

Referee report on Ivanyna and Shah, "Citizen-centric governance indicators: Measuring and monitoring governance by listening to the people and not the interest groups"

This paper argues against a number of existing governance indicators, not least the Kaufmann indices from the World Bank. It sets forth an alternative, based on the premise that citizens are better at evaluating governance than experts or international agencies. The idea is certainly interesting, and the critique of the Kaufmann data is precise and much needed, yet I am far from convinced that the paper makes a substantially contribution to developing better governance indicators.

First, the paper starts by claiming that the development of governance indicators was pioneered by one of the authors in Huther and Shah (1998). If one insists on using the word 'governance', this may be true, but the claim entirely ignores the pioneering, and much earlier, work by Ted Gurr or Raymond Gastil. This and other instances of excessive self-citation should be avoided, but is a problem throughout the paper.

Second, I do not agree with the basic premise of the paper that "one of the most important limitation common to all available composite indexes of governance is that they fail to capture how citizens perceive the governance environment and outcomes in their own countries" (p.1 ). There is an entire literature on questions of confidence in government and other formal institutions, which the authors do not tap into. This literature has, much like the recent literature on happiness, documented that citizens do not evaluate the absolute quality of governance or institutions, but the quality relative to some rather fuzzy expectations that depend on the level of economic development and a multitude of other factors. As such, the level of governance and citizens' evaluations of that actual level may only be very weakly related and using citizen evaluations could thereby be misleading.

Third, the authors seem to hold rather strong views on what should be associated with good governance. On page 3, for example, they write that "having the decision closer making to people, directly elected local governments, and party oversight of local government performance – all work to create a system of voice and accountability that is quite unique to China". Here, they seem to associate decentralized decision-making with good governance, an assertion that is heavily debated in the public choice literature since there are good arguments for both a positive and a negative effect of decentralization.

Fourth, the use of indicators in Table 3 is also debatable. In particular, it is not of much use to measure governance through the use of outcomes if the aim is to measure governance per se. As stressed in the ongoing debate on how to measure 'social capital', such functional definitions basically boil down to saying that if we see an outcome we like, it is by definition due to good governance. What is actually measured thus gets confounded with outcomes that may or may not be associated with governance.

Fifth, some of the measures in Table 3 can be criticized, not least three specific measures: 1) "improvements in quantity, quality and access of public services" seems to equate good governance with a larger public sector; 2) "egalitarian income distribution" would necessarily equate good governance with an equal distribution of final outcomes, not opportunity, which biases the measure in favor of welfare state solutions; and 3) "effective legislature and civil society oversight" risks

equating good governance with the amount of regulations and influence of special interest groups to the extent that these are defined as 'civil society'.

Finally, I find it very odd that the authors proceed to construct indices with purely subjective weights and virtually no assessment of the validity of their indices. I would have expected that the paper, as a minimum, reported Cronbach's Alpha for the indices, and ideally conducted some form of factor analysis, in which weights and dimensionality would be given by the structure of the data and not the subjective expectations of the authors.

In summary, although I find the aim of the paper – the construction of more valid indicators of governance – important, I do not find that the paper makes much of a contribution to the development of better or more objective indicators. It mixes actual governance, subjective assessments of governance, as well as outcomes that may or may not be associated with governance into a set of highly questionable indicators. One can only speculate why the authors insist on this procedure even though their indicators yield some quite odd results – Nigeria and Venezuela are among the top performers. As the paper is now, I can only recommend that it is rejected.