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THE STATE OF FRANCIS FUKUYAMA

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The State of Francis Fukuyama[1]

Hank Nelson

Professor Francis Fukuyama, currently Bernard L Schwartz Professor of International Political Economy at Johns Hopkins University, was born in Chicago in 1952, and has a BA from Cornell and a doctorate in political science from Harvard. He has worked with the RAND Corporation, the Department of State specialising on the Middle East, and continues to serve on several significant boards such as the President's Council on Bioethics and the National Endowment for Democracy. Something of the range of his interests can be gauged from the fact that he has written monographs on Russia and the Third World, the consequences of the biotechnology revolution, and social capital. He became widely known with the publication of *The End of History and the Last Man* in 1992. Translated into many languages, the head of bestseller lists and awarded major international prizes, *The End of History and the Last Man* provoked popular and academic debates; but his two most recent books, *State Building: Governance and World order in the Twenty-First Century* (2004) and *After the Neocons: America at the Crossroads* (2006) have more immediate relevance to Australia. His shift from identifying as a neoconservative to asserting that neoconservatism was 'something' he 'could no longer support', has been reported widely in Australia.[2] He had contributed to the neoconservatist underpinning of the war in Iraq and he had joined the initial celebration at the fall of Sadam Hussein, but he has concluded that the American theoretical justification for the war was wrong and its execution incompetent, and he has called for a new direction in American foreign policy, a 'Realistic Wilsonianism'.[3] While Fukuyama's changing evaluation of the arguments of his one-time neocon colleagues has illuminated major issues about American policy and the war in Iraq, his general thinking about failed or weak states and foreign intervention has received less attention in Australia. And it is those considerations that have implications for Australian policies in East Timor, Bougainville, Papua New Guinea, Solomon Islands and the other islands where Australia has primary responsibility for any external interventions requiring personnel and cash. Where there have been debates in Australia, they have tended to be concerned with the immediate and practical, not the long-term and theoretical, but as Fukuyama and others have demonstrated, much foreign aid and intervention has been determined by theoretical assumptions that are unproven or false.

Fukuyama writes on the theoretical frontier of state building, but his language is without jargon, and when he uses metaphors they are deployed to illustrate not obscure. He has an awareness of a long tradition of western philosophy, and he frequently acknowledges or comments on other writers. He is not a zealot. He does not believe he has discovered a coherent new explanation for individual or national behaviour and been able to make all else subordinate to his all-embracing insight. Fukuyama sets out problems, considers current explanations put forward within various disciplines, evaluates them against counter arguments and the empirical evidence from case studies, and - consistent with the evidence - some of his conclusions are tentative. Few of his sentences are marked by wit or compressed wisdom: he is not a maker of the memorable quote. But because his writing is

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[1] A draft of this paper was presented in a joint seminar with David Hegarty at the Pacific Islands Political Studies Association conference in Noumea, December 2004.

[2] *After the Neocons*, p.ix.

[3] An example of Australian reporting is 'Neocon's about face …', *Austraiain,* 20 March 2006. Fukuyama says that he had doubts about the war in the year before the initial assault (*After the Neocons*, p.viii).

always accessible, and because he defines critical questions, provides a guide to relevant material, draws useful conclusions, and is conscious of the practising public servants who have to implement policy, he is to be valued as an international public intellectual.

The End of History was a book of its time. It developed from an article written in 1989, the year that the Berlin Wall came down, and it was published in 1992, after the Communist Party of the Soviet Union was effectively disbanded. Fukuyama was not, as some naïve commentators who read only title thought, predicting an apocalyptic end of the world, or the end of great events, or the end of history as a discipline, but the end of history as it had been conceived by Hegel and Marx – a process of societies moving through various ways of organising themselves as theocracies, feudal states or monarchies etc. Throughout history there have been dominant contests about how peoples should organise themselves so that they are best able to secure their needs. In the 1930s there seemed to be three possible models: Marxist, Fascist and Capitalist. But suddenly it seemed to Fukuyama that there was just one: it was liberal democracy as realised predominantly in Western Europe and North America, and with liberal democracy Fukuyama added economic theories that placed faith in the free market. There was, said Fukuyama, a consensus that liberal democracy had defeated all its rivals; the ideal of liberal democracy was not going to be improved; liberal democracy was the aspiration of most of mankind; and it could be realised universally – it was not an outcome of a culture and history peculiar to the West. The world in 1992 could, Fukuyama thought, be divided into those who got to the end of history (they lived in liberal democracies), and those who were still somewhere in history. Fukuyama conceded that man had the potential to destroy his liberal democracy and so start somewhere in history again. Fukuyama wrote before Samuel Huntington published *The Clash of Civilizations and the Remaking of World Order* in 1996, before the sustained, rapid economic growth of India and China, before 11 September 2001 and the horror of the World Trade Centre, before the assaults on Afghanistan and Iraq, and before the War on Terror, jihadists, Taliban and al-Qa'ida entered popular consciousness.

