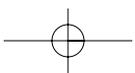
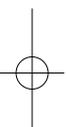


Part I: What is  
Governance?



# What is Governance?

## INTRODUCTION

Governance can be used as a specific term to describe changes in the nature and role of the state following the public sector reforms of the 1980s and 1990s. Typically, these reforms are said to have led to a shift from a hierarchical bureaucracy towards a greater use of markets, quasi-markets, and networks, especially in the delivery of public services. The effects of the reforms were intensified by global changes, including an increase in transnational economic activity and the rise of regional institutions such as the European Union (EU). So understood, governance expresses a widespread belief that the state increasingly depends on other organizations to secure its intentions and deliver its policies.

By analogy, governance also can be used to describe any pattern of rule that arises either when the state is dependent upon others or when the state plays little or no role. For example, the term 'global governance' refers to the pattern of rule at the international level where the United Nations is too weak to resemble the kind of state that can impose its will upon its territory. Likewise, the term 'corporate governance' refers to patterns of rule within businesses – that is, to the systems, institutions, and norms by which corporations are directed and controlled. In this context, governance expresses a growing awareness of the ways in which forms of power and authority can secure order even in the absence of state activity.

More generally still, governance can be used to refer to all patterns of rule, including the kind of hierarchical state that is often thought to have existed prior to the public sector reforms of the 1980s and 1990s. This general use of governance enables theorists to explore abstract analyses of the construction of social orders, social coordination, or social practices irrespective of their specific content. Theorists can divorce such abstract analyses from specific questions about, say, the state, the international system, or the corporation. However, if we are to use governance in this general way, perhaps we need to describe the

changes in the state since the 1980s using an alternative phrase, such as 'the new governance'.

Whether we focus on the new governance, weak states, or patterns of rule in general, the concept of governance raises issues about public policy and democracy. The increased role of non-state actors in the delivery of public services has led to a concern to improve the ability of the state to oversee these other actors. The state has become more interested in various strategies for creating and managing networks and partnerships. It has set up all kinds of arrangements for auditing and regulating other organizations. In the eyes of many observers, there has been an audit explosion. In addition, the increased role of unelected actors in policy-making suggests that we need to think about the extent to which we want to hold them democratically accountable and about the mechanisms by which we might do so. Similarly, accounts of growing transnational and international constraints upon states suggest that we need to rethink the nature of social inclusion and social justice. Political institutions from the World Bank to the European Union now use terms such as 'good governance' to convey their aspirations for a better world.

## A CONCEPTUAL HISTORY OF GOVERNANCE

The general concept of governance as a pattern of rule or as the activity of ruling has a long lineage in the English language. The medieval poet Geoffrey Chaucer wrote, for example, of 'the gouernance of hous and lond' [the governance of house and land]. Nonetheless, much of the current interest in governance derives from its specific use in relation to changes in the state since the late twentieth century. These changes date from neoliberal reforms of the public sector in the 1980s.

### Neoliberalism

Neoliberals argue that the state is inherently inefficient when compared with markets. Often they also suggest that the post-war Keynesian welfare state is in crisis; it has become too large to be manageable, it is collapsing under the burden of excessive taxation, and it is generating ever higher rates of cyclical inflation. Neoliberals believe that the post-war state cannot be sustained any longer, especially in a world that is now characterized by highly mobile capital and by vigorous economic competition between states. Hence they attempt to roll back the state. They often suggest, in particular, that the state should concentrate on making

policy decisions rather than on delivering services. They want the state to withdraw from direct delivery of services. They want to replace state provision of public services with an entrepreneurial system based on competition and markets. In *Reinventing Government*, David Osborne and Ted Gaebler distinguish between the activity of making policy decisions, which they describe as steering, and that of delivering public services, which they describe as rowing. They argue that bureaucracy is bankrupt as a tool for rowing. And they propose replacing bureaucracy with an 'entrepreneurial government', based on competition, markets, customers, and measurement of outcomes.

Because neoliberals deride government, many of them look for another term to describe the kind of entrepreneurial pattern of rule they favour. Governance offers them such a concept. It enables them to distinguish between 'bad' government (or rowing) and necessary governance (or steering). The early association of governance with a minimal state and the spread of markets thus arose from neoliberal politicians and the policy-wonks, journalists, economists, and management gurus who advised them.

The advisers to neoliberals often draw on rational choice theory. Rational choice theory extends a type of social explanation found in micro-economics. Typically, rational choice theorists attempt to explain social outcomes by reference to micro-level analyses of individual behaviour, and they model individual behaviour on the assumption that people choose the course of action that is most in accordance with their preferences. Rational choice theorists influence neoliberal attitudes to governance in large part through a critique of the concept of public interest. They insist that individuals, including politicians and civil servants, act in their own interest, which undermines the idea that policy-makers act benevolently to promote a public interest. Indeed, their reduction of social facts to the actions of individuals casts doubt on the very idea of a public interest over and above the aggregate interests of individuals. More specifically, rational choice theorists provide neoliberals with a critique of bureaucratic government. Often they combine the claim that individuals act in accordance with their preferences with an assumption that these preferences are typically to maximize one's wealth or power. Hence they argue that bureaucrats act to optimize their power and career prospects by increasing the size of their fiefdoms even when doing so is unnecessary. This argument implies that bureaucracies have an inherent tendency to grow even when there is no good reason for them so to do.

Because rational choice theory privileges micro-level analyses, it might appear to have peculiar difficulties explaining the rise of institutions and

their persistent stability. Micro-economic analysis has long faced this issue in the guise of the existence of firms. Once rational choice theorists extend such micro-analysis to government and social life generally, they face the same issue with respect to all kinds of institutions, including political parties, voting coalitions, and the market economy itself. The question is: if individuals act in accordance with their preferences, why don't they break agreements when these agreements no longer suit them? The obvious answer is that some authority would punish them if they broke the agreement, and they have a preference for not being punished. But this answer assumes the presence of a higher authority that can enforce the agreement. Some rational choice theorists thus began to explore how they might explain the rise and stability of norms, agreements, or institutions in the absence of any higher authority. They adopted the concept of governance to refer to norms and patterns of rule that arise and persist even in the absence of an enforcing agent.

