

State-Building:
The Missing Dimensions of Stateness

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Functions of the State

	Addressing market failure				Improving equity
Minimal Functions	Providing pure public goods				Protecting the poor
	Defense				Antipoverty programs
	Law and Order				Disaster relief
	Property Rights				
	Macroeconomic management				
	Public Health				
Intermediate Functions	Addressing externalities:	Regulating monopoly:	Overcoming imperfect information:	Providing social insurance	Providing social insurance:
	education	utility regulation	insurance		Redistributive pensions
	environmental protection	anti-trust	Financial regulation		Family allowances
			Consumer protection		Unemployment insurance
Activist Functions	Coordinating private activity:				Redistribution:
	Fostering markets				Asset redistribution
	Cluster initiatives				

Source: World Bank, World Development Report, 1997

The Scope of State Functions

Minimal Functions

- Providing pure public goods
- Defense, Law and order
- Property rights
- Macroeconomic management
- Public health
- Improving equity
- Protecting the poor


Intermediate Functions

- Addressing externalities
- Education, environment
- Regulating Monopoly
- Overcoming imperfect education
- Insurance, financial regulation
- Social Insurance

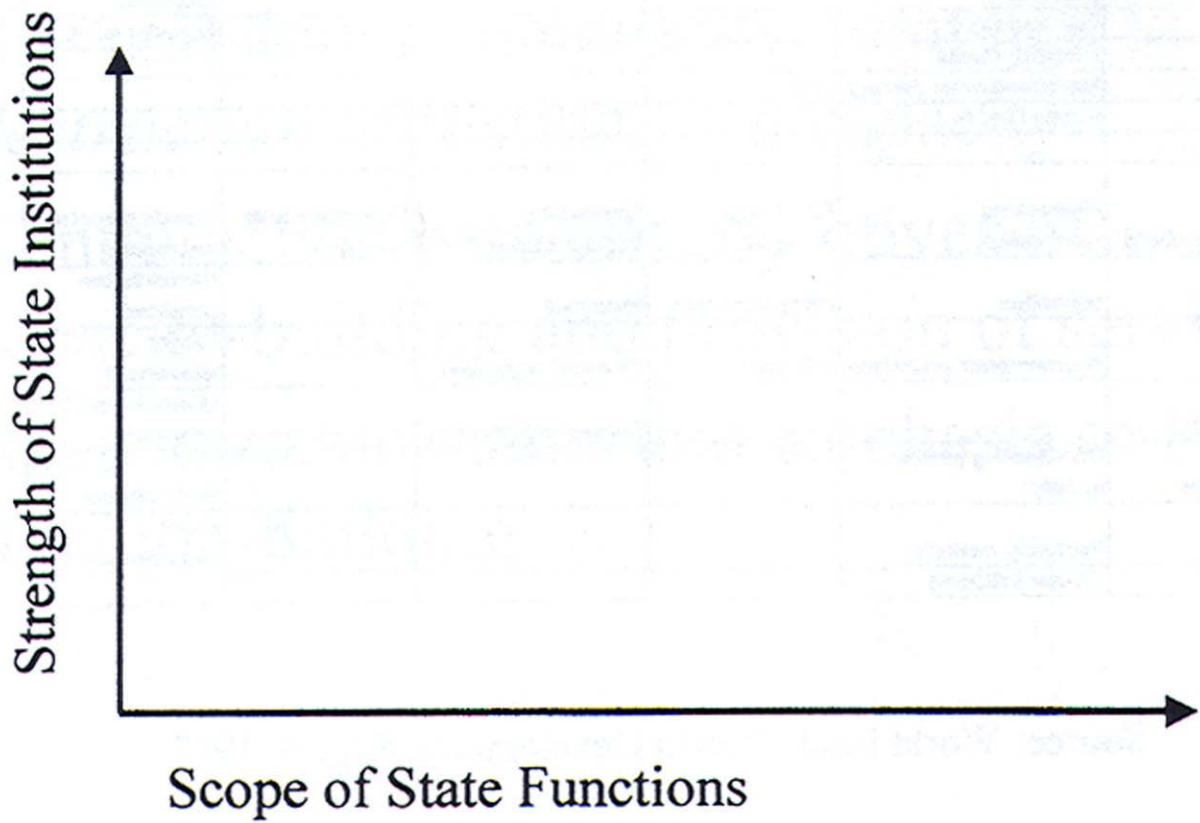
Activist Functions

- Industrial policy
- Wealth redistribution

