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Building the Government We Need

A Framework for
Democratic State
Capacity

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Introduction

In 2021, with the COVID-19 pandemic raging and the economy in free fall, Congress passed the American Rescue Plan, issuing billions of dollars of emergency economic relief. The bill included, among many other programs, directives for the Treasury Department to provide direct household economic support through a massive new Child Tax Credit. Under extraordinary pressure to stand up the program quickly, Treasury scrambled to build whole new divisions, computer systems, and capacities—engaging for the first time in the business of direct provision of benefits. Other agencies had similar experiences, scraping together new initiatives and exercising muscles that were either long-dormant or had previously not existed. But within a few months, another series of equally dramatic actions raised a very different specter, not of the bootstrapping of new government capacities, but of the active undermining of governmental authorities and initiatives. Through a series of major decisions, the Supreme Court undercut some of the very authorities and capacities agencies were building to address the COVID-19 crisis, stopping efforts to prevent evictions, protect workers from exposure, and forgive student debt.

This push and pull has continued to characterize many policy fights during the Biden administration. Empowered by additional new legislation and executive initiatives, agencies have begun a major revival of industrial policy and macroeconomic policymaking—investing billions in jump-starting new clean energy industries and physical infrastructure, while reviving antitrust policies to rein in new concentrations of corporate power. Yet many of those same actions have faced obstacles. Old procedures and fragmented institutions for permitting and building new projects have slowed the actual construction of infrastructure for which Congress initiated new funding. Meanwhile, new litigation has challenged the very foundations of legal authority for agencies like the Federal Trade Commission, the Consumer Financial Protection Bureau, or the National Labor Relations Board, undercutting the capacities those agencies have deployed to address inequities in the market economy.

These flashpoints represent more than just tensions or disagreements over specific policies. They exemplify another underlying challenge for efforts to build a new, more inclusive and dynamic political economy in the years ahead: the need to build durable and effective *state capacity*. State capacity refers to the ability of the government to execute a set of policy priorities effectively (Linz 1978). Capacity is related to but distinct from performance—a state may possess capacities that are used poorly, or policies may be implemented that fail to generate the desired outcomes. But capacity also does not automatically result from the mere articulating of policy goals: It must be constructed and built.

This construction of state capacity—and state-building more generally—has been central to the history of progressive governance. In the late 19th century, the pressures



of industrialization, its impacts on communities and workers, and the rise of new forms of exploitative private control over essential infrastructure like railroads or necessities like milk drove reformers to develop new state-based regulatory agencies and public utilities. These agencies and utilities were charged with regulating industries to protect workers and consumers from harm and ensure public needs were being met (Novak 2022). The New Deal famously innovated a vast new federal bureaucracy that created the capacity to regulate markets and workplaces, and to deliver social security benefits, among many other programs. The Civil Rights Act created an enforcement apparatus to protect against various kinds of discrimination. The success or failure of the ultimate policy objectives for many of these programs required not only the setting of the legislative or regulatory goal but also the creation of bureaucratic institutions and structures capable of executing that goal.

Today, we see a revival of interest in this question of building and optimizing state capacity. With major new public investments underway in clean energy, infrastructure, and service delivery, a host of scholars and thinkers have warned that absent reform, existing state institutions may not have the capacity to deliver the desired outcomes effectively, quickly, or at sufficient scale. This has been a growing concern in context of the need to rapidly build new clean energy infrastructure ([Klein 2022](#)), the push to address the accelerating dearth of plentiful and affordable housing by building more units more quickly ([Demsas 2022](#)), and the need to design safety net and service delivery programs that smoothly and painlessly provide benefits to those who need them most (Pahlka 2023). Across these accounts, a common theme is that the existing structure of the state may frustrate policy ambitions: Excessive procedures can unduly slow down government action; outdated requirements and mental models might create an excess of caution where more alacrity or creativity may be required; fragmentation of authorities across different agencies or between federal, state, or local bodies might further dissipate policy momentum.¹ The very idea of industrial policy depends on and presupposes state capacity—on the ability of state actors to generate financing and tax revenues, which in turn can be channeled into investments in industries or safety net programs.²

This report examines these questions of state capacity and the design of bureaucratic institutions to sketch a framework for identifying the various sources of state capacity or state *incapacity*. Conventionally, we might think of state capacity as a unidimensional, policy-neutral quality: States either have more or less capacity to effectuate whatever policy ends a government might set out to achieve. This, in turn, suggests a straightforward dialing up or down of constraints: More constraints mean less capacity; fewer constraints mean more capacity. However, this report seeks to broaden and nuance the discussion of state capacity to go beyond a unidimensional sense of “more” or “less,” and beyond the current focus on outdated or excessive bureaucratic protocols.

