


## Strengthening the Government: A Review of Fukuyama's Theory of State Building

Yoserizal Yoserizal 

Department of Public Administration, Universitas Andalas, Indonesia

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### ARTICLE INFO

### ABSTRACT

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#### Correspondence

Yoserizal Yoserizal

Email:

yoserizal.fisip.unand@gmail.com

This paper explores the evolving role of the state in the context of modern governance, particularly focusing on liberal and neoliberal democracies. It begins by examining how subjectivity in interpreting phenomena is influenced by one's initial understanding of concepts, referencing Fukuyama's assertion that the ideal governance system of the 20th century was Liberal Democracy, while socialist systems failed to establish strong state orders. The paper then critiques the practical implementation of liberal democracy and neoliberalism, highlighting the persistent challenges such as terrorism, HIV spread, enduring poverty, and civil conflicts that indicate the state's failure to effectively fulfill its role. By applying this framework, the research assesses the effectiveness of liberal and neoliberal approaches in state-building and identifies the factors contributing to state weakness. Additionally, the paper provides a comprehensive review of the causes behind state inefficacy and discusses the limitations of public administration science despite various efforts to reinforce it. The analysis is divided into three main sections: the first presents an analytical framework for understanding state functions, capacities, and legitimacy; the second examines the reasons for state weakness; and the third explores international dimensions and potential solutions to address state failures. Ultimately, the paper proposes strategic recommendations to enhance state functions and capacity, offering insights into how states can better address global challenges and reinforce their roles in contemporary society.

Keywords: State governance; Liberal Democracy; Fukuyama's Theory; Public Administration

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### Pendahuluan

Subjectivity in interpreting a phenomenon is closely linked to one's initial understanding of the concepts they have previously explored. Similarly, Fukuyama, a social thinker renowned for "The End of History and the Last Man," proposed that the best governance system of the 20th century was Liberal Democracy, while socialist systems failed to create a strong state order. In the 1980s, market-oriented liberals proposed alternatives such as deregulation, debureaucratization, and privatization as drivers of economic change by minimizing state economic intervention.

However, in some countries attempting to adopt liberal democracy in state-building, different realities have emerged. Even after adopting a new face, namely neoliberalism, the same dilemmas persist. Social changes and technological advancements, marked by the rise of terrorism, the spread of HIV, persistent poverty, and the proliferation of civil wars, illustrate events that are not isolated but rather political symptoms of a state failing to fulfill its role. Such failures have become the greatest threat to

humanity in the early 21st century. This situation has led Fukuyama to argue that it is time to strengthen the role of the state by first understanding its role within society.

Although this appears to contradict some of Fukuyama's earlier works, the book seeks to provide an understanding of the state's role in two dimensions: scope and strength. These two aspects serve as analytical tools for evaluating the role of the state and defining the ideal role of the state. The examination of strengthening state functions is divided into three main sections, with proposed solutions provided in the final section. The first section outlines an analytical framework to understand various dimensions of statehood, including functions, capacities, and the foundations of government legitimacy. The second section reviews the causes of state weakness, particularly why there will be no public administration science despite various recent efforts by economists to solidify it. The last two sections address the international dimensions of state weakness and discuss potential solutions.

This research aims to investigate and understand the critical dimensions of the role of the state within modern governance systems, particularly within the context of liberal and neoliberal democracies. The primary focus of the research is to analyze two key dimensions of the state's role: scope and capacity. The dimension of scope refers to the extent of the state's involvement in various aspects of societal life, while capacity encompasses the state's ability to effectively perform its functions. This study will explore how these two dimensions influence the success or failure of the state in fulfilling its responsibilities.

Furthermore, the research intends to examine the factors contributing to the weakness of the state in implementing liberal and neoliberal democratic systems. By identifying internal and external factors affecting state weakness, the study will evaluate how the failure of governance systems impacts state stability and societal welfare. This includes an exploration of how states cope with increasingly complex social and technological challenges.

In addition, the research will develop and apply an analytical framework covering the functions, capabilities, and legitimacy of the government to understand the ideal role of the state in a modern context. By analyzing this framework, the research aims to assess the effectiveness of proposed solutions and recommendations for strengthening state functions, both domestically and internationally.

Finally, the research will propose solutions to address the identified weaknesses of the state. This includes analyzing reforms and policies that can enhance state functions and capacities, as well as providing strategic recommendations to improve the state's role in addressing global challenges such as terrorism, disease, poverty, and conflict. Thus, the research aims to offer in-depth insights and practical solutions to reinforce the state's role in confronting contemporary challenges.

