State Capacity Without Self-Provision

Separating Political Authority from Capability Provision in Small States

Johnny Kao

Independent Researcher, Tokyo, Japan

ORCID: 0009-0004-1446-6001

Working Paper

Abstract

Small states are commonly analyzed through a capacity problem: they face high fixed costs, thin administrative pools, and vulnerabilities that make it difficult to reproduce the institutional apparatus of larger states. Yet this framing can obscure an important distinction between possessing a capability, directly providing it, and retaining political authority over the arrangements through which it is obtained. This paper develops a provision-authority separation framework for small-state capacity. It argues that a state can access monetary, customs, administrative, security, or other capabilities through durable external arrangements without thereby transferring all political authority over the relevant policy domain. Liechtenstein provides a structured case because its statehood combines extensive external provision with continued international sovereignty and demonstrable instances of policy divergence from its principal partner, Switzerland. The paper distinguishes three analytical questions: whether a capability is reliably accessible, who supplies or administers it, and where politically meaningful authority remains. It introduces the concepts of provision-authority separation and externalized state capacity, together with a qualitative capability-architecture test. The contribution is integrative rather than a claim that dependence, delegation, or external shelter are new phenomena. The central claim is that state capacity and state self-provision are not the same thing: the institutional location of a capability does not by itself determine where political authority resides.

Keywords: small states; state capacity; sovereignty; capability provision; external shelter; Liechtenstein; institutional integration; political authority

Author note: *This working paper develops and formalizes the provision-authority distinction introduced in Kao (2026).*

1. Introduction

Small-state scholarship begins from a real structural constraint. Small political communities face many of the same functional demands as larger states while drawing on smaller populations, narrower bureaucratic pools, and limited domestic markets. The fixed cost of specialized institutions therefore weighs more heavily at small scale. Research on microstates has long emphasized vulnerability and dependence, while newer work on bureaucratic capacity shows that small states can simultaneously maintain relatively large public sectors and still face acute shortages of specialized administrative capability (Catudal, 1975; Corbett, 2023; Thorhallsson & Steinsson, 2017). Recent comparative work also treats population size itself as a contextual influence on administrative performance rather than assuming that smallness maps mechanically onto administrative weakness (Jugl et al., 2026).

A common response to this constraint is integration. Small states obtain security, market access, administrative services, monetary stability, diplomatic support, and other forms of shelter through larger states and international organizations. Shelter theory explicitly treats such external support as central to small-state viability (Thorhallsson, 2011, 2019). Other literatures show that public functions and collective goods can be supplied by actors outside the territorial state, including international organizations, foreign governments, and institutionalized partnerships (Krasner & Risse, 2014; Matanock, 2014). These literatures establish that provision need not be purely domestic.

What is less often separated analytically is the relationship between provision and political authority. When the same government both decides policy and operates the institutions that implement it, the two appear naturally bundled. A domestic central bank supplies monetary institutions and exercises delegated monetary authority; a national customs service implements border rules; a national army provides military capability. In larger states the institutional container makes it easy to treat direct provision as part of the definition of capacity itself.

Liechtenstein makes that bundle visible by breaking it. The principality uses the Swiss franc, participates in the Swiss customs territory, and applies important bodies of Swiss law through bilateral arrangements. Yet it remains a recognized sovereign state, participates independently in international institutions, and has made policy choices that diverged from Switzerland, most notably by joining the European Economic Area after Switzerland declined to do so. The relevant question is therefore not whether Liechtenstein 'outsources sovereignty.' It is which capabilities are provided externally, which decisions remain politically its own, and how the interface between the two is governed (Frommelt & Rochat, 2024; Kao, 2026; Vogt & Marxer, 2024).

This paper develops a provision-authority separation framework for analyzing that distinction. It makes three contributions. First, it distinguishes capability access, capability provision, and political authority as analytically separate dimensions of state capacity. Second, it defines externalized state capacity as capability made reliably available through durable external arrangements rather than reproduced entirely inside the state's own institutions. Third, it proposes a qualitative capability-architecture test focused on access, provision, authority, and continuity. The argument is deliberately limited: external provision does not automatically preserve autonomy, nor is it inherently superior to domestic provision. The claim is narrower. State capacity and state self-provision are not the same thing.

