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Methods in Governance Research: A Review of Research Approaches.

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Abstract

The extant literature relating to the relationship between governance and inclusive growth does not appear to have reached convergence towards a preferred methodological approach. This paper attempts to review the strengths and shortcomings of different methodological approaches to the study of the relationship between governance and inclusive growth. The paper offers some recommendations on possible new directions in the study of the relationship between good governance and inclusive growth.

Keywords

Methods, governance, inclusive growth

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1. Introduction

The relationship between governance and inclusive growth is one of the most important puzzles to have emerged in the literature on international development in recent years. Although there is no shortage of studies analyzing the effects of governance on specific developmental problems (e.g., poverty, child malnutrition, health) or achievements (e.g., economic growth), there appears to be no conclusive empirical evidence suggesting that good governance leads to an improvement in inclusive growth in developing countries.

Traditionally, many economists have been reluctant to engage with concepts of governance and to incorporate them into their analysis. Some exceptions, though, include Oliver Williamson (1995), who makes a distinction between the institutional environment and institutions of governance, which in his scheme include a 'set of fundamental political, social, and legal ground rules'. Other economists, viewing governance through the prism of the state as a provider of public goods, have attempted to identify the specific dimensions of governance that may have adverse effects on the delivery of public goods (de Mello, 1999; Jones, Sanguinetti, and Tommasi, 2002; Khemani, 2003; Singh, 2004; Khan, 2007; Devarajan and Widlund, 2007, Hickey & Braunholtz-Speight, 2007; Parker *et al*, 2008; Minogue, 2008; Kelsall, 2009; Epstein & Gang, 2009b; Pritchett *et al*, 2010; Keefer, 2011, Whitfield & Therkildsen, 2011). Likewise, there is an extensive literature on the relationship between governance (or its institutional proxies) and economic growth (e.g., Barro, 1991; Rodrik *et al*, 2004; Acemoglu *et al*, 2005; Rodrik, 2007). However, there is very little work that actually discusses *inclusive growth* (or inclusive development) as an analytical unit or an outcome of governance processes (some exceptions include Cook, 2006; Osmani, 2008; Zhuang, 2008; Chaudhry, 2008; Hanumantha Rao, 2010; Rauniyar & Kanbur, 2010; Gallagher, 2011). However, these studies do not examine governance as an independent variable. Moreover, given their regional focus, no generalizations or testable hypotheses can be drawn from this handful of studies about the impact of good governance on inclusive growth.

Part of the reason why there is no convergence on the view that good governance facilitates inclusive growth in developing countries is because the key variables (i.e., governance, inclusive growth) are inherently ambiguous terms. As a result, despite widespread usage in policy-evaluation, efforts to measure the effectiveness of governance using a range of social science research methods has been patchy and general conclusions about the meaning of good governance have been substantively contested (e.g., Grindle, 2007, Meisel and Ould Aoudia, 2008; Williams *et al*, 2009; Booth 2010; Centre for the Future State, 2010; DFID, 2010; Andrews, 2010; Leftwich & Sen, 2010; Booth, 2011; Grindle 2011). The core assumption of this paper will be that a more sophisticated use of governance as a tool of analysis in development economics will enhance the depth and explanatory power of economic models of development, particularly as it relates to what we understand as *inclusive growth*.

The purpose of this paper is to evaluate the strengths and weaknesses of different social science research method approaches in the analysis of governance in developing countries, particularly focusing on how states deliver for the poor though inclusive growth outcomes. The paper will focus on the principal interpretative research method approaches (i.e., econometric and statistical methods, comparative case-studies, historical institutionalism, and randomized control trials) that have been used in the literature. For the purposes of undertaking this review of issues of method, the paper will offer a stylized framework for the evaluation of governance research. The independent variables being considered concern governance, whereas the dependent variables are those relating to *inclusive growth*, typically understood to include proxies involving economic growth coupled with an equitable allocation in the provision of public services. The paper will provide illustrations from work single-country studies and cross-national comparisons among developing countries. Since it would be exceedingly ambitious to provide a comprehensive review of the thousands of works dealing with the effects of governance on a host of developmental outcomes, this paper will select a number of works that illustrate characteristic examples of specific research method approaches dealing with the relationship between governance and inclusive growth. It is important to underscore that this paper will not offer a systematic summary of substantive findings, it merely seeks to evaluate the strengths and weaknesses of different methodological approaches to the study of governance and inclusive growth. The paper will reflect on how a future research agenda on the relationship between governance and inclusive growth can be designed around specific methods that appear to offer some possibilities for bridging the limitations that some quantitative and qualitative methods have at present.

2. Defining the terms: governance and inclusive growth

Governance is an inherently elusive term, yet it is widely used in a vast range of policy settings including the assessment of the effectiveness of public service delivery, and the effectiveness of reconstruction efforts following militarized interstate disputes. The starting point for any definition of governance is the World Bank's definition of this concept as '*the manner in which power is exercised in the management of a country's economic and social resources for development'.* (World Bank 1991: 1, emphasis added) The World Bank (1991: 23) recognized that a broad concept of governance has three distinct aspects, namely (1) structure and political regime type, (2) processes by which authority is exercised, and (3) the capacity of governments to discharge its functions. On the basis of this definition, the World Bank has developed an impressive array of indicators, primarily focusing on the second and third elements of a broad definition of governance (i.e., authority processes, state capacity). In this paper we will suggest that the World Bank's definition of governance is not necessarily the most accurate or rigorous analytically. Thus, for the purposes of carrying out research on the relationship between governance and inclusive growth, new indicators of governance need to be developed so that they will enable researchers to test the causal link between governance and inclusive growth.

The World Bank's influence in the use of governance as an analytical tool is important. That institution has developed the Worldwide Governance Indicators (WGI) project. Following a similar approach, the Bertelsmann Foundation has developed the Sustainable Governance Index (SGI). Some researchers, like Witold Henisz, using categories commonly used in political science, have developed the Political Constraints (POLCON) dataset. Reviews about the concept of governance (e.g., Williams and Siddique, 2008) have also identified other subjective measures of governance, including the Freedom House index of civil and political liberties, the International country risk guide (ICGR), the Business Environment Risk Intelligence (BERI) index, and the Business International (BI) index. Most of the governance indices rely on survey and poll data, in effect making the measure of governance qualitative. Some measures of governance, particular in political science, rely on quantitative data.

