Good Governance and Institutional Quality of Public Sector: Theoretical and Empirical Implications

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Abstract:

Purpose: The main aim of this article is to conduct an econometric analysis and to examine relations between institutional factors pertaining to the quality of governance and the level of GDP per capita in 28 member states of the European Union.

Design/Methodology/Approach: The analysis of public governance and good governance concepts is based on critical analysis of the recent literature. Institutional quality of the public sector is analyzed as a part of New Institutional Economics theory. This allows to indicate the institutional dimensions of the quality of public sector. In the empirical part, focus was given to measuring governance and examining relations between institutional factors pertaining to the quality of public governance and the level of GDP per capita in 28 member states of the European Union. To this end, World Bank data were used, and six indicators proposed by this institution were assumed as synthetic measures of governance quality (The Worldwide Governance Indicators – WGI).

Findings: The conducted analyses resulted in positively verifying the model of relations between dimensions of governance quality and the pace of economic growth in the EU-28. Based on correlation studies, out of the six analyzed dimensions of governance quality i.e. voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption, only political stability transpired not to be correlated to the level of GDP per capita in the studied economies.

Practical Implications: The results are especially important for policy makers to understand the importance and the role of good governance. As for society, research results can increase awareness in assessing the quality of governance in each country.

Originality/Value: The scientific results fill the gap in the research area of institutional quality of the public sector, and also show the significant relationship between the quality of governance and the economic outcomes (economic growth).

Keywords: Public sector, new institutional economics, public governance, good governance.

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1. Introduction

The growing importance of the public sector of the economy is nowadays a characteristic trend. Emerging new conditions and challenges such as rapid technological progress, dynamic demographic changes, migrations, deepening economic diversification, dynamic growth of public debt, fiscal crises and complicated fiscal relations between different levels of public authority, growing expectations of citizens for new public services, put pressure on public authorities to increase the efficiency and effectiveness of the public sector in the economic dimension (Dickinsen, 2016; Barczewska-Dziobek, 2018).

The authors of this study, looking for an answer to the question how to shape the system of effective and efficient public sector management, refer to the postulates of economic doctrine by the achievements of New Public Management (NPM), New Public Governance (NPG), as well as selected theoretical concepts of the New Institutional Economics (NIE).

The literature often emphasizes that the concept of NPG was created as a result of criticism of selected assumptions of the MPM model. With an improved and more mature version of it, the paper puts a special emphasis on the model of public governance, referred to as Good Public Governance (GPG), treating it as a specific standard and model for good functioning of public authority.

The study has several tasks: 1) to explain the relationship between governance and government according to public sector and public administration; 2) to outline the different approaches to public governance; 3) to clarify some core concepts in public governance theory and the different models of governance; 4) to present the institutional aspect of quality of public sector in the context of the idea of good public governance.

In the empirical part of this article, focus was given to measuring *governance.* The empirical purpose of the work was to examine relations between institutional factors pertaining to the quality of public governance and the level of GDP *per capita* in 28 member states of the European Union. It was assumed that *good governance* has a positive effect on the level of GDP of the studied countries.

The primary source of knowledge used by the authors were the World Bank data. Six indicators proposed by this institution were assumed as synthetic measures of *(good) public governance* (The Worldwide Governance Indicators – WGI) i.e., Voice and Accountability (VA), Political Stability and Absence of Violence (PS), Government Effectiveness (GE), Regulatory Quality (RQ), Rule of Law (RL), Control of Corruption (CC).

2. From Traditional to Modern Models of Public Administration

The observation of the evolution of the public management concept allows for distinguishing three basic models of public administration management (Osborne, 2006):

i.   Old Public Administration (OPA) – a model covering the period from the late nineteenth century to the late seventies/early eighties of the 20th century;
ii.   New Public Management (NPM) – a model covering the period from the late 1980s to the early 21st century;
iii.   The public governance (PG), then evolving towards New Public Governance (NPG) – nowadays.

The theoretical foundations of the OPA are related to the traditional administration model and the concept of ideal bureaucracy proposed by Weber (Max Weber's Ideal Bureaucracy Model). Hierarchy and bureaucracy are crucial in this model, and the principle of its operation comes down to a precise and bureaucratic definition of the relations between the subordinate unit (citizen) and the superior unit (government, state). Weber points to the following features of ideal bureaucracy in public administration (Sager and Rosser, 2009; Katsamunska, 2012):

i.   The organisational structure of administration based on centralisation, hierarchical subordination, formalisation, control and discipline;
ii.   The professionalism of officials appointed on the basis of their professional qualifications rather than their choice (Weber believed that the choice of officials unnecessarily modifies and distorts the severity of hierarchical subordination);
iii.   A political-administrative dichotomy consisting in a strict separation of administration from politics (according to Weber, such separation is a necessary condition for eliminating corruption in public administration).

Thus, while the traditional bureaucratic model favoured the process of administration above all, contemporary models (NPM and NPG) put the art of management before the art of administration. This approach is aptly characterized by Huges: *"administration means filling in instructions, while management means achieving results"* (Huges, 1994).

In this context, it is essential to distinguish two concepts of *government* and *governance*. The first refers to the situation when a public authority, having formal legal powers, performs and implements certain actions. Governance refers to the execution and implementation of activities supported by the common goals of citizens and organisations (Rosenau, 1992). According to Wojciechowski, public governance is *"the process of influencing public entities (institutions), including the authorities and public administration, on the course of public affairs, the settlement of which is in the interest of the general public"* (Wojciechowski, 2010).

In turn, the term *governance* as a specific concept first appeared in the private sector (*corporate governance*) in the sense of organizational power and the related strategic level of corporate governance, as opposed to the current/operational level (Raczkowski and Mikułowski, 2013; Thalassinos *et al.,* 2014; 2015). It was only later that the term was transferred to the public sector, interpreting it as a process of sharing power in the process of public decision-making, supporting the autonomy and independence of citizens and ensuring the process of development of the common good through civic involvement (Jedrzejowska-Schiffauer *et al.,* 2019). Pereira treats public governance above all as a manifestation of the domination of public policy over public administration. According to the opinion of this author, it allows to strengthen the potential and powers of many stakeholders and thus a specific administrative and regulatory order is achieved (Pereira *et al.,* 2017).

The concept of NPM, based on the idea of managerialism in the public sector, emphasizes certain similarities in the functioning of public administration to the private sector. Hood is often considered to be the precursor of this idea (Hood, 1991). The idea was popularised in the 1980s and 1990s, initially in countries such as Australia, New Zealand and the USA, and later also in European countries. There is also a proof of its growing popularity in the country of the authors of this paper, i.e., in Poland, where research articles related to the issue in question, referring both to the government and local government sector are more and more frequently published (Zalewski, 2007; Lubińska, 2009; Krynicka, 2006; Supernat, 2003; Zawicki, 2011; Pająk, 2018).

The key postulates of the NMP may also serve as recommendations for necessary changes in the context of increasing the effectiveness of the management system of public sector entities. They are as follows (Poniatowicz and Dziemianowicz, 2017):

i. The adaptation of management methods and techniques used in the private sector (*business-like management*);
ii. *Public managerialism* and *liberation management* – responsibility for the public economy should rest with highly qualified *public managers*, to whom it is much easier to assign responsibility for financial decisions than to passive, not always competent officials;
iii. *Result-oriented public administration* and public sector;
iv. *Focus on the consumer of goods and public service* – while traditional public management has treated members of the public as impersonal petitioners, NPMs treat them as individual consumers/customers who should be able to influence the decisions made by public policy makers;
v. Using *competitive governance* – freeing up competition and market mechanisms in management processes, i.e. the so-called marketisation of the public sector; public decision-makers always face the dilemma of *make or buy* when making decisions concerning the process of production and delivery of public goods and services; when choosing the latter option, they cooperate with the private sector;

vi. The public sector should carry out some of its functions with the help of private entities, e.g. in the formula of *public-private partnership* or privatization; this is aptly illustrated by the acronym used by Osborne and Gaebler in the public sector context: "steer, not row" (Osborne and Gaebler, 1992);

vii. The "3E rule" in the evaluation of public projects (*economy, effectiveness and efficiency*);

viii. The need for *public sector risk management* – it is assumed that public sector bodies, just like private entities, must look ahead, react dynamically to changes and make optimal use of available opportunities; risk management is the basis for such action and is an essential condition for optimising the delivery of public goods and services;

ix. Moving away from the traditional understanding of the public budget toward *performance budgeting*, which allows for the identification of tasks that are the most important for the achievement of public objectives and the determination, by means of appropriate measures, the degree of completion of public tasks;

x. *Long-term financial planning* (*multi-annual public finance)* – it is assumed that public finance management requires a long-term/perspective approach (*long-term financial planning*; *multi-annual public finance*); it is no longer sufficient to look at these issues from the perspective of the financial year alone;

xi. *Democratization and citizen participation* – democratization of the processes of managing public affairs, among other things, in the formula of involving citizens in decision-making processes undertaken in the public sector (e.g. public consultations, public referendums, participatory budgeting, etc.);

xii. Transparent *public administration* – special emphasis is placed on the *transparency of public administration* and, consequently, on the dissemination of good practices in the field of openness and transparency of the public sector and the related system of public finances.

