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Introduction: What is Governance?
En Gobernance, Politics and the State
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In the last decade of the twentieth century the concept of governance has emerged from virtual obscurity to take a central place in contemporary debates in the social sciences. The concept has come to be used frequently, but often with quite different meanings and implications. A key reason for the recent popularity of this concept is its capacity unlike that of the narrower term government to cover the whole range of institutions and relationships involved in the process of governing. The aim of this book is to elucidate this concept in its various meanings and to demonstrate how thinking about governance can contribute to our understanding of the contemporary political world. Although we will be discussing a variety of meanings, our focus is on the capacity of government to make and implement policy in other words, to steer society.

Part of the appeal of governance as a concept is that it links the political system with its environment, and may complete the project of making political science more policy-relevant. Thinking about governance means thinking about how to steer the economy and society, and how to reach collective goals. The debate that has arisen is whether government is the only way of deciding upon those goals or not, or even if it remains an effective way of performing those tasks. The weakened position of governments then forces consideration of how their role can be strengthened, and of alternative modes of political governance. It also points to the different ways in which countries have coped with changes in their international and domestic environments. Thus, governance addresses some general questions but also provides a means of asking questions about comparative politics.

Despite its recent prominence, governance is actually a rather old term. It was known in French (gouvernance) in the fourteenth century although it quickly came to refer to royal officers rather than to the process of governing or 'steering'. In this volume we will be concerned more contemporary question of the relationship of government to governance, and the fundamental question of whether governments can continue to govern their societies successfully by making and implementing policies. Providing direction to society, whether directly or indirectly, is the central governance activity. Several decades ago the capacity of governments to provide that governance would have been axiomatic in the industrialized democracies. At the end of the twentieth century that capacity has become a hotly contested issue.

Governance and government
The concern with governance represents a closing of the circle of the rapid, if not turbulent, political development during the twentieth century. The first decades of this era saw the consolidation of democratic government throughout the western world. In Western Europe, and slightly later in the United States, the early post-Second World War period witnessed the second phase of political change. Governments took a higher profile, embarked on political projects of regulation, economic redistribution and, more generally, an expansion of the political sphere of society (Maier, 1987). What in the United States was labelled 'The Great Society' and in Sweden was heralded as "The Strong Society" -two very different national contexts essentially meant growing government, including increased public spending on public services and welfare state programmes and -albeit with substantial national variation- a growing political intervention in the market. These were the times when government was seen as the appropriate, legitimate and unchallenged vehicle for social change, equality and economic development

In the third phase, illustrated excellently by the Thatcher and Reagan eras in Britain and the United States respectively, much of this development was effectively turned around in an astonishingly short period of time (Rockman, 1998; Savoie, 1994). was now increasingly defined not as the solution to societal problems but instead as the very root and cause of these problems. Through privatization, deregulation, cut-backs in public spending, tax cuts, monetarist economic policies,
radical institutional and administrative reform, and the introduction of a distinctly market-based philosophy.

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in public service production and delivery normally referred to as the New Public Management (Hood, 1991), Britain and the United States—with countries like Australia and New Zealand following suit (Boston et al., 1996; Halligan, 1997; Zifcak, 1994)—attempted to reverse the growth in government in order to allow the market to play a leading role in society. However, countries like France and Germany—and until quite recently Japan—have been reluctant to embark on these types of reform, something which suggests that national contextual factors such as political culture and traditions make a difference with regard to reforms of state restructuring.

The fourth and final phase, which dates back to the early 1990s new model of government onwards, highlights the emergence of a partially new model of government. This emerging model of government draws on new ideas about what is, and what should be, the role of government in society; new perspectives on the process through which governments implement their programmes; and new approaches to perennial issue of how elected and accountable government is to conduct a coordinating role in a society which is increasingly prone to follow market ideals. Thus, in some respects the political economy of the 1990s looks remarkably similar to that period when governments played a fairly modest role in society with regard to the presence of the limited range of public services provided at state in markets.