One of the virtues of the concept of governance is its inherent adaptability to different settings. For instance, in the monitoring of the effectiveness of its reconstruction missions, the US military has developed two complimentary types of assessment of governance: the Assessment of Governance Quality Indicators (AGQI) and the Assessment of Governance Mechanisms (AGM) (USACAPOC 2004). The AGQI is derived from qualitative interviews with stakeholders, particularly consumers of government services such as average citizens, business people, and low-level bureaucrats. However, as Williams and Siddique (2008: 149) have argued, the inherently qualitative nature of governance indicators and their limited temporality presents a challenge in terms of empirical testing (also see Savoia and Sen, 2011).

The inherent elusiveness of the concept of governance presents additional challenges to researchers. As Williams and Siddique (2008) note, researchers who utilize governance indicators as a source of primary data are also hampered by estimation issues that arise in terms of the endogeneity between governance with economic development outcomes. One may develop this argument further as one considers the analysis of governance to economic growth. As raw economic growth is no longer considered to be the sole measure of economic development of a country, there is a growing literature that aims to examine other indicators of developmental performance, to include inclusive growth. Like the concept of governance, though, inclusive growth is also a somewhat vague term. For instance, according to Swamy (2010: 56), inclusive growth in an economy "can only be achieved when all the weaker sections of the society including agriculture and small scale industries are nurtured and brought on par with other sections of the society in terms of economic development." The policy expectation is that while growth is good, "sustained high growth is better and sustained high growth with inclusiveness is best of all." (Swamy, 2010: 56). Other efforts to define inclusive growth have suggested that inclusive growth is concerned with sustained growth which is broad-based across sectors, and inclusive of the large part of a country's labor force (Ianchovichina and Lundstrom, 2009).

As a consequence of the inherent broadness of the concept of inclusive growth, there have been no comprehensive, widely-accepted efforts to measure inclusive growth. Of course, in modeling inclusive growth it is possible to use aggregate proxy indicators for productive employment, productivity growth, absolute poverty, asset inequality, ease of access to markets, credit and resources. Nevertheless, future research in international development should develop international datasets that incorporate these proxies for inclusive growth in a more systematic way. Until that time arrives, the analysis of the relationship between governance indicators and inclusive growth remains at the conceptual stage (see, for instance, vom Hau 2011, Savoia and Sen 2011).

3. Social science research methods: some general problems

There is no unifying method of analysis across the social sciences, but there are clearly dominant methodologies used in social science subdisciplines (e.g., cost-benefit analysis in public policy, quantitative and econometric methods in the study of elections, multivariate regression analysis in clinical psychology). Efforts to provide an understanding about the range of methods that are appropriate for social scientists and the linkage between policy-focused research and theory building (e.g., Booth, 2008; Gerring, 2004) finds that method can be understood in a number of ways. One way of understanding methods is in reference to the differing approaches regarding the collection and primary ordering of data, broadly spanning from qualitative to qualitative data collection. A second level of understanding method will be to view method as a way of connecting primary data analysis to the potential building of theory through the development of testable hypotheses. As Booth (2008) and Gerring (2004), among others, have shown, this understanding of method spans from a primarily deductivist testing style to a largely inductivist grounded theory approach. A third level of understanding of method is subsumed under a broader framework of the philosophy of knowledge. This third level of understating method helps provide a metalevel analysis of the types of explanatory or analytical techniques available in the social sciences, including game theory, collective choice, and other forms of analysis that utilize configurational or probabilistic causal inference.

Within the literature on governance we find that there is a convergence towards specific forms of research methodology. For the purposes of this review, we will focus on the second level of understanding method, as outlined above. If we understand method as spanning from a range of deductivist and inductivist approaches. We will argue that the dominant interpretative methods used in the analysis of the relationship between governance and inclusive growth are *econometric and statistical methods*, *qualitative case-studies, historical institutionalism*, and *randomized control trials.* These four approaches, though, have inherent limitations. As argued by King, Keohane, and Verba (1994), most social science inquiry is hampered by problems of selection bias, measurement error, and replicability of results. It should not be surprising then that the four dominant approaches that have emerged in studies that use governance as an exogenous variable also have some limitations. The proposed paper will provide an overview of the strengths and weaknesses of the four types of interpretative research method approaches that have been identified above.

(a) Econometric and statistical methods

One of the most widely used techniques in the analysis of data are econometric and statistical methods, often using large-N time series, cross-sectional data. This method is the most widely used tool of analysis by political economists and economists who attempt to incorporate governance in their analysis. As a result of the availability of comparable units of analysis, most large-N studies that use econometric and statistical methods use national-level data to make assessments about the influence of key governance variables on economic performance. At a macrolevel, the starting point for any analysis of governance as a unit of analysis revolves around the large mainstream literature on the relationship between governance and economic growth. Seminal work by Barro (1991) utilized cross-sectional analysis on growth regressed over a number of country characteristics relating to real government consumption expenditure, public investment on human capital development, and political instability. The principal finding from this type of methodological approach was that political instability and the ratio of government consumption expenditure to GDP was negatively correlated to economic growth. Subsequent developments by Rodrik *et al* (2004), Acemoglu *et al* (2005), and Rodrik (2007) made seminal contributions to our understanding of governance by focusing on specific features of institutional development that lead to growth, principally by enabling the promotion of property rights and the rule of law. Acemoglu *et al* (2001), for instance, use the mortality rate of colonial settlers as a variable with which to predict institutional quality.

The findings from the governance and economic growth studies have their limitations below subnational levels of analysis. In many respects, developing countries exhibit a high degree of heterogeneity, thus national level trends may not reflect distinctive developments that may take place at the subnational or regional level. Often focusing on the case of India, the work by Besley and Burgess (2002), Nooruddin and Chhibber (2008), Chhibber and Nooruddin (2004), Sáez and Sinha (2010), and Calì and Sen (2011), have offered useful insights into the political economy of subnational units. However, it is hard to draw generalizable conclusions from these types of subnational unit studies.