### Social Science

The neoliberal concept of governance as a minimal state conveys a preference for less government. Arguably, it often does little else, being an example of empty political rhetoric. Indeed, when social scientists study neoliberal reforms of the public sector, they often conclude that these reforms have scarcely rolled back the state at all. They draw attention instead to the unintended consequences of the reforms. According to many social scientists, the neoliberal reforms fragmented service delivery and weakened central control without establishing markets. In their view, the reforms have led to a proliferation of policy networks in both the formulation of public policy and the delivery of public services.

The 1990s saw a massive outpouring of work that conceived governance as a proliferation of networks. Much of this literature explores the ways in which neoliberal reforms created new patterns of service delivery based on complex sets of organizations drawn from all of the public, private, and voluntary sectors. It suggests that a range of processes – including the functional differentiation of the state, the rise of regional blocs, globalization, and the neoliberal reforms themselves – have left the state increasingly dependent on other organizations for the delivery and success of its policies. Although social scientists adopt various theories of policy networks, they generally agree that the state can no longer command others. In their view, the new governance is characterized by networks in which the state and other organizations

depend on each other. Even when the state still remains the dominant organization, it and the other members of the network are now interdependent in that they have to exchange resources if they are to achieve their goals. Many social scientists argue that this interdependence means that the state now has to steer other organizations instead of issuing commands to them. They also imply that steering involves a much greater use by the state of diplomacy and related techniques of management. Some social scientists also suggest that the proliferating networks often have a considerable degree of autonomy from the state. In this view, the key problem posed by the new governance is that it reduces the ability of the state to command and even to steer effectively.

Social scientists have developed a concept of governance as a complex and fragmented pattern of rule composed of multiplying networks. They have done so in part because of studies of the impact of neoliberal reforms on the public sector. But two other strands of social science also gave rise to this concept of governance. First, a concept of governance as networks arose among social scientists searching for a way to think about the role of transnational linkages within the EU. Second, a concept of governance as networks appeals to some social scientists interested in general issues about social coordination and inter-organizational links. These latter social scientists argue that networks are a distinct governing structure through which to coordinate activities and allocate resources. They develop typologies of such governing structures – most commonly hierarchies, markets, and networks – and they identify the characteristics associated with each such structure. Their typologies often imply that networks are preferable, at least in some circumstances, to the hierarchic structures of the post-war state and also to the markets favoured by neoliberals. As we will see, this positive valuation of networks sometimes led to what we might call a second wave of public sector reform.

### Resistance and Civil Society

Radicals, socialists, and anarchists have long advocated patterns of rule that do not require the capitalist state. Many of them look towards civil society as a site of free and spontaneous associations of citizens. Civil society offers them a non-statist site at which to reconcile the demands of community and individual freedom – a site they hope might be free of force and compulsion. The spread of the new governance has prompted such radicals to distance their visions from that of the neoliberal rolling back of the state. Hence we find two main uses of the word

'governance' among radicals: they use it to describe new systems of force and compulsion associated with neoliberalism, and they use it to refer to alternative conceptions of a non-statist democratic order.

There is disagreement among radicals about whether the new governance has led to a decline in the power of the state. Some argue that the state has just altered the way in which it rules its citizens; it makes more use of bribes and incentives, threats to withdraw benefits, and moral exhortation. Others believe that the state has indeed lost power. Either way, radicals distinguish the new governance sharply from their visions of an expansion of democracy. In their view, if the power of the state has declined, the beneficiaries have been corporations; they associate the hollowing out of the state with the growing power of financial and industrial capital. Radical analyses of the new governance explore how globalization – or perhaps the myth of globalization – finds states and international organizations acting to promote the interests of capital.

Radicals typically associate their alternative visions of democratic governance with civil society, social movements, and active citizenship. Those who relate the new governance to globalization and a decline in state power often appeal to parallel shifts within civil society. They appeal to global civil society as a site of popular, democratic resistance to capital. Global civil society typically refers to non-governmental groups such as Amnesty International, Greenpeace, and the International Labour Organization as well as less formal networks of activists and citizens. Questions can arise, of course, as to whether these groups adequately represent their members, let alone a broader community. However, radicals often respond by emphasizing the democratic potential of civil society and the public sphere. They argue that public debate constitutes one of the main avenues by which citizens can participate in collective decision-making. At times they also place great importance on the potential of public deliberation to generate a rational consensus. No matter what doubts radicals have about contemporary civil society, their visions of democracy emphasize the desirability of transferring power from the state to citizens who would not just elect a government and then act as passive spectators but rather participate continuously in the processes of governance. The association of democratic governance with participatory and deliberative processes in civil society thus arises from radicals seeking to resist state and corporate power.

These radical ideas are not just responses to the new governance; they also help to construct aspects of it. They inspire new organizations, and new activities, by existing social movements. At times, they influence

political agreements – perhaps most notably the international regimes and norms covering human rights and the environment. Hence social scientists interested in social movements sometimes relate them to new national and transnational forms of resistance to state and corporate power. To some extent these social scientists again emphasize the rise of networks. However, when social scientists study the impact of neoliberal reforms on the public sector, they focus on the cooperative relations between the state and other institutionalized organizations involved in policy-making and the delivery of public services. In contrast, when social scientists study social movements, they focus on the informal links among activists concerned to contest the policies and actions of corporations, states, and international organizations.

### The New Governance

The current interest in governance derives primarily from reforms of the public sector since the 1980s. The new governance refers to the apparent spread of markets and networks following these reforms. It points to the varied ways in which the informal authority of markets and networks constitutes, supplements, and supplants the formal authority of government. It has led many people to adopt a more diverse view of state authority and its relationship to civil society.

Recent public sector reform has occurred in two principal waves. The first wave consisted of the New Public Management (NPM) as advocated by neoliberals. These reforms were attempts to increase the role of markets and of corporate management techniques in the public sector. The second wave of reforms consisted of attempts to develop and manage a joined-up series of networks informed by a revived public sector ethos. They were in part responses to the perceived consequences of the earlier reforms.

