

# Sustainable Governance in the OECD— An Overview of Findings

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## **A look at what's behind the figures**

The Sustainable Governance Indicators (SGI) project, which is available online at [www.sgi-network.org](http://www.sgi-network.org), is much more than a substantial set of figures and calculations. Its products encompass more than three and a half thousand pages of assessment reports, along with the collective expertise of an international team of nearly 100 scholars. In this chapter, we will provide an overview of the wealth of data gathered as a part of the SGI, present the central findings and turn an analytical eye on some surprising correlations.

The SGI project as a whole is driven by the premise that the 30 developed industrial nations of the Organization for Economic Cooperation and Development (OECD) face major challenges not only because the nature of individual problems has changed, but also because the national and international frameworks within which governments operate have undergone fundamental transformation in recent years. Clearly, problems associated with climate change, international terrorism and the growing wealth gap between industrial and developing nations all constitute a serious threat to the international order, and any attempts at their resolution will necessarily come within the framework of international cooperation.

Yet despite the pressures of internationalization and economic or political integration, industrial nations also face social and economic problems that are to some extent “homemade” and, therefore, a matter of national policy. These include structural and financial problems associated with states’ social security systems, issues of distributive or social justice (see Wolfgang Merkel and Heiko Giebler, in this publication), shortcomings in education systems, integration problems and problems associated with environmental protection. These are

closely accompanied by grave secondary problems, such as a growing dissatisfaction with democracy among electorates or a loss of faith in the performance of democratic institutions and the structures of (social) market economies.

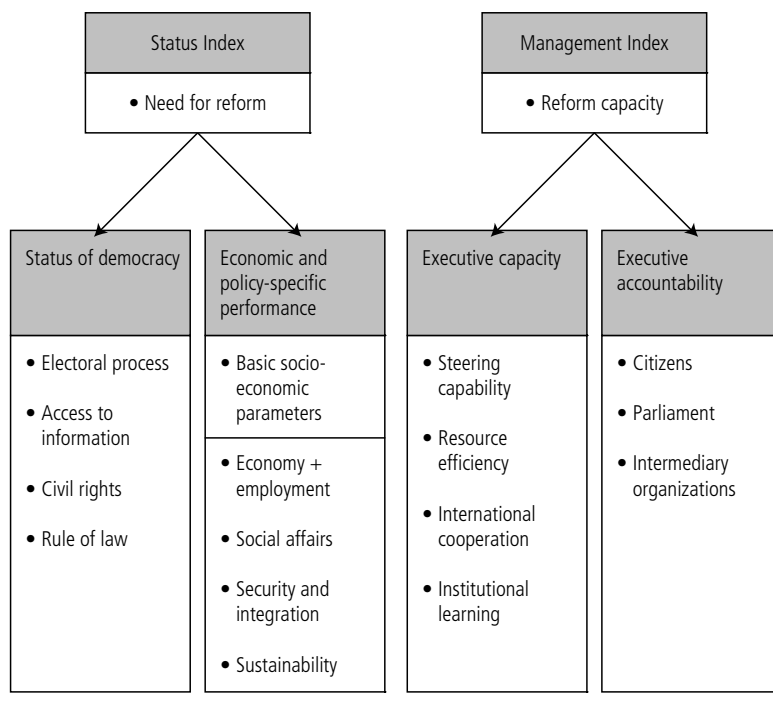
The financial market crisis underfolding as we write has dramatically demonstrated the extent to which global financial relations and open markets have altered the steering capacity of government policy. In a globalizing world, OECD nations find themselves exposed to rapidly intensifying competition on the basis of institutional efficiency and effectiveness, with their activities subjected to a rigorous test that rewards the most effective solutions and highlights specific weaknesses. This does not mean that globalization has succeeded in shaping all fields of politics and regions in a quasi-deterministic, universally valid manner or that globalization deprives national governments of the freedom to choose solutions in accordance with their own political and social welfare traditions. It does mean, however, that providing for public services as well as maintaining constitutional democracy and a market economy ruddered by sociopolitical concerns will, all in all, require continual adjustments. Reforms are therefore indispensable—but which ones?

The need for reform and governments' capacities for reform are thus the conceptual cornerstones of the SGI framework, which thereby aims to address the complexity of political reform processes in OECD states. Equally important—but qualitatively different in terms of how each can be assessed—, need and capacity are not combined into a single index but, rather, are addressed in two separate indices: the Status Index, which measures a country's extant need for reform, and the Management Index, which assesses a government's capacity to formulate and implement reforms as well as citizens' capacity to hold their government accountable for its policies. Each of these indices is composed of two dimensions, which are further divided into categories and criteria.<sup>1</sup>

In designing the SGI, we adopted the well-tested method used by the Bertelsmann Stiftung's Transformation Index (BTI), which has been evaluating 125 countries transitioning to democracy and a market economy since 2003 (Bertelsmann Stiftung 2007). Given that both

1 For a complete, detailed presentation of the design and method of the SGI, see the contribution from Brusis in this publication.

**Figure 1: Dimensions and categories of the Status and Management Indices**



features of state order—democracy and a market economy—can be assumed to be present in the case of OECD member states, the SGI’s examination of the need for reform focuses on the quality of a state’s democracy or of its economic and policy performance rather than on gaps or absent features.

In calculating the overall results for the Status Index, the two dimensions “status of democracy” and “economic and policy-specific performance” are weighted equally. Whereas the first dimension measures the quality of a given state’s democratic order in terms of the categories “electoral process,” “access to information,” “civil rights” and “rule of law,” the second dimension outlines the contours of a state’s economic and political performance. This latter dimension draws upon basic socioeconomic data and examines in detail how past policies have performed in four areas: “economy and employment,” “social affairs,” “security and integration” and “sustainability.”

The two dimensions of the Status Index are informed by the normative premise that the quality of a state's democracy is critical to sustaining a high level of political, economic and social performance over the long term. Yet this quality can vary even within established democracies. In their study on policy and executive performance, which is based on SGI findings, Werner Jann and Markus Seyfried confirm this interlinkage, although clear causal relations are likely to be identified only over the course of time (see Jann and Seyfried, in this publication).

The Management Index is also composed of two dimensions: "executive capacity" and "executive accountability." The first dimension, executive capacity, measures the extent to which the core executive is able to formulate, adopt and implement reform initiatives by means of the categories of "steering capability," "resource efficiency," "international cooperation" and "institutional learning." Executive accountability, on the other hand, examines the participatory capacity of actors beyond the actual executive. The aim is to evaluate the extent to which parliament, political parties, associations and other civil society actors—by informing, communicating with and monitoring the core executive—contribute to improving the executive's knowledge base as well as the level of its normative reflection.

The conditions of modern governance are thus factored into the SGI's architecture. The project takes into account the fact that growing international economic and political interdependence impacts not only a government's capacity to act (e.g., in the areas of economic and social policy), but also the *manner* in which it acts. Modern governance is exercised within the context of an increasingly dense network of state and non-state actors. This by no means renders irrelevant the activities of governments in facilitating their nation's development. Indeed, the character or type of leadership pursued by a government is important, as are the structures and practices of its political-administrative system.

Thus, the manner in which governments deal with the challenges associated with increasingly urgent problems and changing frameworks is decisive. Just as it is misleading to speak of the deterministic effects of globalization or governance-induced problems spanning geographical borders and policy sectors, by the same measure, it would also be unrealistic to expect a uniform response to these challenges that befits all contexts (Scharpf 1997 and 1999).

## The need for reform and reform capacity

In the following pages, we start with a discussion of the fundamental relationship between policy outcomes (i.e., the subject of the Status Index) and government performance (i.e., the subject of the Management Index) as established during the survey period between January 2005 and March 2007.<sup>2</sup> This will be followed by a more detailed look at the particular strengths and weaknesses of selected states.

The wealth of data generated by the SGI necessitates a certain degree of distillation. The following classification of the 30 OECD countries into four groups is not based on any strict mathematical logic but, rather, on an initial appraisal of the comparative results. In this respect, the country groups serve as a structural support and reading aid, facilitating an improved visualization of the overall result.

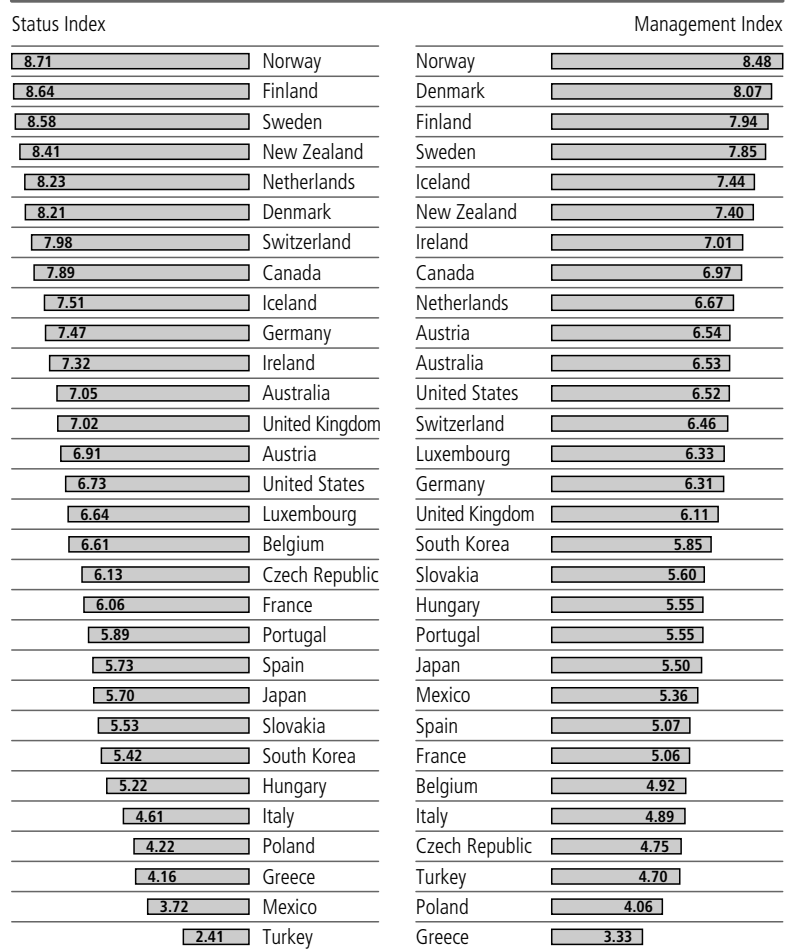
At the top of both indices are the Nordic countries along with New Zealand, which has an Anglo-Saxon-influenced system. The middle cluster is divided into two groups, though there is a relative homogeneity among them. The group at the bottom is more diffuse, as there is an increasing distance between the values.

The distribution of the countries is surprising insofar as the standard typologies of democracy and governance used in comparative systems analysis do not sufficiently explain a given country's performance in the two indices. A close analysis of these correlations shows, for example, that neither the traditional distinction between majoritarian democratic models and consensus democracies (Lijphart 1999) nor the distinction between federalist and unitary models adequately accounts for the differences in governance performance between the OECD states. Although different performance levels are commonly associated with these types of systems, SGI findings point instead to the art of governance as a more decisive factor.

A look at the correlation between management performance and policy outcomes suggests that good management yields good perfor-

2 For a thorough examination of the concrete causal relations between executive steering capacity and policy outcomes, see the contribution from Jann and Seyfried in this publication.

