms are packages of ideas and ideals. These various reforms are diffused worldwide *in tandem*, rather than as single activities; in this sense, rationalized governance is a whole “forest” of reforms, rather than “single and scattered trees” of privatization,

⁵ We do this by relying on 4 ICRG/PRS scales, which are detailed later in the text: the control of corruption, the rule of law, the quality of bureaucratic management, and openness to secure investment.

liberalization, legal reform, and administrative reorganization. Second, we argue that global institutional and cultural factors, over and above intensifying economic and political interdependencies, and over and above national factors, are core to the latest wave of global change. We investigate the variables that encourage national-level moves towards rationalized governance from 1985 to 2002 in 79 countries, finding that while global economic exchanges are important, so are the cultural ties reflected in educational and scientific expansion, as well as organizational ties to global society. This investigation of the factors that influence the penetration of the current model of rationalized governance reveals the influence of the modern world polity and its preferred models, and embeddedness in them (Meyer et al. 1997). Because the movement toward organizational reform is global in character, the factors that affect its adoption tend to be linkages to global society, rather than national development or political complexity. Governance reforms are frequently justified on technical grounds as advancing administrative performance, but the critical conditions for their worldwide diffusion are the availability of the organizational models supported by the world polity.

The Global Diffusion of Rationalized Governance

Rationalized Governance and Its Measurement. Rationalization is almost universally seen as a core long-term component of social and organizational modernization or development. To some extent, definitions of the term are contested, but there is a clear core set of meanings. Rationalization is the explicit organization of clearly-defined social entities and their roles relationships, and activities around clear and general rules and toward clear and general purposes. Examples include the detailed specification of a production technology, of a chain of command, of obligations to comply and cooperate, or of the rights and properties of individual persons or organizations. Applied to governance, rationalization describes the development of clear administrative and managerial logics permeating different sectors of society: public agencies and corporate hierarchies; political, economic and cultural organizations; regional, national and international establishments.

Precise models of rationalization vary across time and place, occasioning elaborate discussions of definitions. It is probably more useful simply to see a variety of related dimensions. In the case of governance, it is entirely clear that while all forms of modern development are linked to expanded organizational rationalization, there are clear variations in political and organizational culture. Some of these are illustrated empirically in the classic work of Hofstede (1980, 1994) and analytically

conceptualized by Jepperson (1991, 2001). In statist models of society (with Crozier's [1964] France as an example), rationalized governance involves the development of a unified central authority, a clear chain of command, and the obligation of individuals to comply. In more corporatist settings (with Weber's Germany as the canonical case), unified central authority remains crucial to rationalization, but compliance is maintained by the creation of highly trained and loyal professions and professionals. The result is the dominance of bureaucracy combined with professionalism of a traditional sort: the German term is *Beruf*. In Anglo-American liberal contexts, the stress of rationalization efforts shifts sharply: Weber is replaced by Barnard, and the "imperative authority" of the sovereign down through a "chain of command" is replaced by "management" and more democratic "coordination." Accordingly, the traditional professionals of Weber's corporatist society are replaced by the skilled, committed, trained and selected individual persons of democratic society (as in Wilensky's image of the "professionalization of everybody" [1964]).

In the contemporary world it is widely recognized that the liberal model of proper organization and governance tends to dominate (see Jepperson 2001, Schofer and Fourcade-Gourinchas 2002, Sahlin-Andersson and Engwall 2002, Djelic and Quack 2003). In this vein, the modern business school offers courses on organization but not bureaucracy, and on technologies of management and the advantages of human capital but not on the autonomous authority of traditional professionals. This may in part reflect the simple facts of American domination. But it also partly reflects the emergence of stateless globalization (and relatively stateless Europeanization) and the resultant shift in models of governance to those emphasizing active coordination and cooperation around impersonal rules more than the dominance of an overall state-like center (Meyer 2002). The key thrust of neoliberal globalization, both in its ideologies and in its practical impact, is to tear organizational structures (public and private) loose from embeddedness in local sovereignty and tradition, and to force them to be "actors" in a larger world (Sahlin-Andersson and Engwall 2002, Meyer 2002).

In modern world society, thus, pressures for rationalization emphasize the dimensions stressed in the neoliberal model – accountability rather than hierarchical authority, security of property more than loyalty to the sovereign, and so on. The commonly employed measures of the modern period, discussed below, reflect this. Despite this, there is a good deal of common logic to all the modern forms of rationalized governance, stressing orderly, impersonal, rule-based and merit-based administration, much as in Weber's classical portrayals.

Contemporary international reform initiatives leave little doubt about the features of good governance, or the preferred *modus operandi* of administrative systems. They are clearly sweeping in their claims and refer to standard administrative features as *desiderata*: enhancing the transparency and accountability of administrative systems, curbing corruption, institutionalizing oversight of administrative operations, strengthening the rule of law, ensuring the sanctity of contracts and of foreign investment, deepening democracy, empowering civil society, and establishing trust between civil service, corporate heads and the public.⁶ Indeed, there is a surprising international consensus on what constitutes corruption (LaPalombara 1994:336), or unethical administration in general.

Until recently, comparative studies of governance tended to focus solely on corruption: indeed, when concerned with mis-governance, corruption was the most accessible and concrete measure. This focus reflected developmentalist,⁷ or economic, thinking on governance, as on other modernization- and progress-related matters. The newer approach to governance comes, therefore, in response to the failure of previous governance-minded reforms to bring about the desired rates of economic growth. The new definition of governance, reflects dominant neoliberal values, and goes beyond efficiency and capacity, to include social participation and accountability.⁸ It signals the penetration of “managerialism” into government: the tuning of public administrations onto the benchmarks of modern theories and ideologies of organization.

Variations in concepts of rationalized governance are reflected in the range of indicators that are used in research. For example, one interpretation of Weber’s notion of the modern, rational bureaucracy emphasizes the merit- and skill-based selection and competence of personnel as a core element of organizational effectiveness. Following this line, Evans and Rauch (1999) characterize national bureaucracies in 35 countries along a “Weberianess scale” which focuses on career paths of bureaucrats. Another interpretation (from Weber and other sources) emphasizes rules as impersonal and impartial. Here, proper procedural arrangement are seen as assuring effectiveness. So anti-

⁶ Some organizations, like The World Bank and IMF, weave into their definition of good governance liberalizing markets and encouraging competitiveness, core themes of the liberal economic model that are summarized in the label “the Washington Consensus.” As articulated by John Williamson (1993, 2000), the Consensus identified the following as essential: trade and financial liberalization, privatization, de-regulation, fiscal restraint, public expenditure contraction, securing property rights, and re-considering of public expenditure goals. See also Gore 2000.

⁷ Developmentalism is the paradigm that regards socioeconomic development as the ultimate social goal, and as the prism for social goal-setting (see, Escobar 1983, 1995). The conceptual dominance of developmentalism was reinforced by its organizational institutionalization in world society after World War II (see, Chabbott 1999).

⁸ Among political scientists, this closeness between democracy and transparency tends to lead to a conflation of democracy and transparency, so that transparency is seen as a surrogate for democracy (see, Grigorescu 2003:645).

corruption organizations routinely now score and rank countries by their level of corruption and bribery-taking.⁹

The variety and expansion in extant measures of rational governance are created by current emphasis on governance, in policy and in scholarly work. Two over-arching understandings are involved. First, the modern globalized society and discourse have little patience for the idea that proper governance is unique to specific national contexts. With such a global stance, it is easy to propose world-encompassing standard measures and to demand the diffusion of correct forms (Strang and Meyer 1994, Meyer 2002). Thus, much of what would have been seen as culture, a few decades ago, can now securely be defined as “corruption.” Second, in a neoliberal world, it is understood that rationalized governance is a crucial requirement for economic development (e.g., Robin 1990, Knack and Keefer 1995, Bardhan 1997, Goldsmith 1999, Messick 1999, UNDP 2002, World Bank 2002). Unrationalized governance is regarded as harmful to development (e.g., Delacroix and Ragin 1981, Klitgaard 1988, Colclough and Manor 1991, Barro 1991, Elliot 1994, Kaufman et al. 1999). Under these global cultural conditions, reformers, themselves interested in effectiveness of their own goal attainment, monitor their fields of interest with great aggressiveness. So measures proliferate. One such example is that of Transparency International (TI). TI’s interest in curbing corruption worldwide led to its construction of a scale of corruption, based on a survey-of-surveys of business people. And, TI’s index of corruption is the most widely used cross-national measure of governance, serving practical business needs, providing a moral standard, and serving as a research proxy for administrative quality.¹⁰

It is clear, however, that governance goes beyond the single dimension of corruption: recently even economists make an effort to expand their approach to governance, conceptually as well as in measurement, beyond corruption.¹¹ It is the happy outcome of this zeal to evaluate already enacted governance reforms or to encourage new ones that several measures of rationalized governance now exist. The measurement issue is not a trivial matter, nor is it a purely empirical issue; rather, the measurement is reflective of a conceptual definition of governance and thus new, broad and numerous indices arise. While the motivations for such data collections vary and while the emphasis of each

⁹ On Transparency International (TI), a not-for-profit, non-governmental international organization devoted to the eradication of corruption, see (<http://www.transparency.org>).