In the last decade, the NPM model has been criticised, among other things, for too uncritical use of private sector experience and inadequacy for the specifics of public sector decision-making (Monteduro, 2005). As a result, a new concept of public governance has emerged, i.e., Public Governance (PG). It is assumed that just as in the past NPM replaced the traditional concept of public administration, nowadays PG will replace NPM (Bryson, Crosby, Bloomberg, 2014). Rhodes, based on the analogy to NPM, proposes the term New Public Governance (NPG), defining the process of public co-decision, with a significantly reduced role of government (*governing without government*) (Rhodes, 1996). While the NPM concept focuses on the professionalisation of management, standards and measures of success, results and economic effects, the NPG concept focuses on processes involving public and private sector actors in the form of *governance as self-organizing networks*, the relationship between public authority and society (partnership, civic participation) and the principles of liberal democracy (Rhodes, 1996).

In order to systematise and compare key management aspects in each of the described models of public administration (OPA, NPM and NPG), Iacovino, Barsanti and Cinquini (2017) propose the use of this illustrative matrix in Table 1.

Table 1. *Public management models reference matrix*

	OPA	NPM	NPG
Leading logic/ Subject	Bureaucratic. Focus on Legitimacy, compliance with strict predetermined rules and procedures.	Internal efficiency. Focus on Management and the working logic of each single PA.	System efficiency, effectiveness. Focus on policy-making, public services, management and democracy.
Systemic approach	Closed system. The organization is centered on its internal bureaucratic and administrative dynamics with inadequate concern for the external environment.	Partially closed system. The organization is oriented towards results.	Partially open system. The organization is more oriented towards relationships and its strategic external environment, by stimulating process of integration and coordination.
Perspective	Micro / Self-referential. Procedures and rules-oriented.	Micro. Emphasis on PA management features.	Involves all three levels: - micro (each single PA); - meso (PAs and company systems); - macro (socio-economic systems).
Relevant dimensions	Legitimacy and administrative, conformity with rules and regulations.	Effectiveness, efficiency, economy. The focus is on ultimate performance results in an economical and managerial perspective - "The 3E Principle".	Efficiency, effectiveness, and the full range of democratic and constitutional values (equity, transparency, ethics, quality, improvement, economic, social and environmental sustainability of the implemented policies, accountability).
Internal relationships	Hierarchical relationships.	Separation of the political level from the administrative level (management).	Overcoming the politician-manager dichotomy.
Decision-making contents	Specific and strict.	Introduction of multiple criteria for the evaluation of decisions: flexibility, competition.	Introduction of multiple criteria for the evaluation of decisions: flexibility, cooperation.
External relationships	Public monopoly – PA is the only provider of public services.	Competition /contrast public-public and public-private.	Cooperation among PAs, other public and private entities.
Accountability	User	Client	Citizen
Planning and control	Input, formal results	Output	Output, outcome
Governance model	Procedural governance	Corporate governance	Network governance

Source: *Iacovino, Barsanti and Cinquini, 2017.*

In accordance with the characteristics of individual models of public administration presented in the Table above, the NPG concept appears not only as the most mature, but also as being based to the widest extent on specific public values[4] (including democratic and constitutional ones). Bryson, Crosby and Bloomberg (2014) emphasize that, according to the NPG, the decision-making freedom of public decision-makers should be limited by law, democratic and constitutional values, and a broad approach to responsibility. At the same time, as emphasized in the literature on the subject, this responsibility should be multi-faceted, and not just hierarchical (as in OPA) or market (as in NPM), because public officials must take care of law, community values, political norms, public standards and citizens' interests (Bryson, Crosby and Bloomberg, 2014). Only the comprehensive fulfillment of these conditions allows the implementation of the idea of good public governance (GPG), whose attributes are open and developmental public policy, professional administration, acting for the public good, respect for the law, transparency of processes and strong civil society.

3. Institutional Approach in the Theory of Economics: Traditional Institutionalism vs. New Institutional Economics

In economic sciences, more and more attention is paid to the issues of the public sector in the context of the institutional approach. The terms *institutionalism* and *institutional development* have become synonymous with actions aimed at reformation of this sector in many countries, while the institutional approach in the process of modernization of this sector is understood as creating new principles and mechanisms for its functioning, especially in terms of increasing its efficiency and effectiveness. What is characteristic of this approach is paying special attention to institutions, both formal and informal, whose quality, but also mutual relations, implicate operation of the sector concerned. From this perspective, institutional economics is a part of economic sciences which, in order to explain the specificity of economic processes that are taking place, analyze and emphasize in this scope primarily the influence of non-economic factors (social, cultural, historical, legal, political factors etc.).

The term *new institutional economics* was introduced to literature by Oliver E. Williamson (Williamson, 1998a; 1998b) thus emphasizing dissimilarity of the new approach in comparison to the so-called *"old institutionalism"* (classical/historical institutionalism) which emerged in the United States in the 20s of the twentieth century, and whose main representatives were two American economists, Thorstein B. Veblen and John R. Commons (Rosińska, 2008). The former initiated the behavioral approach in economic analyses, studying mainly the impact of non-formal

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[4]*The term of public value was originally used by M.H. Moore (Moore, 1995). Public value refers to the value created by government through public services, laws, regulation and other actions. This term relates to the following categories: public satisfaction, social value from the user perspective, trust and legitimacy, public service quality, protecting citizens' rights etc.*

institutions (Veblen, 1899). The latter, John R. Commons, in his studies, focused mainly on formal institutions including, above all, the system of law (Commons, 1957).

The trend of new institutional economics appeared in the early 70s of the twentieth century, and its leading representatives were: the British economist Ronald Harry Coase, the American economist Oliver E. Williamson, and the American economist and historian Douglass C. North. Analysis of the theoretical achievements of these authors allows to identify specific differences between traditional institutionalism and the new institutional economics.

Firstly, while traditional institutional economics was treated as an alternative and a kind of substitute for neoclassical economics, representatives of the new institutional economics treat their analyses solely as complementation and enrichment of mainstream economics (e.g., by achievements in the field of legal sciences, the theory of organization and management, sociology, political science, psychology etc.), at the same time assuming that failure to include institutional topics leads to interpretational errors in analyses of market processes (Woźniak-Jęchorek, 2013). These issues are treated in a similar way by the Polish economist Bogusław Fiedor who stresses that new institutional economics is a continuation and enrichment of the paradigm of mainstream economics – not rejection thereof. This author refers to the new institutional economics as a neoclassical theory of institutions which transfers the basic methodological assumptions as well as the categorial apparatus and analysis methods characteristic of mainstream economics to the area of studies on institutions (both formal and informal) (Fiedor, 2013).

Secondly, while the doctrine of traditional institutionalism assumed that only institutions shape the behavior of economic entities, according to the new institutional economics it is the behavior of entities that influences shaping the institutions.

Thirdly, the difference between the traditional and modern institutional approach is also reflected in the subject of research. As noted by M. Lissowska, in the former approach, the area of research is extensive and not very specific, and it is based also on non-formalized institutions such as, for instance, habits, traditions etc. In the latter approach, however, the subject of research are clearly defined: transactions made between economic entities (Lissowska, 2004).

