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Different Ways to Think about Governance

Governance can be a confusing term. It has become an umbrella concept for such a wide variety of phenomena as policy networks (Rhodes, 1997), public management (Hood, 1990), coordination of sectors of the economy (Campbell et al., 1991; Hollingsworth et al., 1994), public-private partnerships (Pierre, 1998a), corporate governance (Williamson, 1996), and ‘good governance’ as a reform objective promoted by the World Bank and the IMF (Leftwich, 1994). Furthermore, there is a tendency to confuse governance as an empirical phenomenon with theories about how this phenomenon operates and can be understood.

Given the possible confusion about the term, we need to examine and evaluate the different ways to think about governance and the different definitions of that concept existing in the contemporary political science and economics literature. Chapter 2 will address these issues in more detail. Here we will discuss governance as structure and process. We begin with four common governance arrangements that have existed historically as well as at present: hierarchies, markets, networks and communities. In addition we will discuss governance as the processes of steering and coordination, which are two dominant dynamic perspectives in the current literature.

Governance as structure

We will begin by thinking about governance in structural terms. That is, one reasonable assumption about the variety of political and economic institutions that have been created over time is that they were designed (or evolved) to address problems of governance. Each of the four structural arrangements we will be discussing addresses the problem of providing direction to society and economy in its own way. Each appears effective in solving some parts of the governance problem, but each also has its weaknesses. Further, each of the ‘solutions’ is bound in cultural and temporal terms so they may be effective in some places and at some times, but may not be a panacea for all problems.

Governance as hierarchies

Governance conducted by and through vertically integrated state structures is an idealized model of democratic government and the public bureaucracy. In the bureaucratic sphere, the Weberian model of the public service characterized most of the advanced western democracies for more than a century if not longer. This was essentially governance by law; instead of bridging the public–private border, this type of governance strictly upheld that distinction. The state —conceived of as the epitome of the collective interest — was thus distinctly separated from the rest of society but governed society by imposition of law and other forms of regulation. Other institutions of the state were also entangled in a hierarchical system of command and control. Subnational government enjoyed some degree of autonomy but the state never surrendered its legal authority over these institutions which, while ‘autonomous’, remained creatures of the state. Thus, hierarchy characterized both the state’s exchange with society as well as its internal organization and modus operandi.

Much of the current governance literature is dismissive of hierarchy as a model of governance. Hierarchies, critics contend, were an appropriate institutional order in the days of highly standardized public services, a ‘Fordist’ economy, domestically controlled markets and unrivalled state strength. With most of these factors profoundly altered, so must hierarchies fall, the argument goes. The emphasis now is instead on smaller scales, flexibility, diversification, informal exchange rather than formal control, and ‘sharing power’ between state and market (Kettl, 1993) rather than maintaining a strict division between the public and the private.

Further along this argument, western society is said to be
becoming increasingly horizontal (SOU, 1990:44). Networks bringing together a variety of actors are emerging as increasingly powerful coalitions of interests. Such networks are sometimes even said to be powerful and cohesive enough to sustain pressures from the state and to perform an autonomous regulatory role within their sector (Rhodes, 1997). While some of these accounts of policy networks may exaggerate the powers and capabilities of these coalitions, it nevertheless suggests that hierarchies no longer reflect power relations in society. Governance, so the argument goes, must therefore depart from another model of social and political organization. The hierarchical state is believed to be ‘too big to solve the small problems in life and too small to solve the big problems’ (Bell, 1987).

Also, the state is said to be too weak to maintain the same control it exercised only a couple of decades ago. This is partly due to the shrinking resource base of the state and partly because of changes in the state’s external environment. The globalization of financial and other markets during the 1990s has to a considerable extent reduced the state’s control over its economy. The more precise nature and extent of the changes brought about by globalization are topics of a heated current argument (Boyer and Drache, 1996; Camilleri and Falk, 1992; Evans, 1997; Hirst and Thompson, 1996; Scott, 1997). It is difficult to argue that nothing has changed, but it is also easy to assume that everything has changed, so this debate must be considered carefully.

