

1 *The Governance Problem*

Governance is about governing, and governing is predominantly about making decisions. This might appear to be a truism, but we assert that much of the governance literature, in general, and the development of governance theory, in particular, have lost perspective on what constitutes the core issue of democratic governance – governing. Equally important, governing frequently means making and enforcing unpopular decisions which require a solid institutional framework and a regulated process. Again, decision-making is at the heart of governing and governance. It is generally acknowledged that governing contemporary society is a more challenging task compared to just a few decades ago as a result of increasing social complexity and globalization. Governments around the world address this complexity by engaging societal partners in the process of governing, but this strategy has entailed complex contingencies related to the organization and management of collaborative forms of governance.

Most academic observers of governance have interpreted these developments as proof of a “shift” in the locus of political power from government to networks and other forms of exchange between state and society. In an effort to produce new analytical models to study the collaborative dimension of governance, most political scientists seem to ignore the fundamental circumstance that the state remains very much at the center of governance. Understanding contemporary governance, we insist, is a matter of understanding the transformation, not elimination, of the state (Bell and Hindmoor, 2009; Pierre and Peters, 2000; Sørensen, 2004). In fact, this book will argue that what is required of governance theory is not further distancing from the state, and with the distancing emphasizing the society-centric approach to governance, but rather the opposite – to probe deeper into the state apparatus to understand how a set of new, or exacerbated, contingencies have changed the preconditions for governing.

It appears to us as if most observers of governance became so intrigued by the emerging role of non-state governance partners that they became oblivious of the continuing role of the state in governance and also of the governance role played by conventional participants in governance, like political parties. The analytical perspective on governance, we suggest, should depart from the institutional capabilities of the state; no other actor in society can challenge the formal political mandate of the state (see Bell and Hindmoor, 2009). Recent transformations in governance should prompt scholars of governance to dissect the process of governing into its core functions and to assess this transformation in empirical detail.

The purpose of this book, then, is to outline a theory of governance that contributes to our understanding of the changing societal role of the state and societal partners in governance. We know a great deal about the emergence of new modes of governance, but we know very little about how they impact the key governing roles of the state or the democratic underpinnings of government (Héritier and Rhodes, 2011; Koppenjan, 2008). Again, we believe this shortcoming to be the result of an almost exclusive attention to societal partners and state–society exchanges in governance with only scant attention to the state itself.

Our point of departure is that governance can be analytically structured into a limited number of critical roles or functions. By defining these functions, we can raise empirical questions about the degree to which the state and other actors in society can deliver those roles and the consequences of public or private control of those functions. This leads us to the belief that comparison across time and space is essential to theorizing governance. As this book will demonstrate, combining the three approaches of functionalism, governance theory and comparative politics allows us to outline an analytical model of governance which represents a significant step toward a more comprehensive theory of governance. These three pillars and how they gel into an analytical model of governance are the leitmotifs of the book.

Defining Governance

Given the enormous proliferation of governance research, it is no surprise that there is today any number of definitions of governance available in the literature, such as “the traditions and institutions by which authority in a country is exercised for the common good” (Kaufmann,

2005:82); “the processes and institutions, both formal and informal, that guide and restrain the collective activities of a group” (Keohane and Nye, 2000:12); “the tools, strategies and relationships used by governments to help govern” (Bell and Hindmoor, 2009:2); “the reflexive self-organisation of independent actors involved in complex relations of reciprocal interdependence, with such selforganisation being based on continuing dialogue and resource-sharing to develop mutually beneficial joint projects and to manage the contradictions and dilemmas inevitably involved in such situations” (Jessop, 2002: see also Rhodes, 1996:652–3); or “the sum of the many ways individuals and institutions, public and private, manage their common affairs . . . a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken” (Commission on Global Governance, 1995:2). Against this backdrop, the definition advanced by the present authors some time ago now, that governance could be defined as “the pursuit of collective interests” (Peters, 2001; Pierre and Peters, 2000), might appear conceptually and intellectually poor, although we see little reason to offer a significantly different definition of the concept at this time. Ours may lack the eloquence of some of the other definitions, but since it was intended to offer a generic, baseline definition, we believe it still works.