In contrast to mainstream economics, the new institutional economics is distinguished mainly by:

    i.   an economic interpretation of facts which seemingly do not affect the economic reality, and thus a broader and more interdisciplinary approach to complex economic problems, noticing the weight and significance of institutions in the process of market exchange, as well as taking into account the role of transaction costs;

ii. abandonment of the model of full economic rationality, in favor of the so-called limited rationality in the formula of modification of the *homo oeconomicus* conception's assumptions, primarily in the context of opportunism and people's natural tendency to make mistakes; in such approach, the method and results of public organizations' operation should also be considered through the prism of individual preferences and choices (public decision-makers – politicians, consumers of public goods – voters, private entities that cooperate with the public sector);

iii. abandonment of the conception of allocative effectiveness that is typical of neoclassical economics (understood as optimization of the relations between economic expenditures and results, in the given institutional environment) in favor of adaptive effectiveness (understood in the context of institutional flexibility i.e., institutions' ability to adapt to the changing conditions of the environment) (North, 2010);

iv. concentration of research on the *contract/transaction* category and their associated benefits and costs (the so-called *transaction costs* and, in the case of public sector entities, *public transaction costs*); in the context of the public sector's specificity, it ought to be added that public (political) contracts are significantly different from contracts concluded on the market of private goods and services i.e. private contracts. Among others, this is due to the fact that the public (political) market is governed by different rules, and the decisions made on this market are a public choice that reflects social preferences and involves a compromise made between economic rationality and social justice (Zbroińska, 2009).

Analysis of the possibilities of using the postulates of the new institutional economics in development of the public sector, first of all, requires a broader discussion of the issues connected with two key components that constitute pillars of the modern institutionalism's conception. These are: institutions and transaction costs.

4. Institutions as the Main Category of the New Institutional Economics and their Importance in Analyses Pertaining to the Public Sector

The category of institutions is defined by Douglass C. North, who refers to them as certain limitations and conditions that have a major impact on interpersonal interactions and thus on the quality of relations that exist in the economy, also in the public sector as an integral component of every economic system. According to this author, institutions may be treated as game rules in the society i.e., specific restrictions and limitations as regards concluding agreements between the actors of economic life (in the case of public sector entities – public and public-private agreements) that shape the economic, social and political relations existing in the economy and that, consequently, ensure predictability of human behavior. North distinguishes two types of institutions i.e., informal ones (religion, habits, traditions, values, codes of conduct etc.) and formal ones (constitution, legal acts, property rights etc.) (North, 1990; 1991; 1994).

In this doctrine, institutions are treated as the key to understanding contemporary economic problems. This is due to the fact that, on the one hand, they constitute commonly accepted rules of behavior and, on the other, specific limitations of the choice. These limitations may also pertain to public choices and public policy, including shaping relations between public, social and private organizations (Rudolf, 2015).

Institutionalists point out that the key to socio-economic development is institutional order understood as an optimally formed institutional system. According to Michał G. Woźniak, it is "*the determinant of an economic system's efficiency, where this efficiency is materialized through its capability of economic effectiveness, stabilization of real processes and the economy's functioning mechanism, economic growth, economic balance and generation of fair i.e. economically justified and socially accepted inequalities in terms of income and property*" (Woźniak, 2005).

In this context, the institutional coherence of an economic system is treated as a major determinant of its efficiency. Source literature, however, emphasizes that investigation into the impact of institutions on economic growth and development, whose *nota bene* important component is development of the public sector, requires dealing with the problems of identification and measurement of institutions. These problems have their origin in the following characteristics of institutions (Woźniak, 2009):

i.   institutions constitute a complex category of axiological values that determine the rules of thought and perception of reality with varied directions and degrees of impact on economic decisions and effectiveness of actions;
ii.   institutions do not explicitly determine human actions, but only create a space for selection of goals and the means for achieving them, thus merely defining the boundary conditions of free choice.

Considering the aspect of institutions' effect on the economic reality, Mary M. Shirley divides them into two categories: (i) institutions which facilitate market exchange by reducing transaction costs and increasing trust; (ii) institutions which shape the system of state authority towards strengthening of private property and freedom of individuals (Shirley, 2005).

From the standpoint of the research issues undertaken by the authors, the latter category is particularly important. This is due to the fact that in the context of the public sector, which is of most interest to us, the institutional approach allows to evaluate the quality of governance by public authorities. This is connected with the model of public governance referred to as *good governance*. These issues will be further discussed in the paper.

5. Public Governance – Institutional Dimensions of the Public Sector's Operation

When analyzing the operation of the public sector, the new institutional economics (NIE) refers to the term of *governance* (Przesławska, 2007). This term means: governing, the quality of governing, exercising authority, public governance (co-governing), co-managing, order, coordination, and even management. Generally speaking, the term *governance "*(…) *refers to all the models of rules. It is a set of principles assumed by an organization such as an enterprise or the state, determining how to rule and what principles to apply in internal and external relations between the stakeholders"* (Valkama *et al.,* 2004*). Governance* is a concept from the field of economic and political, or even sociological sciences (Hill and Lynn, 2004). As stated by Jessop (2007), it can be easily moved between the boundaries of various schools of thought and scientific disciplines as well as various areas of practical use. Therefore, it is an ambiguous and multi-contextual term.

In the general sense, *public governance* means the government's ability to function with or without the private sector, in order to drive the economy and the society toward achievement of common goals (Peters, 2012). According to Peters (2012), *public governance* may also be realized via the use of traditional methods of hierarchical nature, which means that the foundations of such co-governing are rooted in the conception of traditional governments (centralized and autocratic). This is the case in many countries. Traditional methods are used, e.g., in the sphere of taxation, regulation of business activity, even in countries in which there are strong tendencies toward governance using more interactive mechanisms. This is because the given model of *governance* may not be suitable for every political system or every public policy. The cited author notes that the term *governance* has become popular partly because it constitutes an alternative to traditional hierarchical forms of ruling a nation state, especially in centralized systems. The main logic behind governing without a government is that self-organizing networks of actors can supply/constitute alternative, more effective, human/humanitarian and democratic models of governance (Peters, 2012). Table 2 presents the main differences between the traditional way of governing by a government, and public governance.

Rotberg (2004) believes that "*public governance is good*" when it allows to allocate and manage the resources so as to satisfy the collective needs (solve collective problems) or, in other words, when the government effectively provides public goods of appropriate quality. Therefore, governments should be evaluated in terms of both quality and quantity of goods supplied. Supply of public goods as part of public policies is based on such principles as: human rights, democratization and democracy, transparency, participation of decentralized authority, good public administration, responsibility/accountability, rule of law, effectiveness, equality, strategic vision (Cheema, 2005).

Table 2. *Government vs. public governance*

Issue	Government	Public governance
Definition	Authority/body that makes formal political decisions sanctioned by formal institutional rules	Formal and informal exercise of authority aimed at achieving a consensus in specific situations
Actors	A small number of participants, mostly public entities	A large number of participating actors, public entities, private entities, civil society
Focus on	Organizational structures and institutions	Processes, policies, results
Structures	Closed systems, territorial limitations on exercise of authority, compulsory participation	Open systems, functional division of authority, voluntary participation
	Hierarchy	**Networks and partnerships**
Decision-making process	Narrow scope of consultations, no cooperation or involvement of citizens in the process of exercising authority or in implementing/realizing public policy	More extensive consultations, cooperation between actors in defining and realizing the public policy
Implementation tools	Top-down tools. Mostly formal.	Often informal tools that create conditions and incentives to accept formal decisions
Methods of interaction	Hierarchical exercise of authority, conflict relations, confidential/secret system of governance and control direct provision of services	Relations based on consultation and cooperation, a transparent and open public administration, an inclusive role of public administration
Decisions	Fixed and specific	Based on criteria and principles oriented toward autonomous decisions
External consequences/effects/results of decisions	Results imposed in a top-down manner, prohibitions and obligations	Requirements not imposed top-down, but rather incentives and conditions determining the behavior of various actors

Source: *Monteduro et al., 2013.*

The term *good governance* was first used in documents of the World Bank in the early 90s of the twentieth century. World Bank's definition of 1992 described *good governance* using the following qualities: an open and developmental policy, professional administration, acting for the public good, rules of the law, transparency of processes, a strong civil society (Schöler and Walther, 2003). It ought to be added that, in various texts, different values defining the idea of *good governance* are specified. For instance, UN documents mention eight principles associated with this formula of public administration's operation. These are: participation, social consensus, accountability of public authority, transparency, timeliness, effectiveness and efficiency, social justice, rule of law (United Nations, 2009).

Good governance allows to reduce corruption. It promotes gender equality, has a positive impact on sustainable development, allows citizens to enjoy personal freedoms, delivers tools for combating poverty, privation, fear and violence. UN perceives *good governance* as a participative, transparent and accountable system. It

encompasses state institutions and their actions as well as the private sector and civil society organizations. In practice, such rules should translate into "strengthening of democratic institutions" (Cheema, 2005). Moreover, *good public governance* provides the basis for *good corporate governance*. Good public governance is the foundation for stable and effective economies. Those who question the possibility of defining conditions of *good governance* are inclined toward creating/defining conditions of the *good enough governance* model. As a conception, *good enough governance* suggests that not all the deficits/shortcomings of public governance must be immediately remedied, and that building of institutions and capabilities of the state requires time (Grindle, 2011). Grindle proposes that, within the frameworks of good enough governance, attention is paid to the minimum conditions of governance that enable political and economic development, and a solution that may be used in practice is not necessarily presented (Grindle, 2011).