¹⁰ See, for example, in the works by Mauro (1995), Jain (1998), Ehrlich and Lui (1999).

¹¹ Explaining his re-calculations by the need to minimize measurement error and by the close relations among the definitions, Mauro 1995 constructs a composite index of “bureaucratic efficiency” out of three Business International measures (red tape, corruption, and the integrity of the local judiciary).

scale is unique, there is a strong empirical correspondence across measures and sources. Table 1 shows the high cross-sectional correlations (for up to 166 countries in the years 1985 and 2002) among a variety of measures of rationalized governance, gathered by different agencies.^{12 13} The correlations among these measures are all higher than .60 when a considerable number of cases are examined. This helps validate other observations emphasizing a broad consensus on the content, as well as measurement, of good governance (see, LaPalombara 1994, Tanzi and Davoodi 1997).

- Table1: correlations among indicators of administrative rationality

From this field of governance measures, we chose four scales from the International Country Risk Guide (ICRG; compiled by Political Risk Services, or PRS Group¹⁴) for our analyses of cross-national trends in good governance. This data set is availability over a long enough period to permit longitudinal analysis. The data come from a single source, which maintains some consistency and minimizes variations in the meaning of the measurement scale itself.¹⁵ The data are available for a large number of countries.¹⁶ And they include indicators covering a reasonably broad definition of governance. We rely on annual scores of four scales from ICRG/PRS data for the years 1985-2002.¹⁷ The scales, detailed in Howell (1998), are:

- Corruption Control: The degree of political corruption is thought to pose a threat to foreign investment, destabilize the political process, distort economic and financial policies and choices, and introduce inefficiency by rewarding patronage rather than ability (scaled from 0-6, with low scores indicating high corruption).
- Rule of Law: A well-established law and order tradition is manifested in sound political institutions, a strong court system, and provisions for an orderly succession of power (as opposed to the use of physical force or illegal means to settle claims). It reflects the

¹² The various scales of governance in Table 1 come from four different sources. Two are single indices: (1) The Weberianess scale (Evans and Rauch 1999) and (2) the perceived corruption index (compiled by Transparency International). Four others come from Business International, which is a commercial enterprise of risk assessment (see, <http://www.businessinternational.it>): (3) bureaucratic delay, (4) contract enforceability, (5) infrastructure quality, and (6) risk of nationalization. Finally, four come from International Country Risk Group (ICRG; see following discussion): (7) lack of corruption, (8) rule of law, (9) bureaucratic quality, and (10) investment risk profile.

¹³ For a similar comparison among cross-national measures of governance, see Tanzi and Davoodi 1997.

¹⁴ See, <http://www.prsgroup.com>

¹⁵ Evans and Rauch' Weberianess scale is retrospectively calculated for a single time point -- 1980.

¹⁶ Business International offers a similar range of measures as does PRS, but the measures are available for only 44 cases in 1985 and 45 in 1995; Evan and Rauch's Weberianess scale is available for only 35 cases.

¹⁷ ICRG scales, gathered monthly, were re-calculated into an annual score. Also, because at the beginning the data were available for a smaller number of cases (as few as 63 countries in 1982, 65 countries in 1984 and 101 countries in 1984), we maximize our case base by analyzing data starting in 1985, available then for up to 117 countries. We examine 79 cases, for which data on independent variables are available, in the following analyses.

degree to which established law and order institutions can implement the law and adjudicate disputes (scaled from 0-6).

- **Bureaucratic Quality:** The degree to which local bureaucracy is strong, expert-based, and efficient as a shock absorber in the process of governance, thus minimizing drastic changes in policy or dramatic interruptions in government services or administrative functions. In low risk countries, the bureaucracy tends to be somewhat autonomous from political pressure, with established mechanism for recruitment and training (scaled from 0-6).
- **Favorable Investment Profile:** The degree to which local government is hospitable, rather than adverse and risky, to foreign investment. In low risk countries there is little prospect of expropriation (nationalization) or the repudiation of contracts. Taxation and labor costs are reasonably low (re-scaled 0-6).

Together these ICRG measures refer to a wide spectrum of dimensions of national governance. Empirically, while each of these measures highlights a particular dimension of local administrative arrangements, the indices all refer to a general concept – namely, the degree of rationalization of the culture of governance¹⁸.

This series of governance measures emphasizes good governance as being hospitable to business: the most dramatic expansion over the 1985-2002 period is on the scale of “favorable investment profile.” Firms often see regulatory stability as a crucial factor in their success.¹⁹ Modern managerialism is heavily infused with marketized modes of governance (Bislev et al. 2002) and tends to combine foci on efficiency, responsiveness and liberalization (Salskov-Iversen et al. 2000). Thus current definitions very much carries the neoliberal, market-oriented tone of the “Washington Consensus.”

Global Trends in Administrative Rationality, 1985-2002.

¹⁸ In spite of differences in their individual trajectories (described below), the empirical coherence of the ICRG indices is confirmed by factor analyses (see Appendix A). Confirmatory factor analyses for both 1985 and 2002 show that the loadings of each specific on the general factors are very strong, and that each general factor accounts for a major share of the variance in the specific indices. Based on this substantive and empirical coherence, in subsequent analyses we rely on an overall factor score for “rationalized governance” per country in the years 1985 and 2002.

¹⁹ Batra et al. (2002:6) report that 68% of corporations in Central and Eastern Europe, 60% in the Commonwealth of Independent States and 60% in Latin America point to advance notification to business of changes to rules and regulations as critical to their operations.

A first research question for our analysis is whether global trends show an expansion in rationalized governance indicators over time. The global social movement toward managerialism would, as a reasonable hypothesis, produce empirical changes in administrative structures. Calls for administrative reforms to produce economic benefits could produce shifts toward more effective administrative management across locales. We therefore (a) explore the hypothesized expansion of rationalized governance and (b) suggest categories of countries in which rationalizing changes might be most likely to occur. Our data cover the 1985-2002 period. They follow historical changes in the condition of governance in various countries, privileging public or governmental administration but also addressing private sector practices. Based on these data, we provide preliminary and descriptive data on the spread of rationalized models of governance.

Trends. Our cross-national indicators suggest a modest trend toward expansion of rationalized governance since the 1985, with something of a reversal of this trend on some dimensions of governance in the most recent years. We show in Figure 1 world averages, for a constant set of 79 country cases, on our four indices of rationalized governance. Two of these indices – Favorable Investment Profile and Bureaucratic Quality– show increases over time, concentrated in the early 1990s. The other two measures – Corruption Control and Law and Order – show slight drifts upward until the mid-1990s, with small declines since then. The dramatic change between 1985-2002 is in the investment profile of countries: countries worldwide seem, on average, to be offering more favorable conditions to outside investors. This is, most probably, related to the penetration of neoliberal, or market ideology. Also notable are the turning points in all these trends as being in the early- to mid-1990s. The timing of the reversal of trend implies a restructuring in at least some countries in the early 1990s. A derived hypothesis to be examined is that change is especially prominent in previously communist countries (see following section).

- Figure 1: Law and order, bureaucratic quality, corruption control and investment profile - change in world averages, 1984-2002

Inevitably, any conclusions we draw regarding such expansions in rationalized governance have a tentative quality. The ICRG/PRS data collection system involves efforts at consistent assessments over time, but any measurement system with subjective components is subject to temporal drift. In this case, we might expect a measurement error drift in a direction away from the hypothesized world increase in rationalized governance. By our own argument, standards have gone

up over time. For instance, evaluators would now see as corrupt some aspects of the American political and business systems that were once taken for granted as normal politics. Thus, it would be natural for assessment standards to tighten over time, producing in the absence of real change or a downward trend.²⁰

Differentiating Patterns. In spite of this reservation, true of all longitudinal data collection efforts in this area, the data on rationalized governance reveal several distinct patterns. Most notably, the changes in governance we describe differ across groups of countries. Western and developed countries, mostly members of the OECD, rank high on all our indices of rationalized governance and tend to show few changes over time. Overall development, rather than wealth per se, makes this group of countries unique. Among high-income countries, the distinction between OPEC and non-OPEC members shows that there is more than national wealth to governance. OPEC members, who represent non-Western high-income countries, consistently lag on all our dimensions. Similarly, the NICs²¹ rank high among the non-Western nations on all dimensions and have made the most dramatic alterations in domestic governance practices.