In a review of *State-Building*, John Gray suggested that after Fukuyama the prophet having been proved false, Fukuyama tried to redefine his position, and in *State-Building* had chosen another ploy – he had changed the subject. In fact, in *State-Building* there is much continuity. Fukuyama has assessed the policies that have been pursued by those trying to get the failed, failing and weak states closer to being efficient liberal democracies, closer to the end of history. The administration of George W. Bush in its interventions in Afghanistan and Iraq was in part assuming it could hasten the pace of those nations through history to become democracies. Fukuyama has said that Kenneth Jowitt summarised accurately his views and the way that they were used (and misused):

> Initially, if implicitly, the Bush administration subscribed to the 'end of history' thesis that the 'rest' of the world would more or less naturally become like the West in general and the United States in particular. September 11 changed that. In its aftermath, the Bush administration has concluded that Fukuyama's historical timetable is too laissez-faire and not nearly attentive enough to the levers of historical change. History, the Bush administration has concluded, needs deliberate organization, leadership, and direction. In this irony of ironies, the Bush administration's identification of regime change as critical to its anti-terrorist policy and integral to its desire for a democratic capitalist world has led

> to an active 'Leninist' foreign policy in place of Fukuyama's passive 'Marxist' social teleology.[4]

Pre-emption, shock and awe and regime change manifestly have not yet transformed Iraq into a democracy.

As Fukuyama has argued, the attacks of 11 September and subsequent responses have brought urgency to a basic issue for the West. The West offers an 'attractive package' of 'the material prosperity of market economies and the political and cultural freedom of liberal democracy'.[5] But in spite of the aid and advice of nations and international agencies through several decades only a few countries in East Asia have grasped the package, and many have been stagnant or have regressed. State-building, 'the creation of new government institutions and the strengthening of existing ones' is, Fukuyama says, 'one of the most important issues for the world community'. And in *State-Building* he attempts an assessment of what is known and unknown and what works and fails.

For Fukuyama there is no alternative to the state, there is no 'twilight of sovereignty', and no realistic alternative of leaving all to the markets as might be suggested by the right or multilateralism that might be the choice of the left.[6] Various de facto replacements of the state – NGOs, multinational corporations, international organisations, crime syndicates, religious fundamentalists, civil society - are either inadequate or undesirable or both. That being the case, we had better accept that building or rebuilding sovereign nation-states is a frequent, necessary and important task.

In his brief historical summary, Fukuyama points out that the state as it is now known in the West is recent. In the early twentieth century the state was not pervasive. There was no income tax, no comprehensive welfare for the sick, poor, old or unemployed, and almost no food safety regulations. States consumed about 10% of GDP. By the 1980s they were taking up to 50% of GDP, and in Sweden up to 70%. The rapid expansion of the all-pervasive state was in the1930s with the totalitarian states of the left and right, the USSR and Nazi Germany, documenting and controlling the details of all citizens. Nearly all the totalitarian states had gone by 1989, and the prevailing orthodoxy expounded by the Thatcherites and Reaganites was the virtue of small governments. The advice then being offered to the Third World followed the 'Washington consensus' of neoliberalism: reduce state intervention and reap economic benefit. In fact, Fukuyama argues, the Third World states should have been told to reduce the scope of the state in some areas and increase it in others. The neoliberal economic reforms had failed to deliver in most states and made them worse in some. Privatisation in Russia, Fukuyama points out, often led to theft of resources. Predatory groups and regimes have flourished in Sub-Saharan Africa as state resources have been shifted to favoured individuals, tribes, ethnic groups and regions. In many states there was simply no effective state power to ensure that state resources were not transferred to the privileged and predatory, and there was no power to ensure that those resources continued to be used efficiently, or used at all.