## **Methods**

To conduct a comprehensive literature review of Francis Fukuyama's theory of state building, begin by defining the scope and objectives of your review. Focus on specific aspects of Fukuyama's theory, such as its theoretical foundations, empirical applications, and critiques, and determine what you aim to achieve with your review. Next, conduct a thorough literature search using academic databases like JSTOR and Google Scholar, employing keywords such as "Fukuyama state building" and "Francis Fukuyama political theory." Ensure you include primary texts like Fukuyama's seminal works, "The End of History and the Last Man" and "State-Building: Governance and World Order in the 21st Century," to understand his theoretical framework and arguments.

Incorporate scholarly critiques and extensions of Fukuyama's theory by reviewing works that challenge or build upon his ideas. Summarize key findings, focusing on Fukuyama's main theoretical contributions and any empirical studies that illustrate or test his theories in real-world contexts. Present major critiques and alternative viewpoints, and synthesize insights from various sources to provide a coherent overview of the theory and its reception. Identify areas where further research is needed or where Fukuyama's theory may be lacking. Finally, organize your review logically with clear headings and citations, and revise it based on feedback to ensure it is comprehensive and up-to-date.

## Results and Discussion

### *Dimensions of the State*

The state is an ancient human institution that has existed for around 10,000 years, dating back to the emergence of the first agricultural societies in Mesopotamia. According to Max Weber (1946), the state is defined as a human community that successfully claims a monopoly on the legitimate use of physical force within a specific territory. In other words, the essence of statehood is enforcement or coercion: the ultimate ability to send individuals in uniform with weapons to compel people to obey the laws of the state. However, in contrast to Fukuyama's perspective on strength or capability, a strong state is characterized by its ability to ensure that laws and policies are adhered to by society without resorting to threats, coercion, violence, or excessive anxiety. The fundamental element required is effective and institutionalized authority.

**Table 1. Function of the State**

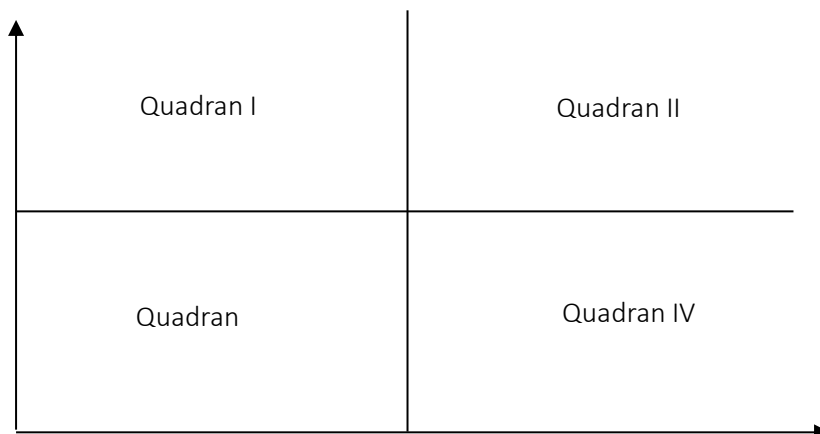
<b>Minimum Function</b>	<b>Addressing Market Failures</b>			<b>Meningkatkan keadilan</b>
	Providing public goods			Protecting the poor
	Defense			Program anti kemiskinan
	Law and Order			Anti-poverty programs
	Private property rights			
	Macroeconomic management			
	Public health			
<b>Intermediate Function</b>	<b>Addressing Externalities</b>	<b>Regulating Monopolies</b>	<b>Improving Information Quality</b>	<b>Menyediakan Asuransi sosial</b>
	Education	Public infrastructure regulation	Asuransi	Pension fund contributions
	Environmental protection	Anti-monopoly	Financial regulation	Providing relief to families
			Consumer protection	Unemployment insurance
<b>Active Function</b>	<b>Coordinating Private Sector Activities</b>			<b>Redistribution</b>
	Encouraging markets			Asset redistribution
	Collecting initiatives			

Both strong and weak states have different scopes of role, and these are not automatically related. The scope is determined by the extent to which the state engages in or refrains from specific public activities, such as establishing a defense system, collecting taxes, intervening and regulating the economy, building infrastructure, and so on. This dimension of scope or range gives rise to classifications of state functions: a minimal function state, which limits its activities to elementary functions such as establishing a defense and security system, providing infrastructure, and minting currency. Conversely, an activist or interventionist state is marked by a more expansive and ambitious range of activities, including owning business units, direct control and management of economic resources, coordinating private sector activities, and so on.