Some advocates of NPM imply it is the single best way for all states at all times. The same can be said of some advocates of partnerships and networks. Studies of both waves of reform can imply, moreover, that change has been ubiquitous. It is thus worth emphasizing at the outset both the variety and the limits of public sector reform. Reforms have varied from state to state. NPM is associated primarily with neoliberal regimes in the United Kingdom and United States, as well as a few other states, notably Australia and New Zealand. Although many other developed states introduced similar reforms, they did so only selectively, and when they did so, they often altered the content and the implementation

what is  
governance?

of the reforms in accordance with their institutions and traditions. Typically, developing and transitional states adopted similar reforms only under more or less overt pressure from corporations, other states, and international organizations. Public sector reform has also varied across policy sectors within any given state. For example, even in the United Kingdom and the United States, there have been few attempts to introduce performance-related pay or outsourcing to the higher levels of the public service, which are responsible for providing policy advice. The varied extent of public sector reform should itself make us wary of overstating the degree to which governance has been transformed. Of course there have been extensive and significant reforms. But bureaucratic hierarchies still perform most government functions in most states.

### The New Public Management

The first wave of public sector reform was NPM. It is inspired by ideas associated with neoliberalism and public choice theory. At first NPM spread in developed, Anglo-Saxon states. Later it spread through much of Europe – though France, Germany, and Spain are often seen as remaining largely untouched by it – and to developing and transitional states. In developed countries, the impetus for NPM came from fiscal crises. Talk of the overloaded state grew as oil crises cut state revenues, and the expansion of welfare services saw state expenditure increase as a proportion of gross national product. The result was a quest to cut costs. NPM was one proposed solution. In developing and transitional states, the impetus for NPM lay more in external pressures, notably those associated with structural adjustment programmes.

NPM has two main strands: marketization and corporate management. The most extreme form of marketization is privatization, which is the transfer of assets from the state to the private sector. Some states sold various nationalized industries by floating them on the stock exchange. Other state-owned enterprises were sold to their employees through, say, management buyouts. Yet others were sold to individual included telecommunications, railways, electricity, water, and waste services. Smaller privatizations have involved hotels, parking facilities, and convention centres, all of which are as likely to have been sold by local governments as by central states.

Other forms of marketization remain far more common than privatization. These other measures typically introduce incentive structures into public service provision by means of contracting-out, quasi-markets, and

consumer choice. Marketization aims to make public services not only more efficient but also more accountable to consumers, who are given greater choice of service provider. Prominent examples of marketization include contracting-out, internal markets, management contracts, and market testing. Contracting-out (also known as outsourcing) involves the state contracting with a private organization, and on a competitive basis, to provide a service. The private organization can be for-profit or non-profit; it is sometimes a company hastily formed by those who previously have provided the service as public sector employees. Internal markets arise when departments are able to purchase support services from several in-house providers or outside suppliers who in turn operate as independent business units in competition with one another. Management contracts involve the operation of a facility – such as an airport or convention centre – being handed over to a private company in accordance with specific contractual arrangements. Market testing (also known as managed competition) occurs when the arrangements governing the provision of a service are decided by means of bidding in comparison with private sector competitors.

Typically, marketization transfers the delivery of services to autonomous or semi-autonomous agencies. Proponents of NPM offer various arguments in favour of such agencies. They argue that service providers are then able to concentrate on the efficient delivery of quality services without having to evaluate alternative policies. They argue that policy-makers can be more focused and adventurous if they do not have to worry about the existing service providers. And they argue that when the state has a hands-off relationship with a service provider, it has more opportunities to introduce performance incentives.

Corporate management reform involves introducing just such performance incentives. In general, it means applying to the public sector ideas and techniques from private sector management. The main ideas and techniques involved are management by results, performance measures, value for money, and closeness to the customer, all of which are tied to various budgetary reforms. Although these ideas and techniques are all attempts to promote effective management in the public sector, there is no real agreement on what would constitute effective management. To the contrary, the innocent observer discovers a bewildering number of concepts, each with its own acronym. For example, Management by Objectives (MBO) emphasizes clearly defined objectives for individual managers, whereas Management by Results (MBR) emphasizes the use of past results as indicators of future ones, and Total Quality Management (TQM) emphasizes awareness of quality in all organizational processes. Performance measures

are concrete attempts to assure effective management by auditing inputs and outputs and relating them to financial budgets. Such measures also vary widely because there is disagreement about the goals of performance as well as how to measure results properly. Nonetheless, value for money is promoted mainly through the use of performance measures to influence budgetary decisions.

The success of NPM has been unclear, and remains the source of considerable debate. Few people believe it proved the panacea it was supposed to be. Studies suggest that it generates at best about a three per cent annual saving on running costs, which is pretty modest, especially when one remembers that running costs are typically a relatively small component of total programme costs. Even neoliberals often acknowledge that most savings have come from privatization, not reforms in public sector organizations. The success of NPM also appears to vary considerably with contextual factors. For example, the reforms are often counter-productive in developing and transitional states because these states lack the stable framework associated with elder public disciplines such as credible policy, predictable resources, and a public service ethic. It is interesting to reflect that, in this respect, NPM appears to require the existence of aspects of just that kind of public service bureaucracy that it is meant to supplant.

### Networks, Partnerships, and Inclusion

Although discussions of the new governance often highlight NPM, public sector reform is a continuous process. Typically, managerial reforms have given way to a second wave of reform focusing on institutional arrangements – networks and partnerships – and administrative values – public service and social inclusion. The second wave of reforms includes a number of overlapping trends, which are often brought together under labels such as ‘joined-up governance’, ‘one-stop government’, ‘service integration’, ‘whole-of-government’, or ‘*Aktivierender Staat*’ (activating state). Some commentators even describe this second wave as a ‘governance approach’ or ‘new governance’ defined in contrast to NPM.

Several connected reasons can be given for the altered nature of public sector reform. One is the shifting tide of intellectual and political fortunes. To an extent, the fortunes of public choice theory and neoliberalism have ebbed, while those of reformist social democrats and network theorists have risen. The rise of New Labour within the United Kingdom is perhaps the most obvious example of this tide. A second reason is a growing sensitivity

to a new set of external problems, including terrorism, the environment, asylum-seekers, aging populations, and the digital divide. Many of these problems have led people to turn to the state, rather than markets, and to do so with concerns about equity, rather than efficiency. Yet another reason for the changing content of public sector reform resides in the unintended consequences of the earlier managerial reforms. Observers emphasize that NPM has led to a fragmentation of the public sector: because public services are delivered by networks composed of a number of different organizations, there is a new need to coordinate and manage networks. Observers also emphasize that NPM has raised dilemmas of accountability: even if the autonomous and semi-autonomous organizations now involved in delivering services are more efficient, they are not always easy to hold accountable on matters of equity. These worries about accountability have been exasperated by recent exposures of corruption in the private sector and by studies emphasizing the public's lack of trust in government.

