



STATE CAPACITY AND DEVELOPMENT

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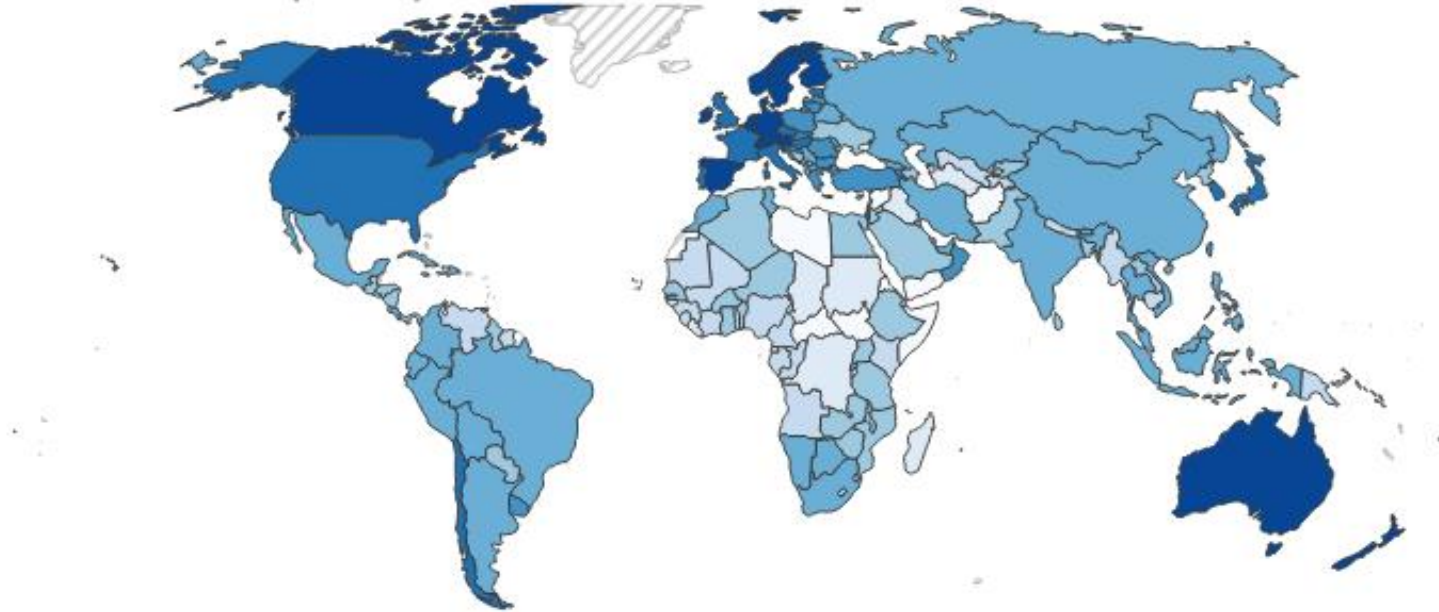
AGENDA

- What is state capacity?
- The many faces of state capacity
- Why do we care about state capacity?
 - What is Governance? *Francis Fukuyama*
 - Separation of Powers and Political Accountability *Torsten Persson et al*
 - What is Quality of Government? A Theory of Impartial Institutions *Jan Teorell and Bo Rothstein*
 - Bureaucracy and Development *Timothy Besley et al*
 - Inside the Trump Purge *NYT*



State capacity index, 2015

The index captures the extent to which the state controls its territory, sustainably raises sufficient resources, and has skilled and impartial security forces and public servants. Higher scores mean more capacity.