Figure 2: Breakdown by country type

- 2a: Law and order by country type, 1984-2002
- 2b: Bureaucratic quality by country type, 1984-2002
- 2c: Corruption control by country type, 1984-2002
- 3d: Investment profile by country type, 1984-2002

Previously communist countries, and some developing countries, made the most rapid transitions towards rationalized governance. For example, on the Index of Bureaucratic Quality substantial changes occur in Indonesia (going from 0 in 1984 to 3 in 2000), and Mexico and Poland (both 1 in 1985 and 3 in 2002). The countries slow to change are, as noted above, the divergent groups of OECD and OPEC members (rating at about 4 and 1, respectively, at both time points). Among the previously

²⁰ Another explanation for the recent reversal of trend in governance expansion relates to the role of international organizations as “teachers of norms.” International criteria may rise over time.

²¹ The group of Newly Industrialized Countries emerged in the 1970s with the four Asian Tigers (Hong-Kong, Taiwan, South Korea, and Singapore) and expanded since to include additional South Asian and Latin American countries (such as Thailand, Brazil, and Mexico). For reasons of data availability over time, we have only five cases (Brazil, South Korea, Mexico, Singapore, and Thailand) in this descriptive summary.

communist countries, Poland and Hungary made the most dramatic “leaps” on all indices of governance. Rates of change in different scales of governance, as well as the “starting points” of governance dimensions, are not consistent across the globe. We address a wider range of possible explanations for these patterns in the analyses below.

Summary. We see modest worldwide changes on various dimensions of governance, with a somewhat of a recent reversal of the trend toward rationalization in governance that began in the 1980s. The early trends toward rationalization reported here are also documented on governance measures examined by other researchers. There are reports of an expansion in compliance with ISO-9000 standards for corporate management (Guler, Guillén and Macpherson 2002), more professionalized bureaucratic standards (Evans and Rauch 1999), intensified anti-corruption measures (Mauro 1995), reductions in unofficial economic activity (Friedman et al. 2000), and legal pressures for governmental transparency (Grigorescu 2003). Comparative analyses also support our observation of a recent slowdown on some dimensions of reform and change (Kaufman 2003:9).

These findings reveal the complexity of social change: whereas the expectation, as explicated earlier, is that the increased *attention* to governance and to the expected link between governance and economic outcomes will result in increased *action* to rationalize governance, the pattern are more complex. First, change is not uniform across all measures of administrative rationality: the index for “favorable investment profile” shows the most dramatic increase over the 1985-2002 period. Second, the change in administrative rationality is not uniform across all world regions: most of the change is driven by the NICs and previously communist countries.

The causes for varying rates of change are wide-ranging. Clearly, some of the explanation rests with institutionalized political traditions that follow the contours of world society, as suggested in Figure 2. Based on this finding, we further explore the influence of factors external to the nation-state, such as world regional contacts, as determining change in administrative rationality.

Factors Shaping Changes in National Rationalized Governance

Explanations and Derived Hypotheses. A limited body of work sets the theoretical background for our exploration of factors affecting change in administrative governance. We derive our hypotheses from the application of this scholarly work to the case of rationalized administrative culture.

Common Explanations. Building upon classical sociological theories of change, social scientists commonly cite increasing social complexity as causing the modernization of administrative practices. The argument runs that the complexity of modern systems – of trade, of political scope and responsibilities, of production and social reproduction – requires that the management, control and governance of these systems be modernized, rationalized, and differentiated so as to enhance capacity and efficiency (for a classic statement, see Kerr et al. 1960). This argument about the technical requirements that come with modernization clearly applies also to administrative rationalization: it focuses on, for example, orderly management to enhance supervision and control and the standardization of procedures. Greater governmental transparency and free flows of information solve all sorts of problems that involve transaction costs, ranging from social challenges to the state (because constituents can then inspect and review governmental actions; see, Finel and Lord 2000) to conflict and war (because it is easier to judge the security threats and intentions of democracies; see, Finel and Lord 1999, Ritter 2000).²² Therefore, the prediction is as follows:

Hypothesis 1: the more complex, or “developed,” societies are, the more rationalized their governance is likely to be.

The complexity of national systems, requiring this corresponding upgrading in rationalized governance, has a variety of components: political and economic, national and international. The local political system, reflecting the expansion of political responsibilities and the broadening of democratic institutions, may exert pressures towards greater transparency: societal actors becoming more involved may require of their authorities to become more transparent and accountable to their constituency (see, Mueller 1992, Finel and Lord 2000), while transparency and accountability also become the necessary features of a “true” democracy (see, March and Olson 1994:162-165, Shleifer and Vishny (1993). Similar local pressures may come from the national economic sector, reflecting an expansion and increased complexity of production and commercial activity. From such a national and economic perspective, greater administrative rationality is a response to pressures from the domestic economic sector and its drive to modernize and become more predictable, regulated and efficient (see, Kaufman and Siegelbaum 1997). Finally, modernization pressures may come from the international, rather than the national, economic sector, thus reflecting the increased complexity and intensity of trade and investment relations (e.g., Qureshi 1990). Pressures from trading partners and global financial institutions force countries to modernize their administrative formats as a part efforts to stabilize and

²² For a review of the sources of corruption from the rationalist perspective, see Kliggaard 1988, especially pp. 62-68.

expand global economic interdependencies; with this in mind, global crises, such as the Asian financial crisis of 1997, are blamed on local failures in transparency. Overall, we may expect that the effects on encouraging rational governance operate in a similar manner across these dimensions. Accordingly, the related hypotheses are:

Hypothesis 1a, b, c: the complexity of the national political system, the national economy, and international economic relations increases the administrative rationalization of national governance.

Institutional Sources. On the other hand, classical sociological arguments run the other way: religious and ideological commitments to social rationalization – rather than social complexity *per se* – are at the root of historical trends towards expanded rationalization of governance practices (see, Weber 1968; Inkeles and Smith 1974). Following this perspective, institutional explanations point to macrosociological cultural influences as affecting rationalizing change in governance. Change may follow from the environmental rise of available and legitimate normative models for nation-states to emulate. In the case of governance changes, institutional factors and their legitimacy effects are shown to motivate corporations and nation-states to conform to the institutionalized model of rational governance.²³ In the current period, it is clearly the modern world polity that is the institutional core, setting the model of the culture of rationality (Meyer et al. 1997, Drori et al. 2003).²⁴ In this sense, our expectation is that the more committed a society is to the globalized culture of rationality, the more its institutions will incorporate this logic as its operating rationale. Therefore, the formal expectation is as follows:

Hypothesis 2: the more embedded a country is in the modern world polity, the more rationalized the national governance is likely to be.

Embeddedness in the modern world polity takes various forms, revealing the multiple channels through which normative, or institutional, influences transpire. Most obviously, the modern world polity is anchored within a web of international organizations (Boli and Thomas 1997, 1999). These organizations are not merely mediators among national game-theoretic calculations (e.g., Abbott and Snidal 1998, Keohane and Nye 2002), nor are they loci of capitalist interests (e.g., Sklair 1997); they are, in good part, “teachers of norms” (Finnemore 1993, 1996). Thus interaction with them results in greater exposure to the legitimated rationalized models of social action. Indeed, networking with

²³ See, for example, the studies on the transnational and trans-organizational diffusion of innovations (Rogers 1995) and human resource management (Gooderham et al. 1999).

international organizations is shown to influence a variety of corporate and national governance-related practices: from compliance with ISO regulations (Guler, Guillén and Macpherson 2002) to expansion of governmental responsibilities (Jang 2000, Kim et al. 2002) to legal initiatives towards governmental transparency (Grigorescu 2003). Such networking may operate in different ways to influence national operations: from “naming and shaming” strategies of international organizations to reward compliant countries and denounce the deviants²⁵, to coercive strategies by international organizations to require change²⁶, to professional pressures from such international organizations to offer solutions to national problems²⁷. And, international organizations not only preach to governments what the expectations for proper governance are, but they also practice administrative rationalization within their own operations, by expanding the transparency of their procedures and applying formal measures for performance (Wood 1999).²⁸ Taking this influence of international organizations into account, our expectation is, then:

Hypothesis 2a: the more embedded a country is within international organizations, the more rationalized national governance is likely to be.

The influence of the modern polity may also take a more abstract form, distinguishing its content from its actual channels of transmission. Most dramatically, the influence of the world polity and its themes may transpire through broad and transformative cultural changes in local societies, such as the degree of scientization, or the penetration of science-like logics and expanded systems of rationalized education (Drori et al. 2003). In this sense, national systems of science and higher education function as “receptor sites” for social models flowing in the wider world system (see, Frank et al. 2000). The expectation is, then:

²⁴ Specifically addressing institutional effects on cross-national compliance with ISO-9000 standards, Guler, Guillén and Macpherson (2002) follow on DiMaggio and Powell’s (1983) distinction between types of institutional forces: coercive organizational controls, knowledge and professional bases, and network cohesion and density.