2. Small States, Capacity, and External Shelter

The difficulty of sustaining state functions at small scale is well established. Catudal's comparative study of European microstates focused directly on the extent to which very small states retained internal autonomy and control over external relations, linking the microstate problem to disadvantages created by scale (Catudal, 1975). Contemporary small-state scholarship continues to treat capacity and vulnerability as central, even as it has moved away from assuming that dependence is necessarily a one-directional condition of weakness. Veenendaal (2017), for example, argues that patron-client relationships between small and larger states are better understood as exchanges in which both sides receive benefits rather than as simple domination.

Shelter theory similarly emphasizes that small states often depend on political, economic, and societal shelter provided by larger states and international organizations. Thorhallsson (2011) argues that domestic buffering mechanisms alone do not remove the need for external shelter, while later work develops shelter-seeking as a systematic response to the vulnerabilities of smallness (Thorhallsson, 2019). The implication is important for capacity analysis: viability can depend on resources and institutions that are not territorially internal to the state.

Corbett's recent work sharpens the bureaucratic dimension. Small states must often perform a broad range of functions associated with full statehood despite limited human and organizational resources. Integration can facilitate rationalization and access to external resources, although it may also require ceding autonomy to regional institutions (Corbett, 2023). This autonomy-viability tension is central to the present paper. External provision can reduce the cost of reproducing a capability, but the institutional terms on which the capability is obtained determine what kind of authority is retained.

A related literature on areas of limited statehood shows that collective goods and services can be delivered without all provision being performed by domestic state institutions. Krasner and Risse (2014) distinguish international legal sovereignty from variation in effective statehood and show how external actors may either strengthen domestic authority structures or directly provide collective goods. Matanock (2014) analyzes consent-based governance delegation agreements in which external actors receive legal authority for particular tasks while host states retain constraints and joint authority. These cases differ substantially from a wealthy European microstate voluntarily integrating with a neighbor, but they demonstrate a more general analytical point: the actor supplying a public capability and the actor holding political authority need not be identical.

The conceptual gap is therefore not a lack of research on small-state dependence, institutional delegation, or external provision. It is the tendency to collapse three different questions: Can the state obtain the capability? Who actually provides it? Who possesses the legitimate authority to determine the terms of the arrangement? The distinction developed here is closest to, but not identical with, shelter, shared-sovereignty, delegation, and pooled-sovereignty approaches.

Shelter theory explains why small states seek support beyond their borders. Political, economic, and societal shelter can compensate for vulnerabilities created by small scale, and the theory therefore directs attention to the external relationships that make small-state viability possible (Thorhallsson, 2011, 2019). The provision-authority framework asks a narrower institutional question. It does not treat the existence of shelter as the dependent variable and does not infer the location of authority from the existence of dependence. Instead, it separates the capability obtained from the institutional actor that supplies it and from the political authority that constitutes, accepts, or revises the arrangement. Shelter theory can therefore explain why an external relationship is valuable while provision-authority separation describes how a particular capability is organized within that relationship.

Shared-sovereignty and governance-delegation approaches begin from a different problem. Krasner's proposal for shared sovereignty was developed in the context of badly governed, failed, or collapsed states and contemplated arrangements in which external actors would participate directly in domestic governance (Krasner, 2004). Matanock (2014) similarly examines consent-based delegation agreements in which authority over particular governance tasks is legally shared with external actors. Those literatures are important precisely because they show that sovereignty and governance authority can be institutionally divided. The present argument differs in the object being identified. Externalized state capacity does not require that an outside provider receive governing authority over the recipient state. It includes arrangements in which operational provision is located externally while the smaller state retains a meaningful role in authorizing the relationship, redesigning its interfaces, or making distinct political choices within the constraints of the arrangement.