One of the basic assumptions for the lack of development and sustainable welfare in developing countries is that there has been an insufficient development of markets (e.g., Shirley, 2008, Wagener, 2004). Econometric analyses of the relationship between governance and inclusive growth have tended to focus more narrowly on good governance as an essential platform for growth-enhancing financial development (e.g., Swamy, 2010; Odhiambo, 2009, 2010), rather than on good governance itself. For instance, Swamy (2010: 55) argues that 'access to finance by the poor is a prerequisite for poverty reduction and sustainable economic development'. Odhiambo (2010) attempts to examine the inter-temporal causal relationship between financial sector development and poverty reduction in Zambia. The author uses an autoregressive distributed lag (ARDL) model to estimate the relationship between financial sector development and poverty reduction. Odhiambo's three principal exogenous variables are broad money supply as a proportion to GDP, domestic credit to the private sector as a ratio of GDP, and domestic money bank assets.

The causal mechanism in these variable-focused empirical studies is that good governance provides the context in which widespread financial development with improved credit allocation can take hold, thereby leading to more equitable growth. Inversely, the key assumption is made that poor governance is the cause of the exacerbation of poverty. For instance, Odhiambo (2010: 43) argues that the level of poverty in Zambia is linked to 'poor economic governance, non-productive investment, corruption and unaccountable budgeting procedures'. Whether or not one finds this line of causality plausible is another matter. For our purposes, through, what is important to note is that good governance itself is used as a precondition for financial development, whereas poor governance is a precondition for poverty. At the same time, studies about the relationship between governance and poverty do not fully capture broader developmental outcomes on inclusive growth.

Some empirical studies have offered a more nuanced perspective on the relationship between good governance, financial development, and poverty reduction. For instance, Khandker and Koowal (2010) posit that physical infrastructure and access to credit can lead to greater earning opportunities for the rural poor in Bangladesh. Although they find that infrastructure development and formal credit expansion have raised per capita expenditure for most rural households, they note that there has been no corresponding decline in consumption-based poverty for the poorest household quintile. They do find, however, that micro-credit expansion has disproportionately benefited the poor. In a related study, Imai, Arun & Annim (2010) also find that micro-finance institutions (MFIs) have poverty-reducing effects in rural households in India. In their analysis, they did not use any direct governance indicators, instead they used business availability and the presence of a formal banking sector and money lenders as explanatory variables. Once again, whilst poverty reduction may form part of a broader package of inclusive growth outcomes, it is not the sole proxy for inclusive growth.

Some studies have attempted to analyze the relationship between other forms of micro-level institutions and poverty. For instance, Hamid, Roberts, and Mosley (2011) analyze the effects of micro-health insurance (MHIs) institutions on poverty in Bangladesh. Using simple OLS regression and an ordered probit model, estimated from household survey data collected in 2006, they find that MHIs have a positive effect on the stability of household income through food sufficiency, though they hesitate to make a larger claim about the impact of MHIs on other forms of poverty alleviation. As is the case with studies on financial development, studies that use other forms of micro-level institutions do not deal directly with governance indicators, except to imply that the state has failed to provide an adequate infrastructure for health care delivery. As such, it would be difficult to draw broader inferences between governance and inclusive growth.

Although there are thousands of empirical studies that use governance (or proxies for governance), the empirical studies that directly address the issue of the relationship between governance and inclusive growth are very scarce. Haq and Zia (2006) explore the relationship between good governance and pro-poor growth in Pakistan from 1996 to 2005, a country where the possible relationship between both factors is not readily apparent. Haq and Zia utilize three broad indicators of governance: political governance (i.e., voice and accountability, political instability and violence), economic governance (i.e., government effectiveness and regulatory quality), and institutional dimensions of governance (i.e., rule of law, control of corruption). These aggregate indicators used in the Haq and Zia study (2006) mirror World Bank governance categories as they are derived from Kaufmann, Kraay, and Mastruzzi (2005). Haq and Zia test for the linkage between governance and poverty (as well as governance and income inequality) conduct simple ordinary least square (OLS) regressions. Their basic findings are that “voice and accountability and political stability are negatively and significantly correlated with poverty.” (Haq and Zia 2006: 773)

One of the potential benefits of quantitative approaches to the study of governance and inclusive growth could be the ability to provide some precision as to the effects of specific governance variables on inclusive growth. However, the causal link between governance and inclusive growth has been insufficiently developed, so few meaningful conclusions can be derived about the impact of governance on inclusive growth. Quantitative studies could also provide some clarity as to the direction of causality between seemingly interrelated variables (e.g., economic growth, financial development, and poverty). Over the years, some scholars have emphasized the strength of quantitative methods over qualitative methods (Lijphart, 1971; Lijphart, 1975; Smelser, 1976), but most quantitativists recognize the need to synthesize or, at least, not ignore qualitative sources of data collection and interpretation.

There are different layers of criticism of econometric and statistical methods as a source of knowledge on governance issues. As noted before, econometric analyses of the effects of governance on specific developmental outcomes (i.e., poverty) have actually eschewed focusing on governance *per se*. Rather it is implied, for instance, that good governance is essential to financial intermediation. As such any research on the relationship between governance and inclusive growth that uses financial intermediation —or other similar proxies where good governance is assumed to be a precondition— stands on shaky interpretative grounds. One of the reasons why governance indicators are not typically used in econometric analyses of the impact of governance is that governance indicators themselves are qualitative. As such, governance indicators are less robust than financial infrastructure indicators.

Another weakness in the potential usage of econometric and statistical methods in developing country settings is that these methods —whether focusing on the national or subnational level— need to rely on the reliable availability of data. Unfortunately, most developing countries do not have statistical departments that are able to produce a sophisticated range of data types. In many instances, as Herrera and Kapur (2007) have shown, the statistical data produced by these bodies can be unreliable or non-existent. For that reason, any future econometric analyses of the relationship between governance and inclusive growth would need to use data from countries that have more credible statistical agencies (e.g., India, Mexico, Brazil). However, this sample of countries is too small to be able to develop more solid testable hypotheses about the relationship between governance and inclusive growth.

A major trend on the study of political science has been the view that path dependence is an important analytical tool (Arthur, 1994; Sewell, 1996; Levi, 1997; David, 2000; Mahoney, 2000; Pierson, 2004). Path dependence implies, as suggested by Levi (1997: 28) that 'once country or region has started down a track the costs of reversal are very high'. She adds that 'there will be other choice points, but the entrenchment of certain institutional arrangements obstruct an easy reversal of the initial choice'. Other political economists (e.g., Rodrik, 1996) have developed path development-based arguments of the obstacles of policy reform in developing countries. If the insights about path dependence are correct, then it would be difficult to develop research on the relationship between governance and inclusive growth that uses econometric and statistical techniques since path dependence is not measurable.