Differentiating these dimensions of the state allows us to create a matrix that helps to distinguish the degrees of statehood across the world. The placement of states within this matrix is not absolute due to the varying conditions of different state governments. Nonetheless, there needs to be a hierarchical degree that provides a basis for understanding state strength and scope. The 1997 World Development Report (World Bank, 1997) provides a list of state functions categorized into three levels: Minimal, Intermediate, and Activist.

The list above does not immediately categorize a country as strong or weak in terms of the scope of its functions. However, it implies how that scope or coverage is optimally carried out using dimensions of strength, including the ability to formulate and implement various policies, to draft and enforce laws, to administer efficiently with minimal bureaucracy, to control bribery, corruption, and graft, and to maintain high levels of transparency and accountability in government institutions. The following image is Fukuyama's hypothesis which illustrates the state's capabilities that might vary significantly in relation to state functions.

In the dimension of state scope, the degree of hierarchy created to categorize states in general can be agreed upon. However, in the dimension of strength, there is no universally accepted measure because the emphasis of state strength lies in its ability to optimally carry out the scope of governance. Sometimes a country maximizes its strength with a small scope of public activities to achieve the welfare of its citizens. Conversely, many countries, especially developing countries, carry out public activities on a large scale but with limited state capabilities, so the welfare state cannot be realized optimally. This condition can be illustrated in a matrix using four quadrants, which have very different consequences, especially in economic growth or development.



According to economists, the most optimal place is quadrant I, which combines a limited scope of state functions with strong institutional effectiveness, like the United States. However, this condition is not always constant; countries can shift toward quadrant II or choose quadrant III due to the dynamic nature of state changes or depending on the varying capabilities of the state's administrative bodies. A country will fall into quadrant IV if it fails to perform its minimal functions. This means that placing a country on the above matrix does not rely solely on economic success but also on social considerations (such as social justice, poverty, property rights, law, etc.).

Some countries in the world were initially placed in quadrant I, but with changes in governance within state institutions and followed by changes in state functions (scope), shifts to quadrants II, III, or IV are possible. This can be a specific instrument in assessing the strength and scope of Indonesia's state functions, particularly in placing it on the above matrix.

The various explanations above indicate from an economic efficiency perspective that it is more important to strengthen (capacity building) state institutions rather than expand or reduce the scope of the state. This is evident in non-economic issues emerging in development economics, such as governance, state capacity, or institutional quality, which were also emphasized in the World Bank's 1997 and 2001 dictums on the importance of strengthening state institutions. A closer look reveals that the institutional performance of East Asian countries has been relatively more successful in boosting long-term economic growth compared to Latin America or some Southeast Asian countries. The performance or quality of state institutions in East Asia has successfully increased per capita GDP with a diverse scope of state functions, from minimalist states like Hong Kong to interventionist states like South Korea.

Since state strength is a key factor in enhancing national development, it is necessary to revisit the understanding of the state institutions themselves. Understanding state capacity needs to begin with understanding the four aspects of statehood, namely:

1. Form of Organization and Management; This first aspect is closely related to management science when applied to the private sector and public administration in the public sector. This aspect is related to the administrative or bureaucratic process that carries out the scope of state functions. At the micro level, organization and management can be reformed, dismantled (revolution), created from scratch, or managed better or worse in ways that are linked to the historical experiences of various countries. This aspect will be discussed in more detail in the following items.
2. Form of Political System; The second aspect relates to the institutional form at the state level as a whole, regardless of the parties that form it. The form of the political system is closely related to political science, which tends to discuss the compromise between various political goals such as representativeness and governability, between unity of purpose and checks and balances, or between dispersed and centralized power. The political system is intended as a way to make the state more politically responsive and to encourage economic growth, examples include federalism and decentralization systems.
3. Basis of Legitimacy; The third aspect of statehood is closely related to the systemic institutional form, which also includes a normative dimension, meaning that state institutions not only have to work together correctly as a whole in an administrative sense but must also be seen as legitimate by the underlying society. The basis of legitimacy is closely related to authority in the political system. The only serious source of legitimacy today is democracy. A good state institution is one

that transparently and effectively serves the needs of its citizens, which can only be realized on a democratic basis. Democratic regimes, regardless of their implementation, at least have institutional oversight to counteract the worst forms of greedy leadership compared to authoritarian regimes.

4. Cultural and Structural Factors; The fourth aspect of statehood relates to cultural factors (cultural values and norms) that in the development community are part of social capital. The development of formal institutions is greatly influenced by cultural factors (informal customs). This can be seen in the quality of institutions in the economic planning of Japan, Korea, and Taiwan, which are greatly influenced by technocratic culture stemming from the unique mandarin bureaucracy tradition that originated several centuries ago.