The main thrust of the second wave of reforms is to improve coordination across agencies. This ambition to join up networks reflects concerns that the earlier reforms have led to the fragmentation of public service delivery. Joined-up governance promotes horizontal and vertical coordination between the organizations involved in an aspect of public policy. Although the boundary between policy-making and policy implementation is blurred, joined-up approaches look rather different in each case. Joined-up policy-making brings together all the agencies involved in dealing with intractable problems such as juvenile crime or rural poverty. Joined-up policy implementation coordinates the actions of agencies involved in delivering services so as to simplify them for citizens: an example is one-stop shops at which the unemployed can access benefits, training, and job information.

Joined-up governance often draws on the idea that networks can coordinate the actions of a range of actors and organizations. Indeed, its proponents often suggest that there are many circumstances in which networks offer a superior mode of coordination to both hierarchies and markets. For example, they tie an enabling or facilitative leadership within a network to greater flexibility, creativity, inclusiveness, and commitment. Hence joined-up governance is as much about fostering networks as it is about managing them. Indeed, the second wave of reforms characteristically attempts to promote networks or partnerships rather than markets. These partnerships can be ones between public, private, and voluntary bodies, as well as between different levels of government or different state agencies. In many countries, the emphasis has shifted from competitive

tendering to the public sector building long-term relationships based on trust with suppliers, users, and other stakeholders. Public-private partnerships are said to have a number of advantages based on their ability to combine the strengths of each sector. For example, they can ease the burden of capital investment on the public sector while reducing risks of development for the private sector.

Partnerships and joined-up governance are often advocated as ways of promoting social inclusion as well as increasing efficiency. Ideally, they increase citizen involvement in the policy process. Citizen groups participate as partners in aspects of policy-making and policy implementation. The second wave of public sector reforms seeks to activate civil society. Partnerships and joined-up governance are supposed to provide settings in which public sector bodies can engage stakeholders – citizens, voluntary organizations, and private companies – thereby involving them in democratic processes. It is also hoped that involving stakeholders in the policy process will build public trust in government.

## GOVERNANCE BEYOND THE STATE

The literature on the new governance highlights the role of markets, networks, and non-state actors. It thereby weakens the distinction between states and other domains of social order. All social and political regimes appear to depend on a pattern of rule, or form of governance, no matter how informal it might be. Hence the term ‘governance’ has come to refer to social and political orders other than the state.

Some patterns of rule appear in civil society. The most discussed of these is corporate governance, which refers to the means of directing and controlling business corporations. Current interest in corporate governance owes something to theoretical questions within a micro-economic framework about how to account for the stability of firms: most responses to these questions parallel those that rational choice theorists give to questions about the origins of social norms, laws, and institutions. Yet, the main source of interest in corporate governance is probably public, shareholder, and governmental concerns about corporate scandals, corruption, the abuse of monopoly power, and the high salaries paid to top executives. Three broad themes dominate the resulting literature on corporate ethics: openness through disclosure of information, integrity through straightforward dealing, and accountability through a clear division of responsibilities.

Although much has been written on corporate governance, it need not detain us longer. Our concern is with political orders. Hence the main forms of governance beyond the state that interest us are regional and global governance.

### Regional Governance

The rise of new regional regimes and institutions, such as the EU, plays two roles in discussions of the new governance. Many commentators suggest, first, that the cause of the new governance is that the rise of these regional regimes has eroded the autonomy of nation states, and, second, that the new regional regimes are often taken to be examples of a networked polity and therefore of the new governance rather than an older government.

The most prominent case of the new regional governance remains the EU. Studies of the EU gave rise to an extensive literature on multi-level governance: the EU is a level of governance above the nation state, which, in turn, often contains various levels of local and federal government. The literature on multi-level governance in the EU posits links in the Commission, national ministries, and local and regional authorities. It emphasizes the rise of transnational policy networks, especially where policy-making is depoliticized and routinized, supranational agencies depend on other agencies to deliver services, and there is a need to aggregate interests.

Transnational policy networks are arguably the defining feature of a new pattern of regional and global governance. We should recognize, though, that these transnational networks do not always lead to the deep linkages associated with the EU. Regional projects can consist of little more than loose preferential trading agreements. We should also recognize that transnational agreements do not always correspond to actual geographic regions. Much north-south regionalism consists, for example, of agreements between one or more developed state and one or more less developed state – agreements that secure access to one another's markets while also diffusing particular regulatory and legal standards.

### Global Governance

The concept of global governance has much the same relation to the new governance as does that of regional governance. On the one hand, some commentators suggest that international processes are eroding the importance of the state; the relevant processes include the internationalization

of production and of financial transactions, the rise of new international organizations, and the growth of international law. On the other hand, the international sphere is itself portrayed as being a case of governance in the total or near total absence of the state.

Regional governance is, moreover, a prominent part of the pattern of rule that currently operates at the global level. Of course there are global organizations, such as the United Nations (UN) or the World Bank, which help to create and sustain the laws, rules, and norms that govern international politics. Nonetheless, even when we allow for these organizations, many of the interactions and agreements between states and other global actors are situated in the context of the transnational policy networks associated with the new regionalism. If the Cold War was a bipolar era based on the predominance of the USA and the Soviet Union, global governance now consists of a multipolar regionalism, albeit in the context of US hegemony.

The new regional and transnational organizations appear to share certain broad characteristics. They are typically fairly open to countries from outside the region: they are perhaps less a series of protectionist pacts and more a series of interconnected webs within an increasing global economy. Their policy objectives extend beyond the economy to areas such as security, the environment, human rights, and 'good' governance. Lastly, they often incorporate a variety of non-state actors as well as states themselves. This new type of regional governance has combined with increased economic flows and older international organizations to transform the world order – that is, to create a new form of global governance.