Although event history analysis and time series analysis have a temporal dimension, they do not capture long-term processes of institutional change nor do they provide a satisfactory solution to issues of institutional coupling, that is structures where the interaction between different institutions is ambiguous (such as federalism). To illustrate the inherent weakness of quantitative methods in not capturing institutional coupling, it may be appropriate to draw on one's own research. Sáez and Sinha (2010) discussed the impact of political variables on a range of fiscal expenditures on public services. The common institutional variable across 16 states in India were state legislatures. Despite their awareness of the need to contextualize different subnational level political regime types (e.g., Sinha 2005, Sáez 2002), Sáez and Sinha (2010) treated state legislatures as a uniform institutional entity. However, state legislatures in India may differ considerably, perhaps on the basis of the institutional coupling between political parties and the bureaucracy. In this sense, econometric and statistical methods that use subnational units of analysis do not provide an optimal methodological avenue from which to develop future work on the relationship between governance and inclusive growth.

(b) Qualitative case-studies

Most political economy research questions emanate from attempts to answer phenomena using a single unit of analysis, but then developing that idea to determine whether the findings from a single case study can be applied to other settings. Case study research tends to rely on multiple data collection techniques, including interviews, personal observations, and archival research. In a broader sense, the analytical frameworks that inform qualitative case studies can also include narrative research, feminist approaches, Foucaultian frameworks, ethnomethodology, conversation analysis, discourse analysis, and critical discourse analysis. Within-case data analysis typically involves detailed case study write-ups, often relying on thick narrative description. Although there is no specific technique that is universally accepted, case-study researchers view these protocols as being central to the generation of theoretical insights (Gersick 1988, Eisenhardt 1989).

Contrary to the assumptions in rational choice techniques, case-study research is built on the premise that individuals are poor processors of information, therefore across case search for patterns is used in conjunction with within-case analysis. One way to seek across-case patterns is to look for within-group similarities coupled with inter-group differences. Eisenhardt (1989: 540) also suggests "to select pairs of cases and then to list the similarities and differences between each pair."

One of the benefits of the case study is the perceived depth that emerges from highlighting the key political actors in a self-contained setting (Gerring 2004, George and Bennett 2005, Gerring 2007). Comparative case studies by Sinha (2005) and Diaz-Cayeros (2006) have added a great deal of richness to our understanding of developments at the subnational level. For instance, using case studies from three Indian states, Sinha (2005) offers insightful observations about business and government relations in India. Similarly, Diaz-Cayeros (2006) develops a novel theory of federal-state relations in Latin America using three country case studies.

Researchers on the relationship between governance and developmental outcomes who use qualitative case-studies tend to focus on the World Bank's poverty alleviation programs (PAPs), rather than on governance itself. An illustrative example of this approach is taken by Sverrisson (1996) who examines the impact of PAPs in sub-Saharan Africa and Latin America. To this effect he selects case-studies from Bolivia, Mexico, Chile, Peru, Ghana, Senegal, Zambia, and Uganda. One of the justifications for adopting qualitative case-studies is based on a rejection of what Sverrisson (1996: 130) finds to be the World Bank's continuing "fixation with numbers, combined with rather crude quantitative analysis, and little or no understanding of the political aspects of poverty." Using a thick narrative description about the implementation of PAPs in the sample of selected countries, Sverrisson's main finding is that —with the exception of Bolivia's Emergency Social Fund—PAPs have failed to produce real growth or improve living standards in Africa or Latin America.

The assumption in qualitative case-studies that use governance as an exogenous factor is that political openness is that an open political environment is more likely to result in a broad political support base for economic reform, resulting in an appropriate policy environment for specific types of developmetal outcomes, like poverty alleviation (Sverrison, 1996; Parker *et al*, 2008). Other studies (e.g., Hickey & Braunholtz-Speight, 2007; Epstein & Gang, 2009a, 2009b) have also highlighted the role that politics and appropriate institutional arrangements plays in shaping poverty alleviation programs. Although this line of causality may be more plausible than the expectation that an improved financial sector will lead to more inclusive growth, it is apparent that good governance —as used in qualitative case-studies— is viewed as a proxy for inclusive political participation rather than on the World Bank's characterization of good governance. As was the case with studies that use econometric and statistical methods, qualitative case studies have not been developed to test the effects of governance on inclusive growth.

In qualitative case-studies, governance is synonymous with state capacity. For instance, in a study on the determinants of environmental degradation, Satterthwaite (2003) finds that a failure of governments in urban cities (e.g., failure to control environmental pollution, failure to promote environmental health) is the key determinant of most environmental problems. Satterthwaite (2003: 89) argues that "strengthening the capacity of city and municipal government to address the lack of sanitation, drains, piped water supplies, garbage collection, and health services is also generally a precondition for building the institutional capacity to address air and water pollution, protect natural resources, and reduce greenhouse gas emissions. In other qualitative case studies, for instance, the removal of liquidity constraints and access to affordable mortgage availability is used as a precondition for poverty reduction and growth (Erbaş and Nothaft, 2005). In this limited sense, it could be inferred that the result of liquidity constraints could be expanded to inclusive growth. However, such a causal link would not be able to be tested across a cross-section of countries using qualitative case studies due the inherent problem of external validity that customized qualitative case studies develop relying on a single unit of analysis.

Not all case-studies on the relationship between governance and developmental outcome rely exclusively on qualitative, process-tracing or thick narrative interpretative methods. Similarly, it is worth noting that comparative cases can involve one unit of analysis (e.g., a country) over time, just as they may involve a number of countries cross-sectionally. For instance, Osei (2002) evaluates the success of Jamaica's national poverty eradication program by using macroeconomic data for a ten-year period. Osei argues, but does not show statistically, that Jamaica's substantial reduction in poverty (from 30.5 percent in 1989 to 18.7 percent in 2000) was not due to the country's anti-poverty programs. Osei argues that intense inter-organizational coordination problems and bureaucratic politics prevented anti-poverty programs from operating coherently.