The key question addressed by governments, civil servants and citizens in the 1990s is how democratic government—which we rightfully expect to be able to exert some influence, control and coordination—is to be able to perform these roles in the political climate and the economic and fiscal situation of the 1990s. Event at the end of the twentieth century much thinking about government and its role in contemporary society remains very traditional. Although any reasonably keen observer can identify change occurring throughout the public sector, the traditional ways of thinking about government remain deeply entrenched. The public sector is still conceptualized (especially in Anglo-American democracies) as largely independent from the private sector, and government is often thought to have the capacity to control easily, and directly, activities within the private sector, as and when it feels it necessary to impose that control.

Similarly, democracy is still conceptualized in terms of elections.

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and voting, with governments presumed to have substantial latitude for action between those elections. We will note below (Chapter 7) the extent to which the latitude for government action is now constrained by participatory mechanisms, as well as by an increasing legalism in many cultures. If they are to be successful in governing, democracies will have to devise means of accommodating more continuous forms of participation while still being able to supply the needed direction to society.

There is also an assumption that good government implies uniformity of services across the entire political unit, both geographically and personally. Devolution and decentralization are making that assumption about governance appear increasingly quaint.

Finally, governing is still discussed primarily in terms of national governments which exercise authority throughout the territories within their national boundaries and which can exert substantial control over international influences on their domestic policies and institutions (for example, national markets).

However, following the budget cut-backs and the dismantling of many public services, we can identify signs of a changing perspective on governments and what governments are expected to do and how they should do it. In this introductory chapter we suggest that the new emerging way of thinking about government is characterized by three general ideas or concepts. First, there has
been a gradual shift in focus among the political and administrative elite as well as among social scientists from input control towards outcomes and output control. This is not to say that should be of less interest than hitherto. Throughout the western world the past decade has witnessed numerous and extensive structural and institutional changes which suggest that institutions still matter a great deal. Also, constitutional issues remain to the fore as devolution and other regional reforms in the UK and experiments with alternative channels of citizen engagement in policy-making and policy advice in Canada suggest. In public service production and delivery, however, institutional forms as such appear to have become less important than efficiency and productivity.

Second, there has been a shift in perspective with regard to state-society relationships and dependencies. Previously, government enjoyed an unrivalled position in society in that it was the obvious locus of political power and authority True, states have nearly always been engaged in some type of negotiation with other significant structures in society but even then the dominant role of the state was never questioned. In the current perspective, the state evolves as an actor which remains in control of some unique power bases in society such as executive and legislative powers and the enforcement of public policy. At the same time, however, states are becoming increasingly dependent on other societal actors. This is because it lacks the resources to deliver public service, or it lacks the legitimacy or because it faces an environment which is becoming increasingly ‘ungovernable’.

This type of governance problem gained much attention among political scientists in the 1970s and 1980s (Birch, 1982; Crozier et al 1975; Lowi, 1979). In the 1990s the governance problems are different from the ‘overload’ noted in the 1970s, meaning the continuing expansion of government and its confrontation of both fiscal limits and problems that would not respond to the “tools’ available to government. In contrast, the main governance problem has become how to redefine the relationship between the political and administrative branches of the state in order to allow for market-based models of administrative reform.

Finally, throughout the western world there has been a growing critique of the role which governments have acquired during the postwar period. Public sectors are increasingly seen as rigid and bureaucratic, expensive, and inefficient. Not least during the 1980s and 1990s such critique has surfaced in many different forms and expressions. Parties of the political left in Western Europe which played a leading role in the development of the welfare state came under intensified attack by Conservative and Liberal parties and indeed, often saw themselves placed in opposition, as the Scandinavian countries, Austria, Germany and the Netherlands. In the USA, the Reagan administration launched an attack on the federal civil service and a large number of the programmes it was delivering. Furthermore, throughout western Europe parties of right-wing social and political protest gained political support almost unprecedented pace Taggart, 1996). most prominent examples of these types of parties include the Danish and Norwegian Progress parties, Le Pen's Front Nationale in France, and nationalist parties in a number of countries.

