

State Capacity, Quality of Government, Sequencing and Development Outcomes

D’Arcy, Michelle

Assistant Professor, Department of Political Science, Trinity College Dublin, Ireland

Marina Nistotskaya

Associate Professor, Department of Political Science, University of Gothenburg, Sweden and a Researcher at the Quality of Government Institute.

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Abstract

This chapter provides a review of the state capacity and institutional sequencing literatures. It begins with a discussion on the conceptualization of the notion of state capacity, examining the pros and cons of the existing conceptual approaches with regard to measurement and inference. It also surveys the existing empirical indicators, highlighting recent progress in this area, particularly relating to measures of informational capacity and territorial reach. The chapter proceeds with a review of the scholarly debate about institutional sequencing, considering the theoretical arguments and empirical evidence of both the ‘state first’ and ‘democracy first’ literatures. This is followed by an assessment of the existing evidence of the effects of state capacity on economic development and public goods provision. The final section summarizes the state of the art, reflecting on challenges and outlining possible avenues for future research.

Key words: quality of government, state capacity, sequencing, bureaucracy, cadaster, constraints, autonomy, territorial reach, constraints

Introduction

The idea that state capacity plays an important role in achieving human development is now widely accepted by academics and practitioners. Strong states lead to development through property rights and contract enforcement (North 1981) and also through their role in the provision of common-interest goods, such as security, a sustainable environment, public health or education (Acemoglu et al. 2015; Cole 2015; D’Arcy and Nistotskaya 2017; Fearon and Laitin 2003; Hanson 2015; Povitkina 2018). However, it has also been recognized that the powers of the state can be used to not only promote the welfare of society as a whole (thereafter social welfare), but to serve the private interests of those who control the state. As Barry Weingast (1995: 1) famously said: ‘A government strong enough to protect property rights and enforce contracts is also strong enough to confiscate the wealth of its citizens’. In other words, the state is like double-faced Janus: one face is benign and the other malevolent.¹ Consequently, one strand of the state-centered literature has been concerned with the state’s predatory powers and ways to constrain them, and the other with how the state’s powers are beneficial for human development (Figure 1).

Figure 1 is about here

Much of the ‘state as malevolent Janus’ literature has concentrated on the need to constrain powerholders through, for example, constitutional separation of political power and regular elections. The system of institutional checks and balances ensures that no political actor is able to use the power of the state for the benefit of narrow or selfish interests (North and Weingast 1989), while regular competitive elections is another measure ensuring rulers’ credible commitment to social welfare (Fearon 1999). Furthermore, in their influential article

¹ We borrow this metaphor from Miller (2000).

Rothstein and Teorell (2008) called for more attention not only on the constitutional arrangements and the input side of politics (such as elections), but also to the output side of politics, specifically to impartiality in the implementation of laws and policies by executives, bureaucrats and judges. According to Rothstein and Teorell (2008), impartiality in the exercise of public authority is conducive to human development as it ensures that the malevolent preferences of individual officeholders do not jeopardize the welfare-enhancing intent of public policies during implementation. In the light of this definition, the literature on the quality of government as impartiality (QoG) could be seen as part of the ‘state as malevolent Janus’ literature, since its major concern is the risk of the use of state power for particularistic ends.² On the other hand, the ‘state as benign Janus’ literature is concerned not with constraints on powerholders, but with how the powers of the state affect important societal outcomes such as economic growth, civil conflict, public goods provision, sustainable environment and consolidation of democracy. Understanding of the Janus-faced nature of the state has produced a third distinct literature on institutional sequencing – the ordering of the institutionalization of state powers and constraints to generate the best development outcomes.

This chapter provides a review of the state capacity and sequencing literatures. It discusses how scholars conceptualise and measure state capacity, the debate on sequencing, as well as the existing evidence of its effects on development outcomes. The final section summarizes the state of the art, reflecting on challenges and outlining possible avenues for future research.

² It is important to note that the literature that we labelled the ‘state as malevolent Janus’, including the QoG literature, is not equivalent of the neo-classical economics view of the state as an inherently ‘predatory’ organization (Becker et al. 20013; Friedman 2003). On the contrary, this literature recognizes the state as a necessary determinant of human well-being, but also warns against welfare-undermining preferences of individual power holders (Fukuyama 2014; Miller 2000; North 1981; Rothstein and Teorell 2008).

Conceptualizing State Capacity

The state capacity literature builds on the idea that the ability of the state to enforce political decisions is a property that greatly varies across polities, and is also independent from political regime type (democracy/autocracy). As Samuel Huntington (1968: 1) argued: ‘The most important political distinction among countries concerns not their form of government but their degree of government’. Although the background concept of state capacity as the ability of the state to effectively implement official goals is intuitively straightforward, it has been conceptualised and measured in many different ways (Figure 2). There are two broad approaches to conceptualisation of state capacity: one is the functional approach, which focuses on specific capacities, such as fiscal or coercive, and another that sees state capacity as the ability to implement any political decision.

Figure 2 is about here

Functional Approach

The functional approach to conceptualisation of state capacity is based on considering ‘the form and function of existing capabilities’, however the specific choice often depends on what part of state capacity researchers come up against (Berwick and Christia 2018: 71). For example, for many economists the capacity to collect revenue (extractive/fiscal capacity) and to enforce contractual agreements (legal capacity) constitute state capacity (Besley and Persson 2011; Dincecco and Katz 2016). On the other hand, scholars of international relations and peace and conflict tend to see monopoly of violence as a key attribute of the concept (DeRouen and Sobek 2004; Risse 2011). This situation, in which the concept changes meaning depending on the context, is a clear example of ‘conceptual stretching’, which has haunted state capacity research for some time, undermining the accumulation of knowledge (Soifer and vom Hau 2008).

In the quest for greater generalizability across contexts, there are attempts to identify several key state functions that together constitute the notion of state capacity. For example, Hanson and Sigman (2013) argue that any modern state has three key functions: extractive, coercive and administrative, and measure these through about 30 indicators. Similarly, Luna and Soifer (2017) build a three-pillar concept of state capacity that includes territorial control, ability to tax and protection of property rights. Many other scholars have offered their own version of the most important set of government functions (Andersen et al. 2014; Besley and Persson 2011; Hendrix 2010). The problem with this approach is that while state capacity manifests itself in numerous forms and functions, the prospect of a broad consensus of what constitutes key state functions is elusive, as it inevitably involves a normative stand on the scope of the state (Soifer 2012).