## THEORIES OF GOVERNANCE

Although recent interest in governance owes much to public sector reforms of the late twentieth century, these reforms and the interest they inspired cannot easily be separated from theories such as rational choice and the new institutionalism. It is important to recognize that the meaning of governance varies not only according to the level of generality at which it is pitched, but also the theoretical contexts in which it is used.

### Rational Choice

The neoliberal narrative of governance overlaps somewhat with rational choice theory. Both of them draw on micro-economic analysis with its attempt to unpack social life in terms of individual actions, and its attempt to explain individual actions in terms of rationality conceived as utility-maximizing actions. Yet, while neoliberals deployed such

analysis to promote marketization and the New Public Management, rational choice theorists were often more interested in exploring cases where institutions or norms were honoured even in the absence of a higher authority to enforce them.

Rational choice theory attempts to explain all social phenomena by reference to the micro-level of rational individual activity. It unpacks social facts, institutions, and patterns of rule entirely by analyses of individuals acting. It models individuals acting on the assumption that they adopt the course of action most in accordance with their preferences. Sometimes rational choice theorists require preferences to be rational: preferences are assumed to be complete and transitive. Sometimes they also make other assumptions, most notably that actors have complete information about what will occur following their choosing any course of action. At other times, however, rational choice theorists try to relax these unrealistic assumptions by developing concepts of bounded rationality. They then attempt to model human behaviour in circumstances where people lack relevant information.

The dominance of the micro-level in rational choice theory raises issues about the origins, persistence, and effects of the social norms, laws, and institutions by which we are governed. One issue is the abstract one of how to explain the rise and stability of a pattern of rule in the absence of any higher authority. Rational choice theorists generally conclude that the absence of any effective higher authority means that such institutions must be conceived as self-enforcing. Another issue is a more specific interest in the effects of norms, laws, and institutions on individuals' actions. Rational choice theorists argue that institutions structure people's strategic interactions with one another: stable institutions influence individuals' actions by giving them reasonable expectations about the outcome of the varied courses of action that they might chose. Another more specific issue is to model weakly institutionalized environments in which the absence of a higher authority leads people to break agreements and so create instability. Examples of such weak institutions include the international system and also nation states in which the rule of law is weak. Rational choice theorists explore self-enforcing agreements, the costs associated with them, and the circumstances in which they break down.

### The New Institutionalism

An institutional approach dominated the study of public administration and politics up until sometime around the 1940s. Scholars focused on formal rules, procedures, and organizations, including constitutions,

electoral systems, and political parties. Although they sometimes emphasized the formal rules that governed such institutions, they also paid attention to the behaviour of actors within them. This institutional approach was challenged in the latter half of the twentieth century by a series of attempts to craft universal theories: behaviouralists, rational choice theorists, and others attempted to explain social action with relatively little reference to specific institutional settings. The new institutionalism is often seen as a restatement of the older institutional approach in response to these universal theories. The new institutionalists retain a focus on rules, procedures, and organizations: institutions are composed of two or more people; they serve some kind of social purpose; and they exist over time in a way that transcends the intentions and actions of specific individuals. Yet the new institutionalists adopt a broader concept of institution that includes norms, habits, and cultural customs alongside formal rules, procedures, and organizations.

It has become common to distinguish various species of new institutionalism. Rational choice institutionalists examine how institutions shape the behaviour of rational actors by creating expectations about the likely consequences of given courses of action. Because it remains firmly rooted in the type of micro-analysis just discussed, we will focus here on new institutionalists who eschew deductive models based on assumptions about utility-maximization. These other institutionalists typically explain outcomes by comparing and contrasting institutional patterns. They offer two main accounts of how institutions shape behaviour. Historical institutionalists tend to use metaphors such as 'path dependency' and to emphasize the importance of macro-level studies of institutions over time. Sociological institutionalists tend to argue that cognitive and symbolic schemes give people identities and roles.

Historical institutionalists focus on the way past institutional arrangements shape responses to political pressures. They argue that past outcomes have become embedded in national institutions which prompt social groups to organize along particular lines and thereby lock states into paths of development. Hence they concentrate on comparative studies of welfare and administrative reform across states in which the variety of such reforms is explicable in terms of path dependency.

Sociological institutionalists focus on values, identities, and the ways in which they shape actors' perceptions of their interests. They argue that informal sets of ideas and values constitute policy paradigms that shape the ways in which organizations think about issues and conceive political pressures. Hence they adopt a more constructivist approach to

governance – an approach that resembles the social constructivism we will consider later on. They concentrate on studies of the ways in which norms and values shape what are often competing policy agendas of welfare and administrative reform.

### Systems Theory

Although sociological institutionalism can resemble social constructivism, it often exhibits a distinctive debt to organizational theory. At times its exponents perceive cognitive and symbolic schemes not as intersubjective understandings, but as properties of organizations. Instead of reducing such schemes to the relevant actors, they see them as a kind of system based on its own logic. In doing so, they echo themes that are developed more fully in systems theory.

A system is the pattern of order that arises from the regular interactions of a series of interdependent elements. Systems theorists suggest that such patterns of order arise from the functional relations and interactions of the elements. These relations and interactions involve a transfer of information. This transfer of information leads to the self-production and self-organization of the system even in the absence of any centre of control.

The concept of governance as a socio-cybernetic system highlights the limits to governing by the state. It implies that there is no single sovereign authority. Instead, there is a self-organizing system composed of interdependent actors and institutions. Systems theorists often distinguish here between governing, which is goal-directed interventions, and governance, which is the total effect of governing interventions and interactions. In this view, governance is a self-organizing system that emerges from the activities and exchanges of actors and institutions. Again, the new governance has arisen because we live in a centreless society, or at least a society with multiple centres. Order arises from the interactions of multiple centres or organizations. The role of the state is not to create order but to facilitate socio-political interactions, to encourage varied arrangements for coping with problems, and to distribute services among numerous organizations.

### Regulation Theory

Just as sociological institutionalism sometimes draws on systems theory, so historical institutionalism sometimes draws on Marxist state theory.

The main approach to governance derived from Marxism is, however, regulation theory. Marx argued that capitalism was unstable because it led to the over-accumulation of capital and to class struggle. Regulation theorists examine the ways in which different varieties of capitalism attempt to manage these instabilities. They study forms of governance in relation to changes in the way these instabilities are masked.