World Bank and IMF-led studies tend to favor the usage of econometric analysis. Some studies, though, try to develop holistic theoretical frameworks. For instance, Levy (2010) and Levy and Fukuyama (2010) discuss the linkage between state capacity, institutional constraints, and growth. Other World Bank and IMF-led studies also make use of comparative case-studies, broadly defined. For instance, using cross-sectional macroeconomic data from twelve Latin American countries, Parry (2007) argues that good fiscal management and fiscal transparency provides a more favorable investment environment. Her argument then proceeds to argue that a favorable investment environment is the cornerstone to sustaining stable, higher quality growth in Latin America.

The key to successful public policy is to understand policy prescriptions that have utilized the most appropriate methodology to answer the counterfactual. Compared to some of the limitations of econometric statistical methods, comparative case studies offer many advantages. For instance, one of the principal aims of public policy is to provide impact evaluations that are of high quality and therefore useful to policy-makers. Whereas econometric statistical models offer generalizable findings based on the analysis of a large number of observations, qualitative case-studies offer a wealth of depth as to the outcomes of a particular situation. Policy makers often need to contend and make decisions on exceptional cases —outliers in a statistical sense— so the solution to particular public policy problems (e.g., post-war reconstruction efforts in Iraq or Afghanistan) many need exceptional public policy responses.

Researchers who utilize qualitative case studies as a source of their theoretical insights tend to embrace a range of innovative research designs. For instance, there is an emerging strand of literature that utilizes political ethnography. Combining hybrid techniques from development economics and anthropology, this method has the potential to offer some insights about microlevel political phenomena that are hard to quantify using traditional case-study techniques (e.g., archival research, elite interviews, survey questionnaires). Barbara Harriss-White (2003) develops an exciting interpretation of the depletion of municipal finance focusing on a small municipality in South India. Similarly, Corbridge *et al* (2005) elaborate a bottoms-up theory of governance drawing extensively from village level fieldwork.

Table 1 Illustrative examples of inductive case study research*

Study	Description of cases	Research problem	Data sources	Investigators	Output
Sinha (2005)	4 states in India	State-business relations	Archives Interviews	Single investigator	Mid-range theory, linking state and business relations
Diaz-Cayeros (2006)	3 countries in Latin America	Fiscal federalism	Subnational data	Single investigator	Conceptual framework about the incentives for fiscal indiscipline
Ellis and Mdoe (2003)	10 subvillages in Tanzania	Land and livestock ownership	Surveys Focus groups	Two investigators	Policy prescriptions about how to enhance the effectiveness of PRSPs
Erbaş and Nothaft (2005)	5 countries in the Middle East and North Africa	Access to housing	Macroeconomic data	Two investigators	Mid-range theory, linking accessability to mortgages and poverty reduction

(*) Examples were chosen from recent case-study and political ethnography writings to provide illustrations of the possible range of theory-building capabilities from these methods.

Although the relationship between governance and inclusive growth could be advanced with qualitative case studies, it is important to understand the severe limitations of this methodological approach. In addition to problems of external validity, comparative case studies on the outcomes of governance also face the challenge of case selection bias. To overcome the problem of selection bias, case-study researchers propose two main types of selection: random selection and information-oriented selection. Flyvbjerg (2006) suggests that random selection helps avoid systematic biases in the sample, provided that a researcher is able to attain a representative sample that can be generalized to a population. He also suggests the use of information-oriented selection techniques to examine the utility obtained from small-N samples. These include extreme or deviant cases, maximum variation cases, critical cases, and paradigmatic cases selected on the expectations about the information content that they provide. As such, any qualitative research on the relationship between governance and inclusive growth is hampered by the problem of case selection bias.

In order to tackle the challenge of biased case selection, some researchers (e.g., Eisenhardt 1989) have also emphasized that case study research must identify specified populations for the purpose of reducing extraneous variation and augmenting external validity. In order to achieve these aims, it is specified that case study research rely on highly specific crafting instruments and protocols, principally those that require multiple data collection methods (namely those that triangulate quantitative and qualitative data). The expectation from case-study research is that by relying on within-case analysis, researchers are able to gain enhanced familiarity with the data and thus provide the foundation for theory generation. According to Eisenhardt (1989: 541), within-case analysis "forces researchers to look beyond initial impressions, especially through the use of structured and diverse lenses on the data." Through the use of cross-case pattern search using divergent techniques, case-study research is expected to provide the building blocks for theory generation. However, case study research does not always match these expectations and for that reason may not be an optimal tool to analyze the link between governance and inclusive growth.

There is little doubt that political ethnography studies also help broaden the horizon of political science and development studies. However, one principal methodological weakness of this approach is the inability to replicate the findings. Like comparative case-studies, political ethnography studies suffer from challenges of external validity. Finally, the validity of findings from political ethnography work can be challenged on account of participant observation. In anthropology there is a long-standing debate in the literature about the inherent tension between participant observation and participant interference in the results (see, Becker 1958; Jorgensen, 1989). These participant observation problems can bias the findings that emerge from political ethnography works.

Moreover, comparative case studies and political ethnography also have other fundamental limitations. One of the most critical challenges to comparative case studies is the issue of case selection and external validity (Geddes 1990). One of the key limitations of qualitative research is the issue of external validity. Although comparative case studies offer useful insights for the specific cases being analyzed, there is an inherent danger that these cases may not be representative of broader trends. As such, building theory on governance and inclusive growth from case studies suffers from significant methodological limitations. Sometimes case study research provides empirical evidence that is overly complex and contingent, therefore its applicability to concrete public policy cases can be difficult. On the other hand, case study research may generate the opposite result, namely theory that is too narrow and idiosyncratic to be generalizable.

One response to the challenge of external validity in case-studies or political ethnography is to argue that validity has no relevance or that qualitative research uses different procedures for attaining validity. Maxwell (1992), for instance, makes the case that understanding is more important than validity. Adopting a relativistic position, Maxwell (1992: 284) asserts that validity "is always relative to, and dependent on, some community of inquirers on whose perspective the account is based." He adds that "validity is relative in this sense because understanding is relative…it is not possible for an account to be independent of any particular perspective." However, it would be difficult to justify a comprehensive, multi-country, evidence-based program of research on governance and inclusive growth where the expectation about external validity is not relevant.