Another functional approach to the conceptualisation (and measurement) of state capacity is through policy outputs and outcomes, such as investor protection laws, tax or vaccination rates (Besley and Persson 2010; Soifer 2012). A serious problem of the outcome-based approach is that arguments about the effects of state capacity on policies and outcomes risk becoming circular. As Kocher (2010: 139) notes, ‘the claim that an insurgency broke out because the state lacked the capacity to prevent an insurgency’ is tautological and therefore trivially true (see also Brambor et al. 2019; Centeno et al. 2017; Soifer 2008).³ Furthermore, defining state capacity through policy outputs and outcomes makes difficult to separate the *ability to implement* policies from 1) *impartiality* of policy implementation and 2) *policy content*. In sum, the problems of conceptual stretching, tautology and ambiguity with regard to the underlying mechanisms makes the functionalist approach to the conceptualisation of state capacity a suboptimal choice for comparative research.

³ If Kocher’s (2010) example of tautology is hypothetical, consider Besley and Persson’s (2010: 1) statement that ‘The absence of state capacities to raise revenue and to support markets is a key factor in explaining the persistence of weak states’.

Generalist Approach

The generalist approach sees state capacity as the ability to implement *any* political decision and focuses on the endowments needed for the successful implementation of a broad range of political decisions. One of the most established generalist conceptualisations of state capacity relates to *bureaucratic quality*, where ‘quality’ is understood differently by scholars. The oldest – Weberian – tradition understands quality as *competence* or *epistemic quality*, which is a function of professionalization (Weber 1978). The abridged form of the argument holds that professional bureaucracy – permanent organization, staffed with educated experts, whose actions are guided not only by legal, but also by professional norms – is a bureaucracy of high epistemic quality and is, therefore, a more able implementation tool than the alternatives (Bersch et al. 2017; Evans and Rauch 1999; Nistotskaya and Cingolani 2016). Another conceptualisation holds that effective policy implementation requires bureaucratic *autonomy*, which allows bureaucrats a degree of freedom from external pressures (societal, interest-based and political) in the choice of methods through which to achieve politically mandated policies (Bersch et al. 2017; Briebe 2018; Fukuyama 2013; Mann 1984; Skocpol 1985). Finally, some scholars claim that *absence of corruption* is a key feature of bureaucracies in high capacity states (Charron and Lapuente 2010; Povitkina 2018). Competence, autonomy and non-corruptibility have been identified by the literature as attributes of public bureaucracy associated with high state capacity.

There are several problems with the conceptualisation of bureaucratic capacity as (the absence of) corruption and autonomy. First, these two properties do not exclusively tap into state capacity, but also into impartiality (Boräng et al 2018; Dahlström and Lapuente 2017; Miller 2000; Nistotskaya and Cingolani 2016) – the core concept of a related, yet distinct quality of government literature (Rothstein and Teorell 2008), which is concerned with ‘constraints’ and not ‘capacity’. This is problematic because, as Fukuyama noted, it is ‘entirely possible that

a state could be highly impartial and still lack the capacity... to effectively deliver services' (2013, 349).

Second, the concept of bureaucratic autonomy does not only imply the choice of means of implementation, but also suggests autonomy with regard to policy content. For example, discussing the autonomy of the National Health Service of Chile, Briebe (2018: 45) explicitly refers to its ability to set public health policy priorities independently from the preferences of both politicians and the public at large. Of course, one can argue that the ability to *make* rules is as important a property of state capacity as the ability to *enforce* rules, and such conceptualisations are not unusual in the literature (Mann 1984; Skocpol 1985; Ziblatt 2008). For example, Michael Mann (1984) distinguishes between the 'despotic' and 'infrastructural' powers of the state, where despotic power refers to decisions that the state can take without consultation with society and infrastructural power refers to implementational capacity. In Mann's analogy, based on *Alice in Wonderland*, the despotic power of the Red Queen is her prerogative to *order* Alice's head to be cut off, while infrastructural power is the Red Queen's ability to hunt Alice down and *enforce* her decapitation.⁴

Most of the recent literature finds it necessary to analytically separate the implementational capacities of the state, on the one hand, and the content of public policies and the extent of external influence over it, on the other (Besley and Persson 2011; Brambor et al. 2019; D'Arcy and Nistotskaya 2017; Fukuyama 2013; Hanson and Sigman 2013; Soifer and vom Hau 2008). The inclusion of the latter (for example, the extent of citizens' influence) conflates the notion of state capacity with concepts related to regime type, such as democracy and accountability (Fukuyama 2013: 350-351), which it is better to avoid if the aim is to understand the independent effects of regime type and state capacity. Similarly, the inclusion

⁴ Mann's conceptualisation is often plainly misunderstood (for example, despotic power is often confused with coercive capacity ((White 2017)), thereby hinders knowledge accumulation.

of the former (public policies, reflecting preferences for the degree of state interventionism and the scope of redistribution) may obscure the true effects of state capacity. Is low tax revenue in polity A caused by low collection effort (state capacity effect) or low tax rate (policy content effect)? For instance, it is well established that tax rates in late imperial China were low in comparative perspective and impacted the tax revenue (Deng 2015). Therefore, direct comparison between the tax revenue of late Qing China and other countries would tell us little about China's state capacity. In order to be able to isolate state capacity and policy effects, conceptualisations and measures of state capacity that relate to policy content and organization of decision-making processes should be avoided.

The second generalist conceptualization of state capacity relates to the *territorial reach* of the state, spurred by Michael Mann's notion of infrastructural power: the 'institutional capacity of a central state... to penetrate its territories and logistically implement [political] decisions' (Mann 1984: 113; 1986, 170; 1993, 59; 2008, 355). Infrastructural power is concerned with the 'logistics' of implementation – that is 'technologies' or 'know hows' integral to the enforcement process – and with the territorial reach of the state. Mann did not develop his 'logistics' of policy implementation in great detail, instead indirectly pointing to bureaucracy, information (for example data on earned income, allowing the state to tax effectively), as well as transportation networks as possible institutional forms of infrastructural capacity (Mann 1984, 2008). However, his insight about territorial reach as a crucial dimension of state capacity is an important conceptual advancement. Territorial reach is independent from the quality of bureaucracy, which can be high, but geographically circumscribed, meaning that in some areas rules are not enforced and services underprovided. For example, if the ability of the state to enforce the laws governing property rights is a key ingredient for economic development (North 1981; Besley and Persson 2011), consider the implications of Herbst's (2000) observation that African states do not project power over distance. One of the

consequences of Mann's focus on territorial reach has been an increased attention to subnational variation in territorial penetration by the state, generating a separate body of literature (Acemoglu et al 2015; 2016; Ch et al. 2018; Harbers 2015; Just Quiles 2019; Luna and Soifer 2017; Soifer 2015; Ziblatt 2008).