The distinction from pooled sovereignty is related. In European integration, pooled sovereignty describes arrangements in which states deliberately exercise authority through common institutions rather than exclusively through national institutions (Keohane, 2002). Provision-authority separation does not deny that such pooling or transfer occurs. It provides a way to avoid assuming that external provision necessarily entails it. An externally supplied capability can coexist with retained authority, shared authority, or transferred authority. Those are different institutional configurations and should not be coded as equivalent simply because the relevant service, rule, or infrastructure is located outside the state's own bureaucracy.

This is why the paper's contribution is integrative rather than a claim that external dependence, delegation, or institutional sharing are new phenomena. The claim is more limited: direct institutional ownership is an imperfect proxy for state capacity when capabilities can be reliably accessed through durable external arrangements. To evaluate such arrangements, analysis must identify separately where provision occurs and where politically meaningful authority resides. That separation creates the conceptual space for externalized state capacity without presuming either full autonomy or sovereignty loss in advance.

3. Capacity Is Not the Same as Provision

Comparative research treats state capacity as a multidimensional concept rather than a single attribute (Hanson & Sigman, 2021). State capacity is often operationalized through what public institutions can implement: taxation, regulation, security, administration, infrastructure, and the production of public goods. In empirical research this is reasonable because implementation capacity is normally embedded in domestic bureaucracies. For very small states, however, direct institutional ownership can be a misleading proxy. A capability may be reliably available even when the staff, infrastructure, legal rules, or operational machinery that supply it sit partly outside the state.

This paper therefore separates three dimensions. Capability access concerns whether the political community can reliably obtain the function or resource. Capability provision concerns which institution actually supplies or administers it. Political authority concerns who legitimately chooses the arrangement, defines or accepts its terms, and has some capacity to renegotiate, redesign, substitute, or exit. In many conventional states all three dimensions overlap. In externally integrated small states they may not.

Table 1. Separating access, provision, and authority

Dimension	Core question	Typical location in conventional states
Capability access	Can the political community reliably obtain the function or resource?	Often assumed to follow from domestic institutions.
Capability provision	Which institution actually supplies or administers the capability?	Usually a domestic ministry, agency, central bank, military, or regulator.
Political authority	Who can authorize, accept, redesign, or replace the arrangement?	Usually domestic constitutional and political institutions.

Table 2. Provision-authority matrix

Political authority / Capability provision	Internal provision	External provision
Retained or meaningfully shared	Conventional self-provided capacity	Externalized state capacity (core case)
Transferred or ceded	Domestic implementation under externally located authority	External provision with authority transfer / supranational or protectorate-type arrangement

The matrix is a conceptual typology, not a sovereignty score. Its purpose is to show that the location of operational provision and the location of political authority are independent dimensions. The paper focuses on the upper-right cell: capabilities supplied externally without a corresponding disappearance of politically meaningful authority.

The separation does not imply that authority is unlimited. A state that joins another monetary area cannot simultaneously determine monetary conditions unilaterally. A customs treaty can make foreign legislation applicable domestically. International organizations impose legal obligations as a condition of membership. Authority is therefore compatible with constraint. The relevant distinction is between having to accept consequences and having no meaningful political role in structuring the relationship.

Definition 1 (Provision-Authority Separation). The institution that provides a state capability and the political authority that chooses or governs the arrangement through which that capability is obtained need not be the same actor.

Definition 2 (Externalized State Capacity). Externalized state capacity is a capability made reliably available to a political community through durable external arrangements rather than reproduced entirely through institutions located within that state's own administrative apparatus.

These definitions are intentionally descriptive. They do not imply that an externally provided capability becomes domestically owned, that external provision is always equivalent to domestically produced capacity, that the arrangement is costless, or that the smaller state retains unrestricted freedom. Externalized state capacity refers to usable and durable access to a capability, not to the provider's institutional capacity somehow becoming part of the recipient state's own administrative apparatus.

4. Liechtenstein as a Structured Case

Liechtenstein is analytically useful because external provision is neither marginal nor confined to one policy domain. Its monetary system, customs administration, elements of applicable law, diplomatic representation in some contexts, and economic interfaces are deeply connected to Switzerland and European institutions. At the same time, the principality possesses a constitution, domestic political institutions, independent treaty capacity, and membership in major international organizations. Vogt and Marxer (2024) describe a historical trajectory in which bilateral integration constrained autonomous room for maneuver while later international participation strengthened formal recognition of sovereignty. The case therefore combines strong dependence with persistent statehood rather than approximating either autarky or absorption.