¹ See e.g., [Bagley 2021](#); Pahlka 2023.

² See e.g., [Tucker et al. 2024](#).



If our goal is to build an inclusive, sustainable, and dynamic political economy in the years ahead, we will need to reimagine how state institutions are structured and optimized.

First, this report suggests that state capacity must be understood not as a policy-neutral quality that dials up or down, but rather as a quality of governance that is intimately related to values of both *democracy* and *equity*. Understood this way, building state capacity in context of a broader agenda of developing a just, inclusive democracy and economy is about more than just removing outdated or excess constraints on state power. Rather, expanding state capacity will also require building whole new capacities that do not currently exist—for example, in service delivery, national planning, or the ability to address other structural demands for equity and inclusion. It will require *dismantling* some capacities that are implicitly or explicitly oppositional to the kinds of political economic goals we seek—not just at the micro level of outdated procedures, but also at the macro level of the ways in which larger state structures might enforce particular forms of racialized or gendered inequity—such as through immigration or carceral or punitive state structures.³

Second, this report also suggests that the task of building state capacity requires attention not only to the internal bureaucratic protocols and procedures that might limit state capacity; it also requires attention to a wider range of internal drivers of capacity, including resources, personnel, and information. Expanding state capacity will also require reconfiguring the *external* political economy around the state to address the ways in which external actors might deliberately sabotage or undercut the building of state capacities that might be needed, whether through political pressure or litigation.

Taken together, these arguments offer a conceptual framework for understanding state capacity—and ultimately for building the kind of state capacity we need to advance a vision of a just, inclusive, and democratic political economy.

Capacity, Democracy, and Equity

Defining State Capacity

Discussions of state capacity often take a policy-neutral approach to its core concept. We might think of a relatively thin definition of state capacity as requiring two component elements: the ability to formulate policy solutions, and the ability to execute those solutions ([Linz 1978](#)).

³ See e.g., [Chertoff 2023](#); [Shah 2023](#); [Weaver and Prowse 2020](#)



First, state institutions must be able to *develop policy solutions* for *complex and urgent* problems, particularly in light of *diverse constituent views and interests*. This condition is really about the formulation of a coherent policy direction. Here, capacity requires the ability to make sense of complex issues to identify solutions. For example, what policy levers might the state pull on to tackle the complex drivers of climate change? Or a future pandemic? A high-capacity state would be able to develop an answer to this policy question in a timely way (given the relative urgency of the question). A high-capacity state would also be able to formulate these policy directions in ways that navigate and synthesize competing and divergent views of diverse constituencies and interests. Thus, state capacity is not just about getting the right technical answer, but doing so in ways that engage constituencies, channel their views, and can be seen as broadly legitimate.

Second, state institutions must be able to *effectively implement* these policy solutions in ways that *have the best chance at producing the desired results* and are *relatively protected from special interest capture*. Thus, once a policy direction is set, state capacity must also include the ability to implement the policy effectively. This does not necessarily mean the policy must achieve desired outcomes—there may be complicating and unanticipated factors that undermine ultimate outcomes. But it does mean that the state must be able to implement the policy in ways that create the best opportunity to generate the desired results. A high-capacity state would therefore ideally be able to avoid unforced errors and unnecessary frictions that undermine the ultimate policy goal. These risks to implementation are not just technical; they may also be political as special interest groups may seek to capture state implementation mechanisms to either frustrate aims they oppose or monopolize the gains (in violation of the overarching public interest).⁴ This implementation condition might also be frustrated by approaches to implementation that implicitly exclude some constituencies or concentrate gains in particular constituencies, not as a result of interest group capture, but as a result of more diffuse, implicit presumptions, biases, or exclusions.

But state capacity is not just a matter of having “more” or “less”; it can vary wildly across different functions and aspects of a policy problem. In the height of the pandemic, for example, it mattered greatly that public resources and coordination could help mobilize vaccine development (activating and helping steer private efforts as well), and later responding to aspects of the crisis like the initial effort to create new public health norms and crisis response policies. Yet at the same time, other aspects of our pandemic response were deeply troubled, and evidenced other limitations of state capacity: the clunky mechanisms for delivering urgent economic relief, whether unemployment insurance or coverage for treatments; the difficulties of getting vaccines to the most vulnerable communities; or later, the more vexing challenge of

⁴ See e.g., [Carpenter and Moss 2014](#).



continuing a focus on pandemic response as political opposition to any COVID-19 policies rose.