The most recent addition to the conceptual literature on state capacity focuses on information as its most distinctive attribute. The methodological stance at the heart of this approach is the idea that while state capacity cannot be measured directly (Hanson and Sigman 2013), the resources a state deploys can (Brambor et al. 2019). Building on James Scott's (1998) observation that the modern state relies on information to govern territory and people, several scholars put forward a conceptualisation of state capacity as information resources that states deploy to achieve policy goals (Brambor et al. 2019; Lee and Zhang 2017; D'Arcy and Nistotskaya 2017; Soifer 2013). Information that provides an overview of the physical landscape of the state and of individuals and groups is crucial for policy implementation. For example, there is a cross-disciplinary consensus that systematic land surveying by the state led to efficient tax extraction (D'Arcy and Nistotskaya 2017; Kain and Baigent 1992; Nistotskaya and D'Arcy 2018; Scott 1998). Similarly, public health research acknowledges that statistics produced by civil registration and vital statistics systems provide information essential for the implementation of health promotion and disease prevention policies (Phillips et al. 2015).

In summary, there is a wide variety of definitions of state capacity, which frequently overlap with concepts such as impartiality or regime type, leading to a fragmented conceptual space and impeding the accumulation of knowledge. Bureaucratic competence, territorial reach and informational inputs emerged as the types of capacity that states need for the successful implementation of a broad range of political decisions. They represent distinctive dimensions of state capacity without bleeding over into distinct concepts such as impartiality or democracy.

Measuring State Capacity

Within the generalist conceptualisation of state capacity, measures capturing bureaucratic quality have been most frequently used in the literature. Regarding the epistemic qualities of bureaucracy, they have been empirically captured through direct indicators such as meritocratic recruitment (Dahlström et al 2015; Evans and Rauch 1999; Geddes 1994), share of expert civil servants in the total number of bureaucrats (Bersch et al. 2017) or security of tenure (Cornell 2014; Nistotskaya and Cingolani 2016), or indirectly through such measures as *ICRG Bureaucratic Quality* from the International Country Risk Guide (PRS 2010) or *Government Effectiveness* from the World Bank's Worldwide Governance Indicators (WGI). Research that utilizes meritocratic recruitment as a measure of epistemic quality relies heavily on the Quality of Government Institute-generated expert-based data, the major drawbacks of which are the possible contamination of expert assessments of meritocracy in bureaucratic recruitment by other environmental factors and the lack of data over time (Dahlström et al. 2015). The availability of time-series observations makes ICRG data a preferred option for many researchers, but the multidimensional character of the measures (for example, Bureaucratic Quality pertains to professionalism, autonomy and efficacy in delivering public goods) makes it impossible to discern the probable cause driving outcomes. The methodology of ICRG data is highly opaque, generating concerns about its validity (Bersch et al. 2017; Knutsen 2013). Both ICRG and WGI have an indicator for corruption that has been widely used in the research on state capacity (Bäck and Hadenius 2008; Charron and Lapuente 2010). Recent studies that view state capacity as corruption have made use of new data-collection efforts, such as the 'Varieties of Democracy' project (Povitkina 2018).

The lack of reliable comparative data on the organizational design and behaviour of public bureaucracies has long been recognized as a 'sore point' for several social science disciplines and fields within them (Lapuente and Nistotskaya 2009; Fukuyama 2013), and a

concerted effort to collect such data would move the research frontier forwards. Important steps forward are being made by scholars associated with the Governance Project at Stanford University (e.g. Bersch et al. 2017) and a UK-based project that surveyed civil service management practices in ten developing countries (Meyer-Sahling et al. 2018). Another important effort is being made by the World Bank's Bureaucracy Lab, which harnessed large administrative data on public sector employment and wages for 115 countries for 2000-2016 (World Bank 2018b).

In large-N empirical studies bureaucratic autonomy has mostly been studied in terms of the insulation of bureaucratic agents from the pressures of their political principals (Bersch et al. 2017; Boräng et al. 2018; Cingolani et al. 2015, Dahlström and Lapuente 2017; Nistotskaya and Cingolani 2016), which, as discussed above, does not solely capture the notion of state capacity, but spills over into the concept of QoG as impartiality. Both Bersch et al. (2017) and Cingolani et al. (2015) examined the correlation between measures of bureaucratic autonomy and state capacity, finding it to be of weak to medium strength. Furthermore, both studies found the indicators for state capacity and autonomy to have independent effects on their outcome variables – a result that calls for further scrutiny, both theoretical and empirical, of the relationships between state capacity, bureaucratic autonomy and development.

When it comes to territorial reach, measurement has been through road density indicators (Herbst 2000), censuses (Centeno 2002; Soifer 2013) and quality of cadastral records, which involves the evaluation of the extent of spatial implementation of cadastral surveying (D'Arcy et al. 2019). These measures focus on the overall presence of the state over space, rather than 'the depth of the state's reach into any given location' (Soifer 2012: 588) – something that has been scrutinized in a growing literature on sub-national variations in state capacity, in which scholars have experimented with such diverse indicators of territorial reach as density of salaried government officials (Bensel 1990) and post offices (Acemoglu et al.

2016) or survey-based time estimates of police reaching respondents' homes for emergency purposes (Luna and Soifer 2017).

A relatively new enterprise of measuring the information resources required for successful policy implementation has produced several indicators related to censuses. These measures capture methodology, sources and periodicity (World Bank 2018a), organizations that collect and analyze information on people (Brambor et al. 2019) and the accuracy of census data (Lee and Zhang 2017), cadasters (D'Arcy and Nistotskaya 2017) or biometrical IDs (Muralidharan et al. 2016) and other digital technology enabling implementation of policies (Cingolani 2019). Due to their high congruence with the conceptualization of state capacity as information, fungibility (transferability from one policy area to another) and good temporal and spatial coverage, these indicators will potentially be of wide use in empirical research. Time-trends in these datasets, however, point to convergence in state capacity between countries across the most recent observations, which may make them a less sensitive indicator of state capacity for the time period since World War II.