The following three episodes illustrate distinct forms of provision-authority separation: the Swiss franc, the customs relationship, and the EEA divergence. They are not presented as proof that external provision always preserves sovereignty. They show that the location of operational capacity and the location of political decision-making can diverge in institutionally consequential ways.

Table 3. Three forms of externalized capacity in Liechtenstein

Capability	Primary provider / architecture	Authority-relevant feature
Monetary system	Swiss franc and Swiss monetary framework	Liechtenstein participates through treaty; no independent monetary policy, but the arrangement is legally constituted between sovereign states.
Customs administration	Swiss customs territory and Swiss customs authorities	Operational provision is largely Swiss while the bilateral legal relationship and Liechtenstein responsibilities remain distinct.
EEA market interface	EEA rules layered onto the Swiss customs relationship	Liechtenstein chose EEA membership despite Swiss non-participation, requiring institutional interface redesign.

4.1 Monetary capability without a national central bank

Liechtenstein's legal tender is the Swiss franc, and the principality has no separate central monetary institution. The 1980 Currency Treaty formalized a monetary relationship that had developed earlier, and relevant Swiss monetary, credit, and currency provisions apply in Liechtenstein under the treaty framework. Current official descriptions emphasize that Liechtenstein is included in the Swiss currency domain while retaining currency sovereignty in principle (Liechtenstein National Administration, n.d.-a; International Monetary Fund, 2025).

This arrangement clearly limits unilateral monetary-policy control. Liechtenstein does not set an independent policy rate or operate a national currency regime separate from Switzerland. Yet the absence of self-provision does not make the monetary arrangement conceptually identical to loss of political sovereignty. The capability is externalized: the state obtains monetary stability and payment-system integration through an institutional arrangement with another sovereign. The relevant authority question is not whether Liechtenstein controls the Swiss National Bank. It does not. The question is whether the monetary relationship exists as part of an agreed legal architecture attributable to Liechtenstein's own treaty-making authority, and whether changes to that architecture remain matters of intergovernmental negotiation rather than unilateral domestic administration by Switzerland.

4.2 Customs capability through bilateral integration

The customs relationship shows the separation more directly. Under the 1923 Customs Treaty, Liechtenstein forms part of the Swiss customs territory, and Swiss customs authorities perform import, export, and transit clearance under Swiss customs law for much of the relevant traffic. Liechtenstein also maintains domestic administrative responsibilities connected to EEA goods and market surveillance (Liechtenstein National Administration, n.d.-b). In operational terms, a large share of customs capability is therefore supplied through Swiss institutions rather than through a fully independent Liechtenstein customs bureaucracy.

Yet political borders, treaty authority, and institutional responsibilities remain distinct. The customs territory is integrated; the states are not merged. Applicable Swiss law in Liechtenstein is periodically promulgated under bilateral treaty arrangements, making the legal interface explicit rather than invisible (Liechtenstein National Administration, n.d.-c). The arrangement illustrates how state capacity can be assembled across jurisdictions: the operational service is externalized while the political relationship is constituted through treaty and domestic legal processes.

4.3 EEA divergence and interface redesign

The strongest test of provision-authority separation appears when preferences diverge. Switzerland rejected participation in the European Economic Area, while Liechtenstein chose to join and became an EEA member in 1995 (Frommelt, 2016). Because Liechtenstein was already deeply integrated into the Swiss customs system, the choice could not be implemented by pretending that the two institutional environments were separate. Instead, mechanisms were developed to manage the coexistence of the Swiss customs relationship and EEA obligations.

Liechtenstein's current official guidance describes two parallel areas of origin: Liechtenstein participates in the EEA area of origin while also remaining connected to the Swiss-EU free-trade regime through the customs treaty. Market-surveillance and control mechanisms prevent goods that are freely marketable in Liechtenstein under EEA rules but not eligible for the Swiss market from simply crossing the open border into Switzerland (Liechtenstein National Administration, n.d.-d, n.d.-e).