Another response to the challenge of external validity in case-studies or political ethnography is to suggest that qualitative approaches are not substantially different from quantitative approaches in terms of the difficulties of approaching a scientific level of validity in the social sciences. For instance, Kirk and Miller (1986: 21) argue that “no experiment can be perfectly controlled, and no measuring instrument can be perfectly calibrated.” They conclude that “all measurement, therefore, is to some degree suspect.” Once again, no meaningful research project on governance and inclusive growth can be grounded on the expectation that all measurement is suspect. If so, then the findings from qualitative case studies would be suspect as well.

Increasing the generalizability of case-study and political ethnography research projects presents another challenge to the qualitative researcher on governance. Schofield (1990) suggests that one way to increase the generalizability of qualitative research is through the aggregation or comparison of independent studies, in what some researchers have called the ‘qualitative comparative method’ (Ragin, 1987). One of the assumptions of qualitative comparativists is that several different sets of circumstances can lead to the same outcome. Built on this framework, the qualitative comparative method uses Boolean algebra to develop a range of dichotomous variables which are analyzed as part of a fuzzy set. These Boolean methods of logical comparison represent each Ragin argues that this approach allows a researcher to examine complex and multiple patterns of causation, to provide parsimonious explanations, and to study cases both as wholes and as parts. Although the qualitative comparative method offers an interesting solution to problems of generalizability, there is no existing body of work that uses this particular approach in development economics, primarily because this method has had limited success within the qualitative methods community.

(c) Historical institutionalism

In many respects, the study of governance is hampered due to the inherent divide between quantitative and qualitative approaches. At the same time, the shortcomings from adopting strictly quantitative or qualitative approaches to the study of governance has given rise to emerging literature that seeks to bridge the gap between these seemingly incompatible frameworks of analysis. One avenue taken to depart from the quantitative/qualitative nexus has been to adopt methodologies from other disciplines, particularly history and medicine. A prominent approach using this methodology is historical institutionalism. Another avenue, to be discussed later, borrows techniques used in clinical medicine.

Historical institutionalism emerged, in large part, as a reaction to the ahistorical nature of rational choice and quantitative approaches in the social sciences (Skocpol & Sommers, 1980; Thelen and Steinmo, 1992; Katznelson, 1997; Hall & Taylor 1996). Nevertheless, historical institutionalism attempts to provide a more systematic treatment of the salience of institutions. The historical institutionalist approach is indebted to the early institutional economics literature. Seminal work by Coase (1960), Williamson (1981), North (1991), Olson (1993), Ostrom (2005), Greif (2006), Shirley (2008) highlighted the importance of norms, transaction costs, formal rules, and informal constraints to the development of specific patterns of institutional development. More recent contributions by Acemoglu, Johnson, and Robinson (2001, 2005) and Glaeser *et al* (2006) have provided a more comprehensive understanding of the importance of initial conditions in colonies and its relationship to specific types of post-colonial institutional development and economic growth.

One of the most important contributions of historical institutionalism to the study of governance and economic development has been the concept of path dependence. Path dependence is defined as a 'property of contingent, non-reversible dynamical processes, including a wide array of biological and social processes that can properly be described as 'evolutionary'." (David 2000: 15). Influenced by the seminal work on evolutionary economics (Nelson and Winter 1982) and building on the work of David (2000), Mahoney (2000) and Page (2008), political scientists have increasingly incorporated notions of path dependence into the analysis of economic reform in transition economies.

Recent political economy work, using historical institutionalist tools, have yielded intriguing findings and, at the very least, forced us to reevaluate some of our assumptions about the causal effects on economic development. For instance, Acemoglu, Bautista, Querubin, and Robinson (2007) analyzed the relationship of unequal distribution of wealth to underdevelopment by using 19th century micro data on land ownership and land holding in the state of Cundinamarca, Colombia. In their study, they find that political inequality, rather than economic inequality, is the better predictor of regional underdevelopment in Latin America. On the one hand, their results show the rather counterintuitive finding that a higher land gini at the end of the 19th century (their measure of economic inequality) is positively associated with positive developmental outcomes, notably contemporary secondary school enrollment. In contrast, they argue that there is a fairly robust negative relationship between political concentration (using a measure of political inequality) and good developmental outcomes. Their political concentration variable is a simple computation of the number of different individuals in power across different municipalities over time divided by the number of mayor appointments.

Historical institutionalism could offer some intriguing prospects for research on the relationship between governance and inclusive growth. However, this particular research method is not without its severe limitations. On the one hand, some critics (e.g., Pierson, 2004: 8) have noted that historical institutionalism has drawn more attention to the institutionalist dimensions in their work, rather than on the historical component associated with their explanations. On the other hand, historical institutionalism has not been able to successfully bridge the quantitatively-oriented and qualitatively-oriented branches of historical institutionalism. A well-known effort by leading game theorists and scholars of new institutional economics (Bates *et al,* 1998) to provide a blueprint on how bridge macrostructural (historical institutionalism) analyses with rational choice theory generated far more controversy than consensus. Opponents of rational choice theory argued that the Analytical Narratives approach actually reified rational choice. More surprisingly, leading game theorists criticized the Analytical Narratives approach for being "overly modest" about the distinctive contribution of this method (Parikh, 2000: 678), while others decried the effort for its "excessive ambition." (Elster, 2000: 685). Others critiqued the "underspecification…in the discussion of the use of narrative as the best way to organize and present the empirical material" (Parikh, 2000: 678) and the "apparent confusion about what exactly 'narratives' are, at least when they are not graced by formal models." (Carpenter, 2000: 654). Some argued that Bates *et al* (1998) "offered little insight as to which sorts of evidence should be useful in answering which sorts of questions" (Carpenter, 2000: 658) and made important errors of omission, "such as the failure to provide microfundations or to offer evidence about the beliefs and intentions of the actors." (Elster, 2000: 685).