Critics of the globalization thesis argue that states have responded to the market globalization by developing transnational institutions and organizations which exercise effective control over the deregulated markets, such as the EU or the WTO (Helleiner, 1994; Mann, 1997; Peters, 1990; Strange, 1986). However, the leverage which these transnational institutions control is to a significant extent surrendered by the nation states. Therefore, the emergence of transnational institutions tend to pull in the same direction as globalization to the extent that they reduce nation-state sovereignty and autonomy. As will be argued later in this book, however, linkages upward towards transnational governance institutions and downward towards subnational government should be more thought of as state strategies to reassert control and not as proof of states surrendering to competing models of governance.

In addition, actors in the state’s environment are said to be increasingly reluctant to conform to the state’s interests and objectives. Previously, the state was an attractive target for organized interests not least because they controlled vast economic resources. Current nation states face considerable economic and fiscal problems and hence are less interesting in the eyes of most societal actors. Societal actors may indeed now invest more effort in avoiding involvement with the state than in pursuing such involvements as they may have at one time. That having been said, however, there are still areas of economic and social action in which government remains a crucial actor.

Finally, a keystone argument against hierarchies as a mode of governance holds that cities and regions are acquiring more effective autonomy at the expense of the state. To some extent, this process has been propelled by the state-driven decentralization which has taken place in most of the advanced democracies, such as France, the United States, the Scandinavian countries and the Netherlands (Sharpe, 1988; Smith, 1986). In addition, in regions like Quebec in Canada and Catalonia in Spain, ethnic and cultural sentiments have played an instrumental role in driving demands for increased regional autonomy (Keating, 1996). The argument goes beyond this diffusion of political power, however, and asserts that subnational governments are becoming the most appropriate form of political organization in the ‘post-strong-state society’.

Thus, conventional wisdom has to a large extent become the critique against hierarchies, but dismissing formal hierarchies as systems of governance is unfortunate, for several reasons. First of all, much of the alleged development towards ‘horizontalization’ of institutions and organizations – and indeed of political life more generally – has been a spontaneous and organic development which has yet to be confirmed by changes in legal and constitutional frameworks. The discrepancy between these frameworks and actual political and institutional behaviour cannot be sustained over an extended period of time.

Second, governance through hierarchies is the benchmark against which we should assess emerging forms of governance and we therefore need to examine the nature of hierarchical governance in some detail. In parts of the current literature on governance there is a tendency to equate traditional modes of governance with a sterile view on political institutions and their exchanges with the surrounding society, and reserve the concept of governance for the new or emerging forms of such exchange. We believe this to be an unfor-
tunate way to think about governance. Governance, strictly defined, is as old as government. What is novel – and what is the overarching theme of this book – is recent changes in governance. For these reasons, hierarchies should be thought of as one of several different modes of governance. It is not likely to disappear in the foreseeable future although it is increasingly being accompanied by other forms of governance.

Finally, governance through hierarchies still plays an important role in a surprisingly large number of national and institutional contexts. In Britain, state–local relationships remain contested and politicized and central government still exercises tight political control over local authorities (Goldsmith and Newton, 1993); some ideas of the Labour government, for example the increasing use of audits (Power, 1997), are tending to centralize power even more. Similarly in Germany, although the federal government has withdrawn some control over public services, allowing for greater regional and local control (Derlien, 1995), it is possible that the federal government, if it so chooses, can resume such delegated powers. In Japan, a growing interest in local government is considered ‘progressive’ and a ‘politics of participation’ (Muramatsu, 1997:6) because it challenges the hegemonic power of the central state. Even in the Scandinavian countries where local government and local autonomy have always been extensive and have indeed increased over the past decades, the state retains significant control through legislation and grants. Thus, hierarchies still play a very important role indeed in the political and institutional organization of the advanced western democracies. It could well be that horizontal networks are becoming more important but they are still less significant than the hierarchical relations between institutions and actors.

Governance as markets

If our image of hierarchies is that of prematurely dismissed structures of governance, then the contemporary image of markets is almost the opposite. The market as a governance mechanism is very much in vogue, indeed so much so that it is probably believed to be the solution to more problems than it can resolve. The market has come to be seen as everything Big Government is not; it is believed to be the most efficient and just allocative mechanism available since it does not allow for politics to allocate resources where they are not employed in the most efficient way.