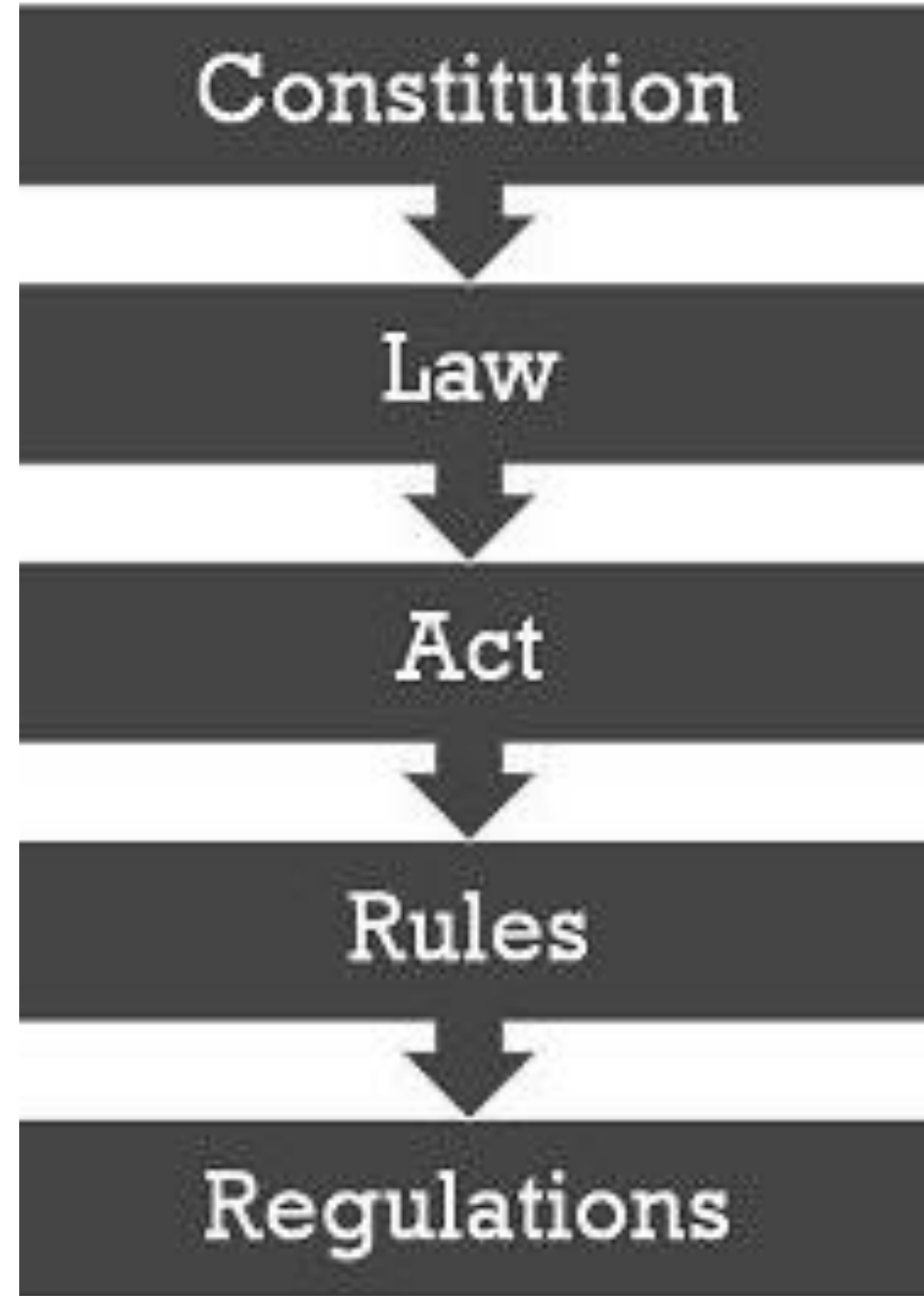


BUILDING STATE CAPACITY: WHAT IS THE IMPACT OF DEVELOPMENT PROJECTS?