Fukuyama, who is keen on graphs, believes that states can be seen as having a range or scope of functions which can be set out on an the 'x' axis stretching from the basic (law and order) to the discretionary (asset redistribution). On the 'y' axis the

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[4] Fukuyama quotes Jowitt with approval in *After the Neocons*, pp.54-5.
[5] *State-Building*, pp.2-3.
[6] *State-Building*, p.163.

state functions can be graphed according to capacity or strength. To the early 1990s many economists preferred limited scope and limited capacity over what they saw as excessive scope and strong capacity. But from the early 1990s a new consensus developed, a replacement conventional wisdom, with its own mantras about the importance of 'governance', 'state capacity', 'institutional quality' and 'institutional strengthening'. Some economists were beginning to say that the most important variables influencing economic development were concerned with institutions and politics. Fukuyama quotes Milton Friedman, 'the dean of orthodox free markets', who said that once his advice to countries making the transition from socialism was 'privatize, privatize, privatize', but in 2001 he conceded he had been wrong and he now thought that the 'rule of law' was 'more basic than privatization'.[7] As Fukuyama warns, the fact that there is now a new conventional wisdom does not mean that it is right. Given past performance, the prevailing consensus must always be treated with caution.

In defining the problem, Fukuyama refers to the shorthand expression of 'getting to Denmark'.[8] Denmark is here generic, a country with fair and efficient institutions offering its citizens a desirable way of life. We know the difference between Denmark and Somalia. The problem is not cognitive: the problem is getting from one to the other.

Clearly, the record of getting there has been poor. Fukuyama list countries where there has been extensive intervention – Somalia, Haiti, Cambodia, Bosnia, Kosovo and East Timor – and says that there has not been much evidence of building self-sustaining states. He points out that in Africa where around 10% of GDP comes from foreign assistance there has been much decline in capacity, one report claiming that 'Almost every African country' has regressed over the last thirty years.[9] Capacity destruction may have been more common than capacity building.

It has been assumed, Fukuyama says, that domestic demand is essential to institutional strengthening, but whether demand can be stimulated, or made mandatory, from outside is at best doubtful. The most common way of creating an external demand is for donors to set condition, making aid subject to 'tough love'.[10] But setting a condition – such as eliminate corruption or aid stops – has rarely worked because:

1. Donors do not like to stop. That reduces their influence and they have to cease doing what they were created to do.
2. There are so many donors that if one stops another will step in.
3. If all donors could be coordinated and all agree to stop then the poorest of the poor will suffer most. They are least likely to meet the conditions, or least likely to be able to give the appearance of meeting the conditions.
4. Some leaders have already shown that they are ready to kill many of their citizens to hold power and maintain a certain structure of power. No external aid pressure will outweigh what is already a life and death struggle.

Fukuyama does not see 'tough love' getting anyone to Denmark.

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[7] *State-Building,* p.25.
[8] *State-Building,* p.29.
[9] *State-Building,* p.53.
[10] *State-Building,* p.49.

One third of the way through *State-Building* Fukuyama has the depressing sub-heading in **Making Things Worse**.[11] Fukuyama illustrates what can happen: an aid donor may want to provide aid for education or to prevent AIDS. In aiming to do something which is manifestly good, the donor wants to provide a service and to increase local capacity to provide the service. In practice, Fukuyama argues, the provision of the service dominates. The alternative of working through local systems results in encountering incompetence, corruption, records getting lost or not kept and valuable equipment left unused. And the service so urgently needed reaches few. But when the donor provides the service, the most able from the relevant local institution learn the skills of liaison and making grant applications. Even with the best-intentioned of donors most local people are side-lined when major decisions are taken, and the scarce able local officers with the language and professional skills to meet the foreigners as equals are likely to join the foreigners and never return home. The result is that the donor, seeking quick, quantifiable evidence of the service reaching the targeted people, has diverted and denuded local capacity. Fukuyama argues for a clear distinction between service provision and capacity building, and if the aim is capacity building then that's it.

Fukuyama makes interesting comments on the design of institutions, and more broadly on the discipline of public administration. He says that the last sixty years of research and writing on public administration has shown that there is no science of public administration.[12] The infiltration of public administration by the neoclassical economists, who thought that organisations could be treated as bundles of individuals acting in self-interest, has come to little. That has not been the way to reach globally valid rules about organisations. Public Administration has returned to the sociologists, and with them there is an increasing recognition of cultural and other variables and unpredictability. Fukuyama sees institutions being built in conditions of ambiguity.[13] There are no broadly accepted rules to be applied to public sector reform, project management or service delivery: these are tasks where 'best practice' is myth. Fukuyama does not think that this is a result of inadequate or misdirected research, but is largely for reasons inherent in the subject itself. It follows that if have no universal rules, no optimal form, then we cannot transfer a model from elsewhere, we cannot prescribe.