This episode matters because it distinguishes dependency from automatic policy alignment. Switzerland supplied important customs infrastructure, but Liechtenstein did not inherit Switzerland's EEA decision. Its separate political choice required cooperation and interface redesign. Externalized capacity therefore did not remove the need for political authority; it changed the institutional work required to exercise it. The case supports a limited but significant proposition: self-provision is not a necessary condition for independent political choice, although the implementation of that choice may depend on cooperation with the external provider.

5. A Capability-Architecture Test

The framework can be operationalized without converting sovereignty into a numerical score. For any externally provided state capability, four questions help distinguish access from dependence that has effectively displaced political authority. First, access: is the capability reliably available at the quality and continuity required for state functioning? Second, provision: which institution actually supplies, administers, or operationalizes the capability? Third, authority: which consequential decisions remain domestic, which are shared, and which have been transferred by the arrangement? Fourth, continuity: what institutional conditions keep the capability available, and what happens to access if those conditions materially change?

These questions separate the static architecture of capacity from the distinct dynamic problem of how easily a relationship can later be renegotiated, substituted, or exited.

Table 4. Qualitative Capability-Architecture Test

Question	Diagnostic focus
Access	Is the capability reliably available at the continuity and quality required for state functioning?
Provision	Which institution supplies, administers, or operationalizes the capability?
Authority	Which consequential decisions remain domestic, which are shared, and which have been transferred?
Continuity	What institutional conditions sustain access, and what happens if those conditions materially change?

Table 5. Applying the Capability-Architecture Test to Liechtenstein

Domain	Access	Provider	Authority	Continuity
Swiss franc	Reliable monetary capability through the Swiss franc framework and the 1980 Currency Treaty.	Swiss monetary institutions and the Swiss legal framework supply the operating monetary system.	Liechtenstein entered the arrangement by treaty and retains state authority outside the monetary-policy powers exercised within the Swiss currency area.	Continuity depends on the bilateral treaty architecture and Swiss monetary institutions; replacing the arrangement would require a costly transition.
Customs	Swiss customs authorities provide clearance within the common customs territory.	Swiss customs authorities perform most import, export, and transit clearance under the Customs Treaty.	The bilateral treaty and Liechtenstein legal processes constitute the arrangement, while Swiss customs law applies within the agreed domain.	Continuity depends on the treaty, legal updating, and operational cooperation across the open border.
EEA interface	EEA market access coexists with continued participation in the Swiss customs relationship.	EEA institutions, Liechtenstein authorities, and Swiss customs arrangements jointly shape the operating interface.	Liechtenstein chose EEA membership despite Swiss non-participation, while implementation required negotiated adaptations.	Parallel origin and market-surveillance mechanisms preserve compatibility between the two economic areas.

The matrix shows why the four dimensions should not be collapsed into a single autonomy judgment. Access can be highly reliable even when day-to-day provision is located outside the state. Provider location, in turn, does not by itself determine where political authority resides. Liechtenstein's EEA episode is especially informative because a capability architecture anchored in Swiss customs provision accommodated a political choice that diverged from Switzerland's. The continuity dimension remains analytically separate: an arrangement can be politically authorized and operationally effective while still depending heavily on a durable treaty, external institutions, and cooperative implementation.

Capability-Architecture Test. An externally supplied capability can be treated as part of a state's usable capacity when access is durable enough for state functioning, the provider is institutionally identifiable, the allocation of political authority can be specified rather than assumed, and continuity conditions are sufficiently understood to distinguish ordinary dependence from a purely contingent service.

The test is deliberately qualitative. Its purpose is diagnostic, not classificatory. A capability may be reliable while authority is tightly constrained, or politically authorized while continuity depends heavily on a single provider. The point is to map the architecture before asking the separate dynamic question of how easily the relationship could be renegotiated, substituted, or exited. That latter problem concerns practical sovereignty under dependence rather than the initial identification of provision and authority.