State capacity, so defined, is not just a good thing to have; it is foundational to the very survival and legitimacy of a state—and in particular, that of a democracy. A democracy that cannot formulate effective and legitimate policy responses to public problems, and/or cannot implement those solutions, is a democracy that will struggle to retain legitimacy and avoid collapse.⁵ Put more positively, democracies that are both more inclusive and protective of a wider range of constituencies and are *also* able to build effective capacity to address the range of demands that constituencies may have are most likely to be durable ([Tilly 2007](#)).

Capacity and Equity

It is worth noting how this approach to state capacity relates to important concerns about democracy, accountability, power, and equity—concerns that are often treated as secondary, or as separate, from the question of capacity.

First, high capacity and greater inclusion might reinforce one another. Sociologist Charles Tilly famously conjectured that capacity and inclusion are complementary: States that are inclusive but incapable of meeting the demands of communities are likely to eventually face breakdowns of legitimacy and trust—as are states with high capacity and low inclusion ([Tilly 2007](#)). One way to understand the rise of state capacity in the first place is as a series of institutional innovations responding to bottom-up demands from social movements and civil society; this macro story of state formation and evolution puts capacity and democracy in a mutually reinforcing relationship.

Second, equity and capacity may be related by requiring affirmative inclusion of vulnerable or marginalized constituencies in the formulation and design of public policy. If state capacity is in part the ability to identify and create solutions to pressing public problems, it matters *who* is engaged and empowered to prioritize solving problems and shaping solutions. From an equity standpoint, it is critical that the most impacted constituencies be empowered and included in policymaking—including those who might traditionally be overlooked in the conventional policy process. This affirmative commitment to proactive participation and inclusion—organizing and engaging communities, especially those historically overlooked or marginalized—requires its own kind of dedicated expertise, care, and skillset. Similarly, other equity critiques highlight the role of equity in the second dimension of state capacity: Policies that are not formulated and implemented equitably will fail to channel the benefits to those who are most in need.

⁵ See [Linz 1985](#).



Third, equity and capacity are linked in the ways in which policies are ultimately implemented. Even if policies are designed with inclusive and equitable intentions and goals, they may still fail to actually deliver meaningful benefits for those most impacted. The history of American public policy is replete with examples of policies that, even if nominally intended for universal and inclusive reach, nevertheless only work for particular constituencies. Equity demands a level of inclusion, consultation, and equal voice in the formulation of policy. But equity also demands particular approaches to implementation to ensure the benefits of a policy actually materialize—and actually materialize for those most in need of the benefits. For example, “targeted universalism” represents an approach to policy design and implementation that starts from the empirical fact that nominally universal policies may still leave the most vulnerable and historically marginalized communities behind.⁶ Similarly, the critiques of excessive procedural hurdles to building housing or implementing service delivery programs suggest that these failures of implementation may contribute to reinforcing structural inequities by burdening those most in need of the benefits of policy intervention.

Fourth, the inverse of this constructive relationship between capacity and inclusion points to another way in which equity and capacity are linked. Many apparent failures of state capacity may in fact be rooted more in disparities of political power and influence—rather than lack of bureaucratic capacity, per se. Indeed, many critiques of state policy processes involve not a technical failure of implementation, but rather problems of power and equity. State policies might be unduly shaped by the outsized power of particular interest groups ([Carpenter and Moss 2014](#)). That power may be exercised in direct forms through special interest influence, or through more subtle channels, as policymakers might implicitly favor social elites arising from a shared cultural or sociological background and presumptions.⁷ Similarly, state policies may continue to reproduce relations of hierarchy or subordination, replicating patterns of racialized, gendered, or economic inequity. Indeed, many seemingly neutral and technical bureaucratic protocols can channel and exacerbate inequities ([Herd et al. 2023](#)). Take, for example, the ways in which a seemingly neutral emphasis on preventing waste, fraud, and abuse in providing welfare benefits has, in practice, operated to disproportionately burden low-income communities of color and reinforce (rather than mitigate) systemic economic, racial, and gendered inequities.⁸

Finally, an equity lens also highlights the ways in which the very existence of different kinds of capacities (or incapacities) in the state already stack the deck in potentially inequitable ways. Indeed, not all forms of state capacity are normatively equal. Some of our most essential equity goals require building new and more robust state capacities—for example, to deliver universal access to health care, to build a new clean energy grid, or to deliver urgently needed cash assistance or other benefits rapidly and seamlessly to those most in need. But other goals will require the *dismantling* of some

⁶ See e.g., [powell et al. 2019](#).

⁷ See e.g., Carnes 2013, [Carpenter and Moss 2014](#).