But the consultant on institution building is not rendered mute. There are known worst practices to be avoided, and there are some parts of a public service that can be transformed by 'ten bright technocrats' parachuted into a developing country.[14] These are tasks of 'high specificity' and 'low transaction volume' – the tasks where knowledge is specialized, the offices central and few decisions are made, eg, the reserve bank.[15] Problems arise with institutions of low specificity and many transactions eg a health or education department or law and order where there are many different sections, many employees, offices spread across the nation and innumerable decisions being made every day.

Fukuyama uses two illustrations to suggest what might be the best approach for donors concerned with institutional strengthening.[16] In the first he says that donors who wish to establish a factory should not arrive with the girders, bricks and

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[11] *State-Building,* p.53.
[12] Again the relevant heading is explicit: Chapter 11 'Weak States and the Black Hole of Public Administration', *State Building,* pp.58-123.
[13] *State-Building,* p.112.
[14] *State-Building,* p.115
[15] *State-Building,* p.115.
[16] *State-Building,* p.121.

blueprints, hire local workers to put up the building, and then leave it to the local community to run an efficient factory. Donors have to arrive, motivate the local people to want the new factory which they then design and work out how to build and utilise. The donors have to resist the temptation to speed up the process by providing answers or doing some of the work themselves. In his second illustration Fukuyama shows that there can be tolerance of institutional form. The markets do not care if a firm is a partnership, joint stock company, centralised, decentralised or whether it is layered in geographical or functional tiers: the test is whether it makes money.

Fukuyama draws the obvious conclusions. There must be local demand, and the donor provides aid, but not micro-management. The donor has to be patient, ready to make a long-term commitment, tolerate what might appear to be aberrant structures and not intervene when returns are less than they could be, but can make further aid dependent on measurable results.

This introduction to Fukuyama is far from comprehensive and it has shorn his comments of much of the scholarship in which they are located. To put his conclusions in greater danger of appearing simplistic and dogmatic, here is a summary of the summary:

The building of states and the strengthening of institutions is one of the most important issues for the world community.

There is no alternative to building states.

Privatisation without state institutions capable of arranging appropriate sales and monitoring subsequent operations of the privatised assets is likely to be disastrous. A weak state cannot be ignored and faith placed in markets.

The target (Denmark) is known but the record of getting there is poor, and many countries may have regressed.

The setting of conditions (tough love) rarely works.

To attempt to provide a service and at the same time claim to build capacity almost always fails and may reduce capacity.

There is no science of public administration and so no universal laws, no best practice, no optimal design of organisations with many staff and many tasks, and so transfer of designs from elsewhere (except where the function is narrow and technical) is unlikely to succeed.

Successful aid requires long-term commitment, patience, tolerance, no micr-management, local demand, local design, the cultivation of demand and reward for improvement.

In *After the Neocons* Fukuyama argues that the Bush administration went into the Iraq war with an almost naïve optimism about the ease with which a 'contagious wave of democratic fervor' would continue to sweep across the world.[17] But, as Fukuyama points out, regimes

[17] *After the neocons*, p.57.

> are not just formal institutions and authority structures: they shape and are shaped by the societies underlying them. The unwritten rules by which people operate, based on religion, kinship, and shared historical experience, are also part of the regime.[18]

That is a sharper statement of the particular and influential nature of cultures within states than in *State-Building.* And Fukuyama points out that most of those who were advising Bush about regime change were largely ignorant of the literature on the complexities of foreign intervention leading to economic and political development. Perhaps a little unfairly, Fukuyama says that the leading neoconservatives in their discussion of the tools to promote democracy seemed to think that these were 'first and foremost, the ability to project military power, followed by allies and ballistic missile defense' and they made 'not even a nod' toward the policy instruments'.[19]

Where after the publication of *The End of History* Fukuyama could feel that subsequent events were being interpreted to demonstrate the deficiencies of his thesis; he can now assert that what he has said about the importance and the intellectual and practical difficulties of building an efficient, just state are daily being confirmed in Iraq, Afghanistan, the Sudan and too many other states around the world.

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[18] *After the Neocons*, p.30.
[19] *After the Neocons*, p.117.