Markets are also believed to empower citizens in the same way as they exercise powers as consumers. Instead of having elected officials – who may or may not be responsive to their constituencies – make decisions about what services the state should provide and at what cost, introducing a market-like situation for such services allows clients to choose directly, hence the final say on public services rests with the public.

The concept of the market has many different meanings in the context of governance. One understanding of markets is that of a resource-allocating mechanism, or, more broadly, the employment of monetary criteria to measure efficiency. In its idealized form, neither elected officials nor managers actively make any detailed decisions; instead decisions are made within the framework of overarching policies.

Another meaning of markets in the governance context is as arenas for economic actors. Here, governance emerges as a problem because of the atomistic and anonymous nature of the market and its actors. The self-interest which is typical of economic theory generates problems since it cannot resolve problems and needs which all actors share but in which no one can see an economic incentive in resolving individually. Governance, here, refers to various mechanisms in which economic actors can cooperate to resolve common problems without distorting the basic mechanisms of the market.

We need to be aware of the difference between markets as a governance mechanism and the governance of markets. In the latter case, actors in markets, although they compete against each other, share problems of coordination. Companies in an industrial sector, for instance, share a need for coordination in order to have some collective control over prices, foreign competition and production volumes (Hollingsworth et al., 1994).

Governance as networks

One of the most familiar forms of contemporary governance is policy networks. Such networks comprise a wide variety of actors – state institutions, organized interests and so on – in a given policy sector. Networks vary considerably with regard to their degree of cohesion, ranging from coherent policy communities to single-issue
Policy networks facilitate coordination of public and private interests and resources and, in that respect, enhance efficiency in the implementation of public policy.

Networks are by no means novel features of contemporary political life. 'Iron triangles' and 'policy communities' comprising actors with common interests in given policy sectors have been reported for a couple of decades (see, for example, Jordan, 1981, 1990). Similarly, the state has always had some form of continuous exchange with key actors in their environment, either in the form of corporatist models of interest representation or on a more ad hoc level. What is more novel, however, is that - in the extreme form - these networks are said to have become sufficiently concerted and cohesive to resist or even challenge state powers; they are essentially self-regulatory structures within their policy sector (Marsh and Rhodes, 1992).

Networks in the 'new governance' thus regulate and coordinate policy sectors more according to the preferences of the actors involved than with consideration to public policy. There are several important consequences of such governance. Public policy becomes shaped more by the interests of self-referential actors in the network than by the larger collective interest. Furthermore, policy change initiated by the state will be obstructed by the networks which try to insulate the policy sector from cut-backs. In addition, while networks effectively control the policy sector, citizens still hold the state accountable for what happens in the sector. Networks, in this perspective, short-circuit the democratic process by separating control and responsibility.

The relationship between the networks and the state could be described as one of mutual dependence. From the point of view of the state, networks embody considerable expertise and interest representation and hence are potentially valuable components in the policy process. However, networks are held together by common interests which tend to challenge the interests of the state. The development from government towards governance - the decreasing reliance on formal-legal powers - has clearly strengthened the position of the policy networks. One of the dilemmas of the contemporary state is that while it needs networks to bring societal actors into joint projects, it tends to see its policies obstructed by those networks.
are. Also, for all its consensual virtues, communitarian governance has problems enforcing the common will on those who oppose specific proposals to that effect. Most importantly perhaps, communitarianism tends to exaggerate the blessings of consensus and the evils of disagreement; conflicts over specific issues would not be seen as something negative but rather as something refreshing by most observers of local politics. In Chapter 7 we will discuss this approach to governance in much more detail.

**Dynamic views of governance**

The above four ways of thinking about governance have emphasized the impact of structures and institutions. The assumption is that if you want to get governance ‘right’ you need to manipulate the structures within which it is presumed to be generated. The alternative assumption is that governance is a dynamic outcome of social and political actors and therefore if changes are demanded then it is those dynamics that should be addressed. This view, like that of the structuralists, provides some insights into governance but also leaves some aspects in doubt.