⁸ See e.g., [Herd et al. 2023](#).



state capacities whose purpose is to enable and exacerbate particular forms of subordination. Thus, the continued investment in institutions of mass incarceration, such as racialized surveillance of immigrant communities and communities of color represent state capacities fundamentally in tension with deeper ideals of democracy and equity—and part of the solution for these problems might require the dismantling of some forms of otherwise arbitrary and under-accountable forms of state power.⁹

Sources of (In)capacity

This two-dimensional framework, emphasizing both the ability to formulate policy and the ability to implement it, helps inform a more sophisticated approach to the building and defending of state capacity. In particular, it helps highlight how the sources of state incapacity may not just be in the context of failures to implement, but also in the context of failures to formulate policy in the first place. This, in turn, points to the need to address state capacity and incapacity in two arenas: *internal* to the state bureaucracy itself—for example, by examining expertise, personnel, protocols, procedures, and the like—and *external* to the bureaucracy—for example, by examining the political conditions that enable or frustrate the ability to formulate policy and generate sufficient legitimacy and consensus to execute.

Internal Sources of Capacity and Incapacity

Resources: Money, people, and information

First and most straightforwardly, internal state capacity is about *resources*: money, people, and expertise and information.

Bureaucracies that lack *funding* cannot execute or even contemplate ambitious policies. Funding matters not just for the ultimate outcome—has Congress, for example, allocated enough funds to provide access to food for those who need it—but also in terms of what funds are allocated for the internal staffing and bureaucratic needs of agencies themselves. Despite our decades-long obsession with governmental spending and frugality, the reality is that effective program design and implementation require some degree of expenditure *on the state itself*. Agencies need to hire personnel with sufficient cutting-edge expertise. They also need state-of-the-art analytical and technological systems to keep up with, much less regulate and manage, private sector practices. Even in the recent burst of congressional expenditure in 2021 through 2023 on infrastructure and industrial policy, it is notable how relatively unusual it is in the modern era for Congress to maintain steady, let alone increased, funding levels for agencies themselves to hire staff and invest in internal capacity improvements.

⁹ See e.g., [Weaver and Prowse 2020](#).



Above and beyond the raw dollar amounts, resourcing internal state capacity also requires recruiting and retaining top *personnel talent* both through the career civil service and through appointed positions. Organizations are collections of people, and the efficacy of bureaucracies often relies on the efforts of creative, entrepreneurial, and deeply knowledgeable staff. But too often the people side of the capacity equation is either an afterthought in policy design or so constrained by process and lack of resources that staff must work extra hard and extra creatively to source the expertise needed to address new, complex problems. For all the hand-wringing from conventional critics of “big government,” the reality is that the federal government’s expert capacity on many complex policy issues often rests on a relatively small number of deep experts and creative staffers and leaders, and so the fastest way to boost capacity and effectiveness is simply to add a critical additional staff person for increased bandwidth and cutting-edge expertise. This personnel dimension of internal capacity is not just about the number of staff and their expertise; it is also about sourcing the right kinds of staff and expertise. For example, the Biden administration recently committed to improving the recruiting pipeline for AI-related engineering and policy talent. Similarly, agencies seeking to engage in more work around equity and community engagement efforts will eventually need to shift how they think about hiring and qualifications for key positions: Embedding equity in policy, management, and stakeholder engagement is a skill set that needs to be affirmatively recruited for and retained.

Another key resource that drives internal state capacity is the *expertise and information* that bureaucracies have at their disposal in the first place.¹⁰ The ability to develop and implement policy, particularly on complex public problems, requires a certain level of expertise, as well as raw data and information. This is partly about personnel and resourcing recruiting efforts, as noted above, but it is also about the degree to which bureaucracies invest in the gathering and analyzing of data and information in the first place. It is difficult, for example, to design policies around decarbonization without sophisticated data and technical understanding of how different technologies have different carbon footprints. Similarly, any effort to tackle racial inequities will require some level of granular data on demographic and geographic disparities in social and economic conditions—and the expertise to both develop and analyze that data.

As with other kinds of state capacity, such information and expertise are not necessarily unalloyed goods. The degree to which we think expanded state capacity to collect and analyze data is ultimately good depends in part on *how* that capacity is deployed, and to what ends. Take our ongoing debate over (or increasingly, acquiescence to) the continued expansion of state surveillance over Americans in the name of national security. On one level, this effort, which accelerated after the 9/11 attacks on New York City in 2001, represented an effort to expand state capacity to deliver on national security, by investing in the collecting and analysis of intelligence

¹⁰ See e.g., [Fung 2019](#) (discussing role of information and expertise as a source of structural power).



data. But on another level, that expanded surveillance capacity has also meant an increased risk of arbitrary state interference with individual and community liberties, as disputes over warrantless wiretapping and state surveillance, particularly of communities of color, has underscored.

