Appendix: Information on Sources and Models

Variable Definitions

Government Effectiveness. Data are from Kaufmann, Kraay, and Mastruzzi (2005). Government effectiveness is defined as "measuring the competence of the bureaucracy and the quality of public service delivery."

GDP per capita. Data are from World Development Indicators (2005). GDP/capita is measured at purchasing power parity for the year in question.

Education. This is the average years of schooling in the population aged fifteen and older in 1990 (the last year available). Data for the former Czechoslovakia were assigned to the Czech and Slovak Republics. Data for the USSR were assigned to Russia. Data for West Germany were assigned to all of Germany. Data are from the dataset associated with Barro and Lee (1996).

GDP growth rate$_{t+1,t+2}$. This is the two year forward average of the growth rate in GDP per capita. Data are from World Development Indicators (2005). In the few instances where only one year is available, that score is assigned as the average rate of growth for the two year interval.

Population. Total population for the year in question, from the WDI (2005).

Inflation. Percentage change in consumer prices for the year in question, from WDI (2005). This variable is incorporated into model as the log(inflation). To facilitate this, inflation rates ≤ 1 were recoded as 1 in order to avoid the distortions involved in taking the log of numbers close to zero and to avoid missing data for instances of deflation (where log(inflation) would be undefined).

Investment. Gross fixed capital formation as a percentage of GDP, from the WDI (2005).

GDP growth rate$_{t-1,\,t-2}$. This is the two year backward average of the growth rate in GDP per capita (i.e., the average of the two years *prior* to the year in question). In the few instances where only one year is available, that score is assigned for the interval. Data are from WDI (2005).

Regional Dummy Variables. Regional assignment was made according to data from the CIA World Factbook. Most of Eastern Europe, not inclusive of Belarus, Ukraine, Russia, and Moldova, but including Latvia, Lithuania, Estonia, Bulgaria, and Romania was coded as Europe.

Country Fixed Effects. The omitted reference category is the United States.

International Country Risk Guide. Data are from the World Development Indicators (2004).

Robustness Checks:

We have re-estimated the models of Table 3 and Table 4 in a much-reduced form in response to reviewers' queries. To be certain that the absence of a relationship between government effectiveness and future growth was not a product of that variables effects operating through our controls (particularly education and investment), we re-examine these models using only regional (for the cross-sectional models) or country- and year- fixed effects (for the pooled models). In all cases, following the reviewer's and standard practice, we continue to control for GDP/capita to capture the well-known catch-up effect, where poorer countries tend to have higher growth rates that wealthier ones. The results are summarized below.

Table A-1. Government Effectiveness in a Basic Growth Model

Dependent Variable: GDP/capita growth averaged over period [t+1,t+2]

	Model I (1996)		Model II (1998)		Model III (2000)		Model IV (Pooled)	
	Coef.	Robust Std. Err.	Coef.	Robust Std. Err.	Coef.	Robust Std. Err.	Coef.	Robust Std. Err.
ln(GDP/capita at ppp)	0.533	1.203	0.746	0.665	-0.208	0.533	**-16.462**	2.304
Govt. Effectiveness	-0.678	1.359	-0.352	0.695	-0.516	0.602	-0.664	0.848
Africa	-1.612	1.185	-1.685	1.313	-1.340	1.104		
Latin America	-1.272	1.249	-2.174	1.114	**-2.965**	1.088		
Asia & Oceania	**-2.252**	0.915	0.779	1.056	0.879	0.936		
Europe	0.113	0.594	0.209	0.830	0.908	0.669		
Middle East	**-3.096**	1.217	**-3.029**	1.113	-1.962	1.070		
Year 1996							**-2.022**	0.557
Year 1998							**-0.903**	0.382
Country dummy vars.							[suppressed]	
Constant	2.766	1.518	1.932	1.397	**2.624**	1.234	**61.113**	8.227
N	163		164		163		490	
R^2	0.045		0.182		0.163		N/A	

Note: Bold coefficients are statistically significant at $p< 0.05$. All regressions employ robust standard errors, and the pooled models allow for clustering by country. All models were estimated in Stata 9. The pooled model utilized the xtreg command, allowing errors to cluster by country.

Table A-2 re-estimates the models of Table 4 from the paper, using only controls for inertial growth effects (average growth rate over the [t-2,t-1] interval) and the level of development. As before, regional, or country- and year- fixed effects are included as appropriate.

Table A-2. Government Effectiveness Controlling for Inertial Effecs

Dependent Variable: GDP/capita growth averaged over period [t+1, t+2]

	Model (1996)		Model VI (1998)		Model VII (2000)		Model VIII (Pooled)	
	Coef.	Robust Std. Err.	Coef.	Robust Std. Err.	Coef.	Robust Std. Err.	Coef.	Robust Std. Err
ln(GDP/capita at ppp)	0.658	1.219	0.586	0.501	-0.748	0.446	**-17.244**	1.862
Govt. Effectiveness	-1.117	1.561	-0.194	0.564	-0.165	0.507	-0.827	0.868
GDP/capita growth$_{(t-1, t-2)}$	0.170	0.125	0.152	0.096	**0.403**	0.083	0.056	0.105
Africa	**-2.069**	1.070	-1.832	1.276	-1.097	0.969		
Latin America	-1.851	1.528	-2.123	1.157	**-2.275**	0.942		
Asia & Oceania	**-2.328**	0.982	0.803	1.082	1.287	0.795		
Europe	-0.301	0.753	-0.101	0.849	0.829	0.516		
Middle East	**-3.283**	1.303	**-2.710**	1.108	-0.744	0.922		
Year 1996							**-2.136**	0.564
Year 1998							**-1.030**	0.382
Country dummy vars.							[suppressed]	
Constant	2.808	1.458	1.796	1.326	**2.381**	1.101	**64.043**	6.808
N	162		164		163		489	
R^2	0.073		0.250		0.325		N/A	

Notes: See Table A-1 above.