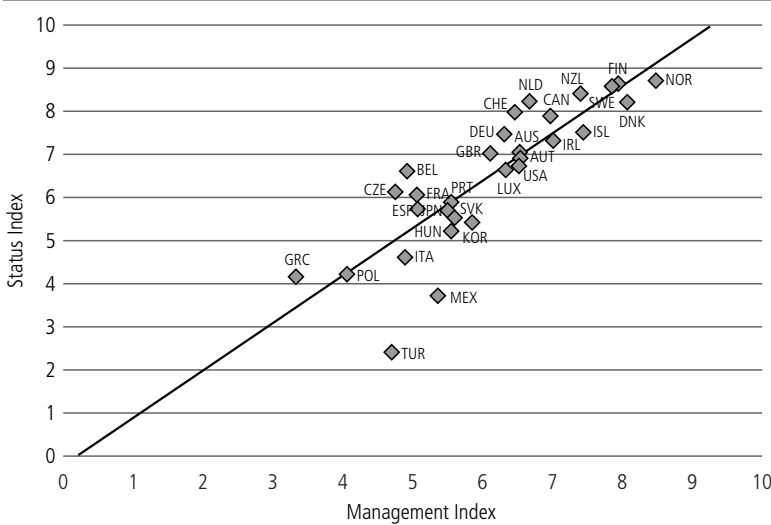
**Figure 2: Status Index and Management Index results**



Figures represent index values.

mance. Few OECD countries display radically different rankings across the two indices. Those with comparatively high reform-capacity scores can be expected to see their need for reform decrease in the medium term and their status improve accordingly.

**Figure 3: Status and Management Indices: scatter diagram for OECD countries**



Based on own calculations.

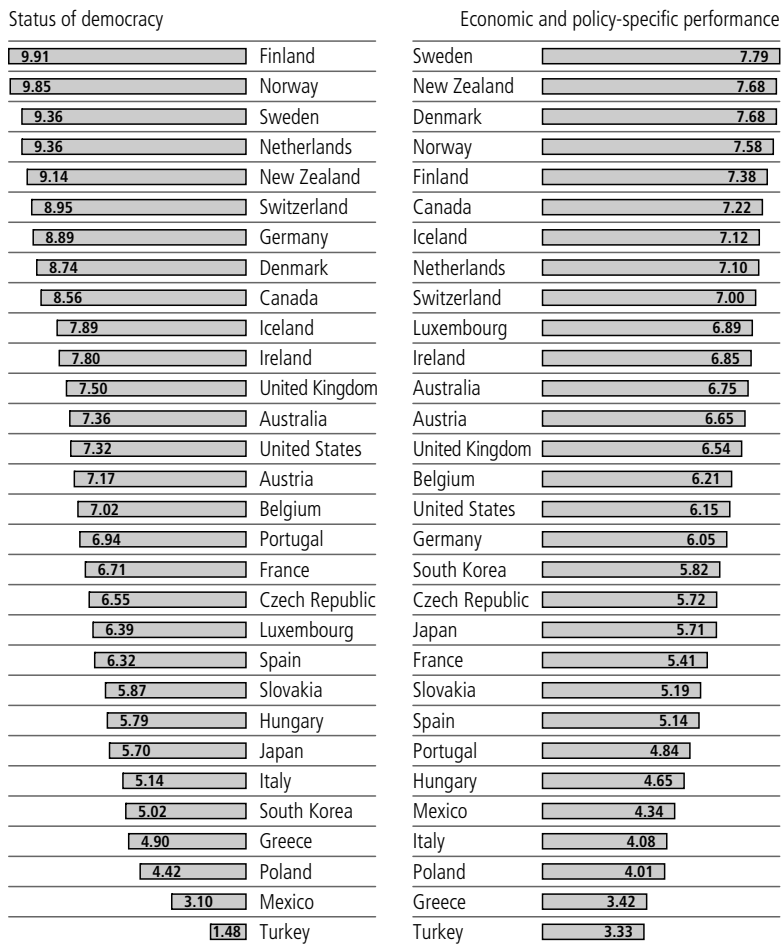
**Status Index: The need for reform in 30 OECD countries**

As outlined above—and due to individual problems as well as the changing national and international frameworks within which their governments operate—the 30 OECD member states are under constant pressure to ensure the future viability of their societies. In order to develop a clear understanding of the different kinds of reform needed in OECD states, we present in the following pages the findings for the Status Index and explore issues of specific interest.

**Strong performance paired with a high quality of democracy**

Recording values of 8.2 and greater on the Status Index, Norway, Finland, Sweden, New Zealand, the Netherlands and Denmark are respectively ranked first to sixth. These countries, which have less need for reform than their peers, do not share common features in terms of geography or system typology. Whereas the Nordic countries

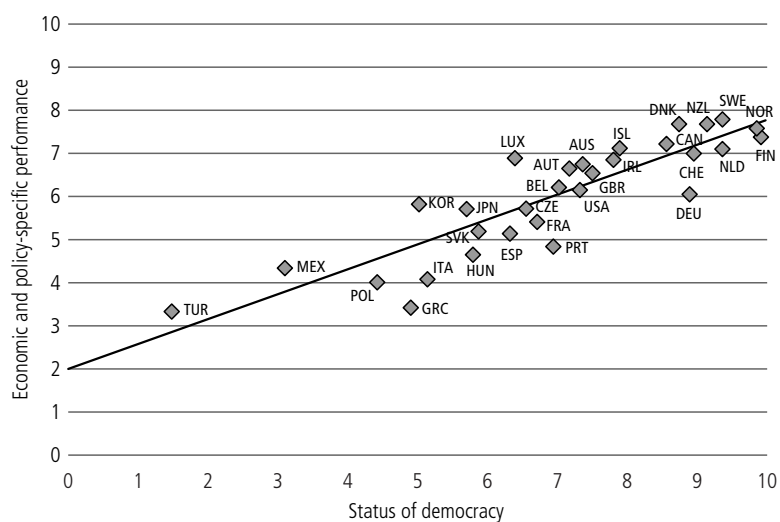
**Figure 4: Status Index results**



Figures represent index values.

dominate this group, high marks are also achieved by New Zealand, which reflects a classical Westminster model of government, and the Netherlands, which is shaped in every respect by the continental European tradition. However, all these countries do have small populations, and only the Netherlands has a population of more than 10 million. It has been shown that (at least economically) small countries perform better when they have a liberal trade regime (Alesina

**Figure 5: Status Index: scatter diagram for OECD countries**



Based on own calculations.

2002). Although this type of liberal regime is a relatively marked feature of those countries at the top of the ranking, this thesis has yet to be analyzed in detail.<sup>3</sup>

The architecture of the SGI reflects an implicit relationship between the dimensions of status of democracy and political and socio-economic performance, which appears to hold true and is depicted in Figure 5.<sup>4</sup> Despite this correlation, countries with a low-level need for reform (i.e., highly ranked in the Status Index) receive a considerably higher rating for quality of democracy than they do for economic and policy-specific performance. The data presented in Table 1 show that there is an almost two-point difference in rankings across the two dimensions for any given country.

3 In their contribution to this publication, Jann and Seyfried go so far as to point out that the variable of trade liberalism has “great explanatory power” in determining socioeconomic performance in OECD countries.

4 For a differentiated analysis of the influence of quality of democracy on individual components of the performance dimension, see Jann and Seyfried’s contribution in this publication. They demonstrate, for example, that the quality of democracy alone accounts for 77 percent of the variation in policy-sector performance.

**Table 1: Status Index: countries ranked first to sixth**

| Status Index:<br>rank (score) | Status of democracy:<br>rank (score) | Economic and policy-<br>specific performance:<br>rank (score) |
|-------------------------------|--------------------------------------|---|
| 1 Norway (8.71)               | 2 (9.85)                             | 4 (7.58)  |
| 2 Finland (8.64)              | 1 (9.91)                             | 5 (7.38)  |
| 3 Sweden (8.58)               | 3 (9.36)                             | 1 (7.79)  |
| 4 New Zealand (8.41)          | 5 (9.14)                             | 2 (7.68)  |
| 5 Netherlands (8.23)          | 3 (9.36)                             | 8 (7.10)  |
| 6 Denmark (8.21)              | 8 (8.74)                             | 2 (7.68)  |

### Status spotlight on Norway: A success story

Norway ranks at the top of both indices and, in the case of the Management Index (see below), by a considerable margin. As a dynamic and modern state capable of adapting to change, Norway stands out among the OECD countries in reform capacity. In the Status Index, Norway's lead is tempered only by minimal shortcomings in the status of democracy dimension. Indeed, its otherwise flawless democratic record shows that Norway has problems controlling corruption. A cross-national comparison of data on corruption control affords Norway a rank of seventh among the 30 OECD states assessed.

What about Norway's economic and policy-sector specific performance? During the period under review, Norway continued with sound economic and labor market policies. However, Norway's enterprise policy earned lower marks for a lack of coherence, landing at the rank of 23rd. Nevertheless, Norway's strong performance should not obscure the fact that its economic growth and sustainability remain closely linked to its natural resources. The Norwegian government has established an oil fund designed to secure the economic wealth generated by the country's oil reserves. The income from oil sales should enable Norway to pursue a sustainable budget policy. The economic boom of recent years, which is itself partly oil-driven, to some extent accounts for the positive developments witnessed in the labor market. Surely, however, Norway's model of flexicurity is also a key factor in this respect.

Norwegian family policy places substantial emphasis on the “social democratic” features of the Scandinavian model and successfully facilitates the participation of women in the labor market by means of an extensive system of day care. Measures such as child benefit payments as well as a uniform tax rate for married and unmarried couples further highlight the principle of social justice that lies at the heart of Norway’s family policy. It should come as no surprise, then, that Norway achieves a highly respectable fourth place on Merkel and Giebler’s Index of Social Justice, which the authors discuss in their contribution to this publication.

The Norwegian government also demonstrated an enthusiasm for reform in reorganizing its pension policy so as to provide for the security of its older citizens. It has established incentives for individuals to delay retirement and stay active in the labor market for a longer period of time in order to render the system sustainable.

The few genuine weaknesses in the Norwegian system are to be found in the areas of education and research policy. Well-thought-out policies in these areas will be required if the country is to sustain its economic performance after its natural resources have been depleted. Even though Norway can point to a structurally equitable and just education model that guarantees access to education for all sections of the population, the overall quality of education and the promotion of excellence are not satisfactory.

Denmark and Sweden are similar both in terms of their overall rankings for status of democracy and economic and policy performance and with respect to the strengths and weaknesses to be found in their respective democracies. Although both countries receive very good marks for the quality of democracy, each has some weaker points that remain to be addressed. For example, press freedom in Denmark has suffered as a consequence of a Danish newspaper’s publication of Mohammed caricatures in 2006 and the debate this action unleashed. In addition, the liberal-conservative government’s reform of immigration laws, which were carried out with the support of the Danish People’s Party (Dansk Folkeparti, DF), played on extant prejudices toward foreigners held by certain sections of the population and, thus, reflect negatively on the state of integration and the battle against discrimination. SGI experts also criticized Sweden for allowing the ques-

tionable extradition of refugees by the CIA and, as a result, gave the country lower scores for civil rights.

Democracy in the Netherlands is also of high quality, showing only minor weaknesses, for example, in the form of isolated lapses in controlling corruption. Finland, which is ranked second overall in the Status Index, ranked at the top of the status of democracy dimension. Indeed, “control of corruption” proved to be the only weak point for Finland, and a minor one at that.

Similarly, relatively few weaknesses can be observed for New Zealand in this dimension. Room for improvement was observed only in the area of media pluralism, where a constellation of concentration prevails. As discussed in the country report for New Zealand, four companies alone dominate the country’s newspaper market, and three of these companies serve nearly 90 percent of the total readership.