A popular approach to measuring state capacity is through policy outputs and outcomes. One of the most popular indicators here is tax revenue⁵ (Besley and Persson 2010, 2011; Dincecco and Katz 2016; Ziblatt 2008), which some argue is 'the most valid general measure of state capacity' (Andersen et al. 2014: 1310) or even *sine qua non* (Hendrix 2010: 283). State capacity has also been measured as life expectancy (DeRouen and Bercovitch 2008), school enrollment (Migdal 1988) or crime rates (Soifer 2012). As argued above, such indicators conflate extant political preferences for the size of the state/scope of redistribution (policy effect) with implementation (capacity effect) thereby impeding a meaningful evaluation of their independent effects. While scholars are paying more attention to the issue of concept-measure

⁵ Most often operationalised as per capita or in relation to GDP, but also as tax effort, which is tax collected over the expected tax revenue, given the underlying productivity of the economy.

congruence, many measures employed in empirical research still exhibit a large gap between the theoretical construct and the indicator used to operationalise it. Perhaps an even greater threat to inference comes from the fact that measures do not discern between competing mechanisms. For example, meritocracy in bureaucratic recruitment has been linked to economic development through increased bureaucratic competence and also bureaucratic cohesion (Evans and Rauch 1999), however it is also plausibly connected to economic development through a competing causal channel – impartiality (Miller 2000; Nistotskaya and Cingolani 2016).

Sequencing Debate

This section reviews the so-called sequencing debate which addresses the question: can the state expand its power under the constraint of democratic institutions? and thus is a strong state necessary prior to democratization? The roots of this debate lie in Huntington's (1968) observation that countries going through the Third Wave of democratization were following a reverse sequence to that, which unfolded in the West historically: while Western states were strong before democratization, most contemporary developing countries democratize at low levels of state capacity. This insight spurred rich theoretical and normative debate focused on the relationship between state capacity and democratization a) in the West and b) in the contemporary developing world. While there is agreement that a strong state is necessary for democracy itself to consolidate, there is much less consensus about whether democracy is essential to or a barrier for state-building. Overall, this literature has been dominated by polarization and has not yet fully harnessed the advancements in the state capacity literature discussed above.

Within the literature on Western institutional development, some have seen the emergence of proto-democratic institutions as a consequence of state-building processes in the

early modern period. During this period states acquired capacity particular in terms of coercion and extraction (Dincecco 2011; Tilly 1990). The expansion of state power under the pressures of warfare incentivized some powerful societal actors to bargain with rulers over revenue, leading to the establishment of representative institutions (Levi 1989; Tilly 1990). Neo-institutionalists extended this perspective by arguing that concessions made by rulers strengthened fiscal capacity through increased consent to pay taxes and rulers access to credit, which had implications for long-term economic development (North and Weingast 1989). Although this theoretical perspective, with its emphasis on credible commitment and executive constraints, is often employed to argue for the necessity of democratic institutions for development (Knutsen 2011), its origins lie in a historical sequence in which these constraints emerge *in response* to state strength (Boucoyannis 2015). It is important to note that during the early modern period representative institutions represented a narrow section of the population whose motivations were focused on the defense of their own economic interests.

After the establishment of centralized political power, the monopoly on coercion and a degree of state capacity, the institutional development of Western countries in the nineteenth century focalised on quality of government matters – such as improvements in bureaucratic quality – and the institutions of mass democracy. There are sequencing arguments relating to this specific phase of institutional development. Some argue that where the establishment of a Weberian bureaucracy preceded mass democratization, programmatic rather than clientelist parties emerged and, consequently, the scope of welfare was broader (Skocpol 1992; Kamens 1986; Shefter 1994). This scenario is observed in many European states (Flora and Alber 1981), but not in the USA, where democratization preceded the emergence of QoG, especially in terms of Weberian bureaucracy. Consequently, welfare provision became part of the system of political clientelism, making its benefits partisan and generating resistance to its expansion (Hacker 1998). Others argue that some democratic institutions that emerged in this period also

bolstered state capacity: for example, the extension of suffrage stimulated the state to gather more information on the population (Brambor et al. 2019). In sum, where democratic institutions emerged in a context of high state capacity and quality of government this paved the way for broader public goods provision.

Although this evolution is neither uniform nor linear, it has provided the empirical grounding for the central theoretical assertions of the ‘state-first’ literature: a) state capacity and democracy are conceptually distinct and b) as they are inter-related but not mutually dependent historical processes, there is an inherent tension between state-building and democracy. Exemplifying the first point, Rose and Shin (2001: 333) argued that ‘democracy is not a necessary attribute of the modern state, as is shown by the absolutist character of the initial modern states, monarchical France and Prussia’. State capacity developed in many countries in the absence of democracy, and the emergence of democratic institutions was not an inevitable outcome of state-building, as the case of Germany exemplifies. This point is taken a step further by Fukuyama (2007, 2014) who argues that state capacity and democracy are not only distinct but in tension. He sees state-building as being fundamentally about ‘the concentration of the means of coercion’, while ‘both liberal rule of law and democracy, by contrast, involve limiting the central state’s authority to coerce’, which causes problems for state-building because “stable states must often be constructed through violent means” (2007: 11). The focus on these inherent tensions highlights the importance of sequencing: ‘state, law and accountability can impede one another’s development...this is why the sequence in which institutions were introduced becomes important’ (Fukuyama 2014: 534).

As democratic institutions spread in the twentieth and twenty-first centuries to parts of the world with different formal and informal institutions and levels of economic development than the West, the issue of institutional sequencing – state first, then democracy or vice versa – has been the subject of intense debate. On the one hand, there are those who identify in the

contemporary developing world the axiom of the historical literature: consolidation of democracy requires a functioning state. This perspective explains many of the political pathologies of developing countries – especially corruption, poor public goods provision and the risk of conflict – in terms of the interactive effects of democratizing at low levels of state capacity. However, there are also those who reject the ‘state first’ argument and see democracy as a complimentary or even necessary condition for state-building.