Typically, regulation theorists locate the new governance in relation to a broader socio-economic shift from Fordism to post-Fordism. Fordism refers to a combination of 'intensive accumulation' and 'monopolistic regulation' – a combination associated with the mass production pioneered by Henry Ford in the 1920s. Intensive accumulation relied on processes of mass production such as mechanization, the intensification of work, the detailed division of tasks, and the use of semi-skilled labour. Monopolistic regulation involved monopoly pricing, the recognition of trade unions, the indexing of wages to productivity, corporatist tendencies in government, and monetary policies to manage the demand for commodities. According to regulation theorists, intensive accumulation and monopolistic regulation temporarily created a virtuous circle: mass production created economies of scale thereby leading to a rise in productivity; increased productivity led to increased wages and so greater consumer demand; the growth in demand raised profits due to the full utilization of capacity; and the rising profits were used to improve the technology of mass production, creating further economies of scale, and so starting the whole circle going again.

Regulation theorists ascribe the end of Fordism to various causes. Productivity gains decreased because of the social and technical limits to Fordism. Globalization made the management of national economies increasingly difficult. Increased state expenditure produced inflation and state overload. Competition among capitalists shifted the norms of consumption away from the standardized commodities associated with mass production. All of these causes contributed to the end not only of Fordism but also the bureaucratic, Keynesian, welfare state associated with it. Although regulation theorists can be reluctant to engage in speculations about the future, they generally associate the new post-Fordist era with the globalization of capital, neoliberal politics, contracting-out, public-private partnerships, and the regulatory state.

### Social Constructivism

Constructivist and interpretive approaches to governance often emphasize contingency. They reject the idea that patterns of rule can be properly

understood in terms of a historical or social logic attached to capitalist development, functional differentiation, or even institutional settings. Instead, they emphasize the meaningful character of human actions and practices. In this view, because people act on beliefs, ideas, or meanings – whether conscious or not – we can explain their actions properly only if we grasp the relevant meanings. Some of the older constructivist approaches suggest that beliefs, ideas, or meanings are more or less uniform across a culture or society. Hence they inspire studies of the distinctive patterns of governance associated with various cultures. Other constructivist and interpretive approaches place a greater emphasis on contests and struggles over meaning. Hence they inspire studies of the different traditions or discourses of governance that are found within any given society.

Although social constructivists analyze governance in terms of meanings, there is little agreement among them about the nature of such meanings. The meanings of interest to them are variously described, for example, as intentions and beliefs, conscious or tacit knowledge, sub-conscious or unconscious assumptions, systems of signs and languages, and discourses and ideologies. Social constructivists often explore many of these varied types of meanings both synchronically and diachronically. Synchronic studies analyze the relationships between a set of meanings abstracted from the flux of history. They reveal the internal coherence or pattern of a web of meanings: they make sense of a particular belief, concept, or sign by showing how it fits in such a web. Diachronic studies analyze the development of webs of meanings over time. They show how situated agents modify and even transform webs of meanings as they use them in particular settings.

The diverse constructivist studies of the synchronic and diachronic dimensions of meanings all have in common a reluctance to reduce meanings to allegedly objective facts about institutions, systems, or capitalism. In this view, patterns of rule arise because of the contingent triumph of a web of meanings. The new governance arose, for example, alongside neoliberalism, which inspired much of the New Public Management, and also discourses in the social sciences, which inspired the turn to networks and public-private partnerships. Sometimes social constructivists relate the rise of neoliberalism and network theory to new relations of power, changes in the global economy, or problems confronted by states. Even when they do, however, they usually suggest that these social facts are also constructed in the context of webs of meanings.

## PUBLIC POLICY

Public policy refers very generally to the actions – plans, laws, and behaviours – of government. Concern with the new governance draws attention to the extent to which these actions are often performed now by agents of the state rather than directly by the state. There are a vast number of studies of specific policy areas, and even specific policy problems and governmental responses to them. These studies offer detailed accounts of the impact of the New Public Management and the rise of the new governance within particular policy sectors, such as health care, social welfare, policing, and public security. However, policy analysis often includes a prescriptive dimension as well as a descriptive one. Students of public policy attempt to devise solutions to policy problems as well as to study governmental responses to them. Of course their solutions are sometimes specific proposals aimed at a particular policy problem. At other times, however, they concern themselves with the general question of how the state should seek to implement its policies.

The rise of the new governance raises the question: how should the state try to implement its policies given the proliferation of markets and networks within the public sector? Answers to this question typically seek to balance concerns over efficiency with ones over ethics. To some extent, the leading answers reflect the leading theories of governance. Rational choice theory tends to promote market solutions; its exponents typically want to reduce the role of the state in implementing policies. Institutionalists tend to concentrate on strategies by which the state can manage and promote particular types of organization; its exponents typically offer advice about how the state can realize its policy agenda within a largely given institutional setting. Social constructivism tends to promote dialogic and deliberative approaches to public policy; its exponents typically want to facilitate the flow of meanings, and perhaps thereby the emergence of a consensus.

### Planning and Regulating

The stereotype of ‘old governance’ is of a bureaucratic state trying to impose its plan on society. Formal strategic planning did indeed play a prominent role in much state activity in the latter twentieth century. However, there remains widespread recognition that strategic planning is an integral feature of government. Plans help to establish the goals and visions of the state and its agencies, and they facilitate the concentration of resources in areas where they are thought to be most likely to

improve an organization's efficiency in relation to its dominant goals. Of course plans are not set in stone. Rather, they are made on the basis of assumptions that might prove inaccurate and visions that might change in ways that require the plan to be modified.