Yet, in other policy domains outside of national security, it is often the *lack* of effective information that limits how much the state can do on other issues of public concern. For example, in their renewed attempt to diagnose and tackle problematic forms of corporate concentration and financial sector risk-taking, regulatory agencies like the Fed, the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC), the Consumer Financial Protection Bureau (CFPB) and others depend on more granular and up-to-date information about how industries and supply chains operate in the modern era. Similarly, a major challenge for any kind of climate change adaptation policy or industrial policy writ large stems from the ways in which climate risk modeling remains largely in the private hands of financial and insurance firms.¹¹ Attempts to regulate the dangers of bias or exploitation from “black box” algorithms and AI systems similarly require agencies to have the expertise and information to know what tangible outcomes are resulting from private use of AI and algorithmic systems to, for example, charge consumers more or deny insurance coverage to particular communities. In another example, the Biden administration’s efforts to encourage agencies to consider equity in policy design and implementation under Executive Order 13985 prominently featured a push to improve agencies’ collection and analysis of “equitable data”—the kinds of data and information that can help better spotlight systemic inequities that can then be better targeted and addressed through policy design.¹²

We are used to talking about reducing government expenditure—or, making government more efficient so it can do more with less. But this attention to state capacity pushes us to think about how, if we want government to *do better*, we also need to invest more resources on government itself, through funding, personnel and talent, and expertise and information. Indeed, as one recent study highlighted, greater investment in administrative staff capacity in the highway construction context resulted in more efficient and effective procurement bids, and therefore in more bidders per contract, ultimately leading to significant cost savings in the end.¹³ This study offers an example of how increased internal capacity can improve the efficacy of government itself.

¹¹ See e.g., [Condon 2023](#).

¹² See e.g., [Equitable Data Working Group 2022](#), [EO 13985](#).

¹³ See [Liscow et al. 2023](#).



Process and Paradigm

While a raw increase in resources—money, people, information—might increase internal state capacity, that alone is not enough .

A major driver of state capacity stems from the ways in which people, funding, or information are themselves organized into bureaus, into workstreams and internal processes, and into conceptual frameworks. It may be easy to view state capacity as a unidimensional quality that either increases or decreases. But state institutions are complex. Bureaucracies are multilayered and multidimensional, incorporating a wide array of viewpoints, interests, goals, stakeholders, and subdivisions.¹⁴ How bureaucracies coordinate and act effectively often depends not just on the resources available but also on the internal relational and organizational dynamics within bureaucracies ([Williams 2020](#)).

One way that organization of resources can affect capacity is in how particular types of expertise and capacity are consolidated or diffused across different bureaus. Take, for example, the creation of the Consumer Financial Protection Bureau (CFPB) after the 2008-2009 financial crisis. One of the key drivers of that crisis was the proliferation of extractive and predatory forms of consumer credit, both in the housing and mortgage market and in consumer credit markets. On paper, many consumer protection mandates and authorities already existed, but these missions were scattered and diffused across a confusing array of different financial regulators, many of whom were captured by industry or lacked the internal commitment, culture, or focus on their consumer protection mission. The creation of a centralized CFPB did more than just allocate more funding and personnel to the mission of consumer financial protection; it also reorganized and reallocated those consumer protection offices and mandates into a single centralized bureau. This consolidation dramatically altered the impact of those consumer protection mandates and expertises. Instead of being diffused across a wide number of agencies and operating as an overlooked, under-prioritized component of those other agencies' mission, now those commitments to consumer protection benefited from being positioned in a single agency, with a clear culture, mission, and mandate to advance consumer protection. New information and data about predatory consumer practices could now have more impact, as consumer complaints and research flowed into an institution actually committed to and organized around the consumer protection mandate.

A similar story can be told about the creation of other centralizing and coordinating offices within the executive branch. The recent burst of interest in federal infrastructure and industrial policy investments has been accompanied by the creation of new coordinating bodies within the Executive Office of the President to better weave together the large array of grant programs and investment vehicles spread out across

¹⁴ See e.g., [Bernstein and Rodriguez 2023](#).



agencies from the Department of Transportation, to the Department of Energy, to the Environmental Protection Agency. This deeper level of coordination is intended to make these programs generate impact that is more than the sum of their funding levels and individual programs. Other scholars and critics have also noted the importance of sweeping away old internal procedures and protocols that suffocate governmental capacity.¹⁵ But reorganizing internal procedures should also be understood as a tool to unlock and enable new forms of capacity.

The CFPB example also highlights a more subtle way in which the internal organization of bureaucracies can expand capacity—in how ideas, paradigms, and organizational culture change the way information and expertise is translated into impact. The presence of raw information does not necessarily drive new action. That information has to be made legible, comprehensible, and actionable. That legibility and actionability are in turn closely related to how policymakers themselves understand the world, the paradigm through which they interpret public problems, and the culture that might shape how their bureaus operate. To return to the CFPB example: Part of what shifted by consolidating consumer protection mandates into a new bureau was the clarity of organizational mission and culture, orienting the CFPB toward a clear purpose no longer reduced to an afterthought.