Most of the literature considers democracy as the outcome variable and examines the effects of state capacity on the quality of democracy, with many arguing that ‘...no modern polity can become democratically consolidated unless it is first a state’ (Linz and Stepan (1996: 7). At the most basic level, a certain degree of state capacity is required to run free and fair elections (Slater 2008; Piccolino 2016). With capacity the state can provide rule of law and the public goods needed to cement its authority and consolidate democratic institutions (Fortin 2012; Møller and Skaaning 2011). Without capacity politicians and voters often choose clientelist strategies as a substitute for the public goods that the state cannot adequately provide (Kitschelt and Wilkenson 2007). This then further erodes state capacity and also QoG, making consolidation of democracy more difficult. In the worst cases, it leads politicians to resort to nationalist mobilization and even war (Mansfield and Snyder 2007a). Overall, this literature argues that a certain degree of stateness is a pre-requisite for successful democratic consolidation and that, much as it did in the nineteenth century West, state capacity mediates the quality of democracy.

In contrast to this literature, there are those who argue that higher state capacity actually inhibits democratization. A history of early statehood influenced patterns of colonial settlement, with strong states better able to resist and therefore less likely to experience institutional transfer through settlers (Hariri 2012). The ability to use coercive force to repress is seen as a key factor in stabilizing authoritarian regimes in the Arab world (Bellin 2012). In South East

Asia, united elites with shared incentives to strengthen the state are better able to resist popular pressures for reform (Slater 2010).

The literature that has taken democratization as an independent variable and considered its effect on state capacity and quality of government has been the subject of heated debate. While many scholars emphasize the need for state-building first, especially for post-conflict and otherwise ‘weak’ states (Fearon and Laitin 2004; Fukuyama 2004a, 2004b, 2004c, 2007; Mansfield and Snyder 1995, 2007a, 2007b; Krasner 2004), this position was subjected to intense critique – see the exchange in the *Journal of Democracy* (Carothers 2007a, 2007b; Fukuyama 2007; Snyder and Mansfield 2007b).

The arguments in support of the ‘state first’ position have pointed to the adverse effects of democracy on the quality of government in particular. For example, evidence from panel cross-country data suggests that bureaucratic quality suffers in young democracies (Bäck and Hadenius 2008). Explanations of this so-called J-shaped relationship have focused on ‘democratization’ of patronage networks that often follow the introduction of competitive elections (Cheeseman 2015; D’Arcy and Cornell 2016); the escalating effects this has on campaign spending and thus the incentives this creates for graft between election cycles (Cheeseman 2015; Lindberg 2003); and the new elite-ruler dynamics that pave the way for corruption as a means of cementing intra-elite alliances (D’Arcy 2015).

The second line of research considers the inherent tensions between democratization and state capacity. Here, the portrayal of governance as a series of collective action problems (Mansbridge 2014) revealed the magnitude of challenges faced by democratic governments in low capacity states. In order to effectively solve large-scale collective action problems, governments have to be ‘credible enforcers’ of collective agreements (D’Arcy and Nistotskaya 2017). For example, in order fund public goods and services governments have to compel citizens to pay their tax obligations – something that high capacity states do through

enumeration of taxpayers (Lee and Zhang 2017; Scott 1989) and their economic assets (Nistotskaya and D’Arcy 2018). When state capacity is low and government is not a ‘credible enforcer’, individual rational strategy is to free-ride. This means that in order to govern for the benefit of people, governments have to override such preferences. However, as democratic government is, per definition, reflective of citizens’ preferences, democracy impedes its ability to override the welfare-undermining preferences of citizens. In other words, democracy before state capacity traps polities in a sub-optimal equilibrium where citizens have weak incentives to comply and government cannot legitimately force citizens to comply.

However, some scholars argue that democracy bears no negative consequences for state capacity and see the two processes as mutually reinforcing. Many authors see democratic institutions and processes as essential for fighting corruption (Hollyer et al 2011; Kolstad and Wiig 2016); for increasing the legitimacy of the state and thus levels of voluntary compliance (Bratton and Chang 2006; Mazzuca and Munck 2014; Carbone and Memoli 2015); and as impetus for the expansion of state capacity through requirements for voter registration (Brambor et al. 2019) and the need to build mass parties (Slater 2010). To put it shortly, democracy is seen as ‘a meta-institution for building good institutions’ (Rodrik 2000: 3).

While there is broad agreement on the historical evolution of the West, the debate on the implications of different sequences for development in the contemporary period is at an impasse. Critics of the ‘state first’ perspective are correct to resist a teleological reasoning derived from the particular history of the West. However, they are too quick to dismiss the highly suggestive evidence of this historical record and the valid questions raised about the compatibility of democracy and state-building given the inherent tension of the ‘Janus-faced’ state. Given its polarization, the literature could be more fruitfully progressed 1) by accepting that this tension exists and that there may be a number of sequences leading to development,

and 2) by investigating these sequences using the refined concepts and measures of state capacity discussed in the previous section.

State Capacity and Development Outcomes: Empirical Evidence

Recent decades have seen the proliferation of empirical research on the effects of state capacity. This section discusses the empirical literature that has examined its role in achieving important development outcomes, including economic development and the provision of public goods and services (reviewing state capacity's impact on internal conflict). Table 1 provides an abridged review of most important studies.

Table 1 is about here

Economic Development

The main portrayal of the state in the economic growth literature is of a 'malevolent Janus'. Since North (1981) the dominant narratives have been concerned with the extent to which powerholders are constrained in their own predatory tendencies to confiscate private property or to renege on sovereign debt, and scholars have examined the role of constraints on powerholders (credible commitment effect) on both the 'input' (Acemoglu et al. 2001; North and Weingast 1989) and 'output' side of politics (Miller 2000; Nistotskaya and Cingolani 2016). Meanwhile, the New Institutional Economic account of development also emphasizes clear property rights and contract enforcement as important predictors, which intrinsically embraces the notion of state capacity (Besley and Persson 2011; North 1981; Weingast 1995). Johnson and Koyama (2017) and Dincecco (2018) provide a good review of the 'capacity' and 'constraints' mechanisms through which sustained economic growth is achieved.

The empirical literature, however, has not reached the same clarity, often not being able to separate between 'capacity' and 'constraints' mechanisms. For example, PRS's *Risk of*

Expropriation and Repudiation of Government Contracts has been employed both as a measure of constraints on powerholders (Acemoglu et al. 2001) and as a measure of state capacity (Fearon 2005). Similarly, some measures of fiscal and legal capacities in Besley and Persson (2010, 2011) do not uniquely measure state capacity (for example, investor protection), thereby precluding the interpretation of the findings exclusively in terms of state capacity effects.