The implementation of these four aspects can shift or even be engineered. The forms of organization and management, political systems, and legitimacy can change, although it is very difficult to alter them completely. Sometimes a condition or external factor is needed to change institutions as political prerequisites for major institutional reforms, such as internal conditions like revolutions or economic crises/collapse, and external factors such as war or pressure from foreign governments or international bodies. For cultural and structural aspects, they can be engineered through education, leadership, and relationships with other communities, although the changes are gradual and require a long process.

Changes or reforms and institutional development can occur if there is a demand or condition that requires it. In the field of political economy, institutional demand is required for a proportional institutional structure and more rational policy reforms. Institutional demands can arise not from internal conflict but from significant shocks resulting from financial crises, recessions, hyperinflation, revolutions, or wars. Some countries, like the United States and Europe in the 1970s, built states with the need for broader military intervention, for example, expanding tax collection and bureaucratic centralization in France, Spain, and Sweden. However, after civil wars, two world wars, and the Cold War in the 1990s, the paradigm of institutional demand shifted towards economic development with the support of international institutions in terms of the sanctity of state borders, freedom, and the application of anti-conquest norms.

In countries with strong institutional bases (institutional supply), changes are driven by domestic demand. However, in institutions in poor countries, institutional demand must come from outside. There are two external sources: the first can take the form of programs or projects from aid agencies, donors, and foreign lenders. The second is the direct use of political power by external authorities who claim sovereignty over failed, collapsed, or occupied states.

The first factor, in the form of aid programs, donors, or foreign loans, often does not succeed or fails to promote state development due to suboptimal implementation of structural institutional reforms. In other words, the institutions of poor countries that receive aid or donations perform poorly in carrying out institutional and economic reforms, so most donor institutions today find countries repeatedly needing the same assistance, positioned as successors of debt restructuring or debt relief, examples being Argentina and Sub-Saharan African countries

This contrasts with another source of institutional demand, which is in the form of political authority directly exercised by a state or consortium of states that claim sovereignty over failed states. Institutional changes are based on strong relationships with local governments, known as "nation-building." Failed states

recognize their limitations in building a state due to numerous acute governance issues. The most notable examples come from European colonialism, where Britain was very successful in creating strong institutions in some of its colonies, such as the Indian Civil Service (laying the foundation for post-independence Indian democracy) and the legal system in Singapore and Hong Kong, which are generally considered the basis for the economic growth of these two countries.

Regardless of how institutional capacity is enhanced, public administration or bureaucracy aspects become determinants in the implementation of state policies. Developing countries need to strengthen their institutional foundations by optimizing the use of institutional capabilities for the main functions that only the government can provide.

### ***The Role of Public Administration***

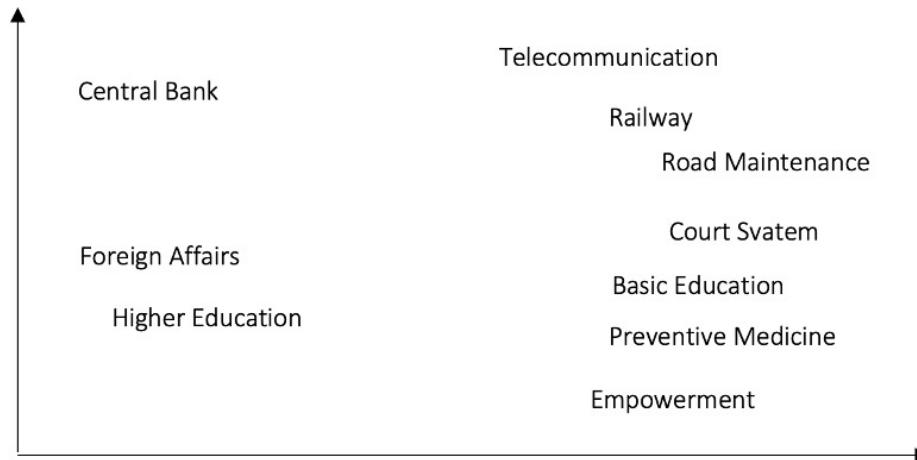
The state, in this case the government in relation to public administration, becomes a study that is interconnected with each other. Ideally, good public administration is the key to effective governance. However, in the implementation of state-building, a dilemma arises that contrasts the role of public administration as a science or an art. Fukuyama discusses this by stating that public administration, when linked to organization and management in the public domain, becomes a science, which can be used by developing countries to run their government machinery. However, in practice, public administration is carried out according to the competence of public organizations, which creates many problems. This means that various limitations in public (and private) organizations lead to the assumption that there is no optimal organizational form, thus public administration is said to be more of an art than a science.