6. What the Framework Adds to Small-State Analysis

Provision-authority separation clarifies three recurring problems in small-state theory. The first is the autonomy-viability dilemma. If viability is measured by the state's ability to reproduce every capability internally, small states will predictably appear deficient. If capacity is instead understood partly as reliable access to capabilities, integration can increase viability without requiring institutional duplication. Corbett (2023) emphasizes the bureaucratic constraints associated with small-scale statehood, while Jugl et al. (2026) explicitly examine population size as a contextual influence on administrative performance. Taken together, this literature supports treating administrative smallness as an institutional design problem rather than assuming that every function must be self-provided to count as state capacity.

The second problem is the language of dependence. Dependence is often treated as a scalar indicator of lost sovereignty, but small-state relationships frequently contain exchange and institutionalized mutual benefit (Veenendaal, 2017). Provision-authority separation does not deny asymmetry. It asks a more precise question: does dependence relocate the capability, or does it also remove meaningful authority over the terms through which the capability is accessed? The first can occur without the second; the second is a more serious sovereignty concern.

The third problem is the assumption of functional uniformity among states. International legal sovereignty does not imply that every state must reproduce the same institutional bundle. The literature on governance beyond consolidated statehood already shows that public functions can be delivered through heterogeneous institutional arrangements (Krasner & Risse, 2014). Small states make this heterogeneity particularly visible because the cost of duplicating specialized capabilities is high. The resulting variation should not be treated merely as incompleteness. In some cases it is an institutional design choice that exchanges internal provision for access to a larger system.

This does not mean that small states have discovered a frictionless model that larger states should imitate. External provision introduces partner risk, legal spillovers, bargaining asymmetry, and potentially high substitution costs. Liechtenstein's own experience shows that integration can narrow autonomous room for maneuver even while reinforcing viability and international recognition (Vogt & Marxer, 2024). The analytical gain lies in locating those costs more precisely.

7. Limits and Failure Conditions

Externalized state capacity can fail in at least four ways. The provider can become unreliable; the provider's policy can diverge from the recipient's preferences; the legal or administrative interface can become too rigid to adapt; or alternatives can become so costly that formal consent loses practical meaning. These possibilities prevent the framework from treating contractual voluntariness as sufficient evidence of substantive autonomy.

A difficult case arises when the legal right to leave or replace an arrangement exists but the economic or administrative cost of doing so is extremely high. In an asymmetric relationship, this can make retained authority look nominal: if the smaller state cannot realistically bear the cost of exit, the larger provider may possess structural leverage even without formal governing authority. The framework does not treat a treaty termination clause as sufficient evidence of practical autonomy. At the same time, costless exit would be too demanding a standard. Many ordinary sovereign commitments create sunk costs, adjustment costs, and dependence on counterparties. The more informative question is whether political discretion remains observable under constraint. Authorization matters, but so do demonstrated capacities to maintain a distinct preference, renegotiate an interface, add complementary institutions, or pursue adaptation when interests diverge. Liechtenstein's EEA accession is relevant for this reason: it does not show that dependence on Switzerland was inexpensive to unwind, but it does show that customs dependence did not mechanically determine Liechtenstein's European policy choice. The institutional response was redesign rather than automatic alignment. High substitution costs therefore reduce practical room for maneuver without, by themselves, erasing the analytical distinction between provision and authority. The boundary is crossed when alternatives become so infeasible, and redesign so unavailable, that the provider can effectively determine the terms of access without a meaningful capacity for the recipient to authorize, contest, or adapt them.

The distinction between provision and authority is also domain-specific. Monetary integration can preserve substantial political autonomy elsewhere while removing independent monetary policy. Defense arrangements can preserve domestic political institutions while creating dependence on another state's strategic choices. Regulatory integration may distribute authority across domestic, bilateral, and supranational institutions rather than leave it in one place. It is therefore misleading to ask whether 'sovereignty' as a whole has been outsourced. The more tractable question is which authority has moved, over what domain, under what procedures, and with what capacity for revision.