²⁵ For example, TI’s publication of its annual “perceived corruption index” is accompanied by an extensive publicity campaign that exposes the “winners” and “losers” on corruption issues, while OECD’s Pollutant Release and Transfer Register publicly shames pollutant countries to reduce pollution levels.

²⁶ For example, the IMF’s conditionality terms press governments to implement legal and administrative reforms as pre-requisites for loan approvals.

²⁷ For example, TI’s 2000 Source Book for Combating Corruption is a formal description, or “best practice”, solution to national corruption problems. TI’s position as a locus of expertise on issues of corruption provides it with the legitimacy to advise countries on the necessary steps to take.

²⁸ See Guler, Guillén and Macpherson (2002) for an extensive analysis of several channels of institutional and global influence and Drori (2003) for a description of the mechanisms, or strategies, of influence of international organizations on governmental administrative change.

Hypothesis 2b: the more expanded the national science and higher education systems, the more rationalized the national governance is likely to be.

In general, our discussion is rooted in the classic arguments about the extent to which modernization has been driven by economic growth or by more cultural forces (Marx 1973; Weber 1968). Contrasting internal and external economic factors, on the one hand, with more cultural factors, on the other hand, we hope to confirm that institutional factors of various sources – linkages with world society and local rationalizing transformations – encourage the global diffusion of administrative rationality, over and above the effects of measures of economic and political expansion and complexity. We hope to show that beyond the technical – narrowly economic and political – nature of many pressures and justifications for governance reform, cultural and organizational changes may also serve as critical antecedents for changes in governance culture.

Other Factors. To this series of hypothesized patterns we add controls for several common distinctions about the pattern of the global diffusion of rational governance. As is evident from the description of the trends of change in governance since the early 1980s, the rates of change in governance vary by geopolitical categorization (Figure 2). Formally, then, we expect our analyses to show that *different types of countries exhibit unique rates of change toward rational governance.*

We focus on four such groups: former communist countries, OPEC members, NICs, and non-Western countries. First, the collapse of the communist regimes clearly brought about a dramatic re-organization of local administrations and a re-alignment of local practices with Western models. Dramatic changes in those transitioning countries served as strategic moves by local elites to signal readiness and to stake out credibility claims. Grigorescu (2003:651) describes how the rapid and firm response by Romanian authorities to a cyanide spill that threatened neighboring Hungary and Yugoslavia helped fend off criticism of Romania as antiquated administratively. Second, the descriptive trends noted previously also identify OPEC members as a group of countries with consistent low levels of administrative rationalization, and perhaps with some resistance to the rationalization of governance. It is plausible that their wealth and strategic position in world economy allow them to disregard the mounting global pressures towards the modernization of local administrations. Some such resistance may arise because of the association between governance, democratization and liberalization: the introduction of administrative reforms carries the “risk” of also introducing other dimensions of neoliberal governance. Third, the NICs similarly show unique patterns of governance expansion: change towards greater administrative rationality through the mid-1990s,

with a dramatic reversal of trend on two of the indices, namely curbing corruption and rule of law, around 1997. Indeed, while the NICs' governance style has been noted as a possible source of their economic success during the period of their economic boom, authoritarianism and "administrative opaqueness" were later pointed to as the causes for the region's financial crisis in 1997. Last, we also expect change in governance to be more rapid in non-Western countries, defined as non-OECD countries. Western countries, or OCED members, seem to be at the point of saturation on our multiple dimensions of governance. In addition, non-Western, or developing, countries may have unique patterns of change (specifically, more rapid and more reliant on institutional factors), as expected of "late comers" to an accepted pattern of behavior. Therefore, formally we expect our analyses to show that *change toward rational governance is more rapid in previously communist countries, in newly industrialized countries, and in developing countries, than in other countries. And rationalizing change is slower in OPEC member countries than in other countries.*

Panel Analyses, 1985-2002. Based on these expectations, we investigate the factors that contribute to changes in national rationalization of governance. Employing ordinary least squares (OLS) regressions, we evaluate the effects of a range of factors – economic, political, and cultural – on changes between 1985-2002. We examine the hypotheses set forth above, broadly contrasting two lines of explanation – one emphasizing local and economic factors, the other focusing linkages to the global culture of administrative rationalization. The dependent variable is an index score of the combined four ICRG/PRS indicators of rational governance, combined according to their factor loadings (see Appendix A). We use these index scores, calculated separately for the years 1985 and 2002, in panel analyses designed to show the effects of (a) national social development and complexity, of (b) institutional and cultural rationalization, and of (c) regional-specific patterns on changes in the governance regime.

Independent Variables. To assess socioeconomic development and complexity, we use three conventional measures: political regime (scale of institutional democracy for 1985; Gurr 1990), national economic development (GDP per capita in 1980, logged), and economic connections with international markets (total imports and exports as a proportion of GDP in 1985)²⁹ to correspond with Hypotheses 1a, 1b and 1c, respectively. Each of these variables captures the sorts of national socioeconomic development and complexity that are likely to necessitate differentiated and

²⁹ GDP and trade data are obtained from the Penn World Tables (version 5.6; see Summers and Heston 1991).

rationalized governance structures.³⁰ And, in general, these various sites of complexity identify potential sources of pressures on nation-states to rationalize and modernize local governance (see Hypothesis 1).

National commitment to the global culture and organizational structures of rationalization is identified by membership in international organizations to indicate global linkages (Hypothesis 2a), and the intensity of scientific and higher education activities to refer to the degree of scientization and education penetration (Hypothesis 2b). The organizational linkages variable is an index score, adding national membership counts in (a) governmental- and (b) nongovernmental international organizations, as compiled by the Union of International Associations.³¹ As a measure of scientific and higher educational penetration of national society, we rely on an index score. We combine (a) scientific reputational data – national counts of citations of scientific papers from a country, with data from Institute for Scientific Information/Science Citation Index – and (b) UNESCO’s data on tertiary education enrollments as a percentage of the population aged 20-24 (logged). Overall scores are calculated based on the factor loadings (see, Appendix B).

- Table 2: Descriptive Statistics for Variables Included in Analyses

Table 2 offers descriptive statistics on all variables for the 79 countries for which data are available on all variables. These cases are included in the OLS runs (cases fall to 63 for the models analyzing only non-Western countries). The countries included in the analyses are listed in Appendix C.³²

Model. Our hypotheses set rationalized governance as the dependent variable in a panel model. The model assesses the cross-national effects of a series of independent variables (measured around 1985) on rationalized governance (measured in 2002), while controlling for rationalized governance in 1985. Model specification is as follows:

$$Y_{i(2002)} = \alpha_0 + \beta X_{i(1985)} + \gamma Z_{i(1985)} + \varepsilon_i$$

The subscript *i* denotes the particular nation-state. Y_i is the dependent variable – the factor score on national rationalized governance in 2002. X refers to the lagged dependent variable – the factor score

³⁰ To check on the adequacy of the indicators used here, we repeat our models with alternatives substituted for the ones discussed here. It turns out that substantively similar results to those presented here are found when alternative indicators are employed. The alternative indicators we used are listed in the footnotes to Table 3.

³¹ The international organization membership data are obtained from the Yearbook of International Organizations (UIA 1980-2000).

³² As indicated in the notes to Table 3, we tried alternate indicators for the independent variables in the models. The number of cases slightly fluctuates, then, depending on the availability of data for such indicators.

of national rationalized governance in 1985, and Z is a row vector of covariates including national development, scientific expansion, world linkage, trade openness, and political regime circa 1985. α_0 is an intercept, and β is a coefficient associated with the lagged dependent variable, and γ is a vector of coefficients associated with other covariates. The ε_i are independent random disturbances.

Findings. The results of the panel 1985-2002 models, summarized in Table 3, evaluate our core hypotheses about complexity-driven explanations (Hypothesis 1) and about institutional explanations (Hypothesis 2). Models 1-5 analyze the full set of countries for which data are available; Model 6 focuses on non-Western countries only. Added to Models 2-5 are regional dummy variables to test Hypothesis 3, while Model 6 evaluates the dynamics of complexity and institutional factors specifically for the non-Western world.

The positive and significant effect of the lagged dependent variable in Models 1-5 shows considerable inertia in rationalized governance during the time period 1985-2002, as might be expected. This effect is reduced in Model 6: among non-Western countries, previous degree of rationalization of governance does not significantly affect the level of rational governance in 2002.³³

Unlike the prediction in Hypothesis 1a, the level of economic development does not significantly affect the shift towards rational governance in the period 1985-2002: the coefficients for the full sample of 79 countries (Models 1-5) and for non-Western countries (Model 6) are consistently insignificant. Similarly, the level of political democratization (Hypothesis 1b) does not affect this change in governance: again, the coefficients for political regime are consistently insignificant in Models 1-6. These findings, while contradicting previous conclusions,³⁴ are consistent and thus robust: national economic and political conditions tend to be minor influences on the change towards rationalized governance in the past two decades.

