

# The Modern Understanding of the State

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State effectiveness now at the heart of study of development

- Fiscal Capacity
- Legal Capacity
- Collective Capacity

The interaction with private sector development is also key

- Markets cannot thrive without the right kind of state intervention

# The Role of Public Administration

There is an important interface between politics and bureaucracy  
“Well executed policies that are slightly misguided are much more effective than those than absolutely correct but poorly executed ones.” (Larry Summers)

- The desire for reform normally comes from politics
  - solving the political agency problem is essential
  - appropriate constraints on executive authority key
- But now much more attention on delivery
  - corruption is only one aspect of this.
- I will discuss some broad emerging themes
  - And emphasise the value of field experimental approaches
  - Also discuss the role of the World Bank

# Three Broad Themes

- Incentives
- Selection
- Culture

It is essential not to study these in isolation as they interact

Central to economists tool kit and first place we look for poor performance

- Classic framework looks at people who are rational, hate effort and like money
  - key focus is then on performance measurement
  - may lead to case for “lower-powered” incentives which is more relevant in bureaucratic contexts
- Also role for career concerns with implicit incentives
  - emphasises heterogeneous ability
  - also requires us to embed thinking in the market for bureaucrats
- Can enrich this in relevant ways
  - people with complex preferences (e.g. altruism, mission, identity)
  - but leads more directly to thinking about selection and culture

Requires embedding the bureaucracy in markets

- Is there something special about the motivation we want from public servants?
  - incomplete contracts limit control of complex decision makers
  - classic example of Hippocratic Oath
  - large literature on tests for “public service motivation”
  - are efforts put into selection valuable?
- Effective organization is about mission alignment
  - need to have clearly articulated and understood missions
  - can be brought about by selection?

Discussed extensively in non-economics literature

- Weber's ideas central to professionalization
  - key idea is that effective bureaucracy is about internalization of values
  - bureaucracies create "identities" which limit incomplete contracting problems
  - can be allied to mentoring and training
- Little quantitative sense of how important this is in specific settings
- Cultural dynamics become key to reform
  - policy implications much less clear than for selection and incentives
- Exploring this more could be a key part of the research frontier.

# Interaction between incentives, selection and culture important?

## Examples:

- Imperfect contracting makes selection and culture important “residual elements” of performance
- Selection which increases alignment can limit need for incentives
- Selection creates an environment for social learning which influences culture
- Culture can respond to incentives, embedding practices that generate high payoffs



How does the existing evidence base help?

- Formal versus real authority
  - bureaucracies know a lot about how things work
  - power to hold up is therefore strong
- Piecemeal versus holistic reform
  - how far is there scope for incremental improvement?
  - complementarities
  - needs articulating in specific contexts
- Decentralization
  - is uniformity important?

# The Role of the World Bank

How well is the Bank able to aggregate experience and encourage social learning?

- The curse of Denmark
  - how helpful is it to “market” ultra-successful examples?
  - what are the realistic blueprints?
- Good studies are highly specific
  - excellently done field experiments tend to have quite a narrow focus
  - so need to be joined to wider themes of incentives, selection and culture
- Is the Bank configured to join research to policy and how can this be improved?
  - DEC – Global Practices – Operations

# Thank You!