Taken together, these developments were proof that the politica formula of the early postwar period had lost much of its electoral support. The political climate of the 1990s is such that the traditional model of public policy and public services is less efficient and no longer unconditionally supported by public opinion. Even when more familiar political parties are in power their approach to governing is radically different than it had been in the past. The clearest piece of evidence on that point is “New Labour’ in the United Kingdom. The heyday of the strong state is gone and we now need to think about what can come in its place. These changing perspectives have with, as we will discuss later, substantial national variation been embraced by elected officials, public bureaucrats and social scientists alike. This is not to suggest that these fairly radical ideas enjoyed immediate support from all political camps and the public bureaucracy as a whole. What does seem to be clear, however, is that for many of these officials
the new way of looking at the role of government provided a formula which could help resolve several acute problems. First, it helped redefine the role of elected officials. In light of the growing discontent with and disbelief in politicians throughout the western world this seemed to be an urgent task. In particular, the new ideas, sizing action over words and results over commitments and promises, suggest that government believes itself to be capable of responding to the Zeitgeist of the 1980s and 1990s, heralding the market, individualism and free enterprise.

Second, this new image of the government and the public sector helped give the state a partially new and more contemporary image at the same time as it provided some degree of support and legitimacy to further cut-backs in public expenditures as Stoker (1998:39) puts it, governance is the acceptable face of spending s'. In a fashion not too different from the "lean and mean' ideal of the competitive firm in the 1990s, this new perspective on government presents the public sector essentially as the functional equivalent of a mean token and lean business in the private sector. By the same token, new forms of citizen engagemen which could be seen as a reaction to widespread frustration with traditional models of governance have quickly gained massive attention on both sides of the Atlantic (Pierre, 1998b)

Finally, it is an image of politics and government which, although the heyday of 'big government' clearly seems to be gone for ever, suggest that some societal functions traditionally accorded govern indeed important as th ey have always been and that government remains the system of Institutions which is best geared to assume these responsibilities. Estos roles tradicionales se refieren a algunas de las definiciones básicas de gobierno como la aplicación de la ley, algún nivel de seguridad social, defensa nacional y así sucesivamente. Además de estos roles básicos de gobierno, el sector público también ha desempeñado históricamente papeles importantes en el desarrollo económico. Los gobiernos nacionales de todo el mundo occidental han contribuido al desarrollo de la economía capitalista mediante la regulación de los mercados, la definición de las reglas básicas del juego de las empresas privadas y, algunas veces, el desarrollo de normas comerciales y sistemas tarifarios (Polanyi, 1911; Shonfield, 1965).

These new perspectives on governmen – its changin capacity role in society and its changing capacity to pursue collective interests under severe external and internal constraints – are at the heart governance. The concept of governance is notoriously slippery; it is fre- quently used among both social scientists and practitioners without a definition which all agree on. To be sure, even within each of these groups there are many different definitions and connotations of governance. Throughout the book we discuss 'governance theory' which might be slightly misleading. The current academic gover- nance debate is still to a large extent concerned with defining key concepts. Thus governance theory refers to a proto-theory but remains basically a set of observations looking for a more compre- hensive theory. We also discuss different types of 'actors'. Actors includes real actors such as presidents, prime ministers and bureaucrats; in other instances, 'actors' is more amorphous. That is, they may be structures, interests, international regimes or policy net works. We are trying not to anthropomorphize the many entities such as regimes and networks. Still, these entities do have political influence over policy and governance.

Furthermore, governance refers to slightly different phenomena in the United States and Western Europe; in Europe the term refers to new governance' ideas of the involvement of society in the process of governing, while in the USA the term retains much of its original steering conception. While the debate on governance has been much more dynamic in Western Europe than in this does not mean that governance is not just as common in the United States as in Britain or the Scandinavian countries. Finally, as mentioned earlier, alternative has in countries emerged as a politically attractive to government and the idea of strong states in society
Outline of the Book
The book is divided into three parts. Part I focuses on conceptual and theoretical problems in understanding governance; Part II first discusses governance between different institutional levels of the state and then proceeds to outline three different models of governance, or three scenarios of state roles in governance; and in Part III, finally, we bring together the conceptual discussions and the empirical analyses into an analysis of the trajectory of state development in different regions of the world.

In Chapters 1 and 2, we discuss in more detail a number of conceptual and theoretical aspects of governance. While some aspects of governance are fairly novel to the western political culture, it is also true that governance understood as a reliance on the private or third sector in policy formulation and implementation are established practices and traditions. However, the compounded effect of the financial crisis of the state, the globalization of the economy and the growing importance of transnational institutions such as the European Union (EU), the North American Free Trade Association (NAFTA), and the World Trade Organisation (WTO) has been a profound challenge to the traditional model of states and what constitutes state strength. Chapter 3 looks at these changes and how they, each in its own different way pose challenges to the state.