- Table 3: Panel Analyses of Factors Affecting National Rational Governance 2002

On the other hand, the intensity of global economic trade (Hypothesis 1c) has consistent, significant and positive effects on rational governance: the coefficients for economic openness in Models 1-6 are robust. Global economic engagement is clearly a force for the 1985-2002 changes in

³³ This cross-time dependence in the state of rationalized governance justifies our reliance on panel, rather than cross-sectional models. Nevertheless, the results of cross-sectional OLS regressions, for the full sample of countries and for non-Western countries, are offered in Appendix D.

³⁴ For example, in regards to political complexity Shleifer and Vishny (1993) emphasize government and political structures as determinants of corruption.

rationalized governance across the world. If economic pressures or conditions influence national reforms, it is the international (rather than the national) conditions that are primary.

Also consistent are the effects of the two institutional factors, namely national embeddedness in the global organizational web (Hypothesis 2a) and national scientization and educational expansion (Hypothesis 2b). Both factor scores consistently show positive and significant effects on rationalized governance (in Models 1-6), with the marginal exception of Model 5 for organizational linkages. These findings show that the more embedded a country is in the world polity – either through direct organizational contacts or through the penetration of rationalized and scientized logics – the more it is prone to rationalize its governance.

Last, the regional effects offer a mixed bag of influences on change in rationalized governance 1985-2002. While the coefficients for the dummy variables for NICs and previously communist countries are non-significant (Models 3 and 4; Hypotheses 3a and 3b, respectively), this is probably caused by the small number of cases per category in the models.³⁵ The fragmentation of the Soviet bloc resulted in many new countries (and data points) in 2002 that were not independent political units prior to 1989. We judged that it would have been a mistake to extrapolate the state of their governance in 1985 from the general communist bloc of the time, or from that of the Soviet Union. In regards to the NICs, we see from the descriptive analysis (Figure 3) that there is a dramatic “dip” in the scale of corruption since 1996; we think, then, that the problem of the small number of NICs cases in the analyses results from the small numbers of cases available.³⁶ Still, the other two groups of countries, namely OPEC members (Model 2) and non-Western countries (Models 5 and 6) do exhibit distinct and statistically significant patterns. The coefficients of the OPEC country and non-Western country dummy variables are negative and significant, showing that in both these two groups of countries there is lower rate of change in governance, compared with other countries, when additional control variables are considered.

³⁵ We first ran simple regression models including only the dummy variables for world regions: the results are clear and confirm the pattern evident by the descriptive patterns. The effects of these dummy variables decline as we add the core independent variables.

³⁶ To show that the selection of cases in the analyses does not affect the substantive results, we compare two sets of means: the overall average score for a group and the average score of those countries from the group that are included in the analyses. Appendix E shows that there are no substantial differences between the means for all countries having data and the means for the countries included in the analyses. The lack of statistical significance of difference between groups, thus, does not result from the selection of cases, but rather from the small number of cases per category.

Overall, this basic set of relationships remains throughout the rest of the analysis: it holds stable in various alternations of the indicators in the models.³⁷ However, the cross-sectional analyses (Appendix D) suggest that in the mid-1980s the story of rationalized governance (without a control for earlier rationalization) appears to have emphasized national development. In these cross-sectional analyses, focusing on the state of affairs circa 1985 in the full sample of countries (Appendix D, Model 1), the independent variables of economic development, political complexity, and economic openness significantly affect the state of rationalized governance in 1985. And, for non-Western countries (Appendix D, Model 2) the only significant coefficient is that of economic openness. These patterns confirm that indeed in 1985 rationalized governance is a characteristic Western countries; the model of good governance at this start of hyper-globalization is still a place- and time-specific story. The involvement of institutional forces, as evident in the panel models (Table 3), comes with the expansion of the reaches of model of good or rationalized governance: the globalization³⁸ of a scripted model of appropriate behavior, which addresses mostly “late comers” or developing nations, is carried by institutional forces.

Summary. Our findings show that for the set of 79 countries the factors of (a) economic openness, (b) world organizational linkages, and (c) scientific and educational expansion have consistent, positive, substantial, and significant effects on the rationalization of governance. National economic development and political regime, on the other hand, consistently show insignificant effects on change in rational governance during the period 1985-2002. In this sense, the effects of institutional factors, as well as the effect of global trade, are confirmed across the analyses. We illustrate them by showing clear patterns of bivariate association between rationalized governance and the three core independent factors in Appendix F.

Why does the single complexity variable of economic openness join the institutional variables in displaying effects on administrative change? Clearly, all three core variables are global in nature. As such, they join to reflect the effects of globalization: it is the interaction with world polity – through embeddedness in global trade, in global organizational ties, and in global logics – that contributes to the expansion of rationalized governance. Our account of the sources of the change in governance, then, further removes the discussion away from traditional functionalist explanations stressing endogenous social complexity. Our account also moves away from essentialist explanations, such as

³⁷ See notes to Table 3.

³⁸ Understood here as the penetration of globalized script to a growing number of countries; see, Drori et al. 2003.

those assuming that people, organizations, and nations are corrupt because their cultural traditions lack the requisite moralities.³⁹ Immersion within the general web of world contacts, or the level of embeddedness within a rationalizing modern world polity, encourages commitment to the model of rationalized governance. The stability of these global and institutional effects, over-and-above specific indicators, and across the models and sets of countries, demonstrates the breadth of the process of global rationalization.

Discussion and Conclusions

In this paper we examine the global rationalization of governance, a core issue in organizational and sociological studies. Relying on commercially-gathered data on several dimensions of rationalized governance we (a) describe the cross-national trends of change towards the neoliberal model of governance since 1985 and (b) identify institutional and global factors as powerful sources of such governance change during 1985-2002 period.

Education and science are commonly invoked as encouraging modernization and social change. They are seen as setting the foundation for economic development (Schofer et al. 2000), democratization (Ezrahi 1990, Drori et al. 2003), standardization of national practices (Drori et al. 2003), and institutionalization of environmental policies (Frank 1999, Hironaka 2003). These various studies, all using cross-national data and analyses (Meyer et al. 1997), stress the primacy of global cultural models in social change. And they note that science expansion connects nation-states with the scripts and standards of the world polity.

The most dominant among these global scripts and standards is developmentalism; and governance, commonly viewed as a means for achieving development, is also a scripted model. In the name of progress, countries worldwide are pressed from many internal and external quarters to adopt measures to rationalize their administrative operations.

With this mindset deeply ingrained in global business and financial culture and with the anticipation that such orderly conduct will be signaling low risk to foreign investors, countries worldwide are scrambling to improve practices. In doing so, they are standardizing their activities along the parameters set by the implied global model of proper governance. Particular international

³⁹ For an extensive critique of this “fallacy of composition” (attributing corruption to structural failures of information and incentives rather than moral failures of social actors), read Klugaard 1988.

organizations promulgate rational governance,⁴⁰ and rates of national enactment of explicit and implicit models encourage diffusion. In this sense, the rationalization of national practices is a general and cultural process, carried and intensified by the rationalizing institutions of science and education. We find that core national characteristics driving this global trend include complexity-driven factors (but international trade rather than national development) and global links (both organizational and cultural). Administrative rationalization is, then, a global process of outstanding proportions and of intensifying rates that affects nation-states worldwide and influencing a wide range of their related institutions.

The worldwide trend towards the rationalization of governance is related to the general global trend towards greater standardization of social practices. International initiatives towards standardization may once have focused on industry and commerce, but increasingly international initiatives address such social organizational issues as professional and managerial structures. This trend reflects a change in global standardization efforts away from the technical and towards the incorporation of social matters. Attention is given to monitoring governance, but also human rights violations, democratic elections, legislative integrity, free media, as well as taxation. The rationalization of governance (as evident in the international war waged against corruption) is also intertwined with such factors as nationalism and social cohesion (or identity), and with structural politics (see, Alam 1989, LaPalombara 1994).

Clearly, some countries are quicker to adopt rationalized practices than others. Previously communist countries came under strong pressures to change their governance in the early 1990s, while rates of change in the developed Western countries were limited by their initial high scores. The differential rates of change do not hint at the existence of alternative models of administration, management, or governance. While some argue for limits of global convergence, by pointing to management ideologies as rather distinctly related to local structures and traditions (Biggart and Guillén 1999, Guillén 2001), global models still offer widespread legitimated repertoires for appropriate conduct. In the 1980s, alternative models of administrative culture, most notably the Japanese and the communist modes, had some legitimacy. But currently the neoliberal Western economic model reigns. This model infuses even state developmentalism with the logics of market and business rationality (Olson et al. 1998), and thus with rationalized managerialism.