Consequently, there are only a few empirical studies that have examined the role of state capacity without conflating it, either theoretically or empirically, with the ‘constraints’ argument. One of those is by Dincecco and Katz (2016), in which they explore the impact of both state capacity, proxied through tax revenue per capita, and constraints, measured as the existence of parliament, on economic growth in 11 European countries over 250 years. Similarly, Acemoglu et al. (2016) measure state capacity through the presence of post offices across U.S. counties (thereby alluding to Mann’s (1984)’s idea of territorial reach, although providing no explanation of the concept behind their key explanatory variable), finding positive relationships between the density of post offices and subsequent economic development.

There is also a literature that explores the association between bureaucratic quality and economic outcomes. In their seminal article, Evans and Rauch (1999) make a commendable effort to separate capacity from outcomes by assessing (with the help of expert knowledge) a number of organizational features of bureaucratic units responsible for economic policy in 35 less developed countries. They found robust associations between the extent of meritocratic recruitment and economic growth, pointing to a number of capacity-related causal paths: competence, organizational cohesion (*esprit de corps*) and institutionalization of the professional criteria for success. Knutsen (2013) makes a point to distinguish between regime type and state capacity, and finds in the context of Sub-Saharan countries that in low-capacity states democracy has a substantial positive effect on growth, while in high capacity states the type of regime does not matter. However, the adopted conceptualisation (bureaucratic quality)

and its operationalization (ICRG Bureaucratic Quality) do not convincingly attribute the discovered empirical link to the ‘capacity’ argument. Conceptually, Knutsen’s (2013: 2) bureaucratic quality, which is ‘independent, rule-following bureaucratic apparatus’, is much closer to Rothstein and Teorell’s (2008) concept of QoG as impartiality than to any conceptualisations of state capacity. Therefore, a better interpretation of Knutsen’s results is not that of state capacity matters, but that ‘constraints’ on the ‘output’ side of politics matter more than those on the ‘input’ side. Finally, Nistotskaya and Cingolani (2016) argue that merit-based bureaucracies promote economic development both through the ‘capacity’ effect (improved epistemic qualities) and ‘constraints’ effect. They report supporting empirical evidence from cross-sectional and panel data, but to further substantiate this claim indicators that would capture competence and impartiality in meritocratic bureaucracies separately are needed.

Public goods provision

The literature that examines the link between state capacity and public goods provision has recently advanced through engaging with the conceptual literature on state capacity using formal modelling, novel measures and sophisticated empirical analysis, both quantitative and qualitative, to examine the relationship (Acemoglu et al. 2015; Brieba 2018; Cingolani et al. 2015; D’Arcy and Nistotskaya 2017; Hanson 2015). Acemoglu et al. (2015: 2364) study the impact of state capacity, explicitly conceptualized as ‘the presence of state functionaries and agencies’, on public goods provision in Colombian municipalities. Theoretically, the focus of their inquiry is the spillovers that municipalities create on their neighbors, which is formally modeled. Empirically, the authors leverage cross-sectional data on the number of national- and municipal-level employees and government agencies against six measures of public goods provision and employ a wide range of estimation techniques to conclude that ‘local state

presence is indeed a first-order determinant of current prosperity' (Acemoglu et al. 2015: 2405). Similarly to Knutsen (2013), Hanson's (2015) main aim is to evaluate regime type and state capacity effects independently and in interaction. Hanson adopts the territorial reach conceptualisation of state capacity and shows that once state capacity is accounted for, democracy leads to higher secondary school enrollment and low child mortality. Cingolani et al. (2015) examine the independent effects of state capacity and bureaucratic autonomy – which is defined as non-alignment of bureaucratic and political cycles, and therefore is close to the idea of constraints on powerholders through some organizational forms of bureaucracy (Miller 2000). Using a novel measure of bureaucratic autonomy, they find that it has a larger impact on several important public goods than several measures of capacity. In other words, the study shows that 'constraints' outperform 'capacity'. D'Arcy and Nistotskaya (2017) argue that state capacity, conceptualised in terms of territorial reach and information resources, facilitates legibility of people and their economic resources, which is key for solving the collective action problems at the heart of public goods production. They use a novel measure on the quality of cadastral records to show that countries that had higher levels of accumulated state capacity at the moment of democratization perform better in terms of public goods provision today.

The work of Brieba (2018) is an example of careful empirical work on the link between state capacity and infant and maternal mortality, using cross-case comparison of Chile and Argentina and within-case process tracing over a period of 50 years. Brieba shows that both countries had fairly similar policy priorities, but different economic and regime type conditions, which should have favoured Argentina. He also shows that the two countries are markedly different in terms of investment into public health bureaucracies and that the better educated, more adherent to standard protocols of services and territorially omnipresent health bureaucracy of Chile eventually manages to reverse the country's fortune in terms of mother and child mortality. Brieba's (2018) paper is important in unpacking the specific mechanism with high-

resolution evidence and showing that investment in state capacity can be done in relatively poor countries and the return on investment can be expected within a relatively short period of time.

Conclusion

Despite a growing consensus that state capacity refers to the logistics of implementation of political decisions, the conceptual space remains fragmented and conceptual stretching persists. Concept-measure congruence is often compromised and the same measure is used in references to different conceptualisations of state capacity or no conceptualisation at all, generating no payoff for knowledge accumulation. The literature, however, has moved away from excessively generic measures of state capacity (such as GDPpc) and is increasingly critical about the usefulness of output-based measures. Measuring state capacity accurately remains a formidable challenge, both in terms of getting better data (for example, on bureaucratic structures), but also in terms of coming up with innovative measurements. However, the emergence of detailed time-series data on censuses, cadastral records, biometric smart cards and other technologies suggests that this is not impossible. There has also been considerable progress in terms of subnational data and research, but there is a plenty of room for the improvement in this subfield, which is a clear avenue for future research.