Whereas the top-ranked countries in the Status Index received more or less similar scores for the status of democracy, their scores vary for the second dimension, economic and policy-specific performance. To be sure, all of the countries in this group show a high performance level. A closer look at the constituent parts, however, shows that the distribution of scores and rankings for Sweden, Finland and Denmark in the individual categories of this dimension are the inverse of those received by New Zealand. This means that those areas in which Sweden, Finland and Denmark perform well are exactly the same areas in which New Zealand does not, and vice versa.

New Zealand receives high marks for its performance in policy areas relating to economic and employment affairs as well as for security and integration issues. But it receives lower marks for its performance in the policy areas of social affairs and sustainability. In contrast, Denmark and its Nordic neighbors scored well in precisely these last two policy areas.

New Zealand’s weaknesses are most apparent in the area of “social cohesion.” Low-income families—and particularly those who live on social welfare—are at risk of poverty. Although a number of sociopolitical reforms were implemented during the course of the survey period, including the introduction in 2005 of the “Working for Families” program, it is still unclear whether New Zealand will succeed in improving the state of affairs for low-income families. In contrast, Sweden, which has a welfare state shaped by the principle of univer-

salism, enjoys a low poverty rate and low levels of socioeconomic inequality, both of which positively influence social cohesion.

These findings also correspond with those established by Merkel and Giebler in their contribution to this publication. With the exception of New Zealand, the top six states ranked in the Status Index are also ranked at the top of Merkel and Giebler's Index of Social Justice for OECD countries.<sup>5</sup> Economic and social policies in the Netherlands as well as in the Nordic states—which are classified as universalist, social democratic welfare states—feature a strong neo-corporatism (cf. Esping-Andersen 1990).

Despite its demonstrated success in sociopolitical terms, Sweden's economic policy does have its own problems. The country's weak enterprise policy, which is struggling in the face of high wage costs and a strict regulatory framework, has put the brakes on innovation and economic competitiveness.

In the case of neighboring Finland, labor market policy has been subjected to immense pressure by the developments associated with globalization. Due to its geography and the associated barriers to labor mobility, Finland has not always been able to react flexibly to these challenges. It does, however, have a sound enterprise policy that aims to resolve a series of problems, including those it faces on the labor market.

Unlike Finland and Sweden, Denmark does not face serious challenges in terms of its labor market or economic policies, although it does not score as well here as it does in the area of social affairs. Overall, Denmark is well prepared for the challenges associated with demographic change. As one of the first states to implement a "flexicurity model," which combines flexibility in the labor market with a reinforced social welfare net, Denmark serves as a role model for the European Union as a whole, which has adopted this model in its Lisbon Strategy as a goal for each member state.

Like Denmark, the Netherlands is proving capable of implementing the flexicurity model, albeit using slightly different means. Although the Netherlands attains only average scores in most policy areas, it appears to have adopted an effective strategy in terms of so-

5 Iceland, which is ranked ninth in the Status Index, ranks among the top countries on the Index of Social Justice (ranked third). For more details, see Merkel and Giebler in this publication.

cial policy. Both its social security system and family policy have proved sustainable.

In the area of education policy, Finland stands out particularly in terms of sustainability, having demonstrated its ability to introduce sound safeguards in managing future changes to the labor market. According to the SGI country report for Finland: “Investments in education have been central to Finland’s efforts to improve competitiveness, and the ambition of education policy is to ensure that the entire population has access to education and training. Generally speaking, Finnish people have a high standard of education, and the principle of lifelong learning is important. Basic education is free of charge, and municipalities are responsible for providing education to all local children” (see [www.sgi-network.org](http://www.sgi-network.org): country report Finland).

By contrast, New Zealand falls short in several aspects of its education policy and has also failed to develop a sustainable research-and-innovation policy. The hard data, in particular, attests to the fact that New Zealand is unable to perform at a satisfactory level in this area. These deficiencies give the country a ranking of seventh. However, it should be noted that the country’s unique geographical makeup and location—rather than its policymakers *per se*—account for many of the shortcomings in innovation capacity. This is expressed, for example, in the low number of patent applications. New Zealand’s geographical isolation and its relatively small size appear to disadvantage the country, as large companies rarely locate there and the agricultural sector continues to dominate the economy.

Nonetheless, in terms of integration policy, New Zealand is ahead of the Nordic states, which lag far behind in developing successful integration models. Sweden, for example, has several integration policy instruments at its disposal, none of which appears to be particularly effective. This has resulted in high rates of unemployment among immigrants as well as the geographical exclusion of migrants from urban areas and into racialized spaces in the outskirts of metropolitan areas. Integration-policy measures in Finland also fail to yield much in the way of success, a fact often attributed to negative sentiments among native Finns toward foreigners and the difficulties in learning Finnish.

## Solid performance with room for improvement

There are 11 countries that form the upper intermediate group of the Status Index ranking: Australia, Austria, Belgium, Canada, Iceland, Ireland, Germany, the United Kingdom, Luxembourg, Switzerland and the United States. As Table 2 shows, the transition to the lower half of the intermediate group tends to be smooth, and the distance between scores is small. It should therefore come as no surprise that differences between these countries in terms of status are relatively small.

**Table 2: Status Index: countries ranked seventh through 17th**

| Status Index:<br>rank (score) | Status of democracy:<br>rank (score) | Economic and policy-<br>specific performance:<br>rank (score) |
|-------------------------------|--------------------------------------|---|
| 7 Switzerland (7.98)          | 6 (8.95)                             | 9 (7.00)  |
| 8 Canada (7.89)               | 9 (8.56)                             | 6 (7.22)  |
| 9 Iceland (7.51)              | 10 (7.89)                            | 7 (7.12)  |
| 10 Germany (7.47)             | 7 (8.89)                             | 17 (6.05)   |
| 11 Ireland (7.32)             | 11 (7.80)                            | 11 (6.85)   |
| 12 Australia (7.05)           | 13 (7.36)                            | 12 (6.75)   |
| 13 UK (7.02)                  | 12 (7.50)                            | 14 (6.54)   |
| 14 Austria (6.91)             | 15 (7.17)                            | 13 (6.65)   |
| 15 USA (6.73)                 | 14 (7.32)                            | 16 (6.15)   |
| 16 Luxembourg (6.64)          | 20 (6.39)                            | 10 (6.89)   |
| 17 Belgium (6.61)             | 16 (7.02)                            | 15 (6.21)   |

### **Status spotlight on Germany: high democratic standards but shortcomings in policy output**

Germany stands out for the large discrepancy that exists between the quality of its democracy—which is virtually unblemished, with a faultless electoral process and a robust rule of law grounded in a clear constitutional framework—and its relatively laggard economic and policy-specific performance. Together with Belgium and the Czech Republic, Germany

was ranked only 20th in labor market policy as well as enterprise policy. Although efforts on the part of former Chancellor Gerhard Schröder's government to address high levels of unemployment through labor market policy measures in the form of the so-called Hartz IV reforms have been implemented, they did not prove entirely effective during the period under review. Long-term unemployment and the persistence of broad unemployment discrepancies between east and west are cause for considerable concern.

Germany's relatively poor marks on tax policy can be attributed primarily to the lack of transparency and high degree of complexity in the taxation system. Although Germany performs better in terms of social policy, there is nonetheless room for improvement here, too. Pension policy, in particular, is a field worth watching, as the reforms implemented by both the Schröder and Merkel governments—which were praised by SGI experts—have not yet come to bear on the quantitative data. Germany's health and family policies also rank in the intermediate group in terms of cross-national comparison. The protracted struggle over health care-system reforms and the lack of an adequate day care infrastructure for infant supervision are the main points of criticism in this policy area.

Germany's integration policy is another area showing considerable deficiencies. Immigrants to Germany are overrepresented in the low-wage sector and suffer from relatively high rates of unemployment. There are also large discrepancies in terms of educational attainment between first- and second-generation immigrants and Germans without an immigration background.

Germany is a pioneer in the field of environmental policy, where the boom in alternative-energy investment speaks for itself. There are nonetheless calls to formulate and implement an even more effective research- and innovation-policy that would promote innovation as a means to greater economic growth. Although the government's "High Tech Strategy for Germany," which was drafted in 2006, is considered a good start, the development potential of small- and medium-sized businesses, in particular, has continued to languish.

In general, German education policy is also subject to criticism, achieving only an average ranking. Critics point specifically to the above-average levels of dependency between educational attainment and socioeconomic background. However, SGI experts did laud the government's "Excellence Initiative," which is aimed at facilitating excellence in tertiary education.

The empirical findings yielded by the SGI dovetail with the popular assumption that Germany's rather average economic and policy-specific performance correlates with the complexity of its political system (i.e., a coalition democracy with a high degree of policy interdependence between the federal states and underlying corporatist structures, which is anchored within the European Union's multi-level governance system). At the same time, however, our findings demonstrate that a political system's specific features in no way determine a given reform's potential reach or prospects of success. In fact, even within the constraints of given structures, governments still have numerous possibilities to shape and influence policies. The decisions and actions taken by Schröder and Merkel as the heads of government are therefore not beyond criticism on the part of the SGI experts. For example, the public outcries over the Hartz IV reforms can be attributed in large part to the government's poor communication performance. Similarly, internal party disputes are identified as slowing or even derailing reform initiatives, as are the tactical maneuvers exercised by the governments of the federal states.

In terms of the quality or status of democracy and its various criteria (e.g., as electoral process, access to information, civil rights and the rule of law), the states in this group—like the top performers—enjoy consolidated rights and processes. However, their performance in these areas was not entirely faultless. SGI experts criticized Switzerland, for example, for the xenophobic fervor whipped up by the populist tactics of the Swiss People's Party (Schweizerische Volkspartei, SVP) during the review period.

The overall very good quality of democracy in several countries in this group is only compromised by deficits in terms of media pluralism. In Canada, for example, media pluralism at a local (provincial) level suffers from a high degree of ownership concentration. Australia, Austria and the United Kingdom suffer from a relatively concentrated ownership structure. Media markets overall are dominated by a limited number of companies in the United Kingdom and Australia, whereas regulatory control in Ireland has ensured media pluralism.

In terms of economic and policy-specific performance, there is heterogeneity in the strengths and weaknesses of the states in this upper

intermediate group. Switzerland, for example, has a conservative family policy that is subject to criticism. Although the country boasts a low child poverty rate and a high labor participation rate for women, this latter statistic is tempered by its dependence on the high proportion of part-time jobs taken on by women after having a child. On the whole, there appears to be a number of constraints on women's opportunities to develop their careers in Switzerland. The United Kingdom also fares poorly on issues related to social affairs.

Iceland, by contrast, received high marks for its family policy because it assures the compatibility of family and work interests through an extensive daycare system. In general, Iceland has a strong social policy, which is also reflected in its third place ranking in Merkel and Giebler's Social Justice Index.

Ireland, Australia and Canada score particularly well in the area of tax policy, which includes the indicators "tax evasion," "tax burden for individuals," "tax burden for businesses" and "tax system complexity." Although Australia has a comparatively complex tax system, the government attaches great value to the issue of horizontal equity. By contrast, Canada is criticized for its high tax burden on individuals and companies rather than for the complexity of its system. Ireland scores particularly well by virtue of its relatively low corporate tax rates.

However, all three of these countries manifest shortcomings in terms of family policy and social cohesion. We can observe an increasing disjuncture between successful economic policies and rather weak social policies in these countries, which indicates that the growth in affluence is not distributed equally throughout their societies (a finding confirmed by Merkel and Giebler in this publication). Belonging also to the liberal Anglo-Saxon welfare state model, the United Kingdom displays similar problems.