Vicenzo di Maro, David K. Evans, Stuti Khemani, and Thiago Scot

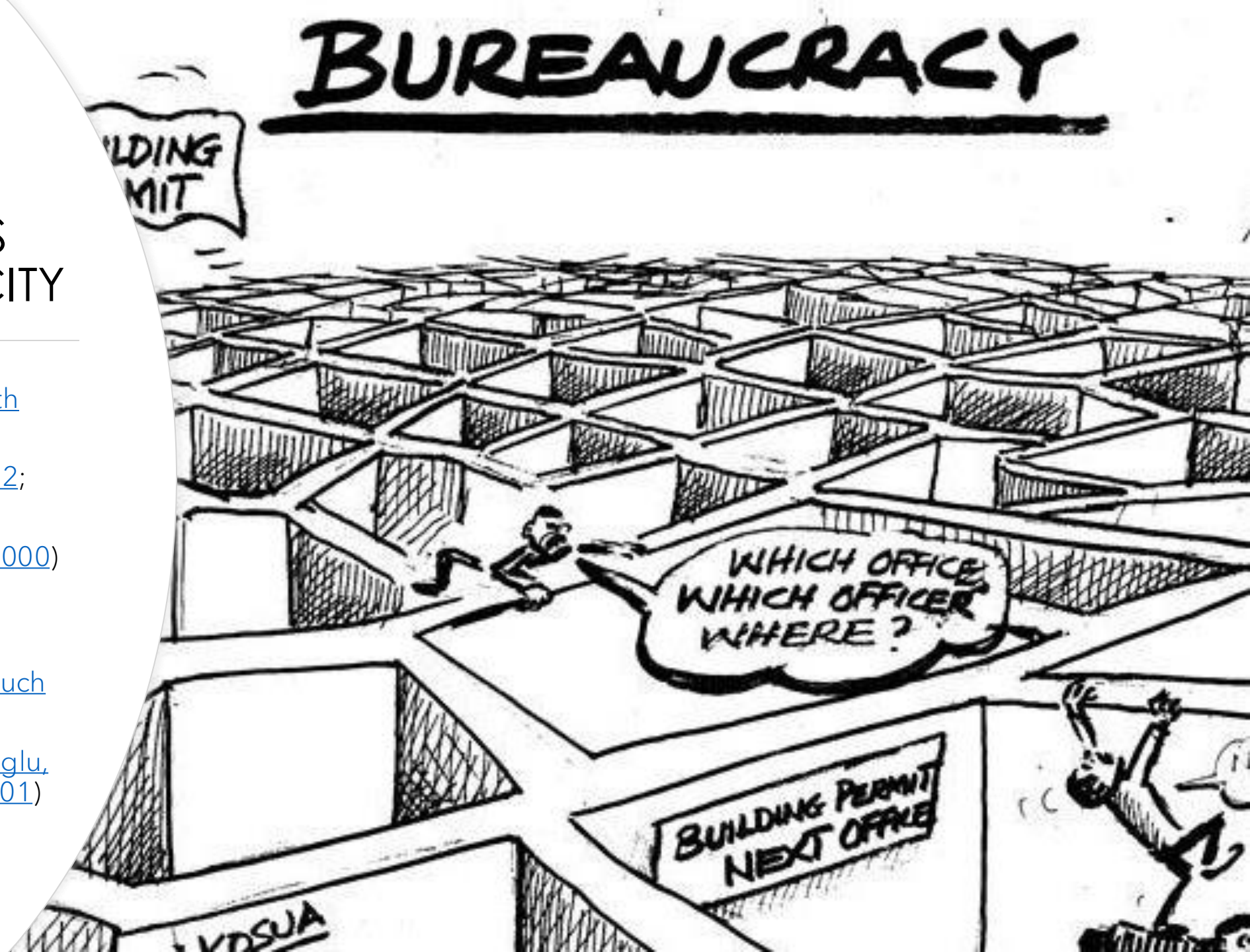
WHAT IS STATE CAPACITY?

- Ability to implement laws and policies.
- Ability to provide public goods and services.
- A social contract between citizens and the state ([Cloutier et al 2021](#))
- Peace, fiscal and legal capacity, and collective capacity ([Dann, Persson, and Besley 2021](#))



THE MANY FACES OF STATE CAPACITY

- Rules and institutions ([North 1990](#))
- War and violence ([Tilly 1992](#); [Lake 2022](#))
- Territorial control ([Herbst 2000](#))
- Legal origins ([Besley and Persson 2009](#))
- Bureaucracy ([Evans and Rauch 1999](#))
- Settler colonialism ([Acemoglu, Johnson, and Robinson 2001](#))



WHY DO WE CARE ABOUT STATE CAPACITY?

- ECONOMIC GROWTH
- Maintaining peace ([Clouthier 2022](#); [UNDP 2023](#))
- Fighting corruption
- Providing adequate public goods and services
- National security
- Protecting the environment





GOVERNANCE

WHAT IS GOVERNANCE?

Francis Fukuyama

State Capacity

CONCEPTUALIZING GOVERNANCE



HOW IT HAS BEEN (INSUFFICIENTLY) DEFINED

- Checks on power
- Policy preferences
- Normative values
- Principal-agent relationships
- Impartiality

WHAT IT ALSO IS

- "... a government's ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not."
- Accumulation and exercise of power

Important to distinguish the *quality* of governance and the *goals* of governance.

MEASURING GOVERNANCE



**PROCEDURAL
MEASURES**



**CAPACITY
MEASURES**



**OUTPUT
MEASURES**



**BUREAUCRATIC
AUTONOMY**



**CAPACITY *and*
AUTONOMY**

PROCEDURAL MEASURES



- The Weberian Bureaucracy

- Bureaucrats are personally free and subject to authority only within a defined area.
- They are organized into a clearly defined hierarchy of offices.
- Each office has a defined sphere of competence.
- Offices are filled by free contractual relationship.
- Candidates are selected on basis of technical qualifications.
- Bureaucrats are remunerated by fixed salaries.
- The office is treated as the sole occupation of the incumbent.
- The office constitutes a career.
- There is a separation between ownership and management.
- Officials are subject to strict discipline and control.