Although planning remains an integral feature of government, there has been much debate over how the state should implement its plans and policies. Earlier we saw how neoliberals wanted the state to concentrate on steering not rowing. Sometimes they argue that a focus on steering would actually enable the state to plan more effectively: when state actors step back from the delivery of policies, they have more time to consider the big picture. Neoliberalism represented less a repudiation of planning than an attempt to contract out or otherwise devolve the delivery of policies to non-state actors. Typically, its advocates suggested that devolving service delivery would do much to foster a more entrepreneurial ethos within public services – they said that the New Public Management would free managers to manage. Nonetheless, if some neoliberals appear to think that market mechanisms can ensure non-state actors will do as the state (or citizens) wish (or should wish), others recognize that the state still has to structure and oversee the policy process. The state still has to set the goals for other actors; and it has to audit and regulate these actors in relation to these goals. Even as the state forsook direct intervention, so it expanded arm's length attempts to control, coordinate, and regulate other organizations. The new governance includes expanded regimes of regulation. A growing number of agencies, commissions, and special courts enforce rules to protect economic competition and social welfare.

### Managing Networks

Social scientists often conclude that the withdrawal of the state from service delivery has led to a proliferation of networks as well as regulatory institutions. The spread of networks appears further to undermine the ability of the state to control and coordinate the implementation of its policies. Social scientists, notably institutionalists, thus argue that effective public policy now depends on mechanisms for controlling and coordinating networks. There are a number of different approaches to the management of policy networks. Some approaches attempt to improve the ability of the state to direct the actions of networks by means of law, administrative rules, or regulation. Others focus on the ability of the state to improve the cooperative interactions between the

organizations within networks; typically, they suggest that the state can promote cooperation by altering the relevant incentive structures. Yet other approaches concentrate on negotiating techniques by which the state might promote incremental shifts in the dominant norms and cultures within networks.

The different strategies of network management can be seen as complementing one another. In this view, the state should deploy different policy styles as appropriate in different settings. This perspective returns us to the idea that public policy is an incremental process of muddling through. Public sector managers respond to citizen references and specific problems in concrete settings. Generally, they have to bear in mind multiple objectives, including meeting quality standards, promoting efficiency, remaining democratically accountable, and maintaining public trust and legitimacy. Their responses to problems are typically pragmatic ones that aim to satisfy all of these objectives rather than to maximize performance in relation to any one of them.

Many of the current approaches to network management reject the command-and-control strategies associated with hierarchic bureaucracies. In this view, because the state now depends on other organizations, it has to rely on negotiation and trust. Some social scientists thus suggest that the new governance requires a new ethic of public service. The state should neither row nor merely steer. It should act as a facilitator or enabler. It should help foster partnerships with and between public, voluntary, and private sector groups. It should encounter citizens not merely as voters or as consumers of public services, but as active participants within such groups and policy networks. Instead of defining the goals of public policy in advance, it might even allow the public interest to emerge from dialogues within networks.

### Dialogue and Deliberation

Sociological institutionalism and social constructivism theory highlight the ways in which meanings, beliefs, cognitive symbols, and conceptual schemes impact upon the policy process. Some of their advocates suggest that the state might try to manage public policy by means of negotiation and other techniques designed to produce incremental shifts in the culture of networks. Others are less focused on the state; they advocate dialogue and deliberation as the means to give greater control of the policy process to citizens. These later advocate giving greater control to citizens partly for democratic reasons and partly on the grounds

that doing so can improve policy-making and policy implementation. Some of them argue that the direct involvement of citizens has become both more important and more plausible as a result of the rise of the new governance and the emergence of new information technologies.

Advocates of dialogue and deliberation argue that they facilitate social learning. In their view, public problems are not technical issues to be resolved by experts. Rather, they are questions about how a community wants to act or govern itself. Dialogue and deliberation better enable citizens and administrators to resolve these questions as they appear in concrete issues of policy. They enable a community to name and frame an issue and so to set an agenda. They inform those involved about their respective concerns, preferences, and ideas for solutions. They help to establish trust and so cooperative norms within a community. And, perhaps most importantly, they are said to help reveal common ground, even to generate a consensus about the public good. Hence they appear to pave the way for common action.

Critics point to various problems with dialogic and deliberative policy-making. They argue that it is unrealistic given the size of modern states, it ignores the role of expertise in making policy decisions, it inevitably excludes groups or viewpoints, it is slow, and it cannot respond to crises. Critics also suggest that some policy areas, such as national security, are particularly inappropriate for direct citizen involvement. Despite such criticisms, citizen involvement, even if only through voting, is surely a necessary requisite of good, democratic governance.

## DEMOCRATIC GOVERNANCE

Questions about public policy are partly normative. We want the policy process to reflect our values. Today these values are generally democratic ones. However, the new governance raises specific problems for our democratic practices. Democracy is usually associated with elected officials making policies, which public servants then implement. The public servants answer to the elected politicians who, in turn, are accountable to the voting public. However, the rise of markets and networks has disrupted these lines of accountability. In the new governance, policies are being implemented and even made by private sector and voluntary sector actors. There are often few lines of accountability tying these actors back to elected officials, and those few are too long to be effective. Besides, the complex webs of actors involved can make it

what is  
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almost impossible for the principle to hold any one agent responsible for a particular policy. Similar problems arise for democracy at the global level. States have created regulatory institutions to oversee areas of domestic policy, and the officials from these institutions increasingly meet to set up global norms, agreements, and policies governing domains such as the economy and the environment.

There is no agreement about how to promote democracy in the new governance. To some extent the different proposals again reflect different theories of governance in general. Rational choice theorists sometimes suggest markets are at least as effective as democratic institutions at ensuring popular control over outcomes. Institutionalists are more likely to concern themselves with formal and informal lines of the accountability needed to sustain representative and responsible government. These institutional issues merge gradually into a concern to promote diverse forums for dialogue – a concern that is common among constructivist and interpretive theorists.

### 'Good' Governance

Concerns about democratic governance first arose in discussions of economic development. Economists came to believe that the effectiveness of market reforms was dependent upon the existence of appropriate political institutions. In some ways, then, the quality of governance initially became a hot topic not because of normative, democratic concerns, but because it impinged on economic efficiency, notably the effectiveness of aid to developing countries. International agencies such as the International Monetary Fund and the World Bank increasingly made 'good governance' one of the criteria on which they based aid and loans. Other donors followed suit.