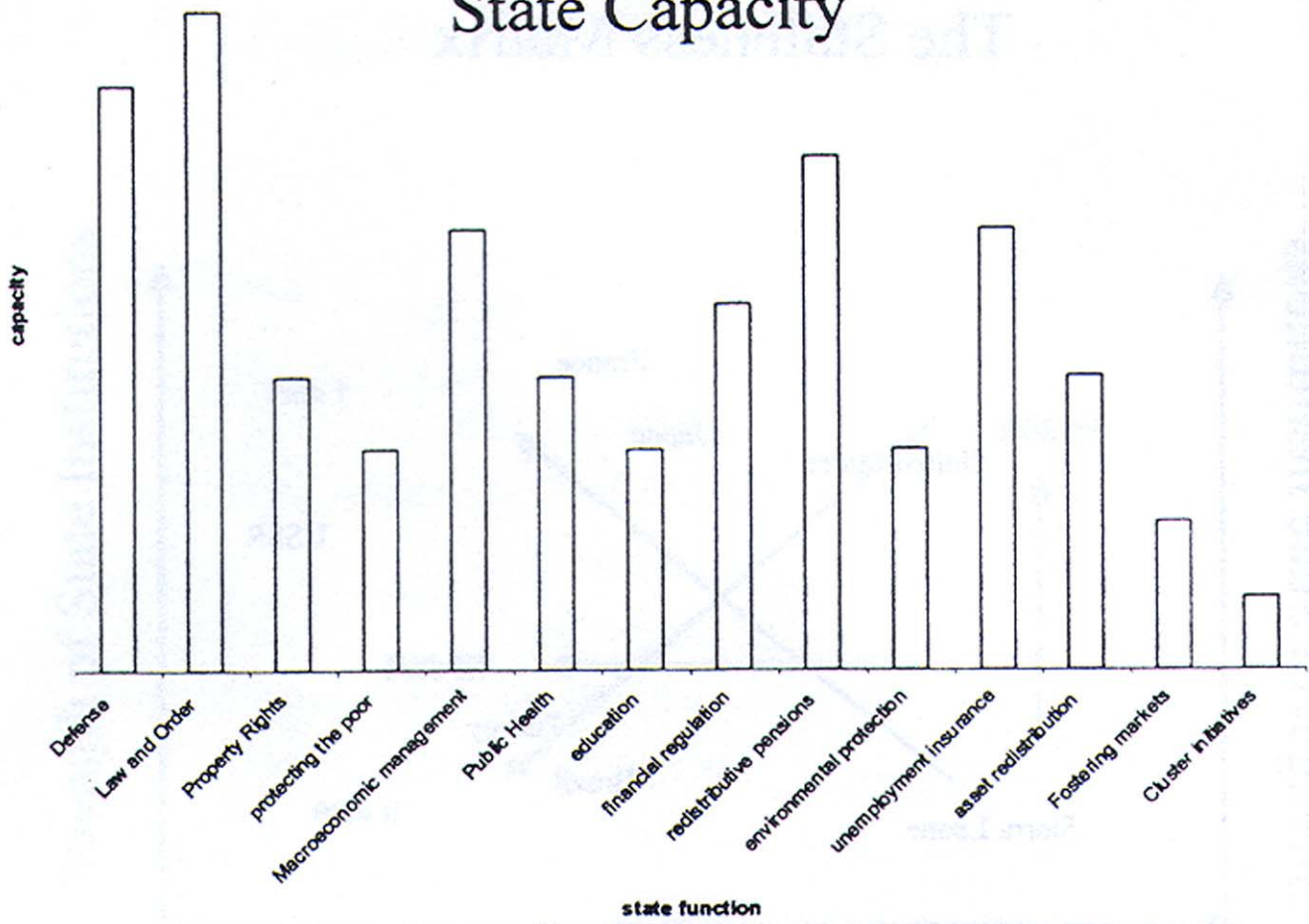
X-axis



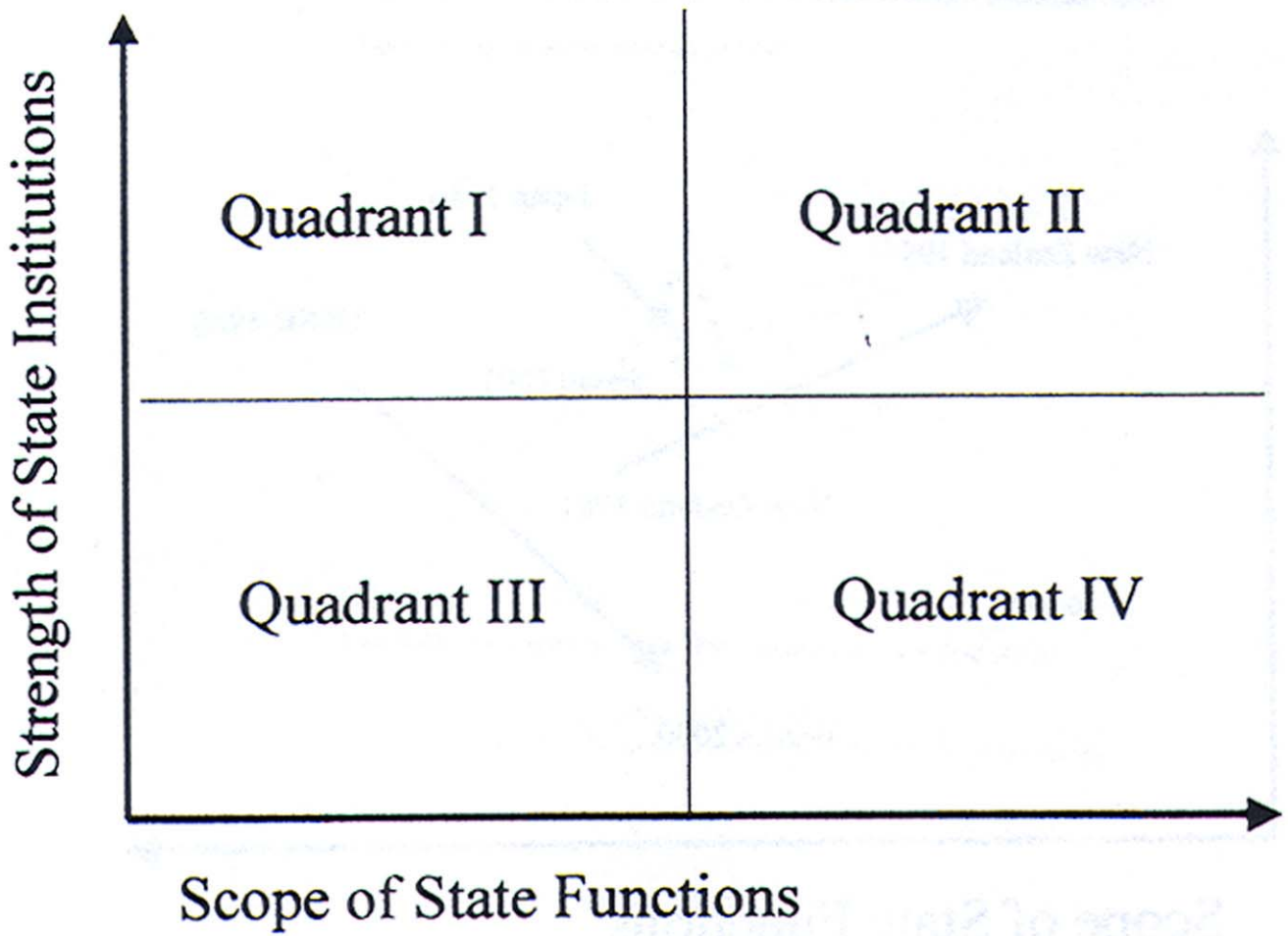
Two Dimensions of Stateness



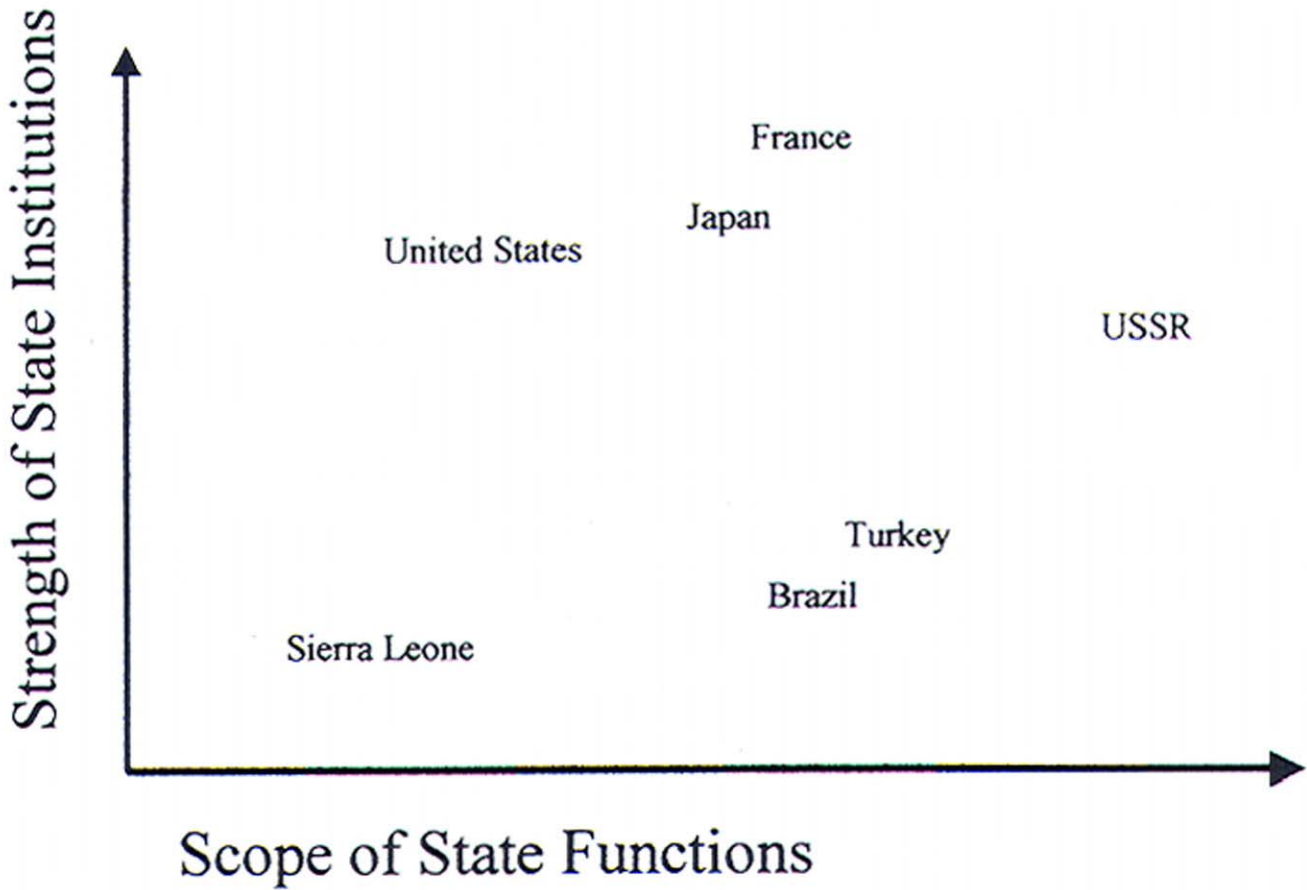
State Capacity



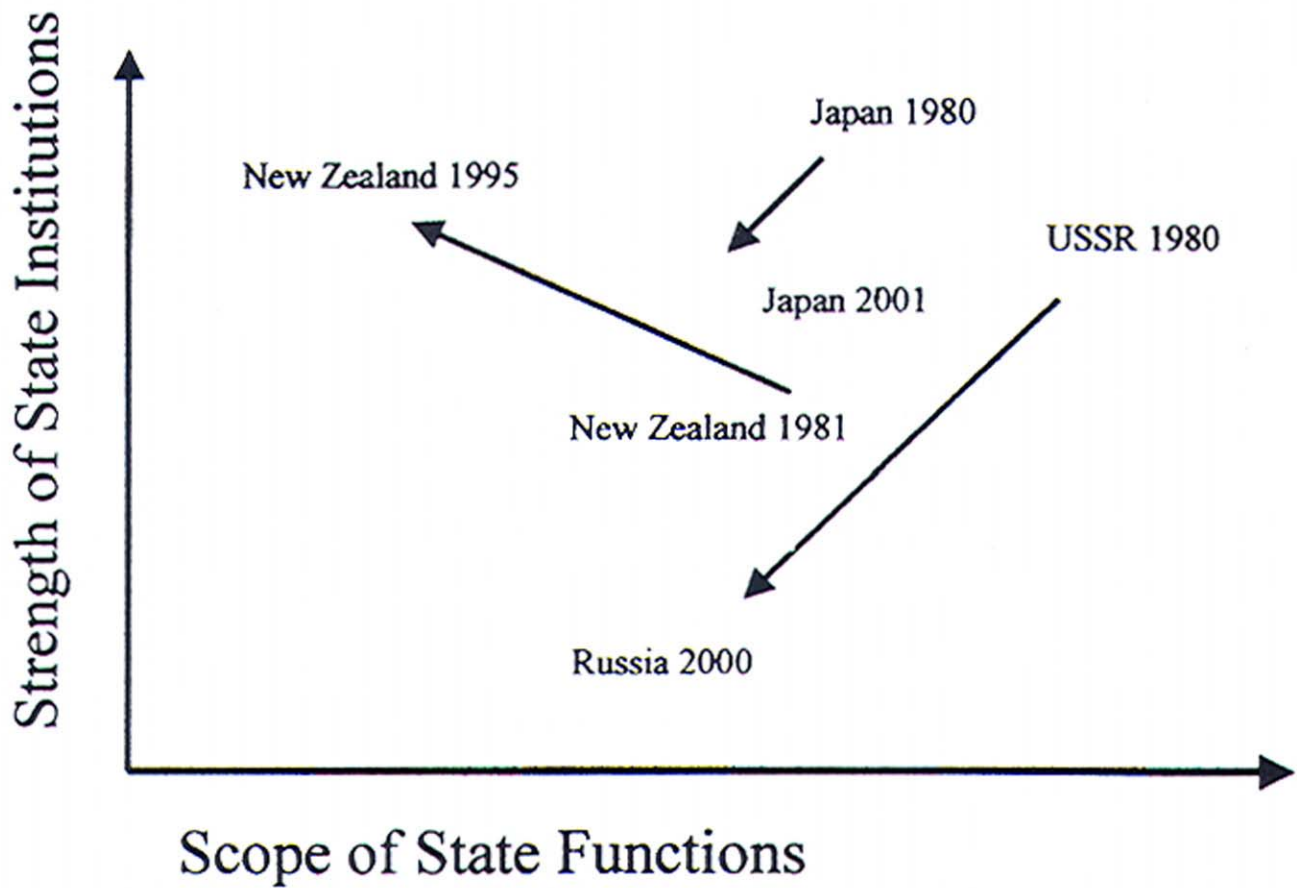
Stateness and Efficiency



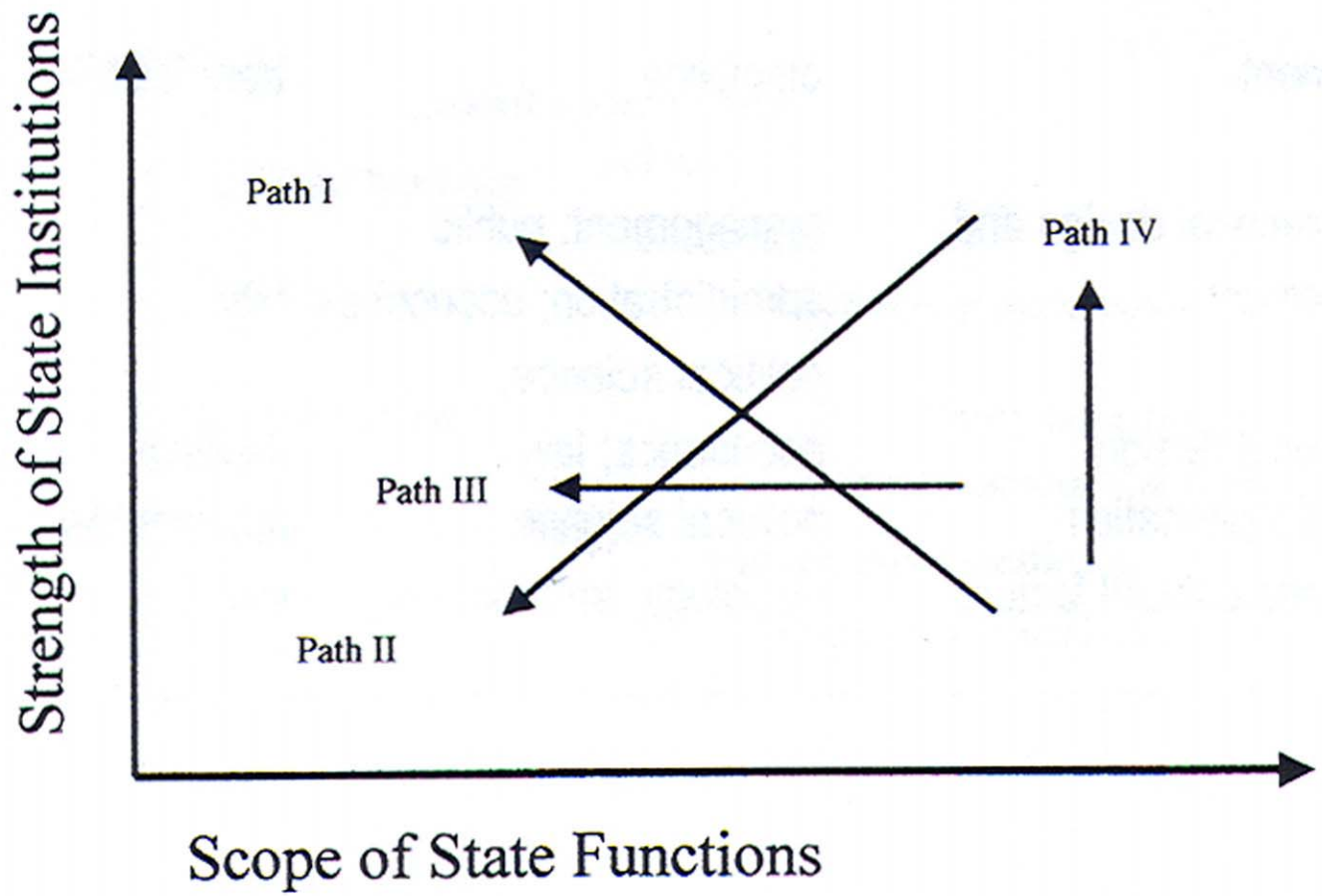