CAPACITY MEASURES

- Enforcement
 - Taxation (extractive capacity)
 - Revenue collection
 - Service provision
 - Professionalization

Important development in capacity measures: LOTS of *within-country* variation across geography and institutions.

OUTPUT MEASURES

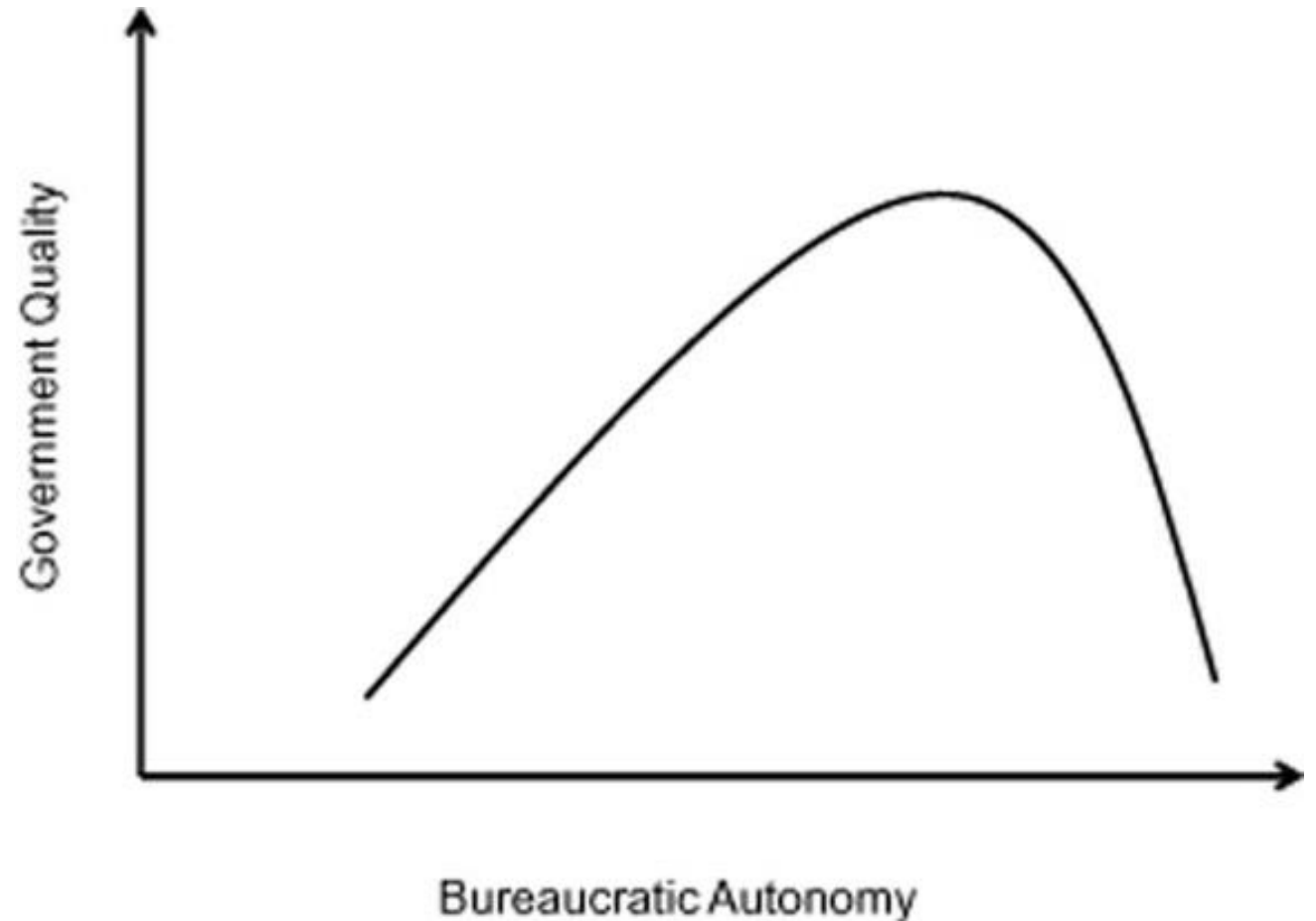


- Public service provision
- Major drawbacks
 - The interconnected nature of determinants of service outcomes
 - Sometimes difficult to measure the quality of services provided
 - Normative values differ within a society