6. Measurement of Governance

In economic terms, the method of governing in an economy may be considered as a pure public good. "*The «created» quality of governance does not require that additional costs connected with its «consumption» be incurred by an additional member of the society, nor can any member of the given society be deprived of the opportunity to use it*" (Miłaszewicz, 2015). According to Rodrik, "*(...) governance has an instrumental value in the scope in which it gives manufacturers and households a greater transparency on the rules of the game, and – to investors – a greater certainty that they will be able to get return rates proportionate to their efforts*" (Rodrik, 2008). If we assume such a way of understanding this term, governance becomes an instrument that allows to achieve the primary goal of operation of the entire socio-economic system. Then, quality of this governance ought to be considered to be a result that characterizes actions of the public sector, whereas evaluation of this quality should be assumed as the measure of results achieved by this sector (Miłaszewicz, 2014).

However, measurement of *governance* which, in recent years, has become the subject of many empirical analyses, poses many problems. Application of statistical tools to evaluate governance quality is not easy because these actions are often immeasurable. In the opinion of Przesławska, governance quality indicators do not measure the objective state, which is probably indefinable, but rather "*(...) the perception of the given phenomenon in the selected group of respondents, e.g., experts of the given field or companies operating in the given country. Here, a certain institutional model is the point of reference (...)*" (Przesławska, 2007). Therefore, many institutions have made attempts to prepare relevant models. The most elaborate governance quality measures, based on aggregated data and international comparative studies, have been published by the World Bank, the European Central Bank, the International Institute for Management Development (IMD) and the World Economic Forum (WEF) (Wojciechowski and Podgórniak-Krzykacz, 2008). Each of the proposed methods for this evaluation has its advantages and disadvantages.

Still, the leading institution in terms of construction of quality indicators is the World Bank. The first empirical study concerning this measurement was published in 1996 by Kaufmann, Kraay and Zoido-Lobaton (1999). The study covered 178 countries. The next study was published in 1999 in the World Bank's *Policy Research Working Paper* (Kaufmann *et al.,* 1999). The analysis concerned 199 countries and was prepared on the basis of 300 indicators. Its authors aggregated individual measures of governance quality into six categories that encompass the key dimensions of governance quality (Kaufmann *et al.,* 1999):

    i.   voice and accountability – covers measurement of political rights, civil liberties and human rights;

   ii.   political stability – means measurement of the probability of destabilization, violent threats and changes in the government through possibly unconstitutional acts of violence, terrorism included;

  iii.   government effectiveness – covers measurement of the public administration's professionalism and the quality of public services provided;

  iv.   regulatory quality – pertains to measurement of the degree of interference of the public-administrative factor in the market economy; this indicator concentrates on the perceived occurrence of a policy that is unfavorable for the market;

   v.   rule of law – this indicator evaluates operational efficiency of the judiciary, the quality of contracts and protection of property rights;

  vi.   control of corruption – this indicator measures the perception of corruption understood as using public authority for private purposes[5].

The way in which the above categories are put into groups does not aspire to the status of a precise definition of governance quality. It is, rather, a reflection of the author's views on *"a coherent and useful organization of data, consistent with the common notion of governance quality (a model of unobservable components)"* (Przesławska, 2007).

Based on aggregated measures, a governance indicator was designed that assumes values from -2.5 to 2.5. The higher the value, the higher the level of development. The latest *Worldwide Governance Indicators* (WGI) report, published by the World Bank, covers the years 1996-2018 (World Bank, *The Worldwide Governance Indicators – WGI*). The designed indicators are based on several hundred individual variables that measure subjective perception of governance quality. They were prepared on the basis of more than 30 separate sources of data, and pertain to more than 200 countries.

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[5]*Originally, this category was defined as: Graft (i.e. bribery). Only in 2002 it was changed to control of corruption (Wojciechowski and Podgórniak-Krzykacz, 2008).*

According to some researchers, the weakness of WGI lies in being based solely on subjective data and, therefore, the possibility of formulating biased opinions and discrepancy between respondents. However, in many cases, objective data, as emphasized by Zawojska, (2012), may be even more inadequate due to extreme incompatibilities between the *de jure* and *de facto* situations. Other researchers (Glaeser *et al.,* 2004) criticize WGI for failing to relate to the permanent elements of an institution's definition proposed by North (1990) and for measuring results of an institution (i.e., policy choices) rather than the formal limitations of executive authority. According to Kurtz and Schrank (2007), WGI's deficiency is the mutual correlation of subindices.

7. Influence of Governance Quality on Economic Growth, the Case of the EU-28: An Empirical Model[6]

Nowadays, emphasis is placed on the considerable influence of institutional factors, pertaining to governance quality, on economic growth and prosperity. Individual countries develop at different speeds, and this can be significantly influenced by the quality of governance (via various factors) (Bayar, 2016).

The authors of the research made an attempt to examine the statistical relationship between institutional factors of the so-called good governance, and the level of economic growth in 28 member states of the European Union. Therefore, it was assumed that the quality of governance has a positive effect on the level of GDP *per capita* in the studied countries. The main source of knowledge were the World Bank's data. Six indicators proposed by this institution were assumed as the measures of governance quality (The Worldwide Governance Indicators – WGI).

WGI represent aggregated indicators based on several hundred variables that evaluate the perception of institutions (Table 3), collected from dozens separate sources of data gathered by 30 organizations from around the world. The indicators of governance quality (or the state's institutional efficiency) assumed for the study reflect the processes of selecting, monitoring and changing public authorities (*Voice and Accountability VA*), political stability and absence of violence/terrorism (*PS*), the public authorities' ability to effectively formulate and implement the right decisions (*Government Effectiveness GE, and Regulatory Quality RQ*) as well as the respect of citizens/the state for institutions which govern mutual relations (*Rule of Law RL* and *Control of Corruption CC*) (Kaufmann *et al.,* 2010; Zawojska, 2012).

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[6] *See: Poniatowicz, Dziemianowowicz, Kargol-Wasiluk, 2017.*

Table 3. *Description of Worldwide Governance Indicators (WGI)*

Institutional indicators	Area of measurement
Democratic process	
VA Voice and accountability	Perception of the extent to which citizens of the given country may participate in electing and dismissing the authorities, as well as the extent of freedom of speech, freedom of association and independence of media
PS Political stability and absence of violence	Subjective evaluations of the likelihood of destabilization or overthrowing of the government (authorities) by unconstitutional and violent means, including internal violence and acts of terrorism
An honest and effective government	
GE Government Effectiveness	Perception of the quality of public services, quality of the civil service and its independence from political pressure, the quality of formulating and implementing policies, as well as the credibility of political commitments made by the government
RQ Regulatory Quality	Perception of the government's (state's) ability to create and implement proper policies and regulations that enable and promote development of the private sector (e.g. absence of price controls, proper banking supervision)
RL Rule of Law	Perception of entities' degree of confidence and adherence to the norms of social life, in particular, the quality of enforcing contracts, property rights, police and courts of law, as well as the likelihood of crime and violence
CC Control of corruption (i.e. combating corruption)	Perception of the extent to which public authority is used for private gains, including not only minor and major forms of corruption, but also whether the state is being appropriated or 'captured' by elites and private interest groups

Source: Kaufmann et al., 2010; Zawojska, 2012.

The year 2018 was chosen for the purposes of the analysis because the most recent (available) data come from that period. In order to serve as a measure of the gross domestic product, GDP was assumed as an average GDP *per capita* for the EU-28 (the so-called dependent variable). Selected indicators of governance quality for the EU-28 (independent variables) and the level of GDP per capita in 2018 are presented in Appendices 1–7. The following table (Table 4) presents the variables used in the empirical analysis, together with the applied abbreviations and data sources.