The concept of 'good governance' was thus defined by institutional barriers to corruption and by the requirements of a functioning market economy. It was defined as a legitimate state with a democratic mandate, an efficient and open administration, and the use of competition and markets in the public and private sectors. Various international agencies sought to specify the characteristics of good governance so conceived. They wanted checks on executive power, such as an effective legislature with territorial (and perhaps ethno-cultural) representation. Likewise, they stressed the rule of law, with an independent judiciary, laws based on impartiality and equity, and an honest police force. They included a competent public service characterized by clear lines of

accountability and by transparent and responsive decision-making. They wanted political systems effectively to promote a consensus, mediating the various interests in societies. And they emphasized the importance of a strong civil society characterized by freedom of association, freedom of speech, and the respect of civil and political rights. Some international agencies, such as the World Bank, also associated good governance with the New Public Management; they encouraged developing states to reform their public sectors by privatizing public enterprises, promoting competitive markets, reducing staffing, strengthening budgetary discipline, and making use of non-governmental organizations. Other organizations, such as the United Nations, place greater emphasis on social goals, including inclusiveness, justice, and environmental protection.

### Non-majoritarian Institutions

It was perhaps ironic that international agencies and western donors began to emphasize 'good governance' just as the proliferation of markets and networks posed questions about their own democratic credentials. The new governance sits oddly beside the ideal of representative and responsible government in accordance with the will of the majority. It involves private and voluntary sector actors in policy processes even though these actors are rarely democratically accountable in as straightforward a way as are public sector actors.

There are many responses to the tension between governance and democracy. These responses vary from the suggestion that we might benefit from less democracy, through proposals to make networks and markets more accountable to elected officials, and on to calls for a radical transformation of our democratic practices. The suggestion that we might benefit from less democracy generally comes from people indebted to rational choice theory. Their argument contrasts democracy, which allows citizens to express their preference by voting only once every few years and only by a simple 'yes' or 'no' for a whole slate of policies, with the market, which allows consumers to express their preferences continuously, across a range of intensities, and for individual items. In addition, they worry that democracy entails certain political transaction costs that make it liable to lead to incessant increases in public expenditure: one problem is that the costs of any item of expenditure are thinly distributed across a large population, which thus has little reason to oppose them, whereas the benefits are often concentrated in a small population, which thus clamours for them. Hence

they advocate non-majoritarian institutions as ways of protecting crucial policy areas, such as banking and budgeting, from democracy.

### Democratic Visions

Many people are uncomfortable with the growing role of non-majoritarian (or undemocratic) organizations in government. Often they associate the growing role of such organizations with growing public disinterest in or distrust of government. There has been much discussion about the democratic legitimacy of new forms of governance. Parts of this discussion aim to reconcile the new governance with democracy by rethinking the concept of democratic legitimacy. Historically, this concept has privileged electoral accountability together with a bureaucratic accountability in which the actions of unelected agents are controlled, evaluated, sanctioned, and answered for by elected officials. Perhaps we should expand this concept of democratic legitimacy to incorporate efficacy, legal accountability, or social inclusion.

So, perhaps the legitimacy of organizations and their decisions might rest on their effectiveness in providing public goods – a possibility that clearly resonates with the arguments for the efficiency of markets and non-majoritarian institutions. Alternatively, we might ascribe legitimacy to organizations that are created and regulated by democratic states no matter how long and obscure the lines of delegation. In this view, democratic legitimacy is maintained whenever elected assemblies set up independent organizations in accordance with rules that are monitored by independent bodies such as courts. Legitimacy is maintained here because the independent organizations are legally accountable, and a democratic government passed the relevant laws. Alternatively again, the legitimacy of institutions and decisions might rest on their being fair and inclusive. Proponents of this view often especially emphasize the importance of a strong civil society in securing a form of accountability based on public scrutiny. Voluntary groups, the media, and active citizens monitor institutions and decisions to ensure that these are fair and inclusive. They thereby give or deny organizations the credibility required to participate effectively in the debates, negotiations, and networks that generate policy.

Discomfort with the democratic credentials of the new governance can also lead people to search for new avenues of citizen participation, or at least to try to enhance established avenues of participation. Here we might divide the democratic policy process into stages such as those of deliberation, decision, implementation, evaluation, and review.

Typically, citizens already have avenues of participation at several stages. Citizens often can participate, for instance, by writing to newspapers, voting on ballot measures, and serving on advisory boards. Nonetheless, because many stages of the policy process are increasingly outside the direct control of elected officials, there is a case for enhancing opportunities for participation even if one does not believe in participatory democracy as a political ideal. Proposals for enhancing participation include: public hearings, town hall forums, referenda, deliberative polls, citizen representatives on committees, various types of self-steering, and citizens juries. Advocates of more participatory democracy are often acutely aware that different citizens possess different resources for participating. Hence they often attend carefully to process issues about who participates in what ways and under what circumstances. So, for example, they might advocate state support for under-represented groups. Typically, their goal here is to increase equality and social inclusion in relation to participation.

## CONCLUSION

We have seen how the term ‘governance’ can be used at various levels of generality and within various theoretical contexts. The diversity of uses exceeds any attempt to offer a comprehensive account of governance by reference to a list of its properties. There does not appear to be a single feature shared by all those cases to which we might apply the term. Perhaps we would do well to look instead for a series of family resemblances between its various uses.

The concept of the new governance refers, most prominently, to an institutional shift at all levels of government – from the local to the global – from bureaucracy to markets and networks. Of course, it is important to remember that this shift is neither universal nor uniform, and that bureaucracy probably remains the prevalent institutional form. Nonetheless, the shift from bureaucracy to markets to networks means that the central state often adopts a less hands-on role. Its actors are less commonly found within various local and sectoral bodies, and more commonly found in quangos concerned to steer, coordinate, and regulate such bodies.

The concept of governance conveys, most importantly, a more diverse view of authority and its exercise. In the new governance, the neoliberal quest for a minimal state and the more recent attempts to promote networks are attempts to increase the role of civil society in practices of rule.

Likewise, theories of governance generally suggest that patterns of rule arise as contingent products of diverse actions and political struggles informed by the varied beliefs of situated agents. Some of these theories even suggest that the notion of a monolithic state in control of itself and civil society was always a myth. The myth obscured the reality of diverse state practices that escaped the control of the centre because they arose from the contingent beliefs and actions of diverse actors at the boundary of state and civil society. In this view, the state always has to negotiate with others, policy always arises from interactions within networks, the boundaries between the state and civil society are always blurred, and transnational links and flows always disrupt national borders.