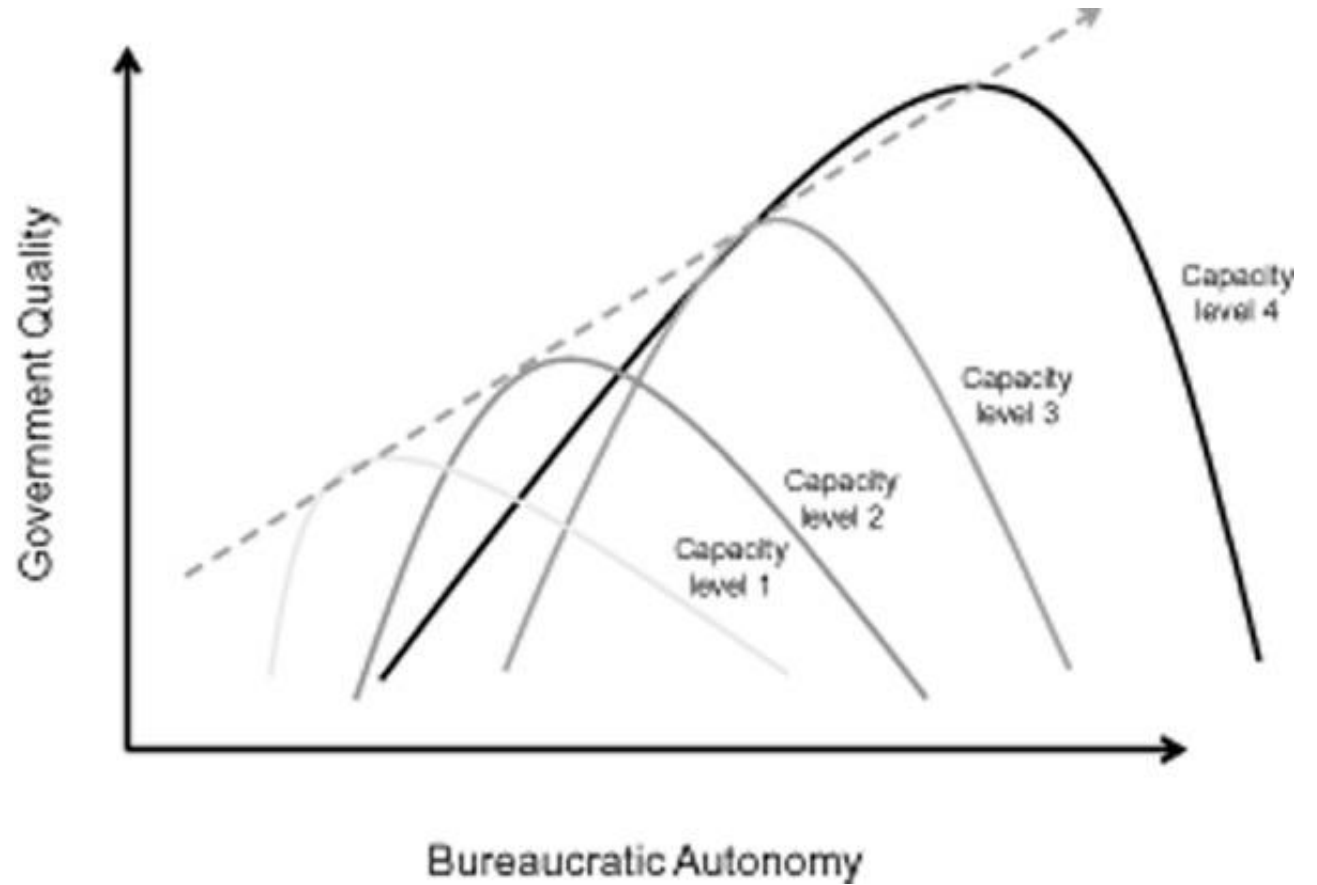
BUREAUCRATIC AUTONOMY

"Autonomy, properly speaking, refers to the manner in which the political principal issues mandates to the bureaucrats who act as its agent."