Environmental policy is the greatest weakness in Australia, Canada and Ireland. Australia, in particular, tends to give economic interests greater priority than environmental policy. This is surprising for a country facing significant environmental challenges in part due to above-average aridity problems. Australia also lags behind the other countries in terms of CO<sub>2</sub> emissions. Despite having signed the Kyoto Protocol at the end of 2007, climate policy remains low on its list of priorities.

Austria, by contrast, earns high scores in the area of environmental policy due to its earnest pursuit of sound policies. There are other

areas of sustainability, such as education and research and innovation, that Austria nonetheless tends to neglect. This kind of trade-off between the three criteria addressed by the sustainability category is observed frequently in the countries that make up the upper intermediate group. Many countries focus on one or two of the constituent areas at the expense of the third, which ultimately compromises comprehensiveness in the pursuit of overall sustainability.

Belgium benefits from a national economy with high rates of productivity and a high degree of openness to foreign trade. However, its prospects for sustained success are diminished by a tax policy that excessively emphasizes wage income over capital income as well as by a labor market with marked regional discrepancies. Belgium's neighbor Luxembourg has profited from the effects of globalization and economic liberalization—perhaps more so than any other country. Precisely because this has occurred without much effort on the part of its government, SGI experts stress the need for Luxembourg's government to create the conditions that will help secure the gains made in recent years.

### **Status spotlight on the United States: weighing challenges in foreign and domestic policy against each other**

During the period under review, the United States' record on policy performance and quality of democracy was mixed. Despite George W. Bush's ambitious plans at the start of his second term of office to invest his political capital in the reorganization of the country's social security system, the period between 2005 and 2007 was largely characterized by gridlock, partisan maneuvering and, following the Republicans' loss of a Congressional majority "divided government." It was during this period that the domestic implications of the war in Iraq and the Bush administration's security policy became abundantly clear in terms of their enormous economic costs and the erosion of civil rights in the world's oldest democracy.

At first glance, the United States' scores for status of democracy appear robust. A closer look reveals that SGI experts raised concerns over the fairness of election campaign reporting and, above all, over the constraints on civil rights resulting from the Bush administration's post-9/11

anti-terror measures, both of which had a negative effect on the assessment. Indeed, there were several instances in which the Bush administration violated the extant domestic and international legal order in the name of defending national security. The list of transgressions is considerable and includes interrogation techniques widely regarded as torture, the establishment of secret prisons, the exploitation of executive powers by the indefinite detention of “illegal combatants,” the subjection of these individuals to a parallel court system under the sole control of the Pentagon and the White House, and the implementation of a comprehensive surveillance program that circumvents the need for a court order in the domestic legal system.<sup>6</sup>

In terms of the policy sector “economy and employment,” labor market policy and enterprise policy are two of the United States’ strengths. Flexibility in the United States’ labor market—especially when compared with the density of regulation observed in a number of European countries—succeeds in generating greater incentives for employment, but it is also partially responsible for generating relatively high numbers of working poor and low job security. The findings for the criteria of tax policy and budgetary policy are also cause for concern because of the ways in which two factors—a tax policy that heavily favors businesses and higher income groups as well as a rapidly growing budget deficit fueled by tax cuts and military spending—negatively compound one another. Under the current state of affairs, the government’s ability to invest in education and infrastructure is increasingly limited. As the SGI experts note, this could have potentially grave consequences for the U.S. economy in the future.

Falling labor force participation rates and decreasing wage rates are feeding the growth of social inequality in the United States and are likely to have political and social repercussions. This state of affairs is reflected in the United States’ relatively low ranking in terms of social affairs (20th) and its even lower rank of 24th on the Social Justice Index (see Merkel and Giebler, in this publication). The need for sociopolitical reforms is greater than ever as income gaps continue to widen, poverty among senior citizens grows, health care provision falters and health costs continue to rise. George W. Bush’s highly controversial attempt to reform the social security system, which was originally the focus of his second term in office, ultimately failed.

6 The U.S. Congress amended related legislation in August 2007.

High crime rates and an unparalleled number of prison inmates attest to the United States' poor performance in terms of internal security. The record in terms of sustainability is more ambiguous, with research and innovation policies faring well but education and environmental policies falling short. Despite the American public's growing awareness of issues related to environmental protection, the United States has the highest energy use per capita of any nation in the world and, at least for the duration of the period under review, acted to stymie policies addressing climate change. It has maintained its boycott of the Kyoto Protocol and, along with a continual increase in fossil fuel consumption, has failed to exploit the potential of renewable energy sources. As stated in the country report for the United States, in 2005, renewable energy sources accounted for only 4.5 percent of the country's total energy supply. This stands in stark contrast to Iceland, the best performer on this issue, where renewable energy sources constitute a whopping 74 percent of the whole.

The United States finally displays severe weaknesses in the area of education. The quality of state schools and the educational prospects for children from low-income families are in particular in need of improvement.

### **Greater emphasis on sustainability needed**

The countries ranked 18th through 25th (the Czech Republic, France, Portugal, Spain, Japan, Slovakia, South Korea and Hungary) present a mixed picture, representing different regions of the world and very different political and social welfare traditions. However, at the level of the Status Index dimensions and in the comparison between the quality of democracy and economic and policy-specific performance, the picture is largely homogenous. With few exceptions, the 8 countries in this group are ranked between 17th and 26th for each of the two dimensions.

Hungary's below-average score in the democracy dimension is a consequence of: its political clampdown on the public media and the resulting restrictions on media freedom; existing weaknesses in the protection of minorities; and the absence of effective legislation for combating corruption. South Korea exhibits a similar pattern of shortcomings. Alongside the ownership structure in the (print) media mar-

**Table 3: Status Index: countries ranked 18th through 25th**

| Status Index:<br>rank (score) | Status of democracy:<br>rank (score) | Economic and policy-<br>specific performance:<br>rank (score) |
|-------------------------------|--------------------------------------|---|
| 18 Czech Republic (6.13)      | 19 (6.55)                            | 19 (5.72)   |
| 19 France (6.06)              | 18 (6.71)                            | 21 (5.41)   |
| 20 Portugal (5.89)            | 17 (6.94)                            | 24 (4.84)   |
| 21 Spain (5.73)               | 21 (6.32)                            | 23 (5.14)   |
| 22 Japan (5.70)               | 24 (5.70)                            | 20 (5.71)   |
| 23 Slovakia (5.53)            | 22 (5.87)                            | 22 (5.19)   |
| 24 South Korea (5.42)         | 26 (5.02)                            | 18 (5.82)   |
| 25 Hungary (5.22)             | 23 (5.79)                            | 25 (4.65)   |

ket and the *de facto* discrimination faced by minorities (e.g., North Korean refugees, immigrants and homosexuals), the most pressing problem is widespread corruption that persists despite government countermeasures. This seeming inability to control corruption is shared by Slovakia.

The most prominent feature of Hungary's economic and policy-specific performance during the survey period was its substantial levels of debt, which are among the European Union's highest, despite ambitious financial consolidation efforts. However, a strong performance with respect to environmental policy, a high level of employment in the high-tech sector and growth in research-and-development expenditures allowed Hungary to score relatively well in the sustainability category.

Despite a traditionally solid fiscal policy and low debt ratio, South Korea's performance in the "economy and employment" category was undermined by problems in the country's labor market. Rather than simple rates of unemployment, the greatest concerns in this respect were precarious labor conditions and an employment rate well below the OECD average. The results in the "social affairs" category were, in turn, affected by serious problems in the area of family policy, such as a lack of compatibility between family and career, the lowest birth rate in the OECD and low levels of reported life satisfaction.<sup>7</sup>

7 In accordance with these results, South Korea is only ranked 27th in the Social Justice Index (Merkel and Giebler, in this publication: p. 205).

South Korea's successful research-and-development policy contributed to a strong performance in the "sustainability" category, which also includes education and environmental policy. However, by international standards, South Korea's positive educational performance—the country ranked seventh among the OECD countries in the Program for International Student Assessment (PISA) study—is less a consequence of state education policy than of citizens' enormous financial expenditures in this area. With its high level of research spending and its large number of engineering and natural science graduates, South Korea occupies first place in the "science and technology degrees" indicator.

Slovakia's labor market faces persistent challenges posed by long-term and youth unemployment, despite considerable recent forward momentum. Nevertheless, the country's progress in a number of fields, such as tax and pensions policy, has been certified by international institutions and confirmed by SGI findings. For example, the three-tier pension system introduced by the Dzurinda government in 2004 functions well with respect to poverty prevention, justice and sustainability.

However, a relatively low employment rate amongst Slovakian women persists. Few efforts have been made to enhance compatibility between having a family and pursuing a career. Nor has Slovakia yet solved problems posed by the economic and social integration of immigrants—despite increased social awareness of these issues, which constitutes a substantial step in a country that historically has been the source rather than the destination of migration movements. SGI experts arrive at a similar assessment of the "sustainability" policy areas. While EU membership has slowly helped policymakers to pursue environmental measures with greater seriousness, research and development, and education policy all continue to be underfunded.

In contrast, Japan scores top marks in the "sustainability" category (ranking sixth), in large part as a consequence of an environmental policy characterized by a comprehensive mix of policy instruments. However, the country faces an urgent need for change in the area of "integration policy." With restrictive immigration rules and an absence of effective measures for integrating its steadily increasing foreign-born population, Japan performs below the OECD average. Shortcomings with respect to the integration of ethnic minorities and gender equality also detract from the assessment of Japan's civil liberties.

In Spain, economic growth, employment, a consolidation of public finances and a multitude of other indicators attest to positive development under the government of José Luis Rodríguez Zapatero. Neighboring Portugal drew attention during the survey period for an ambitious reform program targeting labor market, tax and fiscal policies. SGI experts positively highlighted the fact that Portugal's government—unlike Spain's—declared education and research to be among its top priorities. However, it remains to be seen whether Portugal can effectively absorb the costs of implementing these reforms and whether the government's social policy will be adequate to dealing with the country's still high levels of social inequality.<sup>8</sup>

France evidences an unexpected result: a large gap between a successful social-policy performance and grave problems associated with economic and labor market policy. In comparison to other OECD nations, France's economy proves deeply uncompetitive. In the view of the SGI experts, national policymakers are aware of the need for reform re-establishing the balance between social security and economic modernization. However, a lack of dialogue and understanding between the governing political-administrative elite and the populace has presented a barrier to reforms.

Despite having started from considerably less developed initial conditions than its Western European counterparts, it is left to the Czech Republic to illustrate that the twin pursuits of social equality and economic development are not mutually exclusive. Even though the country still struggles with problems arising from the system transformation at the beginning of the 1990s, it has outpaced its Central and Eastern European neighbors in development.

### **Across-the-board shortcomings in the quality of democracy and performance**

The countries at the bottom end of the scale include Italy, Poland, Greece, Mexico and Turkey. Two countries, in particular, stand out from their OECD peers due to the clearly different patterns of relationship between their status of democracy as well as economic and

8 Ranked 19th in the Social Justice Index (Merkel and Giebler, in this publication: p. 205), Portugal's weakness in this area is reflected in the social sector.

policy-specific performance scores. All previously examined countries have scored better in terms of democratic status than of performance; however, in the case of Mexico and Turkey this situation is reversed, with each scoring better in terms of performance than of quality of democracy.