Liechtenstein is also an unusually favorable case for externalized capacity. It is embedded between stable, wealthy neighbors, operates within a dense European legal and institutional environment, and benefits from long-established bilateral relationships. The framework should therefore travel cautiously. An externally supplied capability in a conflict-prone or coercive environment may expose a smaller state to risks that are far less manageable. Comparative research should test provision-authority separation across microstates, associated states, federacies, monetary unions, defense compacts, and regional administrative arrangements rather than generalize from Liechtenstein alone.

8. Research Agenda

Three empirical extensions would strengthen the framework. First, comparative mapping could code the provision and authority structures of specific capabilities across small states: currency, customs, defense, diplomacy, aviation regulation, postal services, higher courts, and specialized regulators. The dependent variable would not be a single sovereignty score but the institutional distribution of access, provision, and decision rights.

Second, process-tracing could focus on divergence episodes, because ordinary periods of policy alignment reveal little about where authority resides. Cases in which the provider and recipient prefer different outcomes are especially informative. The Liechtenstein-EEA episode is valuable precisely because customs integration persisted while a significant external-policy preference diverged. Similar stress tests could examine monetary crises, treaty renegotiations, sanctions, border closures, or regulatory disputes.

Third, future work should connect provision-authority separation to the economics of substitution. Formal authority to leave an arrangement says little about whether alternatives can be implemented at tolerable cost. This paper treats substitution cost as a boundary condition rather than estimating it. Comparative work could therefore examine when high switching costs merely constrain political choice and when they become so severe that retained authority is effectively hollowed out. The prior analytical step remains the same: capability location and political authority should be identified separately before practical sovereignty under dependence is assessed.

9. Conclusion

Small states make visible an institutional distinction that larger states often conceal. A political community may need a capability without reproducing the entire apparatus that provides it. Money can come from a shared currency area. Customs clearance can be administered by a neighboring state. Market access can depend on supranational institutions. The fact that capability provision crosses the border does not, by itself, determine where political authority resides.

The provision-authority separation framework therefore distinguishes capability access, operational provision, and political authority. Externalized state capacity describes the resulting arrangement when a state reliably obtains a capability through durable external institutions rather than self-providing it. The capability-architecture test then maps access, the provider, the allocation of authority, and the conditions that sustain continuity before asking the separate question of how adjustable the relationship may be over time.

Liechtenstein illustrates both the possibility and the limits of this architecture. Its monetary and customs systems demonstrate extensive non-self-provision. Its EEA accession demonstrates that external integration did not automatically eliminate separate political choice, while the need to redesign interfaces with Switzerland shows that exercising that choice depended on cooperation. The appropriate conclusion is therefore neither that dependence is harmless nor that external provision negates sovereignty. It is that state capacity and state self-provision are analytically distinct. Understanding small-state viability requires asking not only what the state does itself, but also which capabilities it can access, who supplies them, and who retains authority over the relationships that make them possible.

AI Use Disclosure

OpenAI's ChatGPT was used only for literature discovery and bibliographic verification. The provision-authority framework and underlying concepts originate in the author's prior published work (Kao, 2026). The author independently reviewed all cited sources and remains solely responsible for the final manuscript, its arguments, source selection, and citations.

References

Catudal, H. M., Jr. (1975). The plight of the Lilliputians: An analysis of five European microstates. Geoforum, 6(3-4), 187-204. https://doi.org/10.1016/0016-7185(75)90023-8

Corbett, J. (2023). Bureaucratic capacity. In Statehood à la carte in the Caribbean and the Pacific: Secession, regionalism, and postcolonial politics (pp. 191-223). Oxford University Press. https://doi.org/10.1093/oso/9780192864246.003.0006

Frommelt, C. (2016). Liechtenstein's tailor-made arrangements in the EEA: A small state's creative solutions in European integration. In S. Wolf (Ed.), State size matters: Politik und Recht im Kontext von Kleinstaatlichkeit und Monarchie (pp. 131-159). Springer VS. https://doi.org/10.1007/978-3-658-07725-9_7