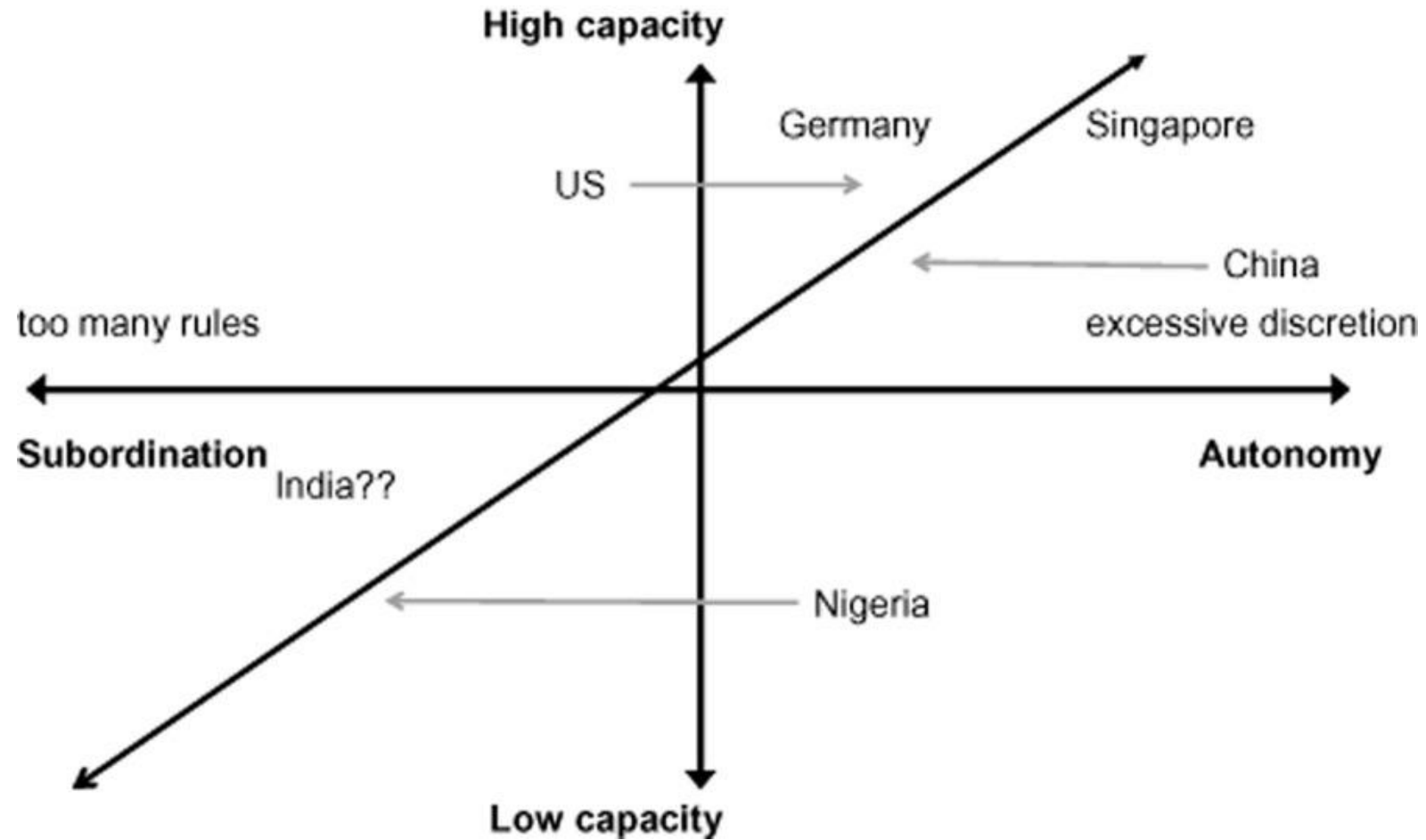
"Autonomy therefore is inversely related to the number and nature of the mandates issued by the principal."



CAPACITY AND AUTONOMY



CAPACITY AND AUTONOMY



QUESTIONS



- In your opinion, which of these measures is most important and why?
- What are some examples of good or poor governance you have experienced or observed in the world?



LEGISLATIVE



EXECUTIVE



JUDICIAL

SEPARATION OF POWERS AND POLITICAL ACCOUNTABILITY

Torsten Persson, Gerard Roland, and Guido Tabellini

WHY HAVE SEPARATION OF POWERS?



Politicians can extract rents by:

Power

Information asymmetries

- Direct (mis)appropriation of public resources
- Pursuing personal agendas



Checks and balances to prevent abuse of office

Constitutional rules are "incomplete contracts"

Elections necessary but insufficient

PRINCIPAL AGENT FRAMEWORK

- Voters (principals) must control politicians (agents)
- Assumes
 - Rational voters with common interests in the public good
 - Politicians are motivated by both office holding and private benefits
 - Politicians can divert public resources for private gain
 - Retrospective voting based on observed outcomes
 - But not outcomes in the previous cycle

THE COMMON POOL PROBLEM

- When government bodies can independently commit resources, they create a “common pool” problem
 - Each government body can unilaterally appropriate resources without requiring consent from others
 - E.g., executive to defense and legislature to infrastructure
- This would make voters worse off
- The legislature and executive must therefore reach joint agreement through a sequential decision-making process
- Each body has **full agenda setting power** over its part of the decision-making process
- Generates conflict of interest between the two bodies
 - Each has an incentive to constrain the other’s behavior

CHECKS AND BALANCES



Conflict of interest:
Executive and legislature have
different priorities



Joint agreement:
No policy can be implemented
without both bodies approving



Separation of agenda-setting power:
Different bodies control different
aspects of policymaking

QUESTIONS



GROUP DISCUSSION

- How does separation of powers affect political accountability and voter welfare compared to a consolidated system?
- When might separation of powers fail?
- What are the limitations of separation of power?