⁴⁰ Through their actions as “moral entrepreneurs” (Dezalay and Garth 1995), setting the normative expectations and denouncing the deviants. As described earlier in this paper, “naming and shaming” campaigns by TI, and IMF

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Table 1:**Correlations among Cross-National Indicators of Rationalized Governance, 1985 and 2002^{1 2}**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Weberianess (Evans and Rauch 1999) ³		.33 (23)	.53 (25) ***	.44 (25) **	.51 (25) ***	.42 (25) **	.60 (35) ***	.36 (35) **	.43 (35) **	.66 (35) ***
(2) Corruption Control (TI)	.37 (23) *		.86 (40) ***	.87 (40) ***	.84 (40) ***	.69 (40) ***	.85 (52) ***	.79 (52) ***	.91 (52) ***	.63 (52) ***
(3) Bureaucratic Delay (BI)	.53 (20) **	.85 (42) ***		.92 (43) ***	.89 (43) ***	.85 (43) ***	.76 (43) ***	.73 (43) ***	.84 (43) ***	.67 (43) ***
(4) Contract Enforceability (BI)	.50 (20) **	.89 (42) ***	.91 (44) ***		.91 (43) ***	.86 (43) ***	.81 (43) ***	.74 (43) ***	.85 (43) ***	.68 (43) ***
(5) Infrastructure Quality (BI)	.67 (20) ***	.82 (42) ***	.91 (44) ***	.89 (44) ***		.80 (43) ***	.78 (43) ***	.73 (43) ***	.80 (43) ***	.69 (43) ***
(6) Risk of Nationalization (BI)	.35 (20)	.69 (42) ***	.83 (44) ***	.84 (44) ***	.79 (44) ***		.70 (43) ***	.63 (43) ***	.66 (43) ***	.64 (43) ***
(7) Bureaucratic Quality (ICRG)	.51 (35) ***	.85 (52) ***	.73 (44) ***	.84 (44) ***	.73 (44) ***	.67 (44) ***		.75 (120) ***	.74 (120) ***	.72 (120) ***
(8) Rule of Law (ICRG)	.45 (35) **	.84 (52) ***	.68 (44) ***	.82 (44) ***	.66 (44) ***	.57 (44) ***	.58 (140) ***		.74 (120) ***	.63 (120) ***
(9) Corruption Control (ICRG)	.41 (35) **	.93 (52) ***	.82 (44) ***	.85 (44) ***	.79 (44) ***	.64 (44) ***	.69 (140) ***	.62 (140) ***		.55 (120) ***
(10) Investment Profile (ICRG)	.32 (35) *	.76 (52) ***	.73 (44) ***	.69 (44) ***	.74 (44) ***	.50 (44) ***	.72 (140) ***	.57 (140) ***	.67 (140) ***	

Notes:

1. Entries in table include:
Correlations (and cases) for 1985 above the diagonal;
Correlations (and cases) for 2002 below the diagonal.
2. *** $p < .01$, ** $p < .05$, * $p < .10$ (two-tailed test)
3. Data on Weberianess (Evans and Rauch, 1999) pertains to 1985 only.

Table 2:
Descriptive Statistics: Variables in the Analyses
N=79

Variable Name	Min. Value	Max. Value	Mean	Std. Deviation
Bureaucratic Quality 1985	.00	4.00	1.93	1.41
Rule of Law 1985	1.00	6.00	3.11	1.66
Corruption Control 1985	.00	6.00	3.22	1.63
Favorable Investment Profile 1985	1.00	10.50	5.93	2.19
Bureaucratic Quality 2002	.00	4.00	2.16	1.27
Rule of Law 2002	.50	6.00	3.52	1.57
Corruption Control 2002	.00	6.00	2.56	1.31
Favorable Investment Profile 2002	2.50	12.00	8.48	2.57
Real GDP per capita, log 1985	2.39	3.85	3.23	.40
Institutional Democracy 1985	.00	10.00	4.13	4.06
Economic Openness 1985	15.04	318.07	60.55	44.10
Membership in IGO, log 1980	1.39	4.64	3.87	.39
Membership in INGO, log 1980	3.43	7.28	5.78	.85
Citations per capital, log 1982	-17.18	-1.60	-8.40	4.42
Tertiary school enrolment, log 1980	-1.20	3.62	1.82	1.38
Factor Name	Min. Value	Max. Value	Mean	Std. Deviation
Rationalized Governance 1985	-1.95	1.95	-.08	1.08
Rationalized Governance 2002	-2.06	2.21	-.05	1.13
Scientization and Education 1980	-2.00	1.51	.02	.93
World Organizational Linkages 1980	-2.85	1.99	.31	.79

Table 3: Panel Analyses of Factors Affecting National Rationalized Governance 2002^a

Independent Variables 1980s	Dependent Variable: Rational Governance 2002					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Rational Governance 1985	.38 (.11)***	.31 (.10)***	.38 (.11)***	.39 (.11)***	.20 (.12)*	.16 (.12)
Economic Development in 1980 ^b	.10 (.33)	.35 (.30)	.09 (.32)	.05 (.33)	-.04 (.30)	-.11 (.33)
Political Regime in 1980 ^d	.01 (.02)	.01 (.02)	.01 (.02)	.02 (.06)	-.01 (.02)	-.02 (.03)
Economic Openness in 1985 ^c	.006 (.002)***	.005 (.002)***	.006 (.002)***	.006 (.002)***	.006 (.002)***	.006 (.002)***
World Organizational Linkages in 1980	.29 (.13)**	.32 (.12)***	.29 (.13)**	.30 (.13)**	.19 (.12)	.30 (.14)**
Scientization and Higher Education in 1980	.31 (.15)**	.24 (.14)*	.31 (.15)**	.29 (.15)*	.38 (.14)***	.39 (.17)**
OPEC Members		-.96 (.24)***				
Newly Industrialized Countries			-.06 (.26)			
Previously Communist Countries				.26 (.38)		
Non-Western Countries					-.94 (.27)***	
Constant	-.82	-1.56	-.80	-.72	.48	-.28
R Squared	.75	.80	.75	.75	.79	.50
Number of Cases	79	79	79	79	79	63

- Note: a Entries in table include coefficients (standard errors in parentheses)
 * p<.10, ** p < .05, *** p < .01 (two-tailed test)
 b Similar results are produced by using energy consumption, or GNP, per capita
 c Similar results are produced by using: ratio of exports to GNP 1980, or the index of penetration of multinational corporations 1967 (Chase-Dunn 1975).
 d Similar results are produced by using: index of civil liberties 1980, or index of political liberties 1980 (Freedom House).

Figure 1. Rationalized Governance Measures: Change in World Averages, 1985-2004, N= 79