The following model of multiple regression was considered:
$$GDP = \beta_0 + \beta_1 VA + \beta_2 PSV + \beta_3 GE + \beta_4 RQ + \beta_5 RL + \beta_6 CC + \varepsilon$$

$\beta_{0...6}$ – parameters of the model;
ε – random component**.**

Table 4. *Variables used in the empirical analysis*

Variable	Explanation	Source of data:
GDP/FRPGDP	GDP *per capita*	EUROSTAT
VA/FRPVA	Voice and Accountability	The Worldwide Governance Indicators Database The World Bank
PSV/FRPPSV	Political Stability and Absence of Violence/Terrorism	
GE/FRPGE	Government Effectiveness	
RQ/FRPRQ	Regulatory Quality	
RL/FRPRL	Rule of Law	
CC/FRPCC	Control of Corruption	

Note: *FRP – fractional rank as %.*
Source: *Own study.*

The IBM SPSS Statistics (version 25) program was used for empirical analyses. Descriptive statistics are presented in Tables 5 and 6 for raw data and for ranged data, whereas the correlation matrix is presented in Table 7.

Table 5. *Descriptive statistics*

		VA	PSV	GE	RQ	RL	CC	GDP
N	Valid	28	28	28	28	28	28	28
	Missing	0	0	0	0	0	0	0
Mean		1.0882	.6714	1.0832	1.1732	1.0911	.9939	30548.57
Median		1.0900	.7500	1.1000	1.1800	1.0550	.7450	24900.00
Standard deviation		.38853	.37034	.55874	.49534	.60766	.79615	19793.272
Skewness		-.446	-.117	-.337	-.054	-.159	.187	1.715
Standard error of skewness		.441	.441	.441	.441	.441	.441	.441
Kurtosis		-.549	-.770	-.278	-1.201	-1.104	-1.444	4.023
Standard error of kurtosis		.858	.858	.858	.858	.858	.858	.858
Minimum		.32	.05	-.25	.30	-.03	-.15	7980
Maximum		1.61	1.37	1.98	2.02	2.05	2.21	98640

Source: *Own study.*

When analyzing descriptive statistics of independent variables VA, PSV, GE, RQ, RL CC and of the GDP dependent variable, one could conclude that, due to similar values of the mean and median in all the cases, the distributions of these variables are normal. The kurtosis, which is a measure of flattening, is positive for GDP which means that its distribution is slimmer than in the case of the normal distribution. As regards the other variables, the distributions are more flattened. The skewness coefficient is negative in all the cases (except for CC and GDP), which indicates left-sidedness of the distribution.

Table 6. *Descriptive statistics*

		FRPVA	FRPPSV	FRPGE	FRPRQ	FRPRL	FRPCC	FRPGDP
N	**Valid**	28	28	28	28	28	28	28
	Missing	0	0	0	0	0	0	0
Mean		51.7857	51.7857	51.7857	51.7857	51.7857	51.7857	51.7857
Median		51.7857	51.7857	51.7857	51.7857	50.8929	50.8929	51.7857
Standard deviation		29.35435	29.35838	29.37446	29.37044	29.37044	29.36642	29.37848
Skewness		-.005	.000	.001	.000	.001	.000	.000
Standard error of skewness		.441	.441	.441	.441	.441	.441	.441
Kurtosis		-1.218	-1.198	-1.200	-1.205	-1.198	-1.198	-1.200
Standard error of kurtosis		.858	.858	.858	.858	.858	.858	.858
Minimum		5.36	3.57	3.57	3.57	3.57	3.57	3.57
Maximum		96.43	100.00	100.00	100.00	100.00	100.00	100.00

Source: *Own study.*

Due to the high skewness of the distribution for GDP and the value of kurtosis, normalization (standardization) of variables was conducted, leading to the results presented in Table 6.

Table 7. *Correlation matrix*

		FRPVA	FRPPSV	FRPGE	FRPRQ	FRPRL	FRPCC	FRPGDP
FRPVA	Pearson Correlation	1	.370	.911[**]	.876[**]	.915[**]	.940[**]	.930[**]
	Significance (2-tailed)		.053	.000	.000	.000	.000	.000
	N	28	28	28	28	28	28	28
FRPPSV	Pearson Correlation	.370	1	.440[*]	.411[*]	.459[*]	.408[*]	.376[*]
	Significance (2-tailed)	.053		.019	.030	.014	.031	.049
	N	28	28	28	28	28	28	28
FRPGE	Pearson Correlation	.911[**]	.440[*]	1	.886[**]	.963[**]	.950[**]	.838[**]
	Significance (2-tailed)	.000	.019		.000	.000	.000	.000
	N	28	28	28	28	28	28	28
FRPRQ	Pearson Correlation	.876[**]	.411[*]	.886[**]	1	.906[**]	.889[**]	.801[**]
	Significance (2-tailed)	.000	.030	.000		.000	.000	.000
	N	28	28	28	28	28	28	28
FRPRL	Pearson Correlation	.915[**]	.459[*]	.963[**]	.906[**]	1	.946[**]	.849[**]
	Significance (2-tailed)	.000	.014	.000	.000		.000	.000
	N	28	28	28	28	28	28	28
FRPCC	Pearson Correlation	.940[**]	.408[*]	.950[**]	.889[**]	.946[**]	1	.868[**]
	Significance (2-tailed)	.000	.031	.000	.000	.000		.000
	N	28	28	28	28	28	28	28
FRPGDP	Pearson Correlation	.930[**]	.376[*]	.838[**]	.801[**]	.849[**]	.868[**]	1
	Significance (2-tailed)	.000	.049	.000	.000	.000	.000	
	N	28	28	28	28	28	28	28

**. Correlation is significant at the 0.01 level (2-tiled).
*. Correlation is significant at the 0.05 level (2-tiled).

Source: *Own study.*

In order to determine the relationship between variables, Pearson's correlation coefficient (Table 7) was used. It can assume positive and negative values ranging from -1 to 1. Negative values indicate occurrence of a negative dependence (as the values of the independent variable increase, the values of the dependent variable decrease). Positive values confirm occurrence of a positive dependence between variables (as the values of the independent variable increase, the values of the dependent variable increase too).

Based on the analysis of data from the correlation matrix, PSV was excluded as an indicator which is not significantly correlated to GDP. Next, a regression analysis was performed, trying to find the answer to the question of which governance indicators influence the economic growth in the EU-28 to the greatest extent. Therefore, in further analyses, the following model was subjected to verification:

$$GDP = \beta_0 + \beta_1 VA + \beta_2 GE + \beta_3 RQ + \beta_4 RL + \beta_5 CC + \varepsilon$$

The model of multiple regression was chosen for the analysis. Parameters of the model were estimated using the least squares method (OLS). In the regression equation, the regression coefficients (β) represent independent contributions of each independent variable to forecasting the GDP dependent variable. After carrying out repeated analyses, the following results were obtained:

Table 8. *Results of the analysis of variance, which determines matching of the regression model*

Anova[a]						
Model		Sum Sq	df	Mean Sq	F	Significance
1	Regression	20138.299	1	10069.259	165.419	.000[b]
	Residual	3165.272	26	121.741		
	Total	23303.571	27			
a. Dependent Variable: FRPGDP						
b. Predictors: (Constant), FRPVA						

Source: *Own study.*

Table 9. *Coefficients of the regression model*

		Unstandardized Coefficients		Standardized Coefficients			Linearity Statistics	
Model		B	Standard Error	Beta	t	Significance	Tolerance	VIF
1	(Constant)	3.606	4.287		.841	.408		
	PRSVA	.930	.072	.930	12.862	.000	1	1

a. Dependent Variable: FRPGDP
Beta (β) – correlation strength

Source: *Own study.*

Table 10. *Summary of the model – value of the multiple correlation coefficient and the R-squared statistics*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.930[a]	.864	.859	11.03364

a. Predictors: (Constant), FRPVA

Source: *Own study.*

Therefore, the estimated model is:

PRSGDP (±11.03) = 0.93 (±0.07) FRPVA

A multiple regression analysis was carried out, in which the explained variable was GDP *per capita* in the EU-28 as an average GDP *per capita* for all the member states, and the explaining variables was VA. The proposed regression model transpired to be well matched to the data of F (1;26) = 165.42 p < 0.01. Based on the analysis of regression coefficients, it may be concluded that GDP *per capita* in the EU-28 is strongly and positively associated with VA (beta = 0.93, *p* < 0.01). This means that a country characterized by a high level of GDP *per capita* is also characterized by a high level of VA. The tested model explains 86% of the variability of the dependent variable. The independent variable, which was included in the model, have a positive effect on the dependent variable.

The obtained model presents the relationship between GDP and such dimension of governance quality as voice and accountability. Extension of the analysis could prove that, at the given stage of economic development, other dimensions of governance quality have a greater significance. However, if you use the linear regression model, you can build five one-factor models (one-factor regression model) (Table 11).