Other examples of cultural and paradigm change highlight this more subtle mode of activating new state capacities out of existing funding, personnel, or informational resources. Consider, for example, the Biden administration’s signature attempts to develop “whole-of-government” approaches to tackling corporate concentration ([EO 14036](#)) and advancing equity ([EO 13985](#); [EO 14091](#)). In both of these cases, the Biden administration issued executive orders that sought to reenergize some already existing regulatory authorities and possibilities. Corporate concentration and racial equity were not wholly new concepts, and are present in a host of statutes and authorities already in place, from Title VI to Progressive-Era legislation still on the books. But in both cases, these efforts also involved socializing a new way of thinking about these concepts of equity and concentration—which in turn unlocked novel ways of approaching public problems and deploying agency capacities. Executive Order 14036, aimed at tackling corporate concentration, created a Competition Council made up of cabinet heads to meet with the President regularly and discuss new initiatives. This structure self-consciously helped create a new way of thinking about economic policymaking, and socialized a greater fluency in identifying corporate concentration problems and prioritizing responses to them across agencies.¹⁶ Similarly, the equity executive orders (EO 13985 and 14091) themselves did not call for specific policy goals; rather, they created a process through which agencies would consider their own areas of focus to generate new “equity action plans” with fresh ideas for how existing capacities and ways of analyzing policy could be better designed to address persisting economic, racial, gender, geographic, and other inequities. This was as much about

¹⁵ See, e.g., [Bagley 2021](#).

¹⁶ See, e.g., [Wu 2023](#); [Dayen 2023](#).



creating a conceptual framework for doing equitable policymaking as it was about specific outcomes: In the process, it helped generate a bevy of new policy ideas, and perhaps more importantly, an increased fluency with equity concepts and approaches within agencies.¹⁷ A growing number of scholars and advocates are recognizing the importance of paradigm shift in changing the way in which public policy conceptualizes problems and devises solutions that bring issues like corporate power, equity, worker power, or direct public investment back to the foreground.¹⁸ Viewed through the lens of state capacity, paradigm shift is not just about new ideas replacing old ones; it is also about activating new *capacities* by reorganizing how policymakers understand the world, and translating information, expertise, and authorities into action.

External Sources of Capacity and Incapacity

The barriers to effective state formulation and implementation of policy do not just arise in context of internal processes and resource constraints. Often, barriers arise from *external* conditions, specifically in how political and institutional contexts constrain the agency, capacity, and political space that state institutions have to develop and implement policies. This is an important aspect of any investigation of state capacity because often some of the most troubling *internal* limitations on state capacity—such as problematic procedures or limited funding or personnel—might themselves be products of fundamentally clashing external demands and imbalances of interest group power.

Consider, for example, the ways in which the shifting politics and pressures of judicial review have affected state capacity in recent years. As courts have grown more skeptical of regulatory authorities, the increased judicial scrutiny creates a greater need for agencies to engage in additional procedural or analytical requirements, in anticipation of future (and potentially hostile) judicial review. Similarly, the presence (or absence) of hostile scrutiny from one or both chambers of Congress might increase the need for agencies to propose more modest policies, to take some policy solutions off the table, or to increase internal procedural and analytical checks to head off legislative scrutiny. These are features of a political environment external to any given federal agency that nevertheless produce legal, financial, and political pressures that can put agencies in rational yet problematic positions.

These pressures may also result in the creation of new internal procedures and requirements that inhibit state capacity by design. Thus, the history of (racialized and gendered) concerns with the welfare state prompted both legislative and regulatory efforts to impose additional administrative burdens and barriers that inhibit the smooth and rapid provision of government services such as disability insurance or food stamps. In one sense, these measures are limitations of the capacity to implement the

¹⁷ See, e.g., [Briggs and Sherman 2023](#) on equity EO as culture-change; [White House 2022](#).

¹⁸ See, e.g., [Wong et al. 2023](#).



policy effectively—but in another, this barrier stems from an external configuration of political interests and pressures that show up in internal bureaucratic procedures and practices.