**Table 4: Status Index: countries ranked 26th through 30th**

| Status Index:<br>rank (score) | Status of democracy:<br>rank (score) | Economic and policy-<br>specific performance:<br>rank (score) |
|-------------------------------|--------------------------------------|---|
| 26 Italy (4.61)               | 25 (5.14)                            | 27 (4.08)   |
| 27 Poland (4.22)              | 28 (4.42)                            | 28 (4.01)   |
| 28 Greece (4.16)              | 27 (4.90)                            | 29 (3.42)   |
| 29 Mexico (3.72)              | 29 (3.10)                            | 26 (4.34)   |
| 30 Turkey (2.41)              | 30 (1.48)                            | 30 (3.33)   |

Among countries situated towards the bottom of the Status Index, Italy and Greece score best in terms of status of democracy, while displaying a number of common, if differently held, weaknesses. In each case, the fairness of election campaigns is subject to some doubt. In the case of Greece, it is primarily the different level of resources available to political parties during campaigns that determined their level of media presence. In Italy, the reason for the dominance of the political right—the concentration of private TV station ownership in the hands of Silvio Berlusconi—is no less controversial. Participation rights show additional flaws. The lack of pluralism, especially in the television sector, has led to the formation of oligopolistic structures in Italy, while the Greek media market also displays quasi-oligopolistic features. Both countries struggle somewhat in the SGI’s “rule of law” category with particular reference to a lack of corruption controls. Both countries are making efforts to address this problem, although either has yet to have any notable success.

Poland also evidenced a number of shortcomings during the survey period with respect to the quality of democracy. In addition to noting a problem with overlong legal proceedings, SGI experts were particularly critical of the lack of media freedom. Although freedom of the press has theoretically been mandated since 1997, it cannot be

protected in its current form. According to the SGI's country report on Poland: "By changing the rules over the membership selection of the National Council of Radio and Television, the PiS [Law and Justice party] government effectively limited the independence of public TV and radio stations. The government's 49 percent ownership share allowed it to directly interfere in the personnel policies of the newspaper Rzeczpospolita, one of the two top nationwide dailies. The paper's editor-in-chief was installed by [former] Prime Minister Jarosław Kaczyński" (see [www.sgi-network.org](http://www.sgi-network.org): country report Poland: item 2.1, "media freedom").

On the other hand, Poland and Italy have strong similarities with respect to their political and economic performances. Both countries recorded a slightly better performance in terms of social policy than in economic or labor market policy. Poland's pension policy still benefits from the three-pillar model implemented in 1999. However, during the survey period, the Polish government was unable to halt either the financial drain resulting from the relatively early age of pension eligibility or an increase in poverty among senior citizens. Further shortcomings in Poland's performance record included a high unemployment rate, faltering private-sector economic development and a tax policy unable to keep pace with expenditure.

For its part, Italy's labor market policy has been characterized by an increase in atypical labor relationships, though these have not led to a corresponding reduction in unemployment. The employment situation faced by well-educated young people in Italy is especially alarming. Known as the "1,000 Euro Generation," they are often forced to live on an income of approximately €1,000, despite having completed their studies. Widespread black market activity, along with relatively uncompetitive tax policy linked to high levels of state expenditure, contribute little to improving the economy or labor market.

Poland and Italy also share a number of weaknesses in terms of integration policy. As both countries tend to serve as a source of emigration rather than a destination for immigrants, this set of issues has edged onto the political agenda only in recent years.

In addition, Poland, Italy and Greece have similar difficulties with respect to sustainability policy. All three countries perform poorly in the environmental, research and innovation policy areas. Greece's environmental policy has shown signs of recent improvement, but it has not led to any lasting success.

All the OECD countries situated toward the bottom of the Status Index are ranked relatively poorly in terms of social justice (Merkel and Giebler, in this publication) and occupy the bottom places in this list.<sup>9</sup> The only exception in this case is Italy, which ranked 20th. This is an important observation, especially in light of the fact that Merkel and Giebler have demonstrated in their contribution that it is the quality of a country's *democracy* and not its economic performance that is decisive to its level of social justice. In addition, a high-quality democracy clearly has a fundamentally positive effect on economic and policy-specific performance (see Jann and Seyfried, in this publication).

This reference to the fundamental importance of the quality of democracy leads us to a consideration of the two countries showing the greatest need for improvement in this area. As previously indicated, Mexico and Turkey are the only OECD nations to score more poorly in terms of democratic status than on their economic and policy-specific performance. In the case of Turkey, SGI experts are particularly critical of state intervention in the media and of discrimination against Kurds and other minorities, both in terms of legal rights and voting participation. Turkey's high electoral threshold requires parties to gain at least 10 percent of the popular vote to win seats in parliament. This prevents the election of smaller parties and, in particular, Kurdish parties, resulting in a deficiency in terms of civil rights.

In the case of Mexico, SGI experts point critically to a high level of corruption, state structures undermined by a highly virulent form of organized crime, discrimination against indigenous population groups and women, and an outdated and inefficient justice system. The fight against organized crime and corruption—which pose a threat to Mexico's economic progress and competitiveness as well as to its democratic-constitutional development—is, without doubt, one of the main priorities of Felipe Calderón's post-2006 government. However, the domestic deployment of the military to fight the drug trade—a measure which raises a number of constitutional issues—triggers considerable concern. The country's judicial system cries out for substantial reform, although experts note that it will be difficult to change the old

9 Poland, Greece, Mexico and Turkey are joined only by South Korea in the group of the five worst-ranked countries in terms of social justice.

structures. Nevertheless, SGI experts praised the growing relevance of Mexico's Supreme Court of Justice as a legal control body.

Despite fundamental progress in recent years, both Mexico and Turkey still have a long way to go in terms of the quality of their democracy as well as political and socioeconomic sustainability. In the case of Mexico, decisive factors include the above-mentioned problems with corruption and legal-system efficiency along with weaknesses in enterprise policy, inflexibility in the labor market and a low labor force participation rate among women. Moreover, tax revenues are insufficient to finance public sector spending, while the country's budget is dangerously dependent on oil reserves that will ultimately be depleted. Mexico's poor performance in terms of internal security, which is tied yet again to the issue of corruption and organized crime, has a negative impact on its rating for "security."

Turkey and Mexico additionally show considerable need for social reform. Comparatively high poverty levels in each constitute a central problem. This is compounded by large income disparities in Mexico and a persistently high level of unemployment in Turkey, despite economic growth. However, Turkey did pass a health and social security law in 2006, which was designed to strengthen the country's social system structures and thereby improve access to health care services.

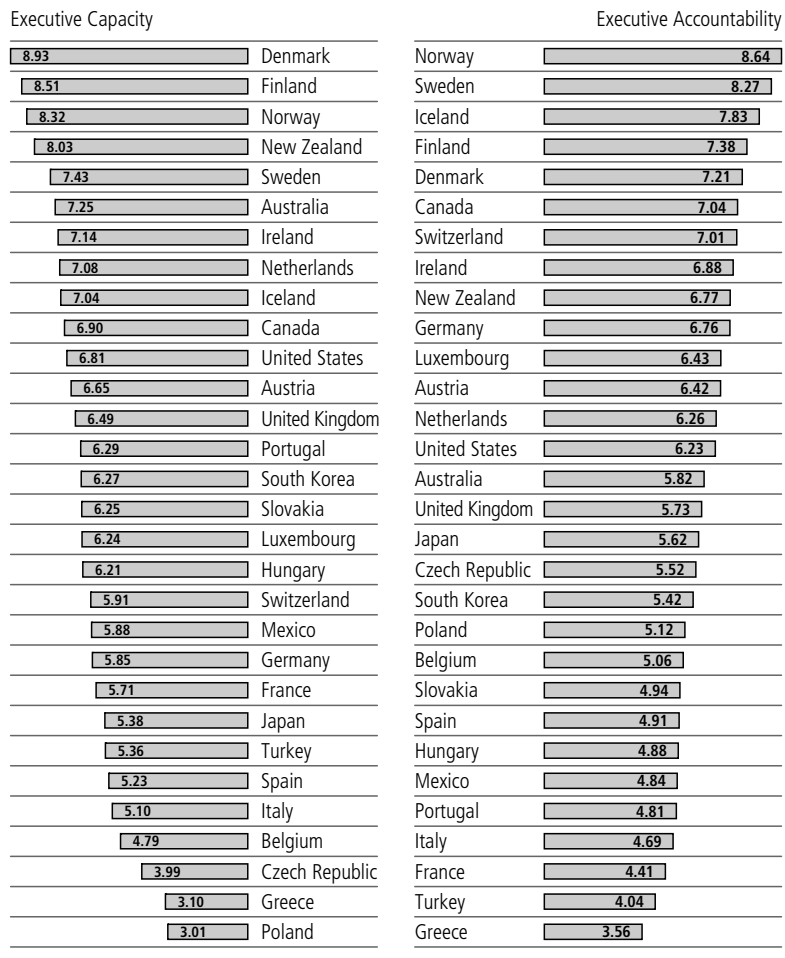
Finally, SGI experts criticized the two countries for comparatively poor research-and-development policies and for considerable problems with respect to education quality. These shortcomings naturally limit Mexico and Turkey's sustainability ratings.

However, beyond these policy-specific assessments, Mexico and Turkey again demonstrate the centrality of the overall finding: "Good governance" and high standards in the areas of democracy and the rule of law are critical to a government's performance. Consequently, reform efforts pursued by these two states, which have been identified in a number of areas, can only be welcomed.

## **Management Index: Reform capacity in the 30 OECD countries**

The Management Index examines, on the one hand, the scope of a government's strategic capacity for action and, on the other hand, the roles played by various actors in the broader field of governance, including parliaments and intermediary organizations (i.e., the media,

**Figure 6: Management Index results**



Figures represent index values.

parties and interest associations). The Management Index’s first dimension, “executive capacity,” assesses the extent to which a government employs internationally acclaimed best practices in terms of policy planning, formulation and implementation, while incorporating the effects of international developments and institutional learning. The normative assumption underlying the second dimension, “executive accountability,” is that the aforementioned actors serve to

improve political leadership insofar as they function not only as public auditors of government activity, but also enhance the normative grounds and knowledge base used to inform government decisions. Governance is thus conceptualized here as the combined efforts of governmental and various societal actors rather than as the product of a single actor vested with specific powers.

The two dimensions of the Management Index are correlated with each other in the same way as the two dimensions of the Status Index. Viewed separately, they allow styles and models of governance to be roughly distinguished according to whether the strategic capacity of the executive takes prominence in decision-making processes or whether the control, information-gathering and deliberation functions of societal actors outside the executive are more strongly pronounced (see Figure 6).

All of the states have also been classified according to their performance on the Management Index. Four different state groupings emerge from this classification. All of the Nordic states and New Zealand hold the leading positions. Both this leading group and the lowest group, made up of Poland and Greece, differ in a particularly significant way from the broad and heterogeneous intermediate group comprising the remaining states. This means that the gaps between the two groups at the extremities and the intermediate group are not only largest at the aggregated level of the Management Index, but also that correspondingly clear gaps appear in examination of the majority of individual categories and criteria. Within the intermediate group, two subgroups are found. At the higher level, there is a group including nine Anglo-American and small Central European states. Although at the bottom of this group, Germany is nevertheless included by virtue of its aggregate management performance. The lower group in this intermediate cluster, which has countries as diverse as the United Kingdom and Mexico, brings together a varied group of states including a number from Southern Europe, East Central Europe and Asia.

### **Outstanding learning capacity**

Norway, Denmark, Finland, Sweden, Iceland and New Zealand hold the top six positions in the Management Index. These six countries likewise number among the top nine countries in the Status Index,

suggesting that good governance is closely correlated with the quality of a state's democracy as well as with its performance capacity. Five of the top six countries are Nordic states, which collectively form not only a geographical region, but also exhibit political and historical-cultural commonalities. However, as was also the case with the Status Index, New Zealand—a country that embodies the Westminster tradition of majoritarian rule—is also included.