These definitions have several themes in common; they all emphasize that governance is a process bringing together a multitude of actors of different types toward some collective goal. A broader sweep through this burgeoning literature suggests that there are three different general meanings of governance. One such meaning is quite simply governance as an empirical phenomenon, typically referring to joint public–private forms of collaboration, such as networks, partnerships and other forms of hybrid organizations. This meaning of governance also refers to more abstract phenomena such as what March and Olsen (1989, 1995) call “shared meanings,” i.e. values, norms, and objectives that transcend jurisdictional and institutional borders. To some extent, all these aspects of governance reject the traditional notion in liberal democratic theory about a clear empirical and normative distinction between state and society and between governors and governed. Also, the emphasis on shared values and a prerequisite for coordination reduce the applicability of governance at the global level where there are fewer shared values and, partly as a result, power plays a crucial role.

Another meaning of governance, related to the previous point, is that of a normative model of governing. Hybrid organizations epitomize the idea of “new governance” which gained political momentum in the 1980s and 1990s, sustained by the fundamental idea that the state could (and should) govern more efficiently by coordinating the actions of a variety of societal actors rather than organizing, funding, and delivering services and regulations itself. Thus, this meaning of governance depicts a specific normative model of state–society relationships and collaboration – the implicit rejection of cleavages based on economic or political values – which is accorded a strong value in itself (see Hall, 1986; Migdal, 2001).

The normative meaning of governance also includes “good governance.” Initially promoted by the World Bank, “good governance” emerged as an objective of foreign aid and aimed at promoting democratic government, fighting corruption and quality of public administration (Doornbos, 2001, 2004). Closely related to these objectives were also neoliberal goals, such as the elimination of trade barriers, deregulation and opening up for competition in public service delivery (Leftwich, 1994). Thus, the “good governance” program was highly prescriptive not just in terms of government performance but also in terms of government policy and regulations. We will return to this discussion in subsequent chapters.

The third meaning of governance is that of a theory of steering and coordination. This is the most generic aspect of governance which would be relevant to private corporations (corporate governance), universities (university governance), and so on which, when applied to systems of democratic government, is referred to either as democratic governance (March and Olsen, 1995) or simply “governance.” The Bielefeld project (Kaufmann, Majone, and Ostrom, 1988) was one of the earliest manifestations of this perspective on governing, and it also linked guidance and control to evaluation.

Theories of governance are still emerging and generally lack the conceptual sophistication of full-fledged theories in the social sciences. Gerry Stoker makes the important point that “the contribution of the governance perspective to theory is not at the level of causal analysis. Nor does it offer a new normative theory. Its value is as an organizing framework” identifying “what is worthy of study” (Stoker, 1998:18). In addition, governance theory explores the rationale for autonomous actors to submit to collective regimes (Ostrom,

1990; Rhodes, 1997) and how such collaboration impacts those actors. Most political scientists involved in governance research take an interest in the extent to which political power can be transferred to private actors and the hybridization of public organizations. Again, governance as an organizing framework does not stipulate causation but merely helps identify what Stoker (1998) calls “objects worthy of study.”

The remainder of this book will explore these issues in much greater detail. From governance theory and a functionalist approach, it is not very far to bring in comparative analysis as a component of our model. The full potential of the functionalist perspective is best realized through systematic comparison of how critical governance roles are performed in different systems of government. Thus the book rests on the integration and synergy of three analytical pillars – functionalism, governance theory and comparative politics.

Several other concepts that are used to describe the structures and actions involved in steering the economy and society will appear in this book and may cause some confusion with the analysis of governance. Both government and governing have the same etymological root as governance but have somewhat different meanings. By government we will be talking about the formal structures of the public sector and the set of actors exercising state power, and hence would be associated with a state-centric conception of governance. That said, however, governments also interact with, and mobilize, actors in society to perform governance tasks. Additionally, by government we do not mean the “government of the day” but rather the formal apparatus of the state including bureaucracy and the courts.