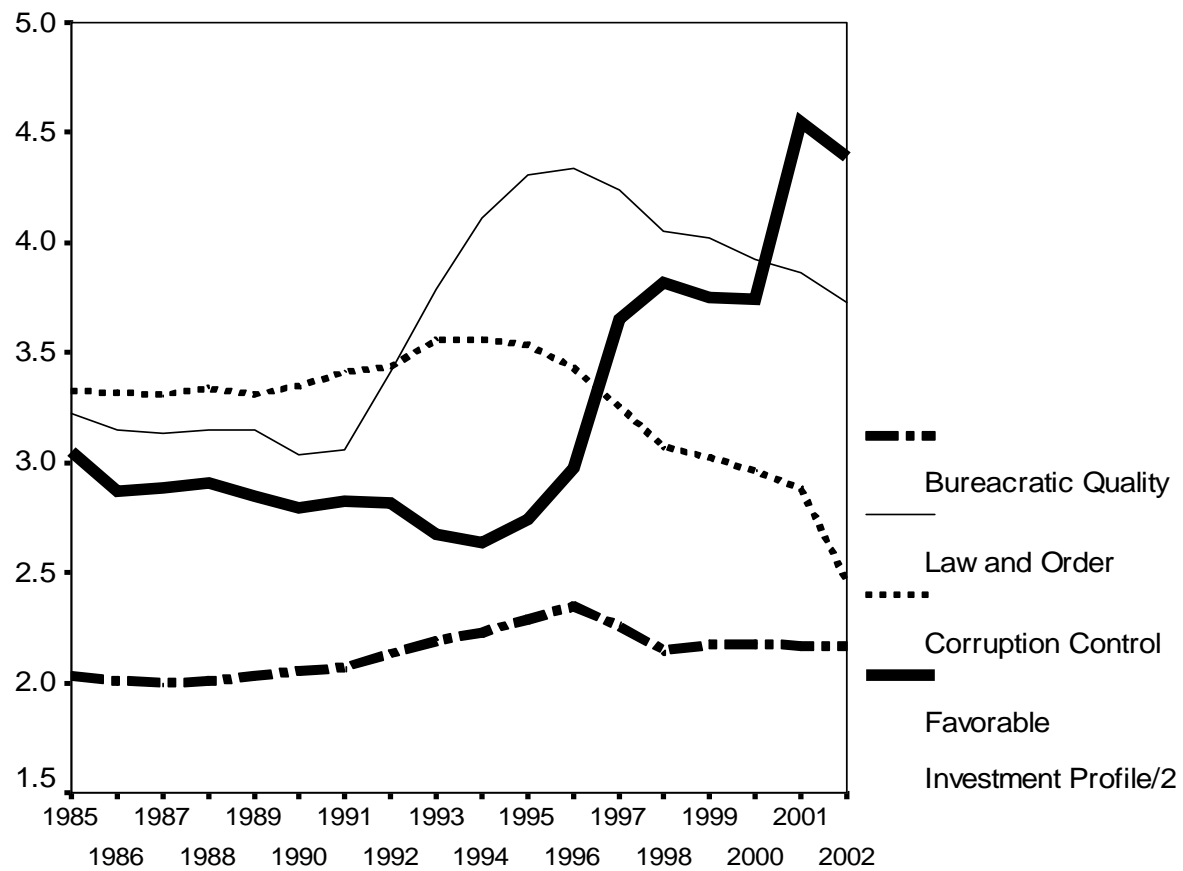
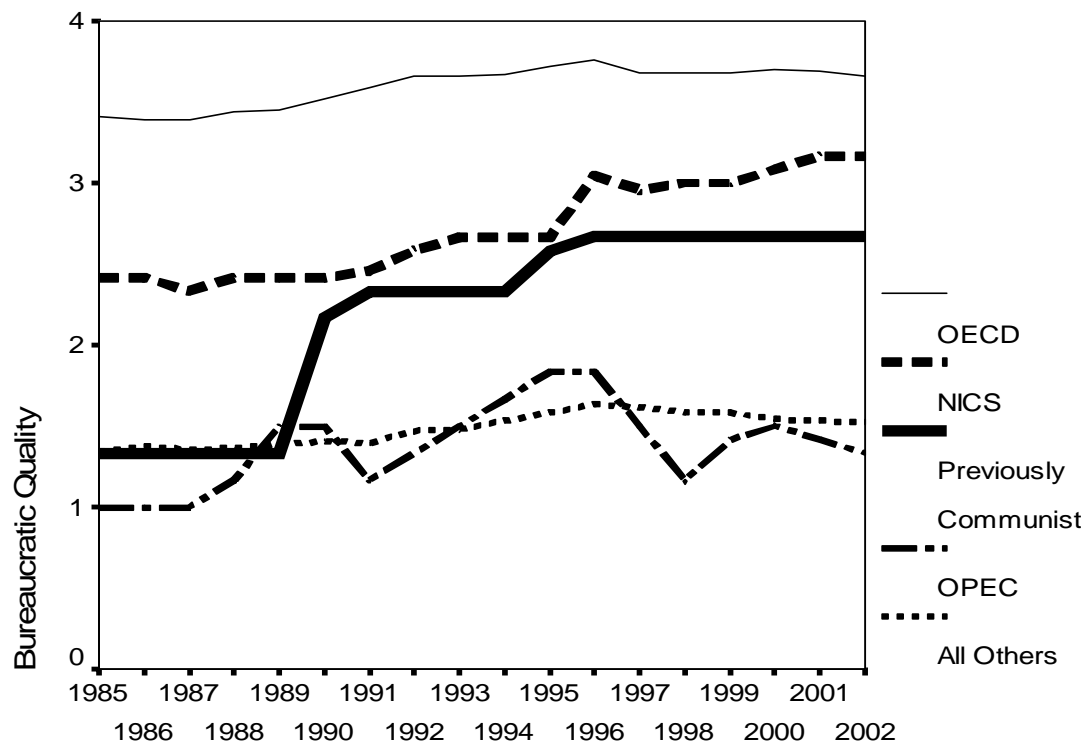
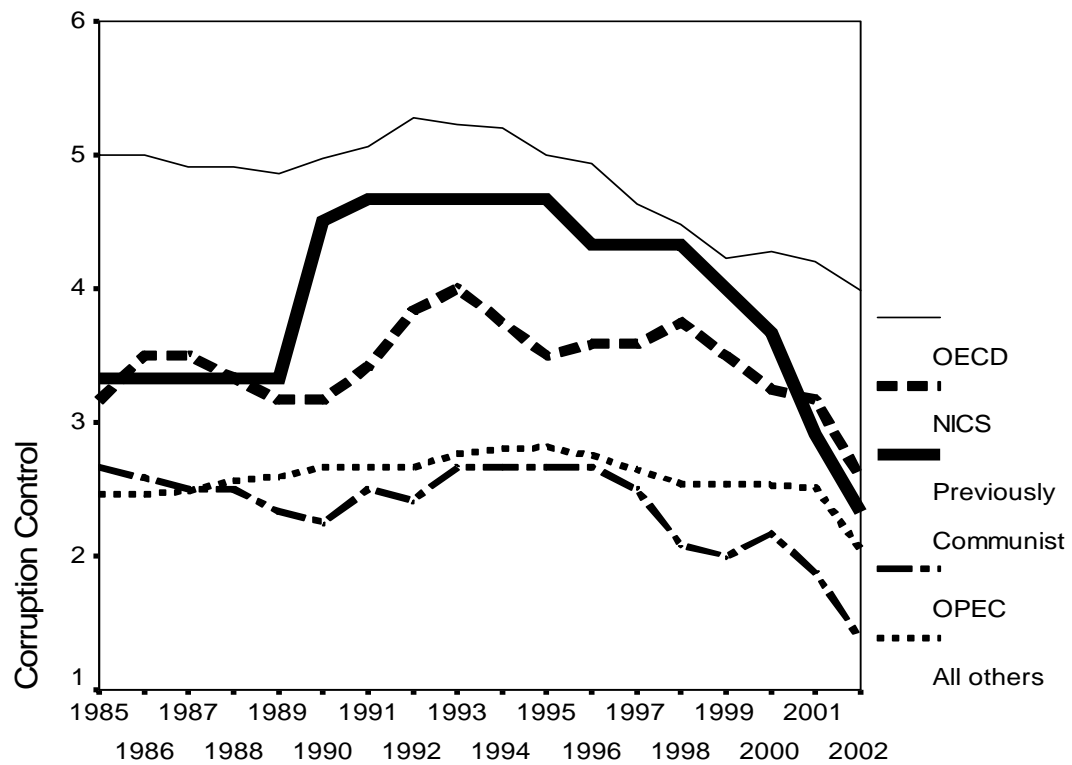
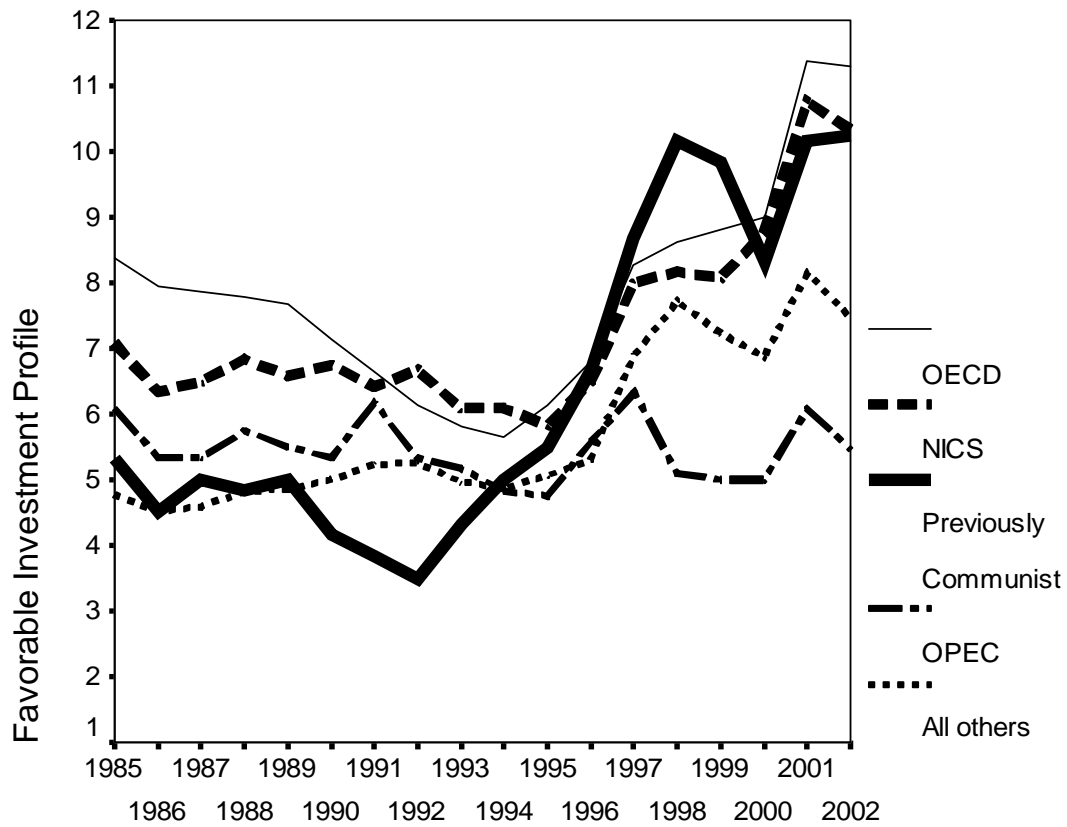
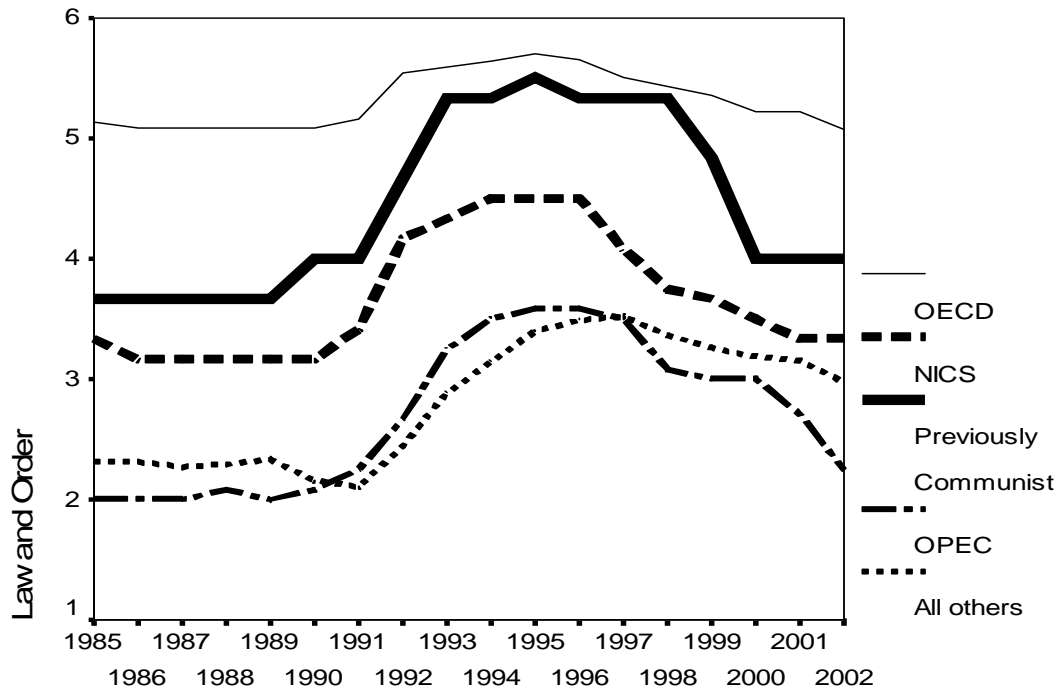