The Stateness Matrix



Change over Time

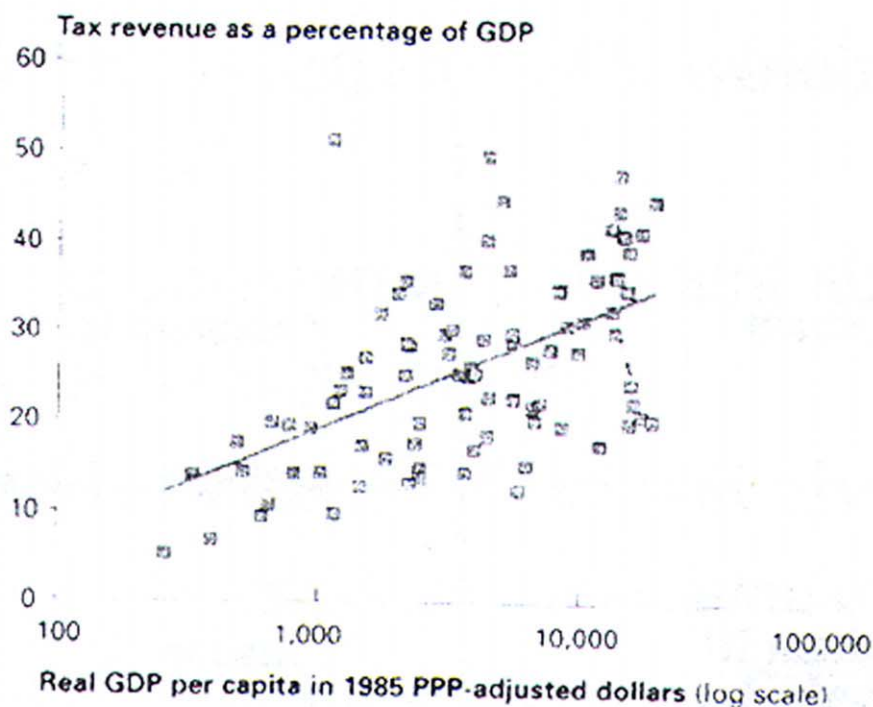


Reform Paths



Tax Extraction Rates v. Per Capita GDP

revenue effort improves with income and reliance on distorti



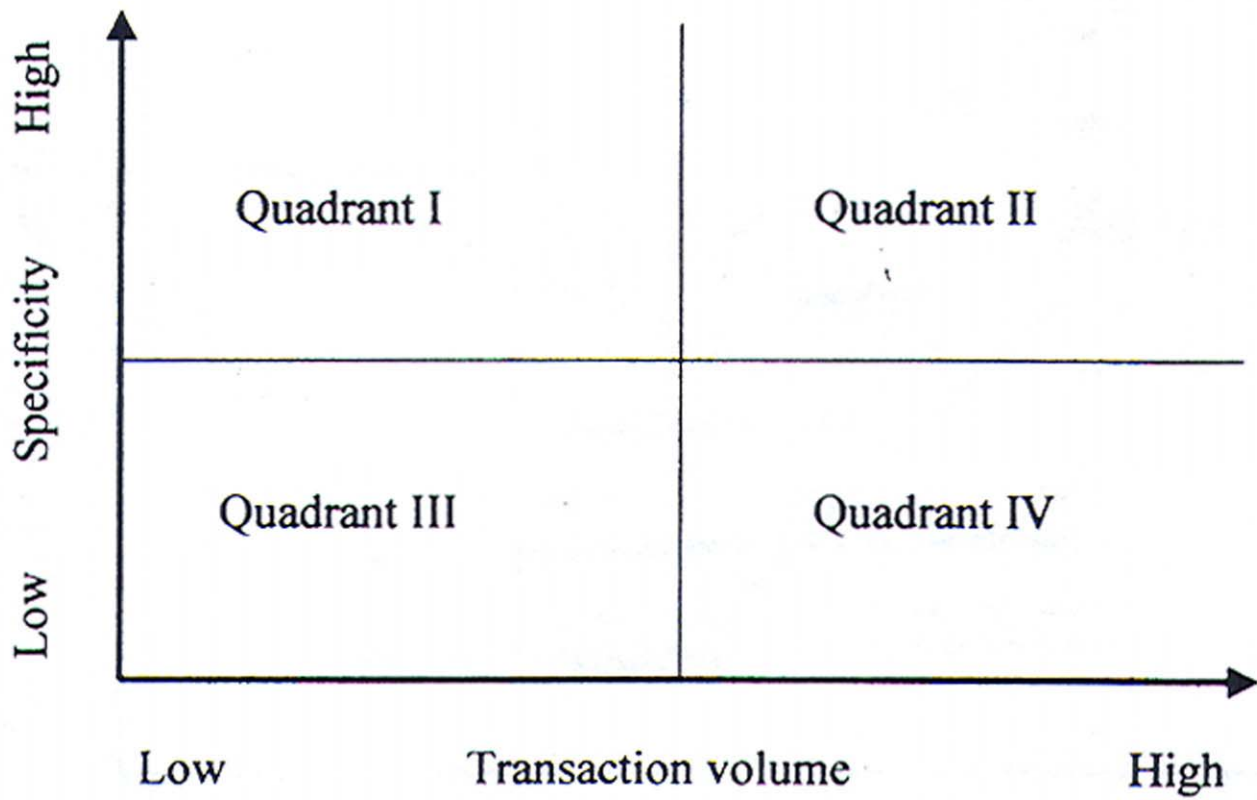
Note: PPP stands for purchasing power parity