WHAT IS QUALITY OF GOVERNMENT? A THEORY OF IMPARTIAL GOVERNMENT INSTITUTIONS

Bo Rothstein and Jan Teorell

WHAT IS GOVERNMENT IMPARTIALITY?

- Conceptual definitions of quality of government have been too broad, functionalist/ tautological, or limited to the absence of corruption.
- A theory of impartiality in the execution of duty
 - Equal treatment of citizens
 - Predictable policies
 - Transparent administration

"When implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law."

FEATURES OF IMPARTIALITY

- Procedural: deals with the *how*
- Does not determine policy content
- Applies to the output side of the political system
- Complements political equality on the input side

SPHERES OF (IM)PARTIALITY

Dimensions of Interest and Societal Spheres

<i>Scope of interest</i>	"All"	<i>Type of interest</i>	
		Other-regarding	Self-regarding
		The state	The market
	"Few"	The family/clan	The interest group

VIOLATIONS OF IMPARTIALITY

1

Market norms in state
sphere → **Bribes**

2

Family/clan norms in
state sphere
→ **Nepotism/Patronage**

3

Interest group norms in
state sphere
→ **Corporatism/Influence
peddling**

IMPARTIALITY EXTENDS OTHER CONCEPTS

Concept	Relationship to impartiality
Democracy	Necessary but insufficient for quality of government; addresses access to power, not exercise of power
Rule of law	Impartiality implies the rule of law, but covers more areas of state action
Efficiency/ effectiveness	Secondary to impartiality; impartiality likely enhances efficiency

QUESTIONS



- Can democracy exist without impartial government institutions?
- What are the benefits of impartiality?
- What are the challenges to enacting impartiality?
- What are the limitations of this conceptual framework?

BUREAUCRACY AND DEVELOPMENT

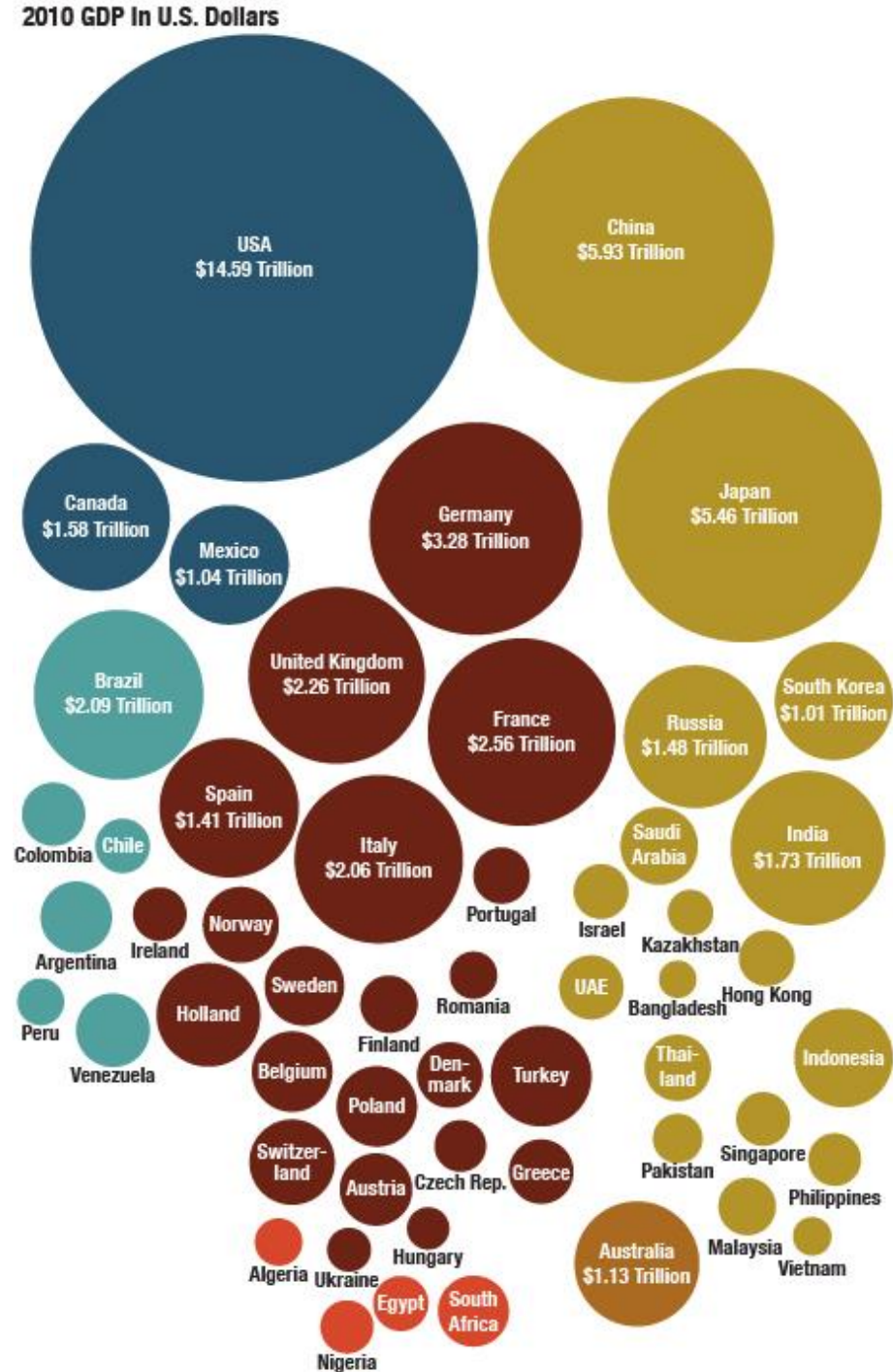
Timothy Besley, Robin
Burgess, Adnan Khan, and
Guo Xu