Table 11. *One-factor* regression models

PRSGDP = 0.93 FRPVA
PRSGDP = 0.84 FRPGE
PRSGDP = 0.80 FRPRQ
PRSGDP = 0.85 FRPRL
PRSGDP = 0.87 FRPCC

Source: Own study.

Results obtained in the empirical study are, to a considerable extent, convergent with the results of the study conducted by Bayar in transition countries (Bayar, 2016).

8. Conclusions

The new institutional economics assumes that modern economic processes are determined by various kinds of institutions. Hence, an important role in dynamizing the processes of socio-economic development is attributed to the quality of governance, which is often expressed in institutional terms. Studies are undertaken which, on the one hand, enable identification of its dimensions and, on the other, demonstrate the impact of the governance quality on the rate of growth and the level of economic development.

The conducted theoretical study falls within the boundaries of the new institutional economics trend, providing the basis for further advancement of research in reference to the public sector, especially as far as governance quality is concerned. Key theoretical concepts in this context, which are consistent with the paradigm of the new institutional economics, include the public choice theory (along with constitutional economics and the economic theory of democracy that were derived from it) as well as other theories i.e. the agency theory, the transaction costs theory and the property rights theory.

As the conducted empirical study has demonstrated, changes in operation of the public sector, in relation to governance quality, exert an influence on economic results of the given country such as the level of GDP *per capita*. The conducted analyses resulted in positively verifying the model of relations between dimensions of governance quality and the pace of economic growth in the EU-28. Based on correlation studies, out of the six analyzed dimensions of governance quality i.e., voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption, only political stability transpired not to be correlated to the level of GDP *per capita* in the studied economies, where the individual dimensions are, to a varying degree, correlated to the explained variable.

The empirical model of dependences between the studied values has confirmed the assumptions of the authors about the positive effect of Voice and Accountability (VA). Based on the analysis of regression coefficients, it may be concluded that GDP *per capita* in the EU-28 is strongly and positively associated with VA (beta = 0.93, $p <$

0.01). This means that a country characterized by a high level of GDP *per capita* is also characterized by a high level of VA. The tested model explains 86% of the variability of the dependent variable.

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Appendices:

Appendix 1. Voice and Accountability

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	1.39	1.43	1.40	1.45	1.46	1.39	1.38	1.34	1.34	1.38
Belgium	1.35	1.36	1.33	1.35	1.37	1.37	1.39	1.38	1.38	1.40
Bulgaria	0.56	0.53	0.45	0.40	0.34	0.37	0.43	0.40	0.38	0.32
Cyprus	1.07	1.02	1.05	1.02	0.98	1.02	1.03	1.05	1.06	1.04
Czechia	1.03	1.01	1.02	0.97	0.98	1.03	1.04	1.02	0.97	0.93
Germany	1.33	1.30	1.35	1.39	1.41	1.44	1.42	1.36	1.39	1.42
Denmark	1.54	1.54	1.55	1.67	1.67	1.52	1.55	1.54	1.52	1.61
Spain	1.18	1.12	1.09	1.06	0.99	0.99	1.04	1.04	1.03	1.06
Estonia	1.09	1.11	1.13	1.11	1.12	1.17	1.19	1.21	1.21	1.21
Finland	1.47	1.49	1.51	1.60	1.57	1.54	1.54	1.53	1.55	1.61
France	1.24	1.20	1.17	1.24	1.22	1.22	1.21	1.14	1.15	1.18
United Kingdom	1.30	1.29	1.30	1.34	1.33	1.28	1.30	1.29	1.33	1.38
Greece	0.89	0.90	0.82	0.70	0.69	0.62	0.65	0.67	0.71	0.86
Croatia	0.49	0.48	0.52	0.54	0.51	0.51	0.56	0.52	0.51	0.50
Hungary	0.91	0.89	0.84	0.75	0.74	0.55	0.56	0.40	0.37	0.32
Ireland	1.35	1.32	1.31	1.32	1.31	1.32	1.33	1.29	1.29	1.32
Italy	1.03	0.96	0.91	0.92	0.95	1.00	1.03	1.03	1.05	1.05
Lithuania	0.90	0.92	0.86	0.93	0.94	0.96	0.97	1.00	0.99	0.92
Luxembourg	1.56	1.57	1.60	1.65	1.63	1.55	1.55	1.50	1.52	1.57
Latvia	0.85	0.79	0.74	0.78	0.77	0.85	0.85	0.84	0.80	0.81
Malta	1.15	1.17	1.14	1.17	1.16	1.18	1.20	1.20	1.17	1.12
Netherlands	1.46	1.45	1.54	1.61	1.57	1.55	1.56	1.54	1.57	1.60
Poland	1.03	1.04	1.03	1.06	1.00	1.11	1.04	0.84	0.78	0.72
Portugal	1.13	1.11	1.11	1.03	1.07	1.11	1.13	1.16	1.21	1.20
Romania	0.46	0.43	0.38	0.32	0.31	0.43	0.49	0.54	0.52	0.46
Slovakia	0.88	0.91	0.97	0.97	0.96	0.96	0.97	0.96	0.94	0.88
Slovenia	1.06	1.05	1.06	1.00	1.00	0.96	0.99	1.01	1.00	0.99
Sweden	1.55	1.54	1.61	1.69	1.66	1.61	1.57	1.56	1.58	1.61

Source: *World Bank. The Worldwide Governance Indicators – WGI. Retrieved from: http://info.worldbank.org/governance/wgi/index.aspx#home (16.01.2020).*

Appendix 2. Political Stability and Absence of Violence/Terrorism

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	1.19	1.15	1.19	1.34	1.36	1.27	1.14	0.91	1.05	0.92
Belgium	0.82	0.81	0.95	0.92	0.94	0.70	0.59	0.44	0.43	0.41
Bulgaria	0.35	0.36	0.30	0.38	0.17	0.08	0.02	0.08	0.33	0.42
Cyprus	0.39	0.45	0.61	0.64	0.56	0.55	0.55	0.60	0.54	0.54
Czechia	0.91	0.99	1.11	1.05	1.08	0.99	0.98	0.98	1.00	1.04
Germany	0.86	0.80	0.84	0.78	0.93	0.93	0.70	0.68	0.59	0.60
Denmark	1.00	1.04	1.10	0.91	0.96	0.95	0.90	0.87	0.87	0.96
Spain	-0.47	-0.32	0.02	-0.03	0.01	0.24	0.25	0.41	0.28	0.25
Estonia	0.57	0.66	0.61	0.64	0.75	0.78	0.62	0.67	0.65	0.60
Finland	1.46	1.42	1.39	1.40	1.39	1.28	1.04	1.00	1.08	0.92
France	0.51	0.68	0.60	0.55	0.45	0.30	0.11	-0.10	0.28	0.11
United Kingdom	0.12	0.41	0.35	0.40	0.49	0.42	0.52	0.36	0.33	0.05
Greece	-0.21	-0.13	-0.10	-0.22	-0.17	-0.14	-0.23	-0.12	-0.07	0.09
Croatia	0.61	0.61	0.62	0.61	0.64	0.62	0.59	0.66	0.69	0.77
Hungary	0.54	0.69	0.74	0.68	0.80	0.67	0.75	0.65	0.81	0.76
Ireland	1.06	1.02	0.95	0.94	0.90	1.05	0.91	0.85	1.00	1.03
Italy	0.35	0.47	0.50	0.51	0.50	0.46	0.38	0.37	0.31	0.31
Lithuania	0.63	0.72	0.67	0.79	0.96	0.74	0.76	0.83	0.78	0.75
Luxembourg	1.45	1.46	1.32	1.33	1.34	1.38	1.44	1.42	1.33	1.37
Latvia	0.35	0.53	0.32	0.45	0.59	0.49	0.44	0.48	0.46	0.42
Malta	1.25	1.25	1.06	1.07	1.04	1.13	1.06	1.08	1.25	1.29
Netherlands	0.94	0.94	1.11	1.19	1.14	1.05	0.93	0.91	0.92	0.87
Poland	0.94	1.02	1.07	1.05	0.97	0.84	0.87	0.51	0.52	0.55
Portugal	0.79	0.72	0.74	0.78	0.75	0.81	0.92	0.97	1.12	1.14
Romania	0.36	0.27	0.19	0.08	0.18	0.05	0.19	0.28	0.06	0.06

Slovakia	0.92	1.05	0.97	1.09	1.12	1.04	0.87	0.72	0.91	0.75
Slovenia	0.93	0.87	0.97	0.94	0.88	0.97	0.95	0.99	0.87	0.91
Sweden	1.09	1.09	1.23	1.17	1.13	1.07	0.95	1.02	0.98	0.91

Source: World Bank. The Worldwide Governance Indicators – WGI. Retrieved from:
http://info.worldbank.org/governance/wgi/index.aspx#home (16.01.2020).