We will be treating governing more as a verb, meaning the actions and practices of attempting to provide or coordinate governance. The concept governing thus implies some purposive action on the part of actors, be they agents of the state, of society, or both. Like governance, therefore, this concept does not imply that any specific actor or set of actors is involved or at the helm. It merely suggests that there are attempts by public or private actors to provide collective organization and action and some steering to the society. Nor does this concept imply that the actors are successful in steering, only that there are attempts at steering. To say that this steering has actually occurred will require the addition of some adverb such as “successfully.”

Governance and State–Society Interaction

Although the rapidly growing popularity of governance, both as a model of governing and as a framework for analysis, in the 1980s and early 1990s was to a significant extent explained by the novelty of the concept, the pursuit of good and effective governance is as old as government itself. All systems of democratic government are embedded in society; all are dependent on resources from economic actors and individuals; all have emerged to promote some societal values and norms; and all are dependent on some degree of consent from society (Migdal, 2001). Certainly, these aspects of democratic government display huge variations across time and space, but creating effective links between state and society has been a perennial issue in institutional design.

The overarching objectives of that pursuit have varied over time. The consolidation of the nation-state entailed a need to ensure that state policies were effectively implemented across the territory. Conversely, during the emergence of democracy, citizen engagement, political control of the executive branch of government and electoral accountability became the main concerns. Later, during the development of welfare-state regimes in many western countries, democratic objectives were supplemented by goals related to material standards and social justice. And in the era of “public management,” finally, customer choice and market-inspired arrangements of service provision have emerged as attractive alternatives to state-driven models of collective goods and services. Throughout these changes and developments, designing effective and sustainable governance institutions and processes – the web of exchanges between citizens and the state – has been a continuing concern.

Governance, as already mentioned, is basically about the definition and pursuit of collective interests. In constitutional theory as well as in liberal-democratic theory – not to mention the array of introductory textbooks in political science – collective interests are *ex definitione* defined and pursued by the state. The governance approach converts these stipulations to empirical questions. What makes the functionalist approach so attractive in governance research is that it defines core functions of governing generically, i.e. it makes no prejudgments about the degree to which government institutions fulfill those functions or, for that matter, whether governance is democratic.

Additionally, we find that the functionalist approach is also relevant to the discussion on governance failure and failed states (see Rotberg, 2003). It appears as if parts of the failure of states could be described as incapacity to fulfill core governing functions. That does, however, not mean that the functions per se are not occurring; even in the most severe cases of state failure, some form of order is enforced by groups like street gangs and even forms of public service may be provided by civil society or loose coalitions of societal actors (Haldén, 2011). Indeed, in cases like Gaza, the distinction between civil society actors and government may be extremely murky or non-existent.

Governance should be conceived of as an interactive process wherein the citizenry and the political elite exchange preferences on how to facilitate concerted action and its objectives. Organizing governance – the design of the processes and institutions that make up the democratic system of a state, a region or a city – is influenced by several, potentially conflicting objectives like efficiency and effectiveness (institutional autonomy, policy capacity and integrity of elective office), on the one hand, and democracy (transparency, citizen engagement, and accountability), on the other. In some cases, though, democracy may be more or less absent.

If governance thus is an interactive process, it is also a very dynamic phenomenon. The forms of governance that were believed to be efficient a hundred years ago – we need only think of de Tocqueville’s romanticizing accounts of local democracy in the United States – are not geared to solve the governance problems of the 21st century. Similarly, the specific forms of governance we can see in states with extensive welfare-state sectors differ from those of small public sector, neoliberal states. The ways in which a state seeks to organize its exchange with its external environment depends to a large extent on what it wants to do and what its citizens expect it to do. And once in place, the institutions of governance tend to reinforce that particular form of governance they are created to facilitate (March and Olsen 1989, 1995).

It is clear already from these introductory observations on governance that we are dealing with a phenomenon which sits at the very center of democratic government. Yet, interestingly, governance has not been widely debated or studied until the past ten to fifteen years. Much of the recent interest in issues related to governance can be dated to the late 1980s and early 1990s in the wake of severe cutbacks in public expenditures in most western countries (Stoker, 1998). The limited capabilities of the allegedly “hollow state” (Rhodes,

1994; but see Holliday, 2000; Milward and Provan, 2000) to govern society, and, indeed, the governability of the globalizing society, were factors which propelled an interest in processes of coordination among both political and societal actors. We will return to these issues later in this chapter in greater detail.