**Governance as process**

The governance approach is often argued to focus more on process and outcomes than on formal institutional arrangements. This is largely because governance, with its encompassing and contextual approach to political behaviour, is less concerned with institutions than with outcomes (Peters and Pierre, 1998). However, institutional arrangements remain important not least because they determine much of what roles the state can actually play in governance. Even so, thinking about governance in a process perspective is important because governance is not so much about structures but more about interactions among structures. We should expect governance to be dynamic with regard to both configuration and objectives: the inclusion and influence of different actors could well change over time and across sectors.

There seems to be an increasing interest in many countries in altering the policy process. For instance, a number of western democracies are experimenting with new models of policy consultation. Such experiments include citizen engagement in the policy deliberation process, an increasing reliance on consultants and think tanks, and websites where anyone can present their views on public policy (Pierre, 1998b). At the same time, traditional models of interest representation seem to have been weakened over the past decade or so, arguably as a consequence of the fiscal crisis of the state. For these reasons, perceiving governance as a dynamic process is essential: we need moving pictures more than snapshots.

**Governance as steering and coordinating**

The conception of governance as ‘steering’ is at the heart of much of the current research in governance in different subfields of political science (Pierre, 2000). Lexicographically, ‘governance’ derives from the Latin ‘cybern’ which means ‘steering’, the same root as in ‘cybernetics’, the science of control. (For a political application, see Deutsch, 1963.) The notion of the state as ‘steering’ society is still central to theories of governance (see, for example, Kooiman, 1993, 1999). What is at issue here, however, are two related problems. First, the governance perspective typically argues that states are still indeed capable of ‘steering’ society, only now its authority is less based in legal powers and more due to its control over critical resources and its Gestalt of the collective interest. The second question is towards what objectives states can ‘steer’. Much of the governance literature has been fairly quiet on who defines the objectives of governance; its main concern has been with the relationship between the actors involved in governance.

Governance sometimes refers to coordination of a sector of the economy or of industry (Hollingsworth et al., 1994), and sometimes to the process through which a government seeks to proactively ‘steer’ the economy (Gamble, 2000). In either of these manifestations, governance is still being considered in a dynamic manner, seeking to understand how actors, public and private, control economic activities and produce desired outcomes. Both views see government as having a central role in producing economic outcomes and as helping to manage the tensions of modern economies in the global environment.
Analytic framework

Finally, we can move from more output-oriented views of governance to consider it strictly in intellectual terms. That is, as well as being 'something', governance is a way of viewing the world of politics and government. It makes us focus attention on things that happen and the ways in which they happen. By so doing it moves the study of politics away from formal concerns and to some extent returns us to the classic question raised by Lasswell (1935) - ‘Who gets what?’

Governance as analytical framework

A common source of confusion in the governance literature is the difference between governance as phenomenon and governance as theory or analytical framework. It is unfortunate, in some ways, that governance has been given this dual meaning. Much as we are aware of this problem, we acknowledge that the concept may be given different meanings in different contexts. Unfortunately, introducing a new concept to replace that of governance in one of the two meanings is not a viable strategy.

The analytical framework in theories of governance differs in several important aspects from traditional political science frameworks. In governance theory many political science postulates concerning political institutions and their capacity to govern are not accepted at face value. The extent to which they do exercise such powers is, we argue, largely a matter of context. While political science has a natural interest in political power and assumes that such power rests exclusively with political structures, governance theories are more wary of political power as a base for governing. Instead, in governance, leverage is frequently derived from entrepreneurialism and political skill.

The importance of governance

The perspective on governance outlined in this book is focused on the state: on its role in governance and how the emergence and challenge of governance affect the state in different respects. The choice of analytical perspective is not chosen arbitrarily. We pursue a state-centric model of analysis because the state, despite persistent doubts to the contrary, remains the key political actor in society and the predominant expression of collective interests. We believe the role of the state is not decreasing as we head into the third millennium but rather that its role is transforming, from a role based on constitutional powers towards a role based in coordination and distribution of public and private resources (Evans, 1997; Payne, 2000).

Furthermore, the ongoing globalization challenges the traditional model of the state but is not necessarily a threat to the nation state. States have proved to be surprisingly resilient and innovative in meeting a variety of challenges, for example financial constraints, powerful organized interests or even political protest and legitimacy. We should expect to see various forms of transnational cooperation become increasingly important as markets become global. The process of state reorganization as a response to changes in their external environments is about as old as the state itself and we cannot think of any reason why that process would not continue.