*“Kindly fill out this application
for the reduction of bureaucracy.”*

BUREAUCRATIC EFFECTIVENESS AND DEVELOPMENT

- Strong correlation between bureaucratic quality and economic development
 - All high-income countries have effective bureaucracies



PRINCIPAL-AGENT RELATIONSHIPS IN BUREAUCRACY

- Traditional economic approach focuses on bilateral relationships:
 - **Incentives:** Balancing output measurement with multi-tasking concerns
 - **Selection:** Merit-based recruitment versus discretionary appointment
 - **Task design:** Balancing autonomy with monitoring and control
- Growing evidence shows bureaucrats respond to **BOTH** incentives and mission motivation
- Challenges: Hard to measure performance, especially for senior bureaucrats

SYSTEMS PERSPECTIVE

- Bureaucracy functions as an interconnected system
- Key relationships shape effectiveness:
 - **Internal coordination:** Between departments and hierarchies
 - **Political interface:** How politics and bureaucracy interact
 - **External embeddedness:** Relationships with firms, citizens, and NGOs
- The interaction between these relationships shapes overall state effectiveness

WHAT CONSTITUTES AN EFFECTIVE BUREAUCRACY?

- **Professional competence**

- Bureaucrats with specialized skills and knowledge
- *Limitations*: Skill requirements evolve over time; expertise may become outdated
- Challenge of building capacity while maintaining flexibility

- **Merit-based appointments**

- Competitive recruitment based on qualifications rather than connections
- *Limitations*: Tests may not capture all relevant skills; expertise vs. generalism trade-off
- Evidence shows merit-based systems correlate with better outcomes, but implementation varies

WHAT CONSTITUTES AN EFFECTIVE BUREAUCRACY?

- **Clear separation from political influence**
 - Bureaucratic autonomy to implement policies impartially
 - *Limitations:* Complete insulation may reduce democratic accountability
 - Tension between technical expertise and political responsiveness
- **Capacity to effectively deliver public goods and services**
 - Infrastructure for implementation and monitoring outcomes
 - *Limitations:* Difficult to measure quality of service delivery
 - Challenge of balancing accessibility, efficiency, and quality

QUESTIONS



- What are the challenges in linking bureaucracy and development?

"Clay Risen's deep, gorgeous new history is as revelatory to me as it is moving."

—RACHEL MADDOW, AUTHOR OF *PREQUEL*

RED



SCARE

LACKLISTS, McCARTHYISM,
AND THE
MAKING OF MODERN AMERICA

CLAY
RISEN

Thinking about the podcast you listened to, what are the potential consequences of weakening bureaucratic autonomy and impartiality?

QUESTIONS



- What other governance issues does the NYT podcast illustrate?
 - How do they relate to the frameworks we have discussed today?
- What can you tell me about the relationship between bureaucracy and politics?
- Think about the women outside the airport in St. Lucia, what changes in governance can be made to support their economic activities?



QUESTIONS?



**HONK IF YOU LOVE
STATE CAPACITY**



**HONK
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STATE
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