

The Sustainable Governance Indicators in Cross-national Comparison

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Introduction

In recent years, the topic of reform—of the labor market, for example, or of tax or security policy—has increasingly come to dominate public discussion in Germany and other countries. Reform is generally discussed in one of two ways. In the first case, it is believed that necessary reforms are put off for too long, are not carried out according to appropriate standards of quality, or do not even get off the ground in the first place. The term “reform gridlock” is used in this context in political-science circles as well as in the popular media. The second perspective disagrees with this diagnosis or considers it to be only partially true, arguing that things are no worse in one place than they are in another, particularly when comparable countries are held up against each other.

Comparative measurements are essential if we are to engage adequately with the question of reform blockage—or, to put it in positive terms, with the question of the reform capacity of states. However, until now, there have not been any rankings specifically concerned with the issue of reform capacity.

The Sustainable Governance Indicators (SGI) project is the first systematic measurement of the reform capacity of states. Even though existing approaches differ in their designs and guiding concepts, in methodological terms, a comparison between them and the SGI is a useful way to draw out their various strengths and weaknesses.

This chapter presents an overview of the measurement tools in current use. While this overview is not complete, an attempt was made to discuss all relevant approaches found in the sciences and in practice as well as all of the methods in use, ranging from purely quan-

titative or hybrid indices to purely qualitative country reports.¹ In the following, we discuss six different approaches to comparing countries:

- World Bank *Governance Indicators*,
- Heritage Foundation *Index of Economic Freedom*,
- World Economic Forum *Global Competitiveness Index*,
- International Institute for Management Development (IMD) *World Competitiveness Yearbook*,
- OECD *Product Market Regulation Index*,
- International Monetary Fund (IMF) *Country Reports*.

The main focus of our analysis is on the indices' underlying theoretical assumptions, the methodology they employ and, in particular, their approaches to measurement and aggregation. These criteria are introduced in the second section of this paper, followed by the individual indices and the SGI in the third section. The seven indices are then compared with each other, and the SGI is situated in the existing indicator landscape. In conclusion, we discuss the usefulness of the SGI as a method of measuring the comparative reform capacity of OECD countries and its value as a tool in both research and practice.

Criteria for the assessment of reform indices

In recent years, there have been numerous contributions to the comparative study of democracy that systematically evaluate existing indices of democracy on the basis of different criteria (Beetham 1994; Gaber 2000; Munck and Verkuilen 2002; Schmidt 2006). In the following, we make use of the methodological standards and test criteria employed in these studies to evaluate the SGI and the other comprehensive indicators. The general quality criteria for assessing measuring instruments are: validity, reliability, objectivity and representativity.

1 The IW-Reformbarometer, for example, published since 2002 by the Institut der Deutschen Wirtschaft, was not included. The Reformbarometer collects longitudinal data on labor market, social expenditure, finance and tax policy. See IW (2002) for a description of its methodology. While this index has recently begun to extend to neighboring countries, including Switzerland and Austria (Scharnagel, Mahlich and Beck 2007), to date it only includes a small number of parameters enabling international comparison.