This leading group sets itself apart from the lower-ranked states particularly with respect to the issue of institutional learning capacity. In all of the countries within this group, the various parts of the executive are continually scrutinized and frequently reformed so as to improve their efficiency and performance capacity. Most reforms are guided by strategic considerations rather than by partisan political interests and are primarily concerned with restructuring the portfolios of the various ministries as well as relations between ministries and semiautonomous agencies.

While New Zealand has done the most to implement business principles of administrative organization (New Public Management) in a sustained manner, the Nordic countries have also integrated elements of these models into their systems of government. Sweden's Royal Commissions, for example, are groups of scientific advisers appointed by parliament who regularly review the current governing arrangements and have initiated a number of innovative reforms. In New Zealand, the State Services Commission, which is also composed of high-ranking officials and enjoys institutional independence from the government, performs a similar role. The remaining countries have instead developed more informal mechanisms of self-monitoring, which have provided impulses toward reform of the government's organization.

On the other hand, the differences between the leading group and the intermediate group are less pronounced with respect to policy preparation and formulation, parliamentary monitoring and information-gathering resources or intermediate organizations. In these areas, Iceland and New Zealand performed more poorly than many other states from the upper part of the intermediate group.

Within the leading group, Norway exhibits the most balanced relationship between strategic capacity and executive accountability. Norway's governance is characterized by continuity, pragmatism and gradualism. On the one hand, the state and the public sector generally

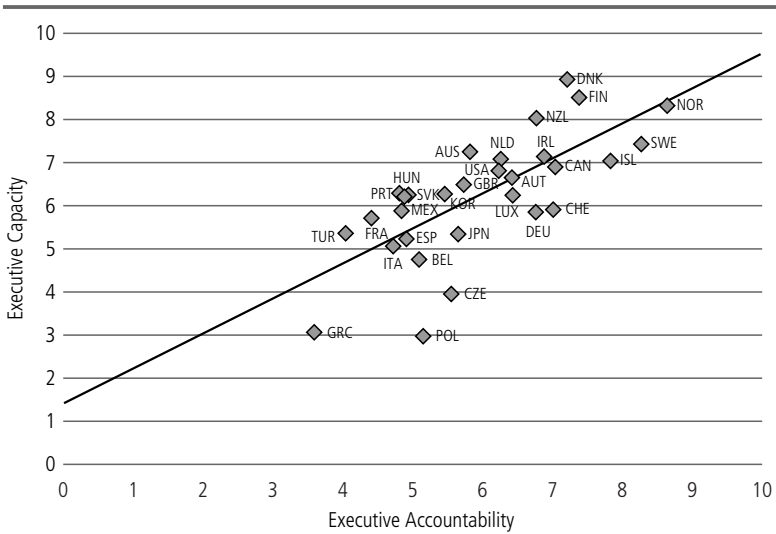
have considerable economic weight and play a leading role in infrastructure and social policies. A Norwegian government does not have to take into consideration the potential reservations of a constitutional court; there is no second chamber of parliament that could potentially oppose its policies; and the Norwegian king has no veto rights in the legislative process. On the other hand, the proportional system of voting creates governments that depend upon fragile party coalitions and parliamentary majorities. For this reason, Norway's prime ministers are forced to make allowances for their coalition partners in both the cabinet and parliament. Norway's governance was given lower marks only when it came to the country's incorporation of external reform impulses. This resulted from the fact that, despite constitutional reforms in 2007, government structures have been modified only slightly to meet global challenges.

In Denmark, New Zealand and Finland, the strategic capacity of the executive is more highly rated than the monitoring and information-gathering capacities of the citizenry, parliament, media, political parties or interest associations. In Figure 7, one can see that these three countries lie above and to the left of the regression line, which indicates that their executive capacities are significantly higher than one would have expected from a typical country with their level of executive accountability.<sup>10</sup>

New Zealand's relatively low executive-accountability score is related to the fact that the publicly funded television programs offer very little in terms of deep political analysis, which results from the fact that their programming is increasingly being shifted to match the offerings of private stations. The New Zealand country report notes that: "The perceived lack of quality of public television has prompted an initiative by 32 well-known New Zealanders to improve the quality of public television. In 2006, they wrote a letter to the min-

10 The regression line can be interpreted as a graphic model of a linear relationship between the variables shown in the scatter diagram (in this case, strategic capacity and executive accountability). The placement of the regression line is determined by minimizing the sum of the squared gaps between the individual points and the line. The placement of the countries in relation to the regression line makes possible a relative assignment of the ratio of executive capacity and executive accountability, although these do not always conform with the absolute point difference between the values given for both dimensions. The ensuing country comparisons of this section are based on the absolute point difference.

**Figure 7: Executive capacity and executive accountability:  
scatter diagram of OECD countries**



Based on own calculations.

ister of broadcasting claiming that, in terms of quality, New Zealand’s public TV stations were the world’s worst.” Furthermore, the relatively low assessment for executive accountability also results from the fact that unions in New Zealand have been significantly weakened by the virtual abolition of collective wage bargaining in the 1990s. Although the Labor government repealed this reform in 2000 and passed a new law on labor relations, the unions have not succeeded in re-establishing their former position of power.

In contrast, the components of societal responsiveness in Iceland and Sweden are more strongly pronounced than the executive’s potential for strategic policy-making. In Figure 7, both countries lie below and to the right of the regression line. Iceland’s government does pursue knowledge-based policies, but strategic planning processes often remain vague, and independent experts have little real influence on the political decision-making process. On the other hand, in comparison with those of other OECD countries, Iceland’s citizens are some of the best-informed about governmental policies, and despite the country’s low number of inhabitants, they are able to take advant-

age of a broad range of media sources offering high-quality information. Although Sweden is exemplary both with respect to strategic planning and interministerial coordination, the social democratic minority government that was in power in 2005 failed to secure the passage of a number of its draft bills in parliament.

### **Management spotlight on Denmark: Minority cabinets governing effectively**

During the period under observation, between January 2005 and March 2007, Denmark's liberal-conservative government led by Prime Minister Anders Fogh Rasmussen did not hold a majority in parliament. It nevertheless succeeded in implementing a number of important reforms. Among these were the restructuring of communal and regional administrative districts, the reorganization of communal and regional responsibilities, the establishment of long-term financial sustainability for Denmark's social welfare system, an investment program aimed at strengthening innovation and competitiveness, and a program geared toward improving the quality of public services.

The analysis of Denmark's governance identified four structural and institutional factors that supported Rasmussen's minority government in its efforts to implement these reforms. First, the prime minister enjoys an unchallenged leadership role in the government and is able to replace ministers or restructure the ministries' areas of responsibility. Coalition partners reconcile their policy differences in a coordination committee, whose meetings are preceded by intense preparation by a committee of high-level civil servants. These administrative and political coordination mechanisms have shifted the management of conflicts away from the full cabinet, moving it instead to panels that are smaller and more easily managed by the core executive. Political decision makers are supported by highly qualified civil servants, who owe their positions of leadership to their own abilities rather than to political loyalty or principles of proportional political representation. At the ministries' working levels, there are close and effective networks with the civil servants in other departments. This system guarantees a high degree of administrative coordination and, consequently, grants politicians space to deliberate and make well-informed decisions.

Second, Danish lawmakers have continued to expand the responsibilities and decision-making autonomy of cities and municipalities to the point that Denmark can today be numbered among the world's most decentralized states. This decentralization of administrative responsibilities was not accomplished primarily in order to off-load the costly burden of public services; instead, it was associated with the devolution of sources of tax revenues and the development of effective mechanisms of monitoring and management.

Third, Denmark has built up effective structures of interministerial coordination and parliamentary participation in matters related to EU policies, which gives the country an important voice and political authority in the European Union despite its rather small size. Danish governments have also succeeded in establishing their own political programs, such as the "flexicurity" principle for labor market policies and various climate-protection policies, which have become models emulated worldwide.

Fourth, Danish governments are required to continually review and optimize existing institutional arrangements. For example, the Rasmussen government restructured the task areas of various ministries, reorganized advisory panels and commissions, and launched an initiative attempting to render the public sector both more citizen-friendly and less bureaucratic. In doing so, Danish governments have been able to rely upon an administrative culture that associates "public service" less with hierarchy, legalism and departmentalism, and which supports a way of thinking geared toward solving problems in pragmatic and consensus-oriented ways.

### **Resource efficiency, strong parliaments and civil society**

The upper intermediate group of the Management Index is made up of states including Ireland, Canada, Australia, the United States and the smaller Central European states of Austria, Switzerland, Luxembourg and the Netherlands. Germany can be counted among this group owing to the fact that it lies just a little behind Luxembourg in the Management Index and 0.2 points above the United Kingdom due to its relatively high score for executive accountability.

The states in the upper intermediate group display a weaker institutional learning capacity than those in the leading group, but they

also have responded in a less active and innovative way to globalization and Europeanization, and they have a smaller proportion of well-informed citizens. They differ from the countries in the lower intermediate group particularly in terms of their party, media and association systems, all of which tend to provide more support to governing.

Ireland, which is at the top of this upper intermediate group, scored the highest in all of the governance categories except those of institutional learning capacity and parliamentary competence. In these cases, Ireland's scores lie significantly below the corresponding averages produced by other countries in the upper intermediate group. Although the most recent Irish governments have expanded the powers of the Department of the Prime Minister and the ministers' political advisers, according to the country report, these reforms do not result from a systematic analysis of tasks or a diagnosis of shortcomings but, instead, can be attributed to *ad hoc* decisions. Furthermore, Ireland's parliament and its MPs can depend on relatively little support from experts.

The aggregate scores of the individual dimensions confirm the hypothesis that, in the countries belonging to the Anglo-American traditions with majoritarian democracies, executive capacities are stronger while the monitoring and information-gathering functions of societal actors are weaker. In the Central European countries, the relationship is exactly the opposite: Governance is supported less by the executive's institutional and strategic capacity and more by the monitoring, information-gathering and deliberative capacities of parliaments, parties, media organizations, interest associations and the political knowledge of the citizenry.

Within these two groups representing different models of governance, Canada and Austria constitute interesting borderline cases. Canada's implementation capacity received particularly poor scores owing to the fact that many government legislative projects failed to gain parliamentary approval both during the liberal majority government of Prime Minister Paul Martin (2004–2005) and the conservative minority government of Prime Minister Stephen Harper (2006–2007). However, in comparative terms, Canada's citizens and its intermediary organizations are well-informed about policies, capable of making competent judgments about political problems, and play an important role in the process of governance.

Austria, on the other hand, scores higher than the other Central European countries particularly in terms of how it implements international reform impulses. Since 2000, Austrian governments have strengthened the rights and resources of the Federal Chancellery so as to improve coordination of government policies with an eye toward the EU Council of Ministers. Furthermore, Austria also contributes a relatively large number of police officers and soldiers to UN peace-keeping missions.

