

WHAT IS GOVERNANCE?

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This short note is the beginning of an effort to conceptualize and measure governance, which at this point will amount to nothing more than an elaboration of the issue's complexity and the confused state of current discussions.

As a starting point, I am going to arbitrarily define governance as a government's ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or subject to the rule of law.¹ The reason I am excluding democratic accountability and rule of law from the definition is that we will later want to be able to theorize the relationship between governance and democracy/rule of law, which is not possible if the latter is regarded part of the latter by definition.

In this initial conceptualization, the quality of governance is different from the ends that governance is meant to fulfill. That is, governance is about the performance of agents in carrying out the wishes of principals, and not about the goals that principals set. The government is an organization which can do its functions better or worse; governance is thus about execution, or what has traditionally fallen within the domain of public administration, as opposed to politics.² An authoritarian regime can be well governed, just as a democracy can be

¹ I am here using the definition of the rule of law as constraints on the executive. There are other definitions of the rule of law, such as the government's willingness to enforce regular and transparent rules, or what is sometimes called "rule by law," which would then overlap considerably with what is here being called governance. See Rachel Kleinfeld, "Competing Definitions of the Rule of Law," in Thomas Carothers, ed., *Promoting the Rule of Law Abroad: In Search of Knowledge* (Washington, DC: Carnegie Endowment for International Peace, 2006).

² This distinction was made in Woodrow Wilson's famous article "The Study of Administration," *Political Science Quarterly* 2(2), 1887: 197-222. It is also made in Max Weber's equally famous essay, "[Politics as a Vocation](#)," in Max Weber, *From Max Weber: Essays in Sociology* (New York: Oxford University Press, 1946).

maladministered. (As we will see below, this distinction cannot always be maintained quite so neatly; principals can set self-undermining tasks for their agents.)

If we accept this definition of the object we are trying to study, then there are at least three broad approaches to evaluating the quality of governance: procedural measures, capacity, and output measures.

PROCEDURAL MEASURES

The most classic effort to define governance in terms of procedures was Max Weber's famous characterization of modern bureaucracy in *Economy and Society*.³ We continue to use the term "Weberian bureaucracy" as an ideal type to which we hope highly corrupt, neo-patrimonial states will eventually conform. It might be useful to review Weber's conditions here:

1. bureaucrats personally free and subject to authority only within a defined area;
2. they are organized into a clearly defined hierarchy of offices;
3. each office has a defined sphere of competence;
4. offices are filled by free contractual relationship;
5. candidates selected on basis of technical qualifications;
6. bureaucrats are remunerated by fixed salaries;
7. the office treated as the sole occupation of the incumbent;
8. the office constitutes a career;
9. there is a separation between ownership and management;
10. officials subject to strict discipline and control.

Conditions 1-5 and 9 are probably at the core of what people think of when they talk about "modern bureaucracy": they clearly delineate such an organization from the kinds of venal

³ Max Weber, *Economy and Society* (Berkeley, CA: University of California Press, 1978), pp. Vol. I, pp. 220-221.

or patrimonial office that existed in Europe under the Old Regime, or that exist in contemporary neo-patrimonial developing countries, today. However, characteristics 6, 7, 8, and 10 are more problematic. Condition 6, fixed salaries, is not compatible with the kinds of incentives often offered bureaucrats under New Public Management. Conditions 7 and 8 are not true of many mid-level officials in contemporary America. One could say that the US fails to live up to the Weberian ideal, but it does not seem likely that the quality of bureaucracy in the US would improve if it were impossible for talented individuals from the private sector or the academy to serve in government for periods of time. And condition 10 is incompatible with civil service protection, which during the Progressive Era was seen as a hallmark of the modern bureaucracy that was replacing the patronage system. More importantly, condition 10 suggests that bureaucrats are simply robotic agents whose only purpose is to do the bidding of principals. The idea of bureaucratic autonomy--the notion that bureaucrats themselves can shape goals and define tasks independently of the wishes of the principals--is not possible under the Weberian definition.

More broadly, one could argue that modern private sector organizations have evolved over time away from rigid "Taylorite" hierarchies to more flexible, flatter organizations that delegate far more authority to lower levels of the organization. Many organizations, including public sector ones (e.g., the military services) deliberately cultivate a norm of "freedom to fail," to enable lower-level employees to take risks for the benefit of the whole.⁴ Weber's vision of bureaucracy as a rigid machine controlled by strict formal rules is actually what many people criticize about modern bureaucracy. This means, then, that we will have to modify Weber's definition of modern bureaucracy if it is going to be useful as the starting point for a procedural

⁴ These issues are discussed in Francis Fukuyama and Abram Shulsky, *The Virtual Corporation and Army Organization* (Santa Monica: Rand Corporation MR-863-A, 1997).

definition. But how then do we want to characterize modern bureaucracies procedurally, in ways that take account of their need for delegation and flexibility?