As we move into Part II, Chapter 4 takes this discussion one step further by discussing how the traditional powers and capabilities of the state have been diluted both “from below” as subnational governments claim more autonomy from the state and engage in overseas networks and from above as international regimes enjoy increased leverage vis-a-vis the state.

Chapter 5 presents the first of our three scenarios in which the instead of surrendering to global and subnational political and economic pressures, seeks to reassert some of its lost control. States have historically played a critical role in the economy by resolving different types of collective action problems which economic actors e not had any incentives to resolve on their own (Pierre, 1997a) and there is little to suggest that the current economy would be any less bothered by such problems than previous c economies More importantly, states still have considerable powers and resources which can be employed to enhance their influence in society and in markets. Also, states can rely on a brokerage role to maintain some control over their environments.

Chapter 6 presents almost the opposite scenario; here, states surrender significant parts of their capabilities to transnational systems of institutions (EU, NAFTA, WTO, ASEAN (Association of South East Asian Nations) and so on) in order to help develop public control, albeit at a higher institutional level. At the same time, regions position themselves autonomously in the world economy and "the global community". The state, in sum, conducts a low-key pe of governance while allowing for other regimes to increase their control In.

Chapter 7, the third scenario is outlined. Here, the focus is on communitarianism and social capital as alternatives to state public control. These models have gained considerable attention during the 1990s both as political theories (in the case of communitarianism) and as a theory of the social underpinnings of economic development (which is at the heart of theories of social capital). In both theories, collective solutions are redefined from matters of the state to spontaneous forms of collaborative actions which are believed to be more attractive and more appropriate to resolve the collective problems of the 1990s when the public sector is too weak and too poor to play its former role.

In Part III, finally, we examine the trajectory of modern states in order to tease out what explains changes in state strength. In Chapter 8, we apply a historical perspective in order to investigate why some states seem to gain strength while others become weaker. Theories of governance challenge our traditional understanding of what constitutes state strength. Rather than relying on their legal and constitutional capabilities, states in a governance perspective derive their strength more from
coordinating public and private resources, broadly defined. Traditional, legal 'powers over' are replaced by contextual powers to' (see Stone, 1989; Gourevitch 1986). These alternative ways to think about state strength are elaborated in Chapter 9 which is the concluding chapter of the book

PART 1: PERSPECTIVES ON GOVERNANCE

Introduction
Governance has become a popular if not trendy concept in much of the contemporary political and academic debate. Such rapid increase in popularity often tends to cause confusion about what the concept in question stands for, and the recent debate on governance no exception to this rule. That is why the first two chapters present different ways of thinking about governance at some length. Governance as an analytical perspective is still emerging and there are contending views on what is the most rewarding approach to governance. It is therefore appropriate to present different views on what governance is and how it is best understood.

Our own approach to governance is a state-centric approach. We believe that although governance relates to changing relationships between state and society and a growing reliance on less coercive policy instruments, the state is still the centre of considerable political power. Furthermore, emerging forms of governance depart from a model of democratic government where the state was the undisputed locus of power and control, hence we cannot think of any better "benchmark" than the image of the state as it is portrayed in liberal-democratic theory. For these reasons mainly we look at governance as processes in which the state plays a leading role, making priorities and defining objectives.

Chapters 1 and 2 present extensive conceptual and theoretical analyses of governance. Chapter 3 places that discussion in a political context and teases out a couple of explanations of why governance has drawn so much attention in the late twentieth century.

We see governance as the articulation and pursuit of collective Western in the "post-strong state" era. Two decades or so ago, pow European countries were governed by governments powerful enough to intervene in the economy to pursue goals of redistribution and social justice. Today, those countries pursue a much more modest agenda; the governing state has been replaced by an enabling state that governs to a large extent by coordinating and facilitating other powerful actors in society. That having been said, however, governing the state and society is still a highly politically charged process and, we argue, the state remains the only creature in society that can play that political and democratic role. Markets may be efficient in allocating resources but they can never play the same role as political actors or arenas. When the state exits the stage, so do responsive government and democracy.