There is little doubt that historical institutionalism has revolutionized the understanding of institutions in political science. Although exceedingly useful as a tool for meta-analysis and long-run comparative development, though, historical institutionalism is of limited use in the policy domain. The strength of historical institutionalism is in explaining why a given country, for instance, has pursued a given policy trajectory or reform sequence and, most importantly, why other options were not pursued. Some historical institutionalists have openly embraced the application of theory into policy. Other institutionalist scholars, notably Pierson (2004), have attempted to formalize some of the premises of historical institutionalism, often drawing upon tools and ideas from economics. However, the usage of historical institutionalism as a tool of public policy is not widespread, primarily as a result of the method's own limitations. Moreover, historical institutionalism does not lend itself to be instructive on what policies should be pursued once a particular course of action has been adopted. For this reason, a comprehensive research project on the relationship between governance and inclusive growth could not be developed using techniques from historical institutionalism.

(d) Randomized controlled trials

One of the perceived weaknesses of one-off, comparative case studies is a fundamental problem of causal inference (King, Keohane, & Verba, 1994: 208-210), namely relating to the "impossibility of applying experimental methods or making perfectly controlled comparisons." (George and Bennett, 2004: 152). In order to overcome some of these inherent problems of causal inference in the social sciences, an exciting new wave of literature on the political economy of developing countries uses randomized controlled trials (RCT) methodology. Building on randomized trials in medicine and public health, economists have extended this approach to assess development results and evaluate the impact of development programs.

The usage of RCT as a methodological platform has tended to focus on the effectiveness of specific public policy and public health applications, rather than policy or governance per se. For instance, one of the pioneering studies using RCTs helped determine the effectiveness of de-worming medicine in African villages (Kremer and Miguel, 2007). Kremer and Miguel analyzed the effectiveness of periodic medical treatment with low-cost drugs in contrast to the undertaking of de-worming treatment with the introduction of a small fee for individualized treatment. Kremer and Miguel found that the introduction of a small fee led to a sizable reduction (about 80 percent) in treatment rates. In their study they tested whether households with more social links to schools were more likely to take de-worming drugs. The households were chosen randomly among a sample of Kenyan villages. Kremer and Miguel (2007: 1034-35) argued that "experimental social effect estimates are markedly different from the nonexperimental estimates…suggesting that omitted variable bias in the nonexperimental estimates is large and positive."

The pioneering work by Kremer and Miguel has begun to filter towards other settings. In subsequent work, Banerjee *et al* (2010) has extended the findings in Kremer and Miguel (2007) to rural India. Further work using RCT as a methodological tool also illustrates the effectiveness of certain forms of incentives to enhance rural participation in vaccine projects (Banerjee and Duflo, 2011). However, these approaches are agnostic on the importance of governance instruments to measure the effectiveness of specific public health outcomes. Further research, using RCTs, has extended this approach to incorporate explicitly governance-related mechanisms. For instance, Chattopadhyay and Duflo (2004) and Duflo (2005) measure the impact of reservation policies for women on the types of public goods being provided in rural areas. Using a subsample of 265 village councils in two states in India (i.e., West Bengal and Rajasthan), Chattopadhyay and Duflo (2004) evaluate the impact of randomly selected local village council (*gram panchayat*) head positions headed by women on the delivery of public services. They show that having women as *gram panchayat* leaders increases the overall participation of women in these village councils. In addition, there appears a significant difference in the types of policy issues that are raised in *gram panchayats* meetings. For instance, they show that having a woman leader in a *gram panchayat* increased the number of complaints about roads and drinking water.

RCTs as a framework of analysis are a relatively recent phenomenon in development economics. Students of governance have been cautious in their integration of RCT experiments into their studies. There is, however, a growing movement within political science to incorporate experimentation, broadly conceived, into their methodological repertoire. As noted by Morton and Williams (2008), experimentation techniques in political science have focused on political participation, voter mobilization and legislative bargaining, typically using American or Western European settings (e.g., Gerber and Green, 2000; Lassen, 2005; Krasno & Green, 2008; Warwick and Druckman, 2001). Building on this tradition, some political scientists have now began to apply analytical tools from field and natural experiments to non-Western countries, mostly on a similarly narrow range of political issues, such as political participation and voting behavior (e.g., Bhavnani, 2009; de Figueiredo *et al,* 2011). Despite these efforts, though, it would be fair to characterize the usage of RCTs in studies on governance and inclusive growth in developing countries to be at the inception stage.

By using mixed methods research approaches, RCT experiments allow us to know which development efforts help and which cause harm. Despite the obvious benefits of RCT-related research, there is an ongoing critique about external validity across different settings where given incentive structures may differ. Thus, substantive lessons about the program being evaluated through an RCT approach may not offer findings that can be generalized to other settings Similarly, some authors (e.g., Karlan and Appel, 2011) show that RCT experiments suffer from key methodological weaknesses insofar as trial registries in social science are harder to design and control over time than in medicine. However, the problem that RCTs have in terms of external validity are far more limited than those faced by other competing research methods discussed here (e.g., qualitative case studies).

One of the key problems identified in the literature are the causal inference problems associated with field and natural experiments (e.g., Dunning, 2008). Unlike true experiments where the assignment of treatment and control groups is done at random, RCT experiments and other natural experimental approaches that examine governance as a variable are phenomena which are the product of social and political forces. Under this set of formal conditions, as argued by Dunning (2008: 283), these forms of experimentation "are, in fact, observational studies." However, the use of RCTs could provide a more credible set of testable hypotheses that can be derived from purely qualitative observational case studies.

One of the benefits of RCTs is the ability to tackle the selection bias aspect that hinders case-study and political ethnography studies. Case-studies and political ethnography can be subject to an attribution problem whereby there is an actor-observer bias and where the researcher tends to over-value dispositional or personality-based explanations for the observed behaviors of others. At the same time, researchers who rely on qualitative, participant-observation data collection can under-value situational explanations for those behaviors, including the presence of the researcher itself. Therefore, future developments on governance and inclusive growth should seriously consider using RCTs as a methodological technique.

4. Conclusion

Given the paucity of research on governance and inclusive growth, in this paper we have examined the research methods that have been undertaken with respect to the potential link between governance and some developmental outcomes. Much of the push to examine the link between governance and such developmental outcomes has been impelled by the development of the World Bank's good governance indices. Despite the influence of the World Bank and other similar institutions, a surprising finding is that governance indicators are seldom used in either quantitative or qualitative analyses on the relationship between good governance and inclusive growth. More strikingly, this author could only locate a handful of studies that used the World Bank's governance indicators as a tool for statistical or qualitative analysis. As such, one of the core findings of this paper is that despite the large number of indices used to measure governance, they are not widely used outside of the specific institutions that create them. Instead, scholars —irrespective of interpretative research method approach adopted in their work— tend to define governance more narrowly than public policy or international lending institutions. For this reason, future research work on governance and inclusive growth should consider developing datasets that would enable the development of more testable hypotheses on the link between governance and inclusive growth.