These political pressures from the judiciary and the legislature themselves reflect a broader balance of interest group and constituency power. Constituencies who are skeptical of government spending, welfare state programs, and basic protections for workers, consumers, small businesses, and communities of color do not just lobby the regulatory agencies themselves. They often instead are able to secure significant influence on Congress or the courts through effective organizing, advocacy, and ideological influence. As a result, this imbalance in political power among interest groups is refracted through state institutions (such as the courts) that in turn impose tight limits on what federal bureaucracies are then capable of. For example, excessive procedural hurdles may arise from a need to overcorrect for the risk of catastrophic funding cuts or court losses in the face of a hostile judiciary or Congress—whereas the countervailing positive feedback of effective and ambitious regulations or government programs may not have nearly as much force. Similarly, a lack of investment in building the capacity to analyze racial equity or distributional impacts arises from a similar confluence of external pressure and a historical lack of affirmative initiative.

The examples above are still relatively conventional forms of additional pressure that might increase the time and complexity of internal bureaucratic policymaking. However, there are also more aggressive and hostile forms of interference with state capacity. Consider, for example, efforts to defund specific agencies around particular policy agendas, or similar efforts to attack the legal authorities underlying particular agencies. In recent years, for example, conservative attacks on efforts to address racial equity or to revive state enforcement of anti-monopoly and worker power policies have prompted threats by Congress to defund agencies like the CFPB, and legal attacks on the foundational constitutionality of the CFPB, the National Labor Relations Board (NLRB), and the FTC. We might also view campaigns to dismantle aspects of the carceral apparatus—from the campaigns for police abolition to occasional calls to “abolish ICE” (Immigrations and Customs Enforcement)—in a similar vein. These campaigns are offering what is essentially a structural strategy to undo a type of state capacity that, for many communities of color, is on net harmful to the project of building a more democratic and inclusive society.

These dynamics can also operate in the reverse direction. Increased political pressure might prompt the creation of new state capacities—or the unshackling of capacities by removing meaningful checks and balances. The 2008 financial crisis prompted the creation of the CFPB in the first place, as well as new authorities and capacities for financial sector surveillance and oversight. Increased hostility to immigration has similarly prompted efforts (in some cases bipartisan) to increase the funding and authorities for border enforcement agencies, and to restrict their potential subjection to some forms of legal accountability. Abolition provides another useful example: For



many abolitionist campaigns, the policy proposal is actually not a dismantling, but a *shift* in state capacity—moving budgetary and institutional resources away from punitive, carceral systems like policing, jails, and criminal law, and instead reallocating those resources into new affirmative capacities for investing in various forms of care for vulnerable communities, including safety, mental health supports, and more.

Implications: Building the State We Need

This framework—in particular, disaggregating state capacity into the formulation of policy and its implementation, and separating out the internal and external drivers of capacity—has important implications for how we can build a more effective, higher-capacity state capable of addressing the needs of a complex and diverse democracy.

1. Building Capacity: Internal and External Drivers

First, most straightforwardly, this framework provides a sharper way to identify the barriers to state capacity and the ways in which state capacity might be expanded.

Internally, structures and processes can be reformed to increase the state’s capacity to formulate and implement public policies that address important needs. Increasing resources—funding, staffing, and information in particular—can increase state institutions’ capacity to be effective. But much more capacity can be built or unlocked through other kinds of reforms: restructuring agencies to increase their authorities and optimize their leveraging of resources to produce impact; reforming internal protocols and procedures that might otherwise slow down or undermine new efforts; and developing the kinds of conceptual frameworks needed to translate information and expertise into effective policy.

Externally, changing conditions can increase capacity. Legislation, judicial interpretation, or executive action can grant agencies expanded and sharpened legal authorities. Increasing support from (or tempering attacks from) courts, legislatures, or other rival branches can also directly increase the political space and capacity for agencies. Furthermore, if that permission exists for a longer stretch of time, it can have outsized benefits for capacity by enabling agencies to accumulate new staff, practices, and learning by doing. Similarly, shifts in the external stakeholder balance of power can create more or less runway for particular kinds of policies to be formulated and implemented effectively.

The internal and external sources of capacity, while related, do not always move in lockstep. Through external reforms, it is possible to expand capacity even as external conditions remain fixed—or grow more hostile. Arguably, this is precisely the condition of recent efforts at industrial policy or new macroeconomic regulatory strategies in the



Biden era. But in the long run, it is difficult to get very far with building state capacity absent shifts in the external enabling environment.

2. Capacity, Democracy, and Authoritarian Threat

Second, the above discussion of state capacity helps navigate an increasingly challenging tension between efforts to expand state capacity to address urgent issues like housing shortages, climate change, inequality, or new technologies on the one hand, and the rising threat of authoritarian takeover of the state apparatus on the other.