Today, governance has become a very popular term in political science and public administration although it remains unclear whether governance is more than a convenient term to employ in place of a good deal of the conventional language of political analysis (see, for instance, Frederickson, 2007). Like so many terms that have become popular, “governance” has been applied in any number of ways and risks becoming meaningless through “stretching” and overuse. We will not try to review the host of literature that exists today on governance. Instead, we will devote the remainder of this introductory chapter to demonstrate that governance-related problems and issues have had a strong impact on governments in the advanced democracies long before “governance” had entered the political science vernacular.

We identify two broad clusters of such issues about managing and steering society. One is “demand politics,” that is, the articulation of societal expectations on government and public service. The other set of issues is “supply politics,” i.e. the capacity of government to address these expectations and to solve societal problems against the backdrop of increasing costs for public service and ensuing increasing taxes. Again, we see governance as an interactive process structured by political institutions and intermediary structures such as the political parties. “Demand politics” and “supply politics” echo the arguments advanced during the 1970s and 1980s about the “ungovernability” of society and the “overloaded” government (Birch, 1984). Indeed, these problems were considered to be so serious during the 1970s that observers spoke of a “crisis of democracy” (Crozier, Huntington, and Watanuki, 1975). Essentially, we argue, these problems and crises were governance issues more than anything else.

The Origins of the Governance Debate

Since governance refers to different types of concerted processes or actions across the public–private border in society, and most of what governments do in some way or other presupposes such transgressing exchanges, understanding how governance changes requires an

analysis of the interactions between state and society. These interactions become institutionalized and are given meaning by collective expectations on the state. The level of political encroachment on society is, at any given time and in any given national setting, reflective of such a logic of appropriateness (Maier, 1987; March and Olsen, 1989) or idealized vision of what we want the state to do. Interestingly, numerous studies have shown that citizens often tend to evaluate their own personal exchanges with political institutions in a positive way – and their positive evaluation of the public sector is positively correlated with the frequency of such exchanges – at the same time as they tend to have fairly negative views about government more broadly (Kumlin, 2004).

It appears as if society's image of the state's performance in some respect (be it in terms of democratic responsiveness or public services) matters more than some objective measure when it comes to assessing the nature of the interactions constituting governance. Governments with a very generous service production, for instance the Scandinavian welfare states, are often criticized for not being generous enough. At the same time, governments in other countries with much lower levels of service provisions, like the United States, may be criticized for too much and too generous public spending and that taxes ought to be cut.

Interestingly, however, we do not see governance occur very frequently in the scholarly literature until the late 1980s and early 1990s. Instead, the debate on the advantages and disadvantages of different models of governance has been conducted in a different political and institutional language, shaped by what has been seen as the defining problem during different time periods. For example, at one point in the debate the issue was the capacity of the welfare state to sustain itself in the face of economic and political challenges. At others, the question was how to promote democratization and effective governance in less-developed systems.

One of the main reasons why we today concern ourselves with governance issues is because of growing problems related to governability, government overload and social complexity. The 1970s and 1980s showed that society's material demands on the public sector tended to be insatiable as increasing levels of service only raised expectations for even more extensive services. At the same time, there was growing opposition to further tax increases. The 1990s and early 2000s saw governments cutting back and inviting societal partners into

service delivery and other forms of collaborative governance. Thus, governance issues remained high on the political agenda although the specific nature of those issues has changed over time.

Demand Politics. The first more significant debate on governance problems occurred during the 1970s and was centered around two aspects of state–society relationships – overload and ungovernability. Both of these problems refer to a “misfit” between the structure and capabilities of the state, on the one hand, and the configuration and inherent dynamics of society, on the other. “Overload” (Crozier, Huntington, and Watanuki, 1975) was an umbrella concept for the problems associated with the ever-