Figure 2:

Rationalized Governance Measures: Breakdown by Geopolitical Group, 1985-2002, N=79







Appendix A:

“Rationalized Governance” 1985, 2002:

Results of Confirmatory Factor Analysis

Extraction method for both factors is Principle Component Analysis. Each confirmatory factor analysis generates a single factor solution.

Summary results:

Extraction of Sum of Squared Loadings:

	Total	Percent of Variance
Rational Governance 1985	3.072	76.803
Rational Governance 2002	2.930	73.242

Component Matrix:

	Bureaucratic Quality	Corruption Control	Rule of Law	Favorable Investment Profile
Rational Governance 1985	.918	.865	.896	.824
Rational Governance 2002	.879	.873	.801	.869

Appendix B:

“Global Linkages” 1985: Results of Confirmatory Factor Analysis

Extraction method for factor is Principle Component Analysis. The confirmatory factor analysis generates a single factor solution.

Summary results:

Extraction of Sum of Squared Loadings:

	Total	Percent of Variance
Global Linkages 1985	1.707	85.37

Component Matrix:

	Membership in IGOs, logged	Membership in INGOs, logged
Global Linkages 1985	.924	.924

“Scientization and Education Penetration” 1985:

Results of Confirmatory Factor Analysis

Extraction method for factor is Principle Component Analysis. The confirmatory factor analysis generates a single factor solution.

Summary results:

Extraction of Sum of Squared Loadings:

	Total	Percent of Variance
Scientization and Education Expansion 1985	1.493	74.66

Component Matrix:

	Citation of Scientific Papers, logged	Tertiary Enrollment per 20-24 Age Group, logged
Scientization and Education Expansion 1985	.864	.864

Appendix C:
List of Countries in the Regression Analyses, N=79

Country Name	OPEC	NICs	Previously Communist	Non-Western
Algeria	*			*
Argentina				*
Australia				
Austria				
Belgium				
Bolivia				*
Brazil		*		*
Cameroon				*
Chile				*
Colombia				*
Congo				*
Congo, Dem. Republic				*
Costa Rica				*
Cote D'Ivoire				*
Denmark				
Ecuador				*
Egypt				*
El Salvador				*
Ethiopia				*
Finland				
France				
Gabon				*
Ghana				*
Guatemala				*
Guinea-Bissau				*
Haiti				*
Honduras				*
Hungary			*	*
Iceland				*
India				*
Indonesia	*			*
Iran	*			*
Iraq	*			*
Ireland				
Italy				
Jamaica				*
Japan				*
Kenya				*
Korea, South		*		*
Liberia				*
Luxemburg				
Malawi				*
Mali				*
Mexico		*		*
Morocco				*
Netherlands				
New Zealand				
Nicaragua				*

Country Name	OPEC	NICs	Previously Communist	Non-Western
Niger				*
Nigeria	*			*
Norway				
Pakistan				*
Panama				*
Paraguay				*
Peru				*
Philippines				*
Poland			*	*
Romania			*	*
Senegal				*
Sierra Leone				*
Singapore		*		*
Somalia				*
Spain				
Sri Lanka				*
Sudan				*
Sweden				
Switzerland				
Syria				*
Tanzania				*
Thailand		*		*
Togo				*
Trinidad and Tobago				*
Tunisia				*
Turkey				*
Uganda				*
Uruguay				*
Venezuela				*
Zambia				*
Zimbabwe				*

Appendix D:
Cross-Sectional Analyses of Factors Affecting National Rationalized Governance 1985

	Rational Governance 1985	
	Model 1 All Countries	Model 2 Non-Western Countries
Economic Development in 1980	.67 (.33)**	.30 (.35)
Economic Openness in 1985	.006 (.002)***	.005 (.002)**
Political Regime in 1980	.08 (.02)***	.04 (.03)
World Organizational Linkages in 1980	.13 (.14)	-.007 (.16)
Scientization and Higher Education in 1980	.23 (.15)	.29 (.18)
Constant	-2.99	-1.71
R Square	.69	.36
Number of Cases	79	63

Note: Entries in table include coefficients (standard errors in parentheses)

** $p < .05$, *** $p < .01$ (two-tailed test)

Appendix E:
Comparing Governance Scores between Groups:
Full Data Base vs. Cases in the Analyses, 1985 and 2002

	OPEC		NICs		Previously Communist		Non-Western	
	Full Data	In the Analyses	Full Data	In the Analyses	Full Data	In the Analyses	Full Data	In the Analyses
Bureaucratic Quality 1985	1.4 (10)	1.0 (6)	2.42 (12)	2.42 (5)	1.42 (12)	1.33 (3)	1.65 (97)	1.46 (63)
Rule of Law 1985	2.5 (10)	2.0 (6)	3.75 (12)	3.33 (5)	3.42 (12)	3.67 (3)	2.73 (97)	2.48 (63)
Corruption Control 1985	2.7 (10)	2.67 (6)	3.63 (12)	3.17 (5)	3.33 (12)	3.33 (3)	2.87 (97)	2.62 (63)
Investment Profile 1985	6.3 (10)	6.08 (6)	6.92 (12)	7.08 (5)	5.88 (12)	5.33 (3)	5.55 (97)	5.21 (63)
Bureaucratic Quality 2002	1.7 (10)	1.33 (6)	3.00 (12)	3.17 (5)	2.00 (24)	2.67 (3)	1.83 (116)	1.73 (63)
Rule of Law 2002	3.30 (10)	2.25 (6)	3.56 (12)	3.33 (5)	4.03 (24)	4.00 (3)	3.38 (116)	3.00 (63)
Corruption Control 2002	1.63 (10)	1.38 (6)	2.67 (12)	2.58 (5)	1.96 (24)	2.33 (3)	2.09 (116)	2.05 (63)
Investment Profile 2002	7.60 (10)	5.46 (6)	10.27 (12)	10.33 (5)	8.55 (24)	10.25 (3)	8.19 (116)	7.67 (63)

Note: Entries in table include mean and (number of cases)

Appendix F: Scatterplots of Rationalized Governance 2002 with Core Independent Variables (N=79)