Frommelt, C., & Rochat, P. (2024). Internationale Beziehungen. In W. Marxer, T. Milic, & P. Rochat (Eds.), Das politische System Liechtensteins: Handbuch für Wissenschaft und Praxis (pp. 171-212). Nomos. https://doi.org/10.5771/9783845299006-171

Hanson, J. K., & Sigman, R. (2021). Leviathan's latent dimensions: Measuring state capacity for comparative political research. The Journal of Politics, 83(4), 1495-1510. https://doi.org/10.1086/715066

International Monetary Fund. (2025). Principality of Liechtenstein: 2025 Article IV consultation-Press release; staff report; and statement by the Executive Director for Principality of Liechtenstein (IMF Country Report No. 25/76). https://doi.org/10.5089/9798229004411.002

Jugl, M., Veenendaal, W., Corbett, J., & Ng Shiu, R. (2026). How does population size influence administrative performance? Evidence from Malta, Samoa, and Suriname. Public Policy and Administration, 41(1), 90-108. https://doi.org/10.1177/09520767241238426

Kao, J. (2026). How Small Can a State Be Before It Stops Working? What Liechtenstein Reveals About Sovereignty, Scale, and Institutional Resilience. ISBN 978-626-017205-3.

Keohane, R. O. (2002). Ironies of sovereignty: The European Union and the United States. JCMS: Journal of Common Market Studies, 40(4), 743-765. https://doi.org/10.1111/1468-5965.00396

Krasner, S. D. (2004). Sharing sovereignty: New institutions for collapsed and failing states. International Security, 29(2), 85-120. https://doi.org/10.1162/0162288042879940

Krasner, S. D., & Risse, T. (2014). External actors, state-building, and service provision in areas of limited statehood: Introduction. Governance, 27(4), 545-567. https://doi.org/10.1111/gove.12065

Liechtenstein National Administration. (n.d.-a). Bilateral relations Liechtenstein - Switzerland. Retrieved September 25, 2026, from https://www.llv.li/en/national-administration/diplomatic-representations/berne-ch/bilateral-relations-liechtenstein---switzerland

Liechtenstein National Administration. (n.d.-b). Customs and origin. Retrieved September 25, 2026, from https://www.llv.li/en/national-administration/office-of-economic-affairs/movement-of-goods-customs-origin/inch-and-origin

Liechtenstein National Administration. (n.d.-c). Applicable Swiss law. Retrieved September 25, 2026, from https://www.llv.li/en/national-administration/government-legal-services/tasks/applicable-swiss-law

Liechtenstein National Administration. (n.d.-d). Origin. Retrieved September 25, 2026, from https://www.llv.li/en/national-administration/office-of-economic-affairs/movement-of-goods-customs-origin/inch-and-origin/origin

Liechtenstein National Administration. (n.d.-e). Control system. Retrieved September 25, 2026, from https://www.llv.li/en/national-administration/office-of-economic-affairs/movement-of-goods-customs-origin/inch-and-origin/mks-market-monitoring-and-control-system-/control-system

Matanock, A. M. (2014). Governance delegation agreements: Shared sovereignty as a substitute for limited statehood. Governance, 27(4), 589-612. https://doi.org/10.1111/gove.12067

Thorhallsson, B. (2011). Domestic buffer versus external shelter: Viability of small states in the new globalised economy. European Political Science, 10(3), 324-336. https://doi.org/10.1057/eps.2011.29

Thorhallsson, B. (Ed.). (2019). Small states and shelter theory: Iceland's external affairs. Routledge.

Thorhallsson, B., & Steinsson, S. (2017). Small state foreign policy. Oxford Research Encyclopedia of Politics. https://doi.org/10.1093/acrefore/9780190228637.013.484

Veenendaal, W. P. (2017). Analyzing the foreign policy of microstates: The relevance of the international patron-client model. Foreign Policy Analysis, 13(3), 561-577. https://doi.org/10.1111/fpa.12068

Vogt, P., & Marxer, W. (2024). Souveränität. In W. Marxer, T. Milic, & P. Rochat (Eds.), Das politische System Liechtensteins: Handbuch für Wissenschaft und Praxis (pp. 15-46). Nomos. https://doi.org/10.5771/9783845299006-15