Appendix 3. Government effectiveness

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	1.67	1.84	1.62	1.58	1.59	1.57	1.48	1.51	1.46	1.45
Belgium	1.57	1.58	1.66	1.60	1.61	1.38	1.44	1.33	1.18	1.17
Bulgaria	0.17	0.11	0.11	0.14	0.16	0.08	0.21	0.30	0.26	0.27
Cyprus	1.42	1.53	1.56	1.39	1.37	1.14	1.05	0.96	0.92	0.92
Czechia	0.88	0.91	0.93	0.93	0.89	1.02	1.05	1.04	1.01	0.92
Germany	1.58	1.57	1.55	1.59	1.54	1.73	1.74	1.73	1.72	1.62
Denmark	2.23	2.10	2.10	1.98	1.99	1.82	1.85	1.88	1.80	1.87
Spain	0.95	0.99	1.03	1.12	1.15	1.16	1.17	1.12	1.03	1.00
Estonia	1.01	1.09	1.08	0.95	0.97	1.02	1.07	1.09	1.11	1.19
Finland	2.23	2.23	2.24	2.22	2.17	2.00	1.81	1.83	1.94	1.98
France	1.48	1.43	1.36	1.34	1.48	1.40	1.44	1.41	1.35	1.48
United Kingdom	1.51	1.57	1.56	1.55	1.50	1.63	1.74	1.60	1.41	1.34
Greece	0.62	0.56	0.51	0.32	0.46	0.40	0.26	0.23	0.31	0.34
Croatia	0.60	0.62	0.56	0.71	0.70	0.69	0.51	0.49	0.57	0.46
Hungary	0.67	0.67	0.67	0.63	0.65	0.53	0.50	0.46	0.52	0.49
Ireland	1.34	1.35	1.46	1.55	1.49	1.60	1.53	1.33	1.29	1.42
Italy	0.42	0.44	0.38	0.42	0.46	0.37	0.45	0.53	0.50	0.41
Lithuania	0.69	0.74	0.70	0.83	0.83	0.98	1.18	1.07	0.97	1.07
Luxembourg	1.75	1.72	1.75	1.67	1.63	1.65	1.72	1.69	1.68	1.78
Latvia	0.62	0.71	0.70	0.84	0.89	0.96	1.09	1.01	0.90	1.04
Malta	1.17	1.19	1.20	1.25	1.26	1.03	0.85	0.96	1.00	0.97
Netherlands	1.74	1.73	1.79	1.81	1.78	1.82	1.83	1.83	1.85	1.85
Poland	0.53	0.64	0.62	0.68	0.72	0.83	0.80	0.71	0.64	0.66
Portugal	1.16	1.01	0.95	1.04	1.23	0.99	1.22	1.21	1.33	1.21
Romania	-0.36	-0.27	-0.33	-0.31	-0.07	-0.03	-0.06	-0.17	-0.17	-0.25
Slovakia	0.87	0.84	0.83	0.84	0.79	0.88	0.84	0.89	0.80	0.71
Slovenia	1.15	1.03	0.99	1.03	1.01	1.01	0.97	1.13	1.17	1.13
Sweden	2.05	2.00	1.97	1.96	1.91	1.80	1.82	1.77	1.84	1.83

Source: World Bank. The Worldwide Governance Indicators – WGI. Retrieved from:
http://info.worldbank.org/governance/wgi/index.aspx#home (16.01.2020).

Appendix 4. Regulatory Quality

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	1.45	1.45	1.38	1.52	1.49	1.49	1.40	1.44	1.44	1.54
Belgium	1.31	1.29	1.24	1.23	1.29	1.16	1.29	1.34	1.24	1.23
Bulgaria	0.67	0.65	0.54	0.56	0.54	0.57	0.56	0.66	0.63	0.58
Cyprus	1.36	1.42	1.24	1.13	0.92	1.10	1.06	1.05	1.03	1.02
Czechia	1.31	1.30	1.20	1.06	1.09	1.01	1.10	0.99	1.23	1.26
Germany	1.52	1.57	1.55	1.54	1.55	1.70	1.72	1.82	1.78	1.75
Denmark	1.88	1.88	1.91	1.81	1.81	1.69	1.73	1.58	1.62	1.68
Spain	1.19	1.16	1.07	0.95	0.94	0.75	0.81	1.01	0.94	0.95
Estonia	1.40	1.39	1.39	1.42	1.45	1.68	1.67	1.70	1.64	1.56
Finland	1.81	1.88	1.82	1.83	1.85	1.88	1.84	1.82	1.82	1.79
France	1.22	1.31	1.16	1.13	1.16	1.08	1.13	1.07	1.16	1.17
United Kingdom	1.58	1.73	1.66	1.65	1.77	1.83	1.85	1.76	1.71	1.76
Greece	0.84	0.64	0.50	0.53	0.63	0.33	0.41	0.15	0.24	0.30
Croatia	0.56	0.57	0.54	0.46	0.46	0.40	0.36	0.36	0.42	0.45
Hungary	1.08	1.02	1.03	0.99	0.91	0.75	0.77	0.60	0.65	0.60
Ireland	1.70	1.62	1.60	1.57	1.58	1.76	1.82	1.74	1.59	1.60
Italy	0.97	0.90	0.72	0.75	0.78	0.64	0.73	0.71	0.70	0.67
Lithuania	0.95	0.96	0.93	1.12	1.15	1.19	1.28	1.14	1.16	1.11
Luxembourg	1.65	1.68	1.87	1.77	1.78	1.63	1.66	1.72	1.69	1.76
Latvia	0.99	0.98	0.96	1.02	1.04	1.17	1.09	1.08	1.15	1.19
Malta	1.37	1.43	1.34	1.33	1.30	1.08	1.17	1.16	1.28	1.34
Netherlands	1.70	1.73	1.81	1.75	1.77	1.77	1.80	1.98	2.05	2.02
Poland	0.95	0.98	0.93	0.96	1.05	1.05	1.00	0.95	0.88	0.88

Portugal	0.99	0.72	0.63	0.83	0.80	0.75	0.96	0.84	0.91	0.89
Romania	0.60	0.64	0.66	0.55	0.61	0.58	0.60	0.59	0.49	0.45
Slovakia	1.05	1.00	1.00	1.05	0.93	0.89	0.79	0.89	0.82	0.81
Slovenia	0.92	0.76	0.70	0.63	0.63	0.66	0.63	0.64	0.58	0.69
Sweden	1.65	1.66	1.90	1.91	1.91	1.81	1.82	1.85	1.80	1.80

Source: *World Bank. The Worldwide Governance Indicators – WGI. Retrieved from:*
http://info.worldbank.org/governance/wgi/index.aspx#home (16.01.2020).