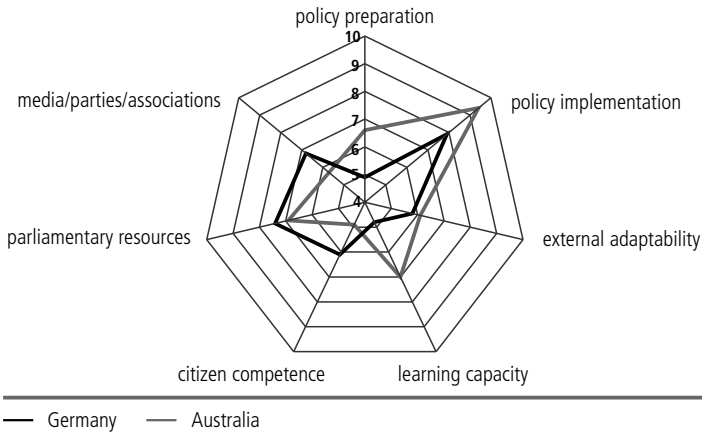
The differing capacity profiles of Australia and Germany illustrate the difference between states with strong executives and states with strong actors outside the executive (see Figure 8). In the Management Index, Australia lies four places above Germany and owes its position, in particular, to its government's strategic capacity. Australia's government works with an effective system of cabinet committees, which handle politically sensitive issues, time-consuming assignments and routine tasks. In Germany's government, on the other hand, cabinet committees are used only rarely in order to resolve conflicts between different ministries and to prepare policy initiatives. The state secretaries of the various federal ministries play roles in both negotiating and coordinating policies in their weekly conferences. However, in many cases, these conflict-resolving functions are delegated to the informal, *ad hoc* bodies of the so-called grand coalition, where leading politicians from both sides hammer out compromises.

In Australia, the clear dominance of the ruling party, which guarantees unchallenged authority for its prime minister in the cabinet, facilitates interministerial coordination. Until November 2007, the Liberal Party was the dominant ruling party, leading a coalition with the National Party of Australia. The various governmental departments tightly coordinate the government's communications with the public. Since governmental communication is monitored by both the prime minister and the cabinet, contradictory statements from within the government are rare. By contrast, during the period under observation, Germany was ruled by a so-called grand coalition composed of two party camps (the Christian Democrats and the Social Democrats) of almost equal strength. These parties have tended to split off into two centers of power arising out of the individual portfolios held by the coalition partners. Under these circumstances, the ministers and their staffs face strong incentives to already publish policy initiatives and draft bills before the various ministries even agree upon them.

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**Figure 8: Executive- vs. non-executive-led governance: Australia and Germany**

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Based on SGI data.

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For this reason, Germany's federal government spoke with many voices, and its press and information office did not undertake any visible initiatives to coordinate governmental communications.

The National Regulatory Control Council ("Normen-Kontrollrat") founded by the German government in 2006 is tasked with reducing the administrative costs of newly passed laws, although it does not influence the drafting stage of bills. The Joint Rules of Procedure of the federal ministries prescribe that ministers assess the consequences of draft laws, but the regulatory impact assessments (RIAs) provided by the ministries play no role in the political debate regarding legislative projects. Australia's government, on the other hand, invests more resources in performing RIAs. In addition to the line ministries, the Australian National Audit Office, which is accountable to the Parliament, and the Department of Finance also prepare such RIAs.

Neither the Australian nor the German executives have an institutionally anchored, regular and formal instrument of self-monitoring. However, approaches of periodical task reviews practiced in Australia seem to be more developed than similar activities in Germany, for example, in the context of the debate regarding reforms to Germany's federal structure.

On the other hand, executive accountability to citizens, the parliament and intermediate organizations received higher scores in Germany than in Australia. Surveys provide some evidence indicating that, in comparison with counterparts in other European countries, Germany's population has roughly average knowledge about political issues. For historical reasons, Germany has developed structures of civic education that attempt to improve the citizenry's general level of information. In Australia, elections at both the federal and state levels make a significant contribution to broadening the citizenry's otherwise rather average political knowledge, as mandatory voting guarantees a high degree of participation.

The parliaments of both countries vary to only a minor degree in terms of their monitoring, information-gathering and deliberation competencies, but any differences are owed particularly to the fact that, in the tradition of Westminster parliamentarianism, Australia's ruling parties appoint all parliamentary committee chairs. Policy recommendations from interest associations have more relevance to German government policy-making than to those of the Australian government particularly because the more pronounced polarization between the ruling and opposition parties in Australia also influences the environment in which the associations function, which tends to marginalize opposition-affiliated groups.

Among the nine states in the upper intermediate group, there are six federal states in which most, if not all, policies are also formulated and implemented in relation to states or provinces, reflecting the political conditions of a multilevel system. The Management Index examines and assesses the extent to which governments effectively delegate tasks to self-administering and self-governing bodies at both the regional and local level. In this process, the degree of decentralization is not necessarily positive (or negative) in itself. What is much more important is whether the central government has created structures that fully exploit the potential of decentralization (more proximity to citizens, more efficient public services and more effective public accountability for office holders).

The Management Index ascertains the extent to which central governments: provide sources of revenue to the regions sufficient to fulfill the tasks that have been delegated to them; respect the constitutionally defined discretion of regions; and ensure that regions meet national standards for the delivery of public services. The assessment

profiles associated with these three criteria highlight the different structures of intergovernmental relations in the federal states examined here. Germany and Australia earn higher scores when it comes to safeguarding national standards than for guaranteeing autonomy related to finances and decision-making. This assessment is consistent with the model of cooperative federalism and points to the fact that Germany's federal government puts a much higher priority on uniformity of living conditions than on safeguarding federal states' autonomy in legal and financial matters. Australia's system of vertical financial equalization, on the other hand, decouples the responsibilities for expenditures and revenues. The country's federal government is increasingly taking advantage of its constitutionally guaranteed authority with regards to revenue in order to implement policies that would traditionally fall under the jurisdiction of the individual states and territories. It has tied federal budget allocations to the condition that state governments implement measures set at the federal level.

On the other hand, Switzerland and the United States serve as examples of competitive federalism. In comparative terms, both countries place less importance on safeguarding national standards than on state governments' autonomy as related to finances and decision-making. Switzerland's cantons and U.S. states are able to make autonomous decisions about types and rates of taxes as well as about important expenditures. The federal governments monitor compliance with national standards only in individual policy areas and to a limited extent.

**Table 5: Patterns of policy delegation in federal states**

| The federal government ensures ... | ... fiscal autonomy | ... decision-making autonomy | ... national standards |
|------------------------------------|---------------------|------------------------------|------------------------|
| Belgium                            | 6                   | 10                           | 7                      |
| Germany                            | 7                   | 7                            | 9                      |
| Spain                              | 6                   | 7                            | 4                      |
| Canada                             | 6                   | 8                            | 7                      |
| USA                                | 9                   | 10                           | 6                      |
| Switzerland                        | 10                  | 10                           | 7                      |
| Australia                          | 6                   | 5                            | 7                      |
| Austria                            | 7                   | 7                            | 6                      |
| Mexico                             | 7                   | 6                            | 4                      |

Source: SGI Scores M9.3a, M9.3b and M9.3c.

## **Management spotlight on the United States: Exceptional capacities in a divided government**

The United States, whose presidential system of governance is characterized by a strict separation of powers, shows a particularly unique governance profile. One consequence of this model can be the notorious lapse into legislative gridlock, particularly when the president is opposed by a congressional majority. During the period under observation, President George W. Bush witnessed drastic reductions in the success rate of his legislative initiatives after the Democrats regained a congressional majority in 2006. Among OECD countries, the U.S. Congress is rated as the parliamentary body with the greatest number of information-gathering and monitoring resources.

The preparation and formulation of policies in the United States also received the most positive assessment of all OECD states. The White House dominates coordination between the individual departments of the executive, whose secretaries do not enjoy independence in decision-making like that enjoyed by a minister but, rather, serve as *de facto* assistants to the president. The Bush administration has successfully integrated the individual parts of the executive to follow united and coherent communications policies, and it has also been able to mobilize targeted support for its political projects by consulting with societal interest groups that share its policy goals. The Office of Management and Budget, which is part of the executive branch, and the Government Accountability Office, which is responsible to Congress, have created a highly developed RIA system.

On the other hand, the U.S. government's ability to adapt its organizational structures to international developments has earned relatively poor scores, as has the citizenry's knowledge of governmental policies. Indeed, the country report for the United States (available at [www.sgi-network.org](http://www.sgi-network.org)) finds that, although the country regards spreading democracy as an important foreign policy objective, it is nevertheless "almost immune to foreign demands to adapt its own domestic government structure to new international developments." Furthermore, opinion polls continue to document that citizens of the United States are poorly informed about governmental policies and are able to assess policy efficacy, results and problems to only a limited degree.

## **Dominant executives and a lack of expertise among interest associations**

The Management Index's lower intermediate group includes the United Kingdom, South Korea, Slovakia, Hungary, Portugal, Japan, Mexico, Spain, France, Belgium, Italy, the Czech Republic and Turkey. In comparison with the countries in the upper intermediate group, the 13 countries in this group displayed weaknesses particularly in the fields of executive accountability to citizens and parties as well as in the political expertise and relevance of interest associations. One of the key explanations for this particular shortcoming was mentioned in several country reports: Interest associations in the countries of Southern Europe, but also in Asia and Mexico, attempt to influence government policies largely through networks of political decision makers and less so by means of public debate contrasting government policies with alternative policy proposals.

However, the country reports also pointed out a lack of capacities and problems with setting priorities. For example, unions in Turkey did not have the capability to draft a coherent and realistic proposal for financing the country's social security system. However, the policy proposals of the Turkish Industrialists' and Businessmen's Association (TUSIAD) were frequently guided by scientific expertise. While the Japanese industry association Nippon Keidanren and the union umbrella association Rengo make well-founded policy proposals, the interest groups promoting social and environmental policies lack the ability to formulate coherent policies. This is partly attributable to the fact that founding nonprofit organizations in Japan was made easy only in the late 1990s. Another reason is that business associations have lost a significant part of their previous influence on the governments led by the Liberal Democratic Party.

In South Korea, interest associations have only recently begun establishing think tanks, which can serve to support policy proposals with scientific expertise. In Italy, although unions and trade associations enjoy the technical-administrative abilities to formulate well-founded policies, they tend to emphasize only short-term interests. For example, pension reform plans put forward by the unions generally pay attention only to the interests of older employees rather than to intergenerational fairness or the interests of people who are beginning or will begin their careers.

The majority of states in the lower intermediary group have similar models of governance, at least in the sense that executive capacity is clearly dominant as compared to the accountability of the executive to external actors. In terms of strategic capacity, six of the 13 states had scores that were even higher than that of Germany, the lowest-scoring country in the upper intermediate group. On the other hand, in terms of executive accountability, none of the 13 countries attained a score as high as those obtained by countries in the upper intermediate group. Thus, while the majority of countries in the lower intermediate group possess executives with relatively substantial strategic capacity, at least when viewed in their entirety, these executives are nevertheless organized internally in rather different ways.

In examining the scores related to the role of the center of government, two separate groups of countries can be identified (see Table 6). Italy, Slovakia, the Czech Republic and Poland have centers of government that play a subordinate, assisting role in the preparation of cabinet proposals as well as in the monitoring and control of the line ministries. On the other hand, Belgium, Mexico, South Korea, Hungary and the United States have centers of government that are outfitted with their own policy expertise and far-reaching rights to intervene and, as a result, are able to control governing in a significantly stronger way.

All of the countries of the lower intermediate group that have been examined here as examples have developed what are primarily political mechanisms of interministerial coordination in which ministers, the head of the government and political leaders reach agreements, set priorities and negotiate compromises on governmental policies. On the other hand, the administrative coordination between specialized civil servants within the ministries is accorded only minor importance. In Belgium, Slovakia, the Czech Republic and Italy, interministerial coordination takes place across the entire cabinet as well as in the context of cabinet committees or informal ministerial meetings, all of which serve as venues for collective decision-making. In the remaining countries, one can observe more strictly hierarchical forms of political coordination that are dominated by prime ministers or, in the case of the presidential systems of Mexico and the United States, by presidents.