There have also been important developments on the theoretical front. The days of research that only examines a broad link between state capacity and outcome without postulating the specific mechanisms through which the causal influence operates are coming to a close. The literature has advanced a number of theoretical accounts, explicating the association between state capacity and economic development, civil war, public goods provision and consolidation of democracy. However, there are only a few empirical studies that have examined the ‘capacity’ effect without conflating it, either theoretically or empirically, with the ‘constrains’ effect, be it on the ‘input’ (democracy) or ‘output’ (impartiality) sides of

the political process. This is a major challenge and also an apparent avenue for future research. Without clarity in these matters it will remain hard for practitioners to draw policy lessons from this literature. There is also a need for qualitative research that brings high-resolution evidence, from which the policy community can extract specific ‘know hows’ pertaining to the ‘logistics’ of implementation.

The concept of state capacity came into being as an analytical tool to help us understand the mechanisms of development. While there is general agreement that this is a highly potent tool, evidenced by the fact that state capacity is routinely considered, at the least, as a control variable in comparative research on development outcomes, it is still not at its optimum, particularly with regard to conceptualisation, measurement and causal mechanisms. The conceptual literature on state capacity has yet to explicitly engage with the scholarship on symbolic power (Bourdier 1991; Loveman 2005), something that presents itself as an obvious avenue for future research. The lack of reliable comparative data on the organizational design and behaviour of public bureaucracies has long been recognised as a ‘sore point’ for several social science disciplines and fields within them (Lapiente and Nistotskaya 2009; Fukuyama 2013), and a concerted effort to collect such data would move the research frontier forwards. More fine-grained measures would then enable better investigation of mechanisms. For example, since it is conceivable that non-corrupt and autonomous bureaucracies are attributes of both high capacity and high QoG states, more work is needed to illuminate the specific causal paths through which these properties improve the implementational capacities of states and those through which they increase impartiality. The literature on the sequencing debate could further benefit from cross-pollination from the increasingly sophisticated conceptualisations and measures of state capacity. With engagement from scholars from different disciplines the research frontier on state capacity has advanced, and demonstrated the field’s own capacity to address its challenges.

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Figure 1: Views on the nature of the state and basic solutions

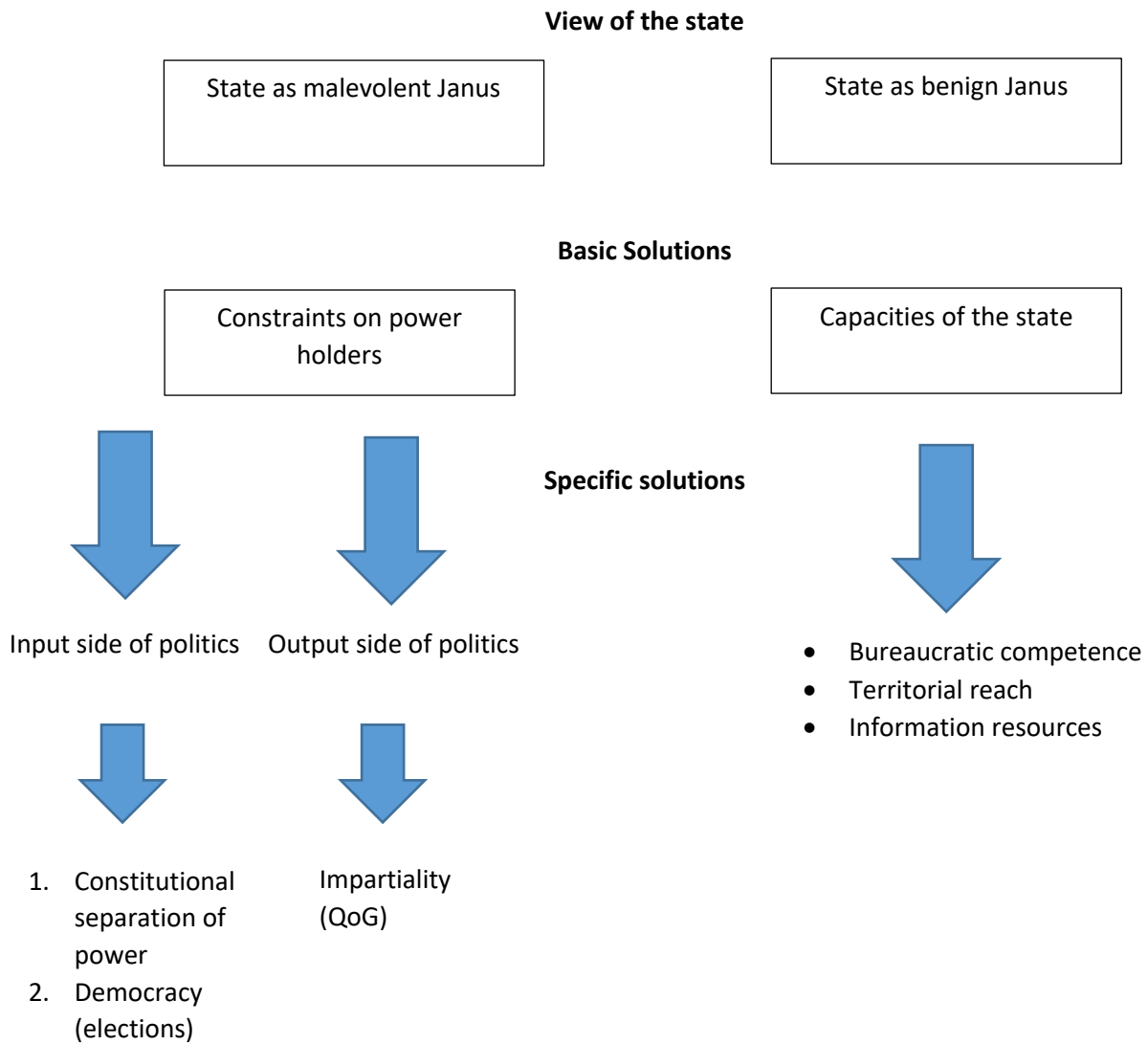


Figure 2. Conceptualisations of state capacity

Generalist: Focus on on the endowments needed for the successful implementation of *any* political decision

Bureaucratic quality

- Competence
- Organisational cohesion
- Professional standards

Territorial reach

- Presence of functionaries & agencies across the territory

Information resources

- Census (quality, scope, regularity)
- Cadastral records
- IT (digital technologies, biometrical smartcards)

Functionalist: focus on specific function of the state/specific policy

- Coercive (military)
- Fiscal (extractive)
- Administrative
- Provisions of public goods