Most importantly, however, we argue that in order to be able to understand the full nature of governance and its effects on the established structures and processes of power and control in society, one must depart from the state of affairs before these challenges emerged. We have already discussed the dangers in dismissing the state as the source of political authority and financial resources. Understanding the causes and consequences of governance requires some kind of 'benchmark' against which these changes can be assessed. The most obvious 'benchmark' in such an analysis is the world as it was prior to the emergence of the contemporary interest in governance.

These transformations in the role of the state are a key research problem for political scientists. Approaching the state in a governance perspective helps us understand the new or emerging roles of the state. Different forms - or modes - of governance will characterize the pursuit of collective interests in the foreseeable future much more than alternative forms of the exercise of formal, constitutional powers. The gradual shift from 'government' towards governance has significant ramifications both within the state (see, for example, Peters and Savoie, 1995; Peters and Pierre, 1998a) and its relationship with the surrounding society (Rhodes, 1997). This book seeks to stimulate our thinking about these changes and how we are best to understand them.
Process and outcomes: the state as independent and dependent variable

As mentioned earlier, this book considers governance from a state-centric perspective. Some might object that if one of the defining characteristics of governance is the downplaying of the state in the pursuit of collective interests, focusing on the state is an awkward approach. However, in order to understand the role of the state which we see emerging in various modes of governance, and before dismissing the state as a leading actor in this governance, we must have a clear picture of the historical role of the state. The state-centric perspective allows us to look at the state as either the independent or the dependent variable. In a less positivist language, we can look at the state either as a cluster of factors which explain governance, or we can observe how emerging modes of governance affect the state in different respects.

In the first perspective the role of government in governance is, in fact, one of the key aspects of governance. The role of the state in governance can vary from being the key coordinator to being one of several powerful actors. To be sure, we can think of governance processes in which the role of the state is close to non-existent. Also, as subsequent chapters will discuss in detail, the role of the state in governance derives to a significant extent from the role which the state has played historically in society and the institutional strength of the state.

The role which the state plays in governance depends on a large number of factors such as the historical patterns of regulation and control of the particular policy sector; the institutional interest in maintaining control; the degree to which governance requires legal and political authority; and the strength of societal organizations and networks. The actual role which the state plays in governance is often the outcome of the tug-of-war between the role the state wants to play and the role which the external environment allows it to play. In the political economy literature on governance we find several examples of persistent self-regulation of market sectors and a common interest among corporate actors to minimize state presence in the governance of industrial sectors (Campbell et al., 1991; Hollingsworth et al., 1994). Similarly, the network approach to governance substantiates the capacity of cohesive networks to fend off state interests in the governance of policy sectors (Marsh and Rhodes, 1992).

The alternative research strategy – looking at the state as the 'dependent variable' – raises questions about how the emergence of governance alters the powers and capacities of the state. The increasing reliance on various forms of public–private coordinated projects, or on voluntary forms of joint action with subnational government, or the challenges posed by transnational forms of governance, put tremendous strain on the institutional arrangement of the state and the management of these institutions (Kooiman, 1993). This is primarily because political institutions are significantly constrained by the 'due process' and can not move financial resources as easily as corporate actors. While public-private partnerships aim precisely at granting institutions such discretion, this is often used as an argument against such partnerships (Keating, 1998; Peters, 1998d). Thus, while partnerships may be a comfortable way of increasing the state’s points of contact with the surrounding society it also feeds back into the state apparatus and causes strain between the ‘due process’ and the need to be as flexible as the other partner.

For the state to be able to engage in different forms of governance, many of the traditional models of public sector command and control need to be replaced by more relaxed and decentralized management models. Furthermore, the extensive decentralization programmes which have been implemented in a large number of western democracies over the past decades have helped facilitate governance at the local level. Even if the traditional assumptions are relaxed, we should remember that it is still the state which is the actor.

Obviously, whatever perspective on the state we choose, it is clear that when it is observed over time we need to incorporate elements of both approaches. The role which the state can play in future governance is to a considerable degree explained by how past governance has impacted on the state and its institutions.