Appendix 5. *Rule of law*

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	1.78	1.80	1.80	1.86	1.85	1.95	1.86	1.81	1.81	1.88
Belgium	1.38	1.39	1.42	1.43	1.44	1.52	1.46	1.39	1.34	1.37
Bulgaria	-0.04	-0.07	-0.11	-0.09	-0.10	-0.05	-0.10	-0.06	-0.04	-0.03
Cyprus	1.21	1.22	1.07	1.10	1.04	1.08	1.04	0.72	0.88	0.75
Czechia	0.96	0.95	1.04	1.04	1.04	1.15	1.15	1.04	1.12	1.05
Germany	1.66	1.63	1.62	1.66	1.65	1.86	1.79	1.62	1.61	1.63
Denmark	1.92	1.90	1.92	1.87	1.90	2.10	2.04	1.91	1.86	1.83
Spain	1.16	1.19	1.20	1.06	1.02	0.95	0.90	0.98	1.01	0.97
Estonia	1.13	1.16	1.18	1.16	1.20	1.37	1.33	1.23	1.28	1.24
Finland	1.97	1.97	1.95	1.95	1.94	2.10	2.06	2.02	2.03	2.05
France	1.45	1.52	1.45	1.45	1.43	1.47	1.41	1.41	1.44	1.44
UK	1.74	1.76	1.65	1.72	1.71	1.89	1.81	1.69	1.68	1.64
Greece	0.65	0.63	0.57	0.43	0.47	0.36	0.27	0.11	0.08	0.15
Croatia	0.16	0.20	0.22	0.25	0.29	0.32	0.20	0.41	0.33	0.32
Hungary	0.80	0.78	0.76	0.62	0.58	0.50	0.40	0.42	0.53	0.56
Ireland	1.75	1.77	1.76	1.73	1.73	1.78	1.77	1.52	1.43	1.46
Italy	0.40	0.43	0.47	0.40	0.40	0.38	0.28	0.33	0.32	0.25
Lithuania	0.73	0.78	0.77	0.85	0.84	0.94	1.01	1.03	0.99	0.96
Luxembourg	1.83	1.85	1.83	1.80	1.82	1.91	1.87	1.76	1.74	1.81
Latvia	0.81	0.79	0.75	0.79	0.77	0.87	0.79	0.96	0.93	0.96
Malta	1.48	1.42	1.29	1.34	1.33	1.19	1.14	1.00	1.14	1.05
Netherlands	1.81	1.82	1.82	1.86	1.84	1.98	1.94	1.89	1.83	1.82
Poland	0.63	0.68	0.77	0.78	0.82	0.84	0.80	0.64	0.47	0.43
Portugal	1.06	1.06	1.02	1.07	1.06	1.14	1.15	1.10	1.13	1.14
Romania	0.05	0.05	0.06	0.04	0.13	0.17	0.16	0.36	0.39	0.33
Slovakia	0.54	0.57	0.61	0.49	0.48	0.50	0.50	0.65	0.57	0.53
Slovenia	1.08	1.01	1.05	1.01	1.00	1.00	0.97	1.08	1.02	1.06
Sweden	1.97	1.96	1.94	1.95	1.97	1.99	2.04	2.02	1.94	1.90

Source: *World Bank. The Worldwide Governance Indicators – WGI. Retrieved from:*
http://info.worldbank.org/governance/wgi/index.aspx#home (16.01.2020).

Appendix 6. *Control of corruption*

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	1.70	1.59	1.43	1.39	1.55	1.47	1.52	1.55	1.53	1.60
Belgium	1.46	1.53	1.58	1.61	1.67	1.57	1.57	1.64	1.50	1.51
Bulgaria	-0.21	-0.19	-0.22	-0.23	-0.27	-0.25	-0.26	-0.17	-0.16	-0.15
Cyprus	0.91	0.97	0.87	1.25	1.25	1.08	1.01	0.83	0.78	0.64
Czechia	0.39	0.33	0.34	0.27	0.23	0.37	0.43	0.54	0.57	0.50
Germany	1.76	1.78	1.74	1.83	1.81	1.84	1.84	1.84	1.84	1.95
Denmark	2.45	2.36	2.40	2.38	2.40	2.25	2.21	2.23	2.19	2.15
Spain	1.06	1.08	1.10	1.13	0.90	0.63	0.58	0.52	0.49	0.61
Estonia	1.01	1.00	1.05	1.10	1.19	1.30	1.29	1.27	1.24	1.51
Finland	2.25	2.16	2.20	2.24	2.20	2.17	2.28	2.24	2.22	2.21
France	1.44	1.47	1.53	1.46	1.33	1.31	1.31	1.40	1.26	1.32
UK	1.63	1.60	1.62	1.67	1.70	1.74	1.88	1.90	1.84	1.83
Greece	0.07	-0.06	-0.10	-0.19	-0.05	-0.12	-0.08	-0.09	-0.14	-0.07
Croatia	-0.05	0.06	0.06	0.01	0.12	0.22	0.25	0.20	0.19	0.13
Hungary	0.43	0.37	0.40	0.36	0.32	0.16	0.15	0.10	0.09	0.05
Ireland	1.76	1.69	1.56	1.46	1.54	1.60	1.62	1.58	1.55	1.55
Italy	0.20	0.13	0.18	0.07	0.05	-0.03	0.02	0.08	0.19	0.24
Lithuania	0.23	0.38	0.33	0.39	0.43	0.56	0.62	0.71	0.55	0.50
Luxembourg	1.97	2.05	2.16	2.12	2.12	2.07	2.10	2.10	1.99	2.09
Latvia	0.23	0.23	0.29	0.25	0.33	0.42	0.47	0.43	0.54	0.33
Malta	0.77	0.79	0.77	0.94	0.98	0.85	0.90	0.72	0.74	0.58

Netherlands	2.13	2.14	2.12	2.12	2.05	1.99	1.88	1.91	1.87	2.01
Poland	0.45	0.50	0.56	0.66	0.60	0.64	0.67	0.74	0.72	0.64
Portugal	1.09	1.09	1.11	0.96	0.95	0.95	0.96	0.93	0.87	0.85
Romania	-0.26	-0.23	-0.21	-0.26	-0.19	-0.11	-0.02	-0.02	-0.03	-0.12
Slovakia	0.27	0.29	0.28	0.10	0.08	0.16	0.18	0.23	0.22	0.36
Slovenia	1.06	0.92	0.95	0.84	0.73	0.73	0.77	0.82	0.81	0.87
Sweden	2.25	2.27	2.20	2.31	2.29	2.15	2.24	2.19	2.14	2.14

Source: *World Bank. The Worldwide Governance Indicators – WGI. Retrieved from:*
http://info.worldbank.org/governance/wgi/index.aspx#home (16.01.2020).

Appendix 7. *GDP per capita (euro)*

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	34 530	35 390	36 970	37 820	38 210	38 990	39 890	40 880	42 100	43 640
Belgium	32 090	33 330	34 060	34 770	35 210	35 950	36 960	37 980	39 240	40 240
Bulgaria	4 930	5 050	5 610	5 750	5 770	5 940	6 360	6 820	7 390	7 980
Cyprus	23 110	23 400	23 270	22 500	20 880	20 420	21 030	22 160	23 320	24 290
Czechia	14 170	14 900	15 630	15 360	15 010	14 880	15 980	16 690	18 100	19 530
Germany	30 390	31 940	33 550	34 130	34 860	36 150	37 090	38 060	39 260	40 340
Denmark	41 880	43 840	44 500	45 530	46 100	47 090	48 050	49 420	50 700	52 010
Spain	23 060	23 040	22 760	22 050	21 900	22 220	23 220	23 980	24 970	25 730
Estonia	10 640	11 150	12 660	13 620	14 420	15 340	15 820	16 490	18 070	19 740
Finland	34 040	35 080	36 750	37 130	37 570	37 880	38 590	39 580	40 990	42 500
France	29 930	30 690	31 510	31 820	32 080	32 420	33 020	33 430	34 220	34 980
United Kingdom	27 900	29 750	30 220	33 150	32 730	35 760	40 560	37 090	35 780	36 480
Greece	21 390	20 320	18 640	17 310	16 480	16 400	16 380	16 380	16 760	17 220
Croatia	10 460	10 500	10 460	10 290	10 270	10 250	10 600	11 170	11 890	12 620
Hungary	9 420	9 900	10 180	10 050	10 310	10 730	11 400	11 740	12 830	13 690
Ireland	37 470	36 790	37 310	38 090	38 890	41 870	55 970	57 210	61 870	66 670
Italy	26 470	26 930	27 450	26 920	26 590	26 770	27 260	27 970	28 690	29 220
Lithuania	8 520	9 030	10 310	11 160	11 830	12 460	12 850	13 560	14 940	16 160
Luxembourg	74 220	79 160	83 100	83 000	85 270	89 240	91 440	93 930	95 170	98 640
Latvia	8 780	8 500	9 820	10 870	11 350	11 860	12 350	12 800	13 810	15 130
Malta	14 880	15 920	16 420	17 060	17 950	19 570	21 690	22 750	24 190	25 510
Netherlands	37 800	38 470	38 960	38 970	39 300	39 820	40 730	41 590	43 090	44 920
Poland	8 240	9 390	9 870	10 100	10 250	10 680	11 190	11 100	12 160	12 920
Portugal	16 600	16 990	16 680	16 010	16 300	16 640	17 350	18 060	19 020	19 830
Romania	6 150	6 190	6 550	6 640	7 190	7 550	8 090	8 650	9 580	10 510
Slovakia	11 830	12 540	13 190	13 590	13 740	14 070	14 710	14 920	15 540	16 470
Slovenia	17 760	17 750	18 050	17 630	17 700	18 250	18 830	19 550	20 810	22 080
Sweden	33 730	39 920	43 590	45 050	45 850	45 130	46 350	47 000	47 690	46 310

Source: *Eurostat: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_pc&lang=en (16.01.2020)*