In a conventional, unidimensional, and policy-neutral way of thinking about state capacity, the project of building state capacity means removing restraints and expanding authorities. This potentially puts progressive aspirations in an uncomfortable place: The same time we might seek expanded state power, we are also witnessing the rise and radicalization of an authoritarian faction in American politics, increasingly explicit about its desire to centralize control of the executive branch and to weaponize its capacities to target reproductive rights and immigrant communities, and to remove checks and balances on the state's enforcement powers.¹⁹ The authoritarian threat might naturally provoke a doubling down on conventional approaches to checks and balances and limits on administrative power: judicial review, proceduralism, restrained authorizations of administrative discretion, and internal checks and balances within administrative agencies. To what extent does this antiauthoritarian impulse—familiar in the American legal tradition—come into tension with the kinds of capacity that progressives might want to build?

This tension may ultimately be less fraught than it seems—in large part because our conventional notion of “capacity versus constraint” is overly limited.

As the above sections suggest, capacity should not be understood as arising from the simple elimination of checks and balances. Rather, state capacity is a product of a *reconfiguration* (not just an increase) of resources and a reconfiguration (rather than elimination) of procedures and protocols. We can have an energetic, active, impactful state with meaningful checks and balances that prevent self-dealing, corruption, capture, or authoritarian control of the state enforcement apparatus. Conventional discussions of the “unitary executive”—increasingly favored by conservatives to help fuel their vision of aggressively authoritarian (rather than limited) government—tend to present an under-theorized notion of the state in this regard. Similarly, liberal defenses of checks and balances present an overly rosy valorization of the pre-Trump bureaucratic status quo, which was not necessarily a desirable condition for state capacity.

¹⁹ See, e.g., [Moynihan 2023](#)



Furthermore, as noted above, capacity must be understood in relation to broader normative goals of democracy and equity. We should want more capacity to do certain things, such as deliver emergency aid to disaster victims or to build new infrastructure at scale. At the same time, we should want less capacity to do other things, like surveilling, detaining, or targeting vulnerable communities through an unaccountable or arbitrary security apparatus and law enforcement. Capacity, then, is better understood not as something that is either “more” or “less,” but rather about a reconfiguration of checks and balances, authorizations, and resources to supercharge particular kinds of state action that are more needed, while limiting other kinds of state action that are less desirable.

3. State Capacity and the New Progressive Economy

Finally, the broader task of building an inclusive, democratic, progressive political economy has to be understood in part as one about building, reformulating, and shifting state capacity. Our concerns about capacity must be understood in the context of a long-term normative direction for what capacity and policy are for. It is not the case that we have a “low-capacity” state; rather we have a state with highly variable capacity—high in some domains that may not be desirable for long-term democracy (e.g., the carceral apparatus or surveillance state), and low in some domains in which we may need more capacity going forward (e.g., macroeconomic planning; industrial policy; enforcement of equity, worker protection, and antitrust requirements; and delivery of safety net programs and benefits).

This variable nature of capacity is not a mere happenstance; it is a product of the longer trajectory of external political forces and pressures. Indeed, while some state incapacity may be traced to poor institutional design or merely to out-of-date protocols and structures in need of modernization, it is also the case that some of the biggest barriers to state capacity stem from a deeper disagreement across the political spectrum over the purposes and beneficiaries of state action itself. The barriers to effective service delivery, for example, have their roots in a racialized and gendered opposition, on the part of both parties, to the idea of truly empowering and inclusive guaranteed benefits for poor and vulnerable communities during much of the late 20th century. Similarly, the unchecked growth of mass incarceration capacities and the surveillance state reflects a powerful bipartisan consensus around national security and its racialized undertones, fueling a massive growth in capacity in those domains. Capacity, then, is fundamentally *endogenous* to politics: Political coalitions and elites can manipulate capacity to frustrate provision of services and protections for communities to which they are hostile, or to magnify results and gains for communities to which they are supportive ([Suryanarayan 2024](#)).

In the end, building state capacity is critical to delivering on public needs—and thereby securing the long-term legitimacy and durability of democracy itself. State capacity is no substitute for the broader and complementary work of building political power and



alignment around a vision for the country's future in which all of us belong. But the broader work of building that political coalition and vision is also by itself not enough. Without an accompanying vision of what kind of state capacity we need—and what we no longer need—we cannot realize that vision of a just and inclusive democracy and economy. Progressives should, then, want to affirmatively build more capacity in a range of key domains. This, in turn, will require more resources—but also different ways of streamlining or reorganizing internal procedures and protocols, and shifting conceptual paradigms. Progressives should also want to undo other key forms of state capacity, or rein them in more systemically, to prevent abuses of government power and to reverse the proclivity to overpolice and overcriminalize vulnerable communities. State capacity has to be actively built, dismantled, and reimaged in light of our overarching vision for a just, inclusive democracy and economy. As a democracy, we ultimately deserve a state with the capacity to empower, protect, and respond—rather than to exclude, dominate, and extract.



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