Author	Data and scope	Conceptualization of state capacity	Measurement of state capacity	Outcome Variable	Main Findings
Economic Development					
Evans and Rauch 1999	Cross-sectional 1970-1990 averages 35 less developed countries	Bureaucratic quality	Meritocratic recruitment	GDPpc growth	Positive relationships
Besley and Persson 2009	Cross-sectional 93-115 countries	Fiscal and legal capacities	Fiscal: 1- (trade taxes/total tax); 1-(trade&indirect taxes/total tax), income taxes/GDP; total taxes/GDP Legal: private credit/GDP; ease of access to credit (collateral & buncrapcy laws, credit information index, public credit registry coverage, private credit bureau coverage); investor protection (transparency of transactions, liability for self-dealing, shareholders can sue for misconduct); investor protection index; index of government anti-diversion policies	Fiscal and legal capacity	Historical incidents of war and parliamentary democracy, German and Scandinavian legal origins are “remarkably stable predictors of both legal and state capacity”
Besley and Persson 2010, 2011	Cross-sectional Global	Fiscal and legal capacities	See above	Economic growth, efficient production	Mathematical proof of the link between state capacity and the outcomes, correlation between state capacity and GDPpc
Knutsen 2013	Panel 1984-2004 Sub-Saharan Africa and globally	Bureaucratic quality (autonomy)	ICRG Bureaucratic Quality and State Antiquity Index	GDPpc growth	The effect of democracy increases when state capacity is low
Dencecco and Katz 2016	Panel 1650-1913 11 European countries	Fiscal centralization	Government revenue pc and non-military expenditure pc	GDPpc growth	Positive direct relationships

Acemoglu et al. 2016	Panel 1804-1899 U.S. counties	Territorial reach (implicitly)	Density of post offices	GDPpc growth	Positive relationships
Nistotskaya and Cingolani 2016	Cross-country and panel Time: various Countries (global)	Bureaucratic competence	Mritocratic recruitment, security of tenure	Entrepreneurship rates	Positive relationships
Peace and Conflict					
DeRouen and Sobek 2004	Panel 1944-1997 92 episodes of civil war	Coercive and administrative	Army size per 1,000 inhabitants, ICRG Bureaucratic Quality	Civil war duration and outcome	Administrative capacity, but army size, undermines rebel victory, state capacity is not related to negotiated settlement
Fearon 2005	Cross-section averages 1960-1999 115 countries	Administrative	PRS's Risk of Expropriation and Repudiation of Government Contracts; PRS's Risk of Expropriation	Onset of civil war	High primary commodity export leads to lower state capacity
Fjelde and de Soysa 2009	Panel 1961-2004 c. 3500 conflict/country observations	Coerive, co-opting and integrative capacity	Tax effort; taxes/GDP; contract-intensive money (money in held outside banks in contracts and other promissory papers/total money)	Onset of armed conflict	Coercive capacity is not a significant predictor, but co-optation and cooperation are
Braithwaite 2010	Panel 1960-2001 Global	Administrative	Tax effort	Spread of civil conflict into neighboring countries	State capacity conditions the spread
Buhaug 2010	Panel 1950-2001	Territorial reach	Tax effort	Onset of intrastate conflict	State capacity decreases the probability of

	5,500-6,500 episodes of intrastate conflict in 144/210 countries				insurgency near the capital city
DeRouen et al 2010	5 case-studies (14 peace agreements), qualitative coding of quant data	No direct engagement with conceptual literature	A set of indicator, ranging from GDPpc and military spending, to corruption and transparency that underpin the qualitative assesment of state capacity as high or low	Success of peace agreement	State capacity is a strong predictor of peace agreement implementation success
Thies 2010	Panel 1960-1999 c.5000 civil war onsets in 157 countries	Extractive/fiscal capacity	Government expenditures, total revenue/GDP, taxes/GDP, tax effort	Onset of civil war	Reverse causality: civil violence weakens state capacity
Public Goods Provision					
Acemoglu et al 2015	Cross-section c.1000 municipalities of Colombia	Territorial reach	Number of government agencies, number of national-level and municipal-level employees	Life quality, public utilities coverage, poverty, primary and secondary enrollement rate, vccination coverage	State capacity is a first-order determinant of current prosperity
Cingolani et al 2015	Panel 1990-2010 158 countries	Bureaucratic autonomy	Bureaucratic Autonomy Index (BAI), capturing early termination of the contracts of central bankers in countries where such officials enjoy formal fixed-term tenure	Child mortality and tuberculosis prevalence	Stronger impact of BAI than other measures of state capacity
Hanson 2015	Panel 1965-2010 162 countries	Territorial reach	State Antiquity Index and sensus frequency	Secondary school enrollment and infant mortality	Once accounting for state capacity, democracy leads to better development outcomes
D'Arcy and Nistotskaya 2017	Cross-section Democracies	territorial reach, infomratio	Cadastral records	Index of quality of 11 public services, quality of primary education, PISA scores, infant mortality	State that democritized at higher levels of state capacity

					produce better public goods
Briebe 2018	1960-present Case study (Chile and Argentina)	Bureaucratic quality and territorial reach	Territorial reach, homogeneity and quality of health bureaucracies	Infant and maternal mortality	Chile achieved a “reversal of fortune” compared to Argentina, and also markedly brought down territorial inequalities
Grundholm and Thorsen 2019	Panel 1902-2008 Global	Administrative capacity	V-Dem “Rigorous and impartial public administration” and Hanson and Sigman’s (2003) measure	Secondary school enrollment and infant mortality	Democracy and state capacity reinforce the positive effect of each other
Consolidation of Democracy					
Fortin 2012	Cross section IV: average 1989-2006 DV 2006 26 Post-Communist countries	Mann’s infrastructural power	An index of five indicators: progress in infrastructure reform, corruption, property rights protection, contract intensive money and tax revenue/GDP	Level of democracy	Positive relationship
Andersen et al 2014	Time: various Democratic and autocratic breakdowns (globally)	Monopoly of violence and bureaucratic quality	Military expenditure per capita, ICRG Bureaucratic Quality, taxes/GDP	Regime stability	Administrative capacity stabilizes democracies, monopoly of violence stabilizes autocracies
Cornell 2014	Cause study (Peru and Bolivia), qualitative interviews	Bureaucratic stability	Bureaucratic turnover	Democracy Promotion Programs	Positive relationship