Source: International Monetary Fund, Government Finance Statistics

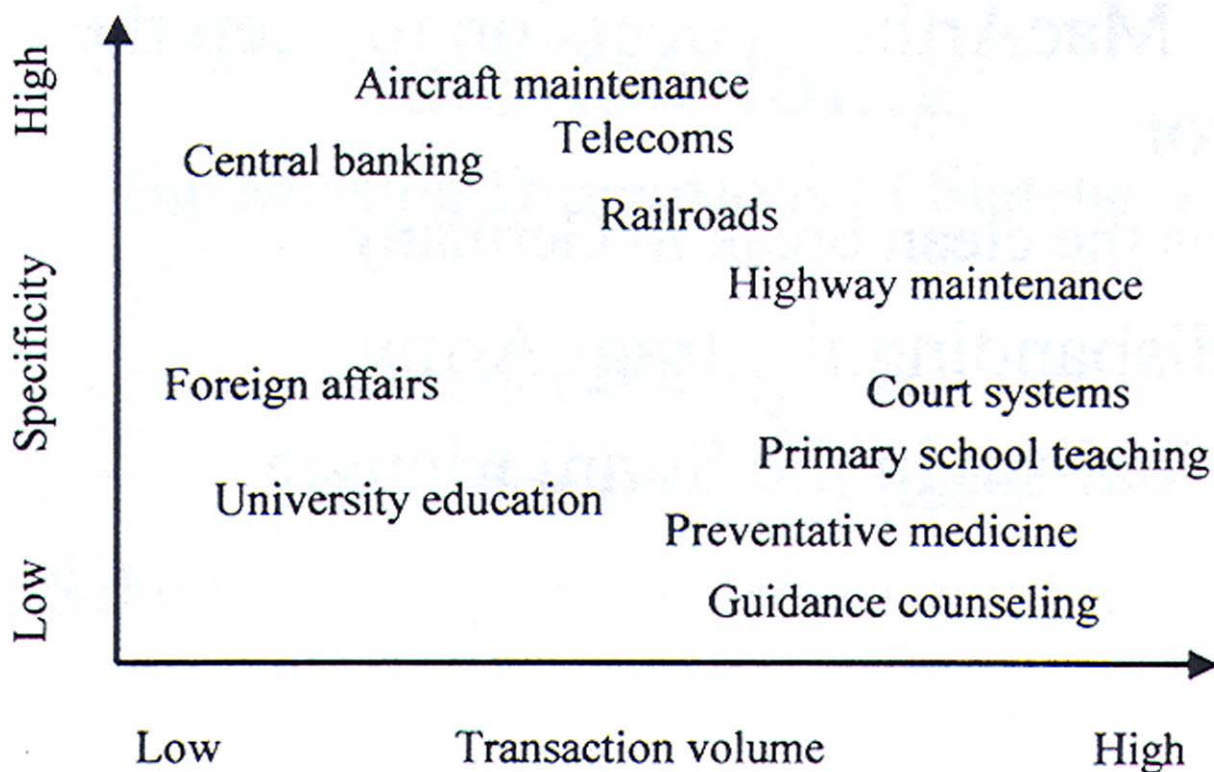
Components of Institutional Capacity

component	discipline	transferability
Organizational design and management	management; public administration; economics; political science;	high
Institutional design	economics; law	medium
Basis of legitimation	political science	medium-low
Social and cultural factors	sociology; anthropology	low

Public Sector Outputs



Monitorability of Public Sector Outputs



Consequences of Organizational Ambiguity

- New approaches to activities for which there are no “best practices”
- Requires rather contextual judgment about applicability of foreign models
- Need to rethink 1990s emphasis on civil society
 - Good theory but questionable allocation of resources
- Need to think about the structure of decision-making rather than content of decisions

Applications

- Japan: MacArthur's decision to keep the Emperor
 - versus the clean break in Germany
- Iraq: disbanding the Iraqi Army
- Iraq: tribalism in the Sunni triangle

Making Things Worse

- IFIs and donor community complicit in *destruction* of institutional capacity
- Contradiction between objectives of capacity-building and provision of services
- Need to rethink aims and emphasis of Phase II nation-building