

# Some notes on governance indicators

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## The role of theory

- building indicators of an unobservable phenomenon
- full model has form

$$y_{ik} = \alpha_i + \beta_k \theta_i + \epsilon_{ik} \quad (1)$$

- $i$  indexes units (e.g., countries, regions) and  $k$  indexes observable phenomena
- $\theta$  is unobservable of interest (e.g., “state capacity”)
- $y$  are observable phenomena that can be measured
- $\epsilon$  is “noise”; assume  $\epsilon_k \sim F(\sigma_k^2)$
- $\beta_k$  tell us how observable is linked to the unobservable of interest

## The role of theory

- $\beta$  captures link between unobservable and observable
- both  $\theta$  and  $\beta$  are unobserved...
- $\beta$  not identified without further assumptions !
- if method seems assumption-free , assumptions are being *smuggled*
- for instance, in “simple methods”
- take-home point: need theoretically-grounded indicators projects

## Taking the wrong path

- naive version: start from measurable stuff, try to give it a meaning
- less naive version
  - importance of “actionable” unquestionable but...
  - being “correct” is pre-requisite of meaningful action
  - (no need to act based on wrong knowledge)
  - focus on short-range action might preclude understanding of
    - bureaucratic reform
    - functional equivalence
    - institutional complementarities
- - risk that hard-to-measure → avoided
  - central example: bureaucratic autonomy

## The promise of crowdsourcing

- crowdsourcing...
- promise lies in aggregation of diffuse “data in the wild”
- big data logic: plenty of information, even if individual bits are noisy
- does not mean “let the people estimate indicators”
- not necessarily “citizens vs. experts”
- but coming up with better ways to
  - elicit
  - collect
  - aggregate