Despite the diversity and complexity of public organization operations, most organizational theory discusses one main issue, namely delegated discretion - the delegation of authority by the principal to the agent to make decisions. This is not necessarily an efficient process; this delegation of authority raises issues of control and supervision. This means that the principal, in this case the central government, when delegating authority to agents or regional institutions, will reduce central control over regional institutions, which may not necessarily be perfect agents.

It is undeniable that institutional problems give rise to various contributions of interdisciplinary thought. Economists are the ones who most import their methodological tools into the study of government and institutions as an effort to reform the public sector. Some of these were developed by Ronald Coase (1937), who emphasized the distinction between markets and hierarchies in decision-making, which was further developed by Williamson (1975, 1985, 1993). These economists' views were sharpened by focusing on individual behavior within organizations, which was then integrated to explain public sector behavior (Rose-Ackerman 1979, Weingast and Moran 1983, Weingast 1984, Moe 1984, Harriss et al. 1995). This behavior is explained by looking at the behavior that arises when authority is delegated from the principal to the agent, where differing orientations/interests of the principal or agent lead to deviations in policy implementation or financial misconduct (corruption). Another theory developed by economists is the theory of public choice (Tullock 1965, Buchanan & Tollison 1972), which views the behavior of officials with the rhetoric of "public service," which is also not free from personal interests, influenced by very political factors and also leads to financial misappropriation (corruption and rent-seeking).

There are three reasons why it is impossible to have optimal formal institutions, especially for public sector bodies. First, many organizations do not have clear goals. In this case, the wishes of the principal and agent do not align; goals emerge and evolve from the complex interactions of organizational actors, and the nature of authority moves in one direction, from top to bottom (Top-Down). The most notable example was presented by Herbert Simon in *Administrative Behavior* (1957) about the concept of satisficing (working just well enough and satisfactorily). This concept explains how individual behavior in organizations, empirically studied, deviates from the rational optimization economic model. The term "realm of authority" is also debated as it gives rise to discretionary behavior, so in more complex organizations like governments,

authority needs to be functionally distributed (stovepipes - systems that are not easily integrated with any other system) due to certain expertise or knowledge reasons. The source of ambiguity related to organizational goals is the division of labor and the appointment of people for various tasks that will affect the overall goals of the organization (Simon, Smithburg et al. 1961).



The second ambiguity relates to formal systems of monitoring and accountability, especially in public administration, requiring very high transaction costs or being impossible due to the lack of clarity of underlying activities. In this case, it is often more efficient to control agent behavior through informal means, although this also has many drawbacks. An organization's choice of formal or informal control mechanisms will depend on various specific circumstances it faces. Public sector organizations mainly produce services whose productivity is difficult to measure, so no mechanism can precisely provide transparency and accountability as formal control mechanisms. In the writings of Woolcock and Pritchett (2002) on public sector reform, two aspects related to service are distinguished, namely transaction intensity and the discretionary nature of authority. The first refers to the number of decisions that need to be made by the organization, from small to very large, and the second refers to a decision requiring a judgment on incomplete information by an expert decision-maker compared to routine decisions. This is intended so that activities can be monitored, although this is difficult to implement. This can be shown in the quadrant below, which again places the difficult position in quadrant IV.

In summary, the text argues that public administration's effectiveness and the difficulties of delegation and control in public organizations illustrate the complexity and interdisciplinary nature of state governance. Institutional reforms and the enhancement of administrative capacities are essential for better governance, and understanding these concepts is crucial for implementing effective state-building strategies.

## Conclusion

A weak state needs strength to rise by reassessing the aspects of statehood that can strengthen its position in the international arena. This is why countries around the world need international legitimacy in their governance. However, this structure is imbalanced, as many strong countries in the 20th century oppressed their citizens and committed aggression against neighboring countries for various highly political reasons. At the same time, as we enter the 21st century, global economic growth tends to erode the autonomy of sovereign nation-states by increasing the mobility of information, capital, and labor.

In general, many countries around the world are trying to make improvements by streamlining or reducing the scope of the nation-state's role, which turns out not to solve various state crises. In fact, the reduced role of the state, which means a limited level of regulation and state intervention in the economic



sector, creates new powers outside the state that actually add more problems for nation-states, such as the free market and the emergence of multinational companies led by strong countries like the United States and Europe.

Various issues spreading within a country are not only economic or moral crises but also threats to state sovereignty. Therefore, the solution to strengthening the state does not lie in reducing or expanding the scope of state functions, but rather in realizing the importance of strength with the policy and legal authority possessed by the state or government. We do not need an overly extensive state, but we need a strong state in terms of institutions that can optimize its role within the scope of functions it controls.

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