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. A 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 authority over these institutions 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 on this argument, western society is said to be becoming increasingly horizontal (SOU, 1990:4). Networks bringing together a variety of actors emerging as increasingly are sometimes powerful coalitions of interests. Such networks are pressures from said to be powerful and cohesive enough to sustain their the state and to perform an autonomous regulatory role within sector (Rhodes, 1997). While some of these accounts of policy networks may exaggerate the powers and capabilities of these coalitions less suggests that hierarchies no longer reflect power relations in society. Governance, so the argument goes, must there be departed 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 the 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 over its economy. The more precise nature and extent of control are the changes brought about by globalization heated current argument (Boyer and Drache, 1996 Camilleri and 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 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 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 demanding increased regional autonomy (Keating, 1996). The argument goes beyond this of political power, however, and asserts that subnational are becoming the most appropriate form of political organization in the post-strong-state society.

Thus, conventional wisdom has to a large extent become tique against hierarchies, but dismissing formal hierarchic systems of governance as as is unfortunate, for several reasons. First, the supposed development towards 'horizontalization' of institutions and organizations - and indeed of political life more generally - has been a spontaneous and organized process which has yet to be confirmed by changes in core institutional frameworks. The discrepancy between these frameworks and actual political and institutional behaviour cannot be sustained tended period of time.

Second, governance through hierarchies is the benchmark against which we assess emerging forms of governance 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 surrounding society, and reserve the concept of governance for the or emerging forms of such exchanges. We believe this to be an

unfortunate way to think about governance. Governance, strictly defined, is as old as government. What is novel - and what is the overarching of this book - is recent changes in governance. For
these the 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, particularly in 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 (DeRien, 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 ended 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 been presented 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 we exercise power as consumer. 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 (or issue-specific) coalitions (Rhodes, 1997). Policy networks facilitate coordination of public and private interests and resources and, in at 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 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 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 selfreferential 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 as one of mutual dependence. From the point of view of the state, networks embody considerable expertise and interest rep entation 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.

Governance as communities

A four general model of governance which has generated a great deal of debate in the social sciences over the past decade or so departs from the socio-economic homogeneity and common interests which characterize small communities and raises the question of whether government is at all required to resolve common problems. The general idea is that communities can - and should - resolve their common problems with a minimum of state involvement. Care of children and the elderly, the argument goes, is better and more efficiently organized more or less spontaneously at the community level. In a broader perspective, communitarian governance builds on a consensual image of the community and the positive involvement of its members in collective matters. The state - or, for that matter, local government - is believed to be too big and too bureaucratic to deal with these issues. More importantly, communitarians argue that government which emerged as an instrument for the management of political conflict now breeds or encourages such conflict over matters which in and by themselves are not controver sial. Thus for communitarians government
generates at least as many problems as it resolves. The communitarian solution to this problem is to organize governance without government.

Interestingly, this communitarian view on governance is supported both by those who think that there is too much and by those who think there is too little government. For the former, communitarianism is an attractive alternative to having government at different levels decide on matters which are better resolved by members of the community whereas for the latter it is a means of introducing some sense of collective responsibility into the community. Communitarian governance seems to resolve common problems and foster a civic spirit in the community without breeding large public bureaucracies. It is a political theory which purportedly has found the third standpoint between the state and the market. It rejects both of these models of governance.

This view on what the members of a community can accomplish when acting in a humane, concerted and enlightened way may appear overly idyllic and philanthropic and, much as we regret to say it, to a great extent it is (but see Etzioni, 1995). Individuals have frequently proved to be less inclined to make personal sacrifices to the common good than communitarians would like to think they are.

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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, often 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. 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.

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**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 that 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 frame-works. 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 entrepre-neuralism 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 rumours to the contrary, remains the key political actor society and the predominant expression of collective interests. We believe that the role of the state is not decreasing as we head into the third millennium but rather that its role is transforming, from role based in constitutional powers towards a role based in coordination and fusion 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 as such. 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 crises. 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 we 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 is 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.

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**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 see a clear picture of the historical role of the state. The state-centric perspective allows us to look at the state either as the independent or the dependent variable. In a less positivist language, we can look at the state 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, 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 ‘dependend 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). His 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.