The relatively large importance given to mechanisms of political coordination differentiates the countries in the lower intermediate

group from those in the upper intermediate group and the leading group. Only in the latter two groups were there countries in which the center of government has control by virtue of its expertise and rights of intervention *and* in which the administrative mechanisms of interministerial coordination are dominant.

**Table 6: Models of interministerial coordination**

|   | <b>Political coordination</b>              | <b>Administrative coordination</b>           |
|---|--|--|
| <b>Steering-oriented center of government</b>   | Belgium, Mexico, South Korea, Hungary, USA | Ireland, Iceland, Canada, Luxembourg, Norway |
| <b>Assistance-oriented center of government</b> | Italy, Slovakia, Czech Republic, Poland    |  |

Classification: Averages of scores for items M3.1, M3.2, M3.3, M9.2b > 8: steering-oriented center of government. < 6: assistance-oriented center of government. Political and administrative coordination classification is based on a calculation of the scores given for items M3.4–M3.6 as well as the assessments provided in the country reports. Selection limited to those countries with an especially clear coordination pattern.

The Czech Republic represents an exception in the lower intermediate group in that societal actors outside the executive hold considerably more influence in the governing process than does the executive itself. As in Poland, and unlike in nearby Hungary or to some extent Slovakia, the executive in the Czech Republic possesses only poorly developed strategic capacities. Since 1996, the country has been led by unstable coalitions and minority governments. These have either been unable or have made no serious attempt to strengthen the capacity of the executive in the process of policy preparation, enhance the position of the government office or improve the government’s internal capacity for self-evaluation and organizational reform. Furthermore, the governments of the Czech Republic have only participated to a very minor extent in police and military missions led by the United Nations or in international reform initiatives.

Hungary stands out in a number of individual categories related to executive accountability owing to the fact that its citizens appear to be particularly poorly informed about governmental policies. To a certain degree, this can be attributed to the individual isolation and apathy that have survived as political-cultural legacies of the socialist system. However, the increasing polarization in recent years between political

forces on the left and right has also driven many citizens to associate even factual information with one of the two political camps and to assess the credibility of facts depending on how one relates to the respective political camp.

France's parliament and intermediary organizations were given the lowest scores of all OECD countries, while its executive capacity earned a considerably higher rating. As is documented in the country report for France and described more fully below, this is linked to certain strengths and weaknesses peculiar to the French model of government.

### **Management spotlight on France: governing a solitary executive**

In many respects, France is a typical example of a model of governance dominated by the executive. The country's core executive, which is centered on the president and the prime minister, manages an effective, centralized system of interministerial coordination in which high-level civil servants within the various ministries and the personal cabinet of the prime minister play key roles. The individual ministers are clearly subordinate to the prime minister, and the Government Office closely monitors the activities of the individual ministries. This system plays a significant role in ensuring that the government's public communications are coherent. In addition, this effective and centralized model of coordination helps the executive branch maintain its supremacy over the legislative branch. During the period under observation between January 2005 to March 2007, French governments succeeded in securing majorities in the National Assembly for over 90 percent of their draft bills. Finally, the General Secretariat for European Affairs (SGAE) in the Government Office makes sure there is effective coordination of France's EU policies and close integration of domestic and EU-level decision-making.

On the other hand, in comparison with other OECD countries, France has particularly low scores in terms of the prevalence of high-quality newspapers, and its system of political parties is relatively strongly polarized in terms of left-right economic and political leanings. Among the OECD countries, France's National Assembly has the lowest competencies in monitoring, information-gathering and deliberation. The parliament is particularly hampered by the fact that its committees—which are too

large and of which there are too few—do not match up with the ministries' areas of competence. Moreover, according to the OECD, MPs usually receive the budget draft only three months before the new fiscal year starts and, consequently, have only a very limited amount of time to thoroughly analyze and debate the draft.<sup>11</sup>

Interest associations in France display only limited competencies when it comes to solving political problems. This stems from the associations' fragmented organizational structures and a lack of resources needed to draft policy proposals based on expert knowledge. Furthermore, they must also fight politically and culturally rooted perceptions that their particular interests go against the universalist principles underlying legitimate policy-making in France.

In terms of the relationship between state and society, the country report finds that: "France's politics and culture are greatly influenced by a large gap between the group known as the political elite (people involved in politics, economics or the media) and the rest of the population." Interest associations' inability to integrate and negotiate between the desires of the establishment and the citizenry became clear in 2006, when then-Prime Minister Dominique de Villepin unveiled plans to lower youth unemployment by easing newly hired workers' job security, thereby unleashing a massive wave of public protest. Many young citizens viewed these protests as an effective form of resistance to governmental policies. Current President Nicolas Sarkozy and Prime Minister François Fillon want to continue administrative decentralization to narrow the gulf between the executive and society. Furthermore, drawing upon the Management Index for a comparative view suggests that a strengthening of the parliament and an enhancement in the executive's accountability to civil society would be an additional option to bridge this gap.

11 In the Management Index, OECD and World Bank data on the length of time for parliamentary budget consultation were drawn upon as an indicator of parliamentary monitoring capacity.

## **Deficits in steering and internationalization paired with parliamentary power: the bottom-ranked states**

Poland and Greece trail the other OECD states to a significant degree. Their failings compared with the intermediate group are particularly pronounced in the field of strategic capacity, while the parliaments of both countries enjoy much better monitoring and information-gathering resources than several of the countries receiving higher scores. In terms of globalization, Europeanization, policy preparation and institutional learning, the governments of Poland and Greece scored significantly lower than the average country in the lower intermediate group.

The country report for Greece (available at [www.sgi-network.org](http://www.sgi-network.org)) diagnosed a “fragmented character of Greek governance” and stated that: “The government dominates the political system, with few formal veto points. Yet, internally, the government is institutionally weak (...) Ministries, public corporations and state-run agencies are coordinated only loosely. Government interaction with societal groups is done in an ad hoc and slow fashion (...) The gap between policy formulation and implementation is quite wide. Medium- and long-term planning is rather rare, and the lack of follow-up to decisions is evident.” Although Greece’s executive capacity appears to be particularly affected by structural problems of this kind, the country report on Poland emphasizes the personal habits of Prime Minister Kaczyński, who was not able to conceal the strategic weaknesses of his position and government by resorting to an authoritarian style of leadership.

In Poland, such deficiencies of executive capacity are compensated by a strong parliament. Poland’s Sejm, the lower house of its bicameral National Assembly, enjoys comprehensive rights to gather and access information and can also monitor the executive by resorting to the audit office and the ombudspersons, which are both accountable to parliament. Only the degree to which individual MPs and the parliament as a whole are supplied with expert staff denotes a structural weakness of the Sejm. Similarly, Greek MPs can rely on expertise tied to the parliament only to a limited degree. Furthermore, the monitoring capacity of Greece’s parliament is particularly limited by the fact that the ruling party appoints the chairs of all committees and can thereby exert a strong influence on parliamentary business through these key positions. In terms of overall parliamentary competence,

Greece scored lower than Poland, and its citizenry's appears to be characterized by a relatively lower level of political information.

### **Needs and capacities to reform: How sustainable are the OECD states?**

The above discussions show that there are large differences between the 30 OECD states in terms of their individual needs and capacities for reform. However, it is also apparent that there is a clear correlation between the two SGI indices, that is, the Status Index and the Management Index. In sum, the states that performed well in terms of management performance and were able to prove their reform capacity also demonstrated limited need to reform in political fields related to sustainability. Correspondingly, governments with shortcomings in management performance generally also exhibited poorer policy performance.

In both indices, the Nordic states and New Zealand scored particularly well. All in all, despite certain differences, the scores for these countries in all SGI dimensions—status of democracy, economic and policy-specific performance, executive capacity and executive accountability—guarantee a high degree of sustainability. In contrast, other states have more or less strongly pronounced deficiencies in terms of the policy outcomes achieved as well as in the political management of their governments. This is particularly the case for Poland, Greece, Italy, Mexico and Turkey.

Those states that showed considerable differences with respect to their relative placement in the two SGI indices are also of interest. Although Belgium, Germany, France, Switzerland and the Czech Republic ranked significantly lower in the Management Index than they did in the Status Index, the case was reversed for Mexico, Slovakia, South Korea and Hungary. It will only be with the passage of time (i.e., with future SGI studies) that the ramifications of the differences emerging from these discrepancies will become apparent.

Strictly speaking, the last point is also true in trying to gain definitive insight into why certain states are more capable of reform than others. Indeed, although the significant differences between consensus and majoritarian democracies or between federalist and unitary systems yield little predictive value as to the success of various states,

they nevertheless allow a thoroughly unique and evidence-informed formula for success grounded in the SGI's comprehensive quantitative and qualitative data. This formula is less one of the actual substance of reforms than it is one of structural conditions in the sense of "good governance," which is more pronounced in some states than it is in others. Thus, governments can draw on the SGI by orienting themselves toward practices that have already proved to work well in similar conditions.

When observing the degree to which government capacities vary, it is striking, for example, that the states which performed well in both indices shared certain structural attributes in terms of governance. One case in point relates to the capacity for institutional learning and self-monitoring. Governments that regularly review their own institutional structures and internal operations and adapt them to meet new conditions are in a better position to act strategically and implement reforms efficiently.

If one takes the idea of governmental organization in its broadest sense, maximizing the degree to which societal actors hold the executive accountable is seen as an additionally positive structural characteristic. In this case, executive accountability is not meant to signify a desire to participate simply for participation's sake. Rather, it has more to do with participation that is both informed and aimed at solving problems, that is, a participation that is not only organized by governments, but one that also makes demands on the societal actors themselves. Parliaments, parties, associations, media and a citizenry that contribute to this activity, knowledge and influence guarantee sensible public control of governmental affairs, expand governments' store of knowledge and strengthen the basic normative principles used in the policy-making process. The consistently high executive accountability scores of the Management Index's leading countries indicate that societal participation is a crucial feature of successful political management. Under ideal circumstances, one finds both an efficient organization of the core executive and high executive accountability with respect to civic actors.

Although Jann and Seyfried have presented additional intervening variables in more detail in their contribution to this publication and have discussed their individual relevance, it is worth emphasizing the following point: The quality of a state's democracy is obviously of particular importance in explaining why a given OECD state performs

differently in specific policy fields. On first glance, this might be a bit surprising, as all 30 OECD states are, in fact, democracies. But even within this circle of states, there are subtle but significant differences. In general, states with high scores in terms of the quality or status of their democracy generally attain better policy outcomes as well. In this respect, there is a high correlation between democracy and performance. It speaks for itself that those countries with the highest quality of democracy are also ultimately in a better position to provide for social justice. This is another significant finding, given further examination in the contribution from Merkel and Giebler in this publication. Their article demonstrates how the SGI's basic approach can be integrated into and benefit ongoing research in the political and social sciences.

The finding that the sustainability of OECD states depends on significant structural conditions that can, in turn, be influenced by governance should be greeted with optimism. In an environment of global interdependence and in light of increasingly cross-sectoral challenges facing their governments, the OECD states would be well-advised to not only concentrate on problems specific to individual policy fields, but to also pay close attention to their strategic and steering capacities. However, this in no way relates solely to the institutional and administrative elements of governments' executive cores. Rather, this lesson demonstrates the importance of an efficacious and beneficial inclusion of societal actors in the policy-making process. It is only in this way that a foundation for effective governance can be laid that is both knowledge-based and supported by the norms of each particular society. In this respect, the importance of societal acceptance and support as a factor in the success of reform efforts should not be underestimated.

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