Moreover, although there have been a lot of seminal and cutting edge work that has analyzed the link between governance and economic growth, at present there is no comprehensive time-series cross-sectional dataset using *inclusive* growth indicators. As discussed here, econometric analyses on the relationship between governance and inclusive growth tend to view good governance as a precondition for optimal financial development. In contrast, qualitative case-studies tend to view good governance as a precondition for widespread political participation that is essential to support inclusive growth policies. However, neither approach seriously engages with governance as a central determinant of inclusive growth. In order to assist in the quantitative analysis of the relationship between good governance and inclusive growth, it would be essential to develop datasets that enable the development of a robust governance-inclusive growth index.

The paper has also evaluated the principal research methods approaches that have been utilized to analyze the link between governance and a number of developmental outcomes (typically poverty). We have identified the dominant interpretative methods, including econometric and statistical methods, qualitative case-studies, historical institutionalism, and randomized control trials. In the paper we have outlined some of characteristics of these approaches, focusing on both the strengths and interpretative weaknesses of pursuing specific types of research methods. In this paper we have evaluated newer approaches relating to the relationship between governance and inclusive growth, largely focusing on comparative historical analysis, historical institutionalism, and randomized control trials. In many respects, these specific types of research methods act as 'bridging' techniques to overcome some of the weaknesses inherent in quantitative and qualitative approaches and could be seen as more innovative techniques from which to develop a research program on governance and inclusive growth.

In this paper we have also argued that the arbitrary distinction between quantitative and qualitative methods relating to the effects of governance can be overdrawn. On the one hand, comparative historical analysis and historical institutionalism (e.g., Mahoney & Rueschemeyer, 2003; Pierson, 2004) have stressed the need to find common ground across quantitative methods. Many studies have fruitfully combined both methods in political science and public policy (Bennett and George, 1998; Collier, 1998; Coppedge, 1999). Likewise, practitioners of quantitative methods have also stressed the need to converge. For instance, King, Keohane, and Verba (1994: 4) argued that 'the differences between the qualitative and quantitative traditions are only stylistic and are methodologically and substantively unimportant. All good research can be understood —and is indeed best understood— to derive from the same underlying logic of inference'. We also find some acceptance of methodological pluralism in development economics. For instance, in an important review of the literature study on exogenous growth theory, Levine and Renelt (1992) qualified the robustness of some of the core findings from partial correlations of economic growth by providing a range of possible conditioning factors that could be considered to be qualitative in nature.

The paper also suggests that political economy approaches that analyze the effectiveness of good governance in fostering inclusive growth could benefit from adopting a range of methodological approaches. In some respects, though, the divide between quantitative and qualitative methods cannot be overcome. Both approaches attach very different emphases on reliability, generalizability and external validity that will remain unresolved with the use of 'bridging' techniques, such as historical institutionalism. As such, future research that analyzes the relationship between governance and inclusive growth must come to terms with this irreconcilable methodological divide. There is, however, an important instrumental reason for considering the integration of experimentation in the study of the relationship between good governance and inclusive growth. As noted by Morton and Williams (2008: 353), the relationship "between political experimentalists in field experiments and actors in politics is a potentially interactive one, and that increased experimentation by political scientists will increase the relevance of political science research for political actors." On the basis of this rather cynical assessment, we are likely to see a rapid emergence of experimental approaches and RCTs in future studies relating to governance and inclusive growth.

The obvious conclusion that can be derived from this overview is that the analysis of the relationship between good governance and inclusive growth necessitates a more focused and unified approach in the initial choice and eventual use of specific research methods. This paper has ultimately suggested that one of the approaches that appear to offer the most optimal 'bridging' link between variable-based and qualitative approaches are RCTs. However, as the discussion showed, there is almost no work using RCTs that helps us provide a more comprehensive understanding between good governance and inclusive growth. Given the exciting potential of RCTs, future funding on research on good governance and inclusive growth should explicitly encourage the usage of this method to derive more substantive and robust insights.

In general, given the existing weakness in the existing literature on governance and inclusive growth, we should work towards a unified approach in the use of research methods that bridges both the micro and macro levels of governance research, and blend both quantitative and qualitative methods in addressing core research questions. We should not insist that each research project employ mixed methods or work at both micro and macro levels. However, we should purposively select research projects that employ one or more methods from the qualitative-quantitative range at either the micro or macro level, such that we build up a body of rigorous evidence. By using such triangulation of methods, and using different methods to research the same issue with the same unit of analysis (whether at the micro or macro levels), we should be able to crosscheck one result against another, and increase the reliability of our findings. In addition, in selecting future projects relating to governance and inclusive growth, we should ensure that our research projects have a true comparative dimension and are <u>not</u> one-off case-studies, with the domains for comparison being either spatial units (which can go all the way from countries to villages/municipalities as units of analysis) or policy sectors (e.g., a comparison of the politics of implementation success in health delivery versus education delivery).

On the basis of these observations, we should then try to develop an ambitious research programme that studies the relationship between governance and inclusive growth that utilizes micro and macro level units of analysis. At the micro level, our primary qualitative method should stress political ethnography (e.g., combining participant-observation with interviews to get inside views of how state bureaucracies work on a day-to-day basis). Our primary quantitative method should micro-econometrics, where we should use primary survey data of individuals, households, and firms, including structural and theory-based approaches. An important strand of micro-studies should also use quasi-random methods and RCTs, in order to address the ‘identification challenge’ in assessing the impact of governance interventions and programmes (Deaton, 2010; Sen, 2010). At the macro level, we should consider using comparative small n qualitative case-study methods (where we will compare both cross-nationally and sub-nationally), and cross-country or within-country state-of the-art econometric methods that use secondary data on macro-aggregates (whether at the national or sub-national level). Our selection criteria for choice of countries/sub-national units in the small n comparative case-studies will be based on a typology of political settlements, drawing from those proposed in Levy-Fukuyama (2010) and Khan (2010).

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