GOVERNMENT CAPACITY

The problem with all procedural definitions of bureaucracy is that the procedures, however defined, may not actually correlate with the positive outcomes expected from governments. We assume that a Weberian bureaucracy will produce better services than one that is highly discretionary and patrimonial; yet there may be circumstances where the latter's lack of rules result in faster and better tailored responses. Enforcement power is not part of Weber's definition; it is possible to have an impersonal, merit-based bureaucracy that nonetheless is extremely poor at getting things done. To say that a bureaucrat is selected on the basis of "merit" does not define merit, nor does it explain whether the official's skills will be renewed in light of changing conditions or technology. What are the components of capacity? They would include:

1. Numbers, both absolute and relative to the population as a whole. Bureaucracies have some minimum size relative to the tasks they are to perform if they are to be effective. On the other hand, bureaucracies can be too big; there can be waste and redundancy in them.
2. Education. Andrew Jackson, inventor of the US federal patronage system, argued that there was no job in the government that was so complicated that any ordinary American would be incapable of doing it. As the roles and functions of the state have become more complex, however, the demand for expertise has risen; it is hard to imagine the Centers for Disease Control being run by a non-doctor, or the Federal Reserve by someone with no background in economics or finance.
3. Coherent mandates. Sometimes intrinsic capacity can be undermined because the agency in question is subject to multiple and contradictory mandates by the principal. Municipal utility commissions, for example, often have mandates to simultaneously do cost recovery, universal service to the poor, and efficient delivery to business clients. These obviously cannot be simultaneously optimized; the dysfunction lies not at the bureaucratic but at the political level. One cannot blame a bureaucracy for failing to do the impossible.
4. Organizational culture. One factor often missed by people who model organizational behavior solely through tangible inputs and material incentives is the importance of organizational

culture--the willingness of those in an organization to trust one another, take risks, sacrifice short-term individual interests for the sake of the whole, etc.⁵

OUTPUT MEASURES

While the first two components of capacity can be measured, the third is almost never measured, and the fourth is intangible. The fact that so important a criteria as organizational culture cannot be quantified suggests then that we forego both procedural and capacity measures altogether and look only at final output: does the government actually enforce rules and provide services as citizens expect? For example, to what degree does an army win wars, a public health service control epidemics, or a school system educate children? It is, after all, the outputs for which government exists in the first place. One could look at literacy, primary and secondary education test scores, or various measures of health to get some idea as to how governments are performing.

Attractive as output measures sound, there are several big drawbacks to their use. First and most important, outputs like health or education are not simply the consequences of public action; the public sector interacts with the environment and the society it is dealing with to produce results. For example, the Coleman Report on US education in the 1960s showed that educational outcomes depended much more strongly on factors like friends and family of students than they did on public sector inputs to education.⁶ Joel Migdal's model of weak states and strong societies suggests that a government's ability to penetrate or regulate a society

⁵ On the importance of organizational culture, see James Q. Wilson, *Bureaucracy : What Government Agencies Do and Why They Do It* (New York: Basic Books, 1989); and John J. DiIulio Jr., "Principled Agents: The Cultural Bases of Behavior in a Federal Government Bureaucracy," *Journal of Public Administration Research and Theory* 4(3), 1994: 277-320.

⁶ James S. Coleman, *Equality of Educational Opportunity* (Washington, DC: US Dept. of HEW, 1966).

depends on the ratio of two factors, state capacity and the self-organization of the underlying society.⁷

A second problem with output measures is that governments vary widely in their scope and reach, and also in the resources available to them. Melissa Thomas notes that while the US in the 2000s spent about \$17,000 per capita on government services, the Afghan government spent about \$19, or just under \$100 if donor contributions were taken into account.⁸ It should not be a surprise that public services in Afghanistan are of very low quality; obviously, one would have to control for the level of expenditures in any output evaluation when comparing it to another poor country. Poor countries simply do not produce certain outputs that rich ones do, like drug regulation or high-quality statistical services.

A third problem is that measuring output is itself problematic methodologically. For example, standardized test scores, a common way of evaluating educational outcomes, have long been under attack as poor measures of education, and for creating incentives to "teach to the test." Measures of rule of law, like time to trial, rate of case clearances, etc. say nothing about the quality of outcomes produced by a legal system.

Finally, outcome measures cannot be so easily divorced from procedural and normative measures. A police state may succeed in controlling street crime by massively arresting and torturing suspects; yet most believers in liberal democracy would accept a higher degree of crime in exchange for procedural protections of individual rights. Even if one is morally neutral about whether torture is justified as a police method, one would want to know whether it is employed routinely in evaluating a government.

⁷ Joel Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World* (Princeton, NJ: Princeton University Press, 1988).

⁸ See Melissa A. Thomas, "Great Expectations: Rich Donors and Poor Country Governments," unpublished paper.

Normative issues arise in other respects. Bo Rothstein has suggested "impartiality" as a key measure of the quality of governance.⁹ Impartiality could be regarded as a characteristic of process (do government officials have procedures that force them to treat citizens impartially, and are they themselves recruited on an impartial basis), or as a characteristic of output (do citizens actually feel that the government treats them equally). But it is also a normative ideal to which modern governments aspire. Clientelism and patronage are considered bad forms of governance normatively (because benefits are delivered to individuals in return for political support, rather than on the basis of an impartial criterion), but will also show up as poor procedure (e.g., violating electoral secrecy rules).

EVEN MORE COMPLEXITIES AND CONFUSIONS

As if these measurement problems weren't enough, there are further issues complicating any measure of governance. The Worldwide Governance Indicators produced by the World Bank Institute,¹⁰ as well as finer-grained measures like Transparency International's Corruption Perception Index, treat single sovereign nations as the unit being evaluated. Yet it is obvious that the quality of governance varies enormously within countries, both by specific government function and by region. There is a huge difference between federal agencies in Washington; the US Marine Corps is very different from, say, Homeland Security's Immigration and Naturalization Service. All governments of large states exhibit huge variation across regions; Brazil no less than China or India has enormous variance between poor rural provinces/states and rich urban ones. Moreover, one cannot look at governance problems at one level only; many

⁹ Bo Rothstein, *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective* (Chicago, IL: University of Chicago Press, 2011).

¹⁰ See Daniel Kaufmann and Art Kraay, *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008* (Washington, DC: World Bank Institute, 2009).

occur because of interactions between levels of governments. A poor national government can reduce the performance of a good local one, and vice versa.

The problem of single country indicators is evident when we consider something like Transparency International's Corruption Perception Index. The 2011 index lists China as the 75th most corrupt country in the world. It does a bit better than Brazil and Tunisia (both #73), it tied with Romania, and is just slightly better than Gambia and El Salvador. Yet this number is virtually meaningless because it does not take account of the diversity of outcomes within China. It is widely believed, for example, that local governments in China are much more corrupt than higher-level ones. Corruption varies not just by level of government, but by region and by function; the railroad ministry is very different from, say, the Central Bank.

There is also something very strange about the Worldwide Governance Indicators rankings of China (see Table 1).

Table 1
China's 2010 performance, Worldwide Governance Indicators
(Scores range from -2.5 (weak) to 2.5 (strong))

Category	Score	Percentile
Voice and Accountability	-1.6	5
Political Stability/No Violence	-.77	24
Government Effectiveness	.12	60
Regulatory Quality	-.23	45
Rule of Law	-.35	44
Control of Corruption	-.60	33

China's low rankings for Voice and Accountability and Rule of Law are not surprising, given that no one argues either of these are China's strong suit. The other four measures relate to what we are defining as governance. While both the score and ranking for government effectiveness are higher than for any other measure, China still places only in the 60th percentile. But what possible meaning can such a figure have? Clearly many local Chinese government authorities clearly have huge problems; on the other hand, others perform far better. In my purely subjective estimation, the effectiveness of China's national government with regard to macroeconomic management of a hugely complex modernization process over the past three decades has been nothing short of miraculous, given the fact that China was not just managing an existing set of institutions, but also transforming them in a more market-friendly direction. It's performance since the Asian financial crisis has arguably been better than that of the United States, which nonetheless ranks in the 90th percentile.

In terms of the three categories above, what do existing measures of governance measure? In the case of the WBI Worldwide Governance Measures, it is hard to say, since they are an aggregate of many other measures. Many of them are perception surveys or expert estimates, which often reflect output measures, but may also include evaluations of procedures and capacity. Presumably categories like Political Stability/Control of Violence are exclusively output measures (where China's low 24th percentile ranking seems a bit bizarre). The Rule of Law measure has big problems, beginning with the lack of definition of what is being measured. If rule of law is defined as constraints on the executive, China should rank even lower than it does since there are no real legal constraints on the behavior of the Chinese Communist Party. If on the other hand this category means something more like rule by law (which would make it a component of governance), the ranking should be considerably higher. Most Rule of Law

measures tend to be related to procedures or capacity rather than output, since the output of a legal system is so hard to measure. But we actually have no idea what the Chinese numbers actually mean or purport to measure.

SOME QUESTIONS

It is clear that in evaluating the quality of governance in large, complex countries like China or the United States, the existing quantitative measures are woefully inadequate. If we are to establish desiderata for better ones, we would have to answer the following questions:

- Ideally, what combination of process, capacity, and output measures would we like to have to evaluate governance?
- What list of procedural measures would we regard as adequate to describe modern bureaucracy, different from Weber's?
- How would we adequately capture regional diversity, and diversity with respect to levels of government? Obviously, an attempt to measure the quality of governance in every municipality in China or the US is beyond the scope of any reasonable study; what is reasonable?
- Should we define functional areas of government like education, health, or macroeconomic policy management that we regard as more important than others?
- How important is it to have quantitative measures at all, as opposed to qualitative descriptions of process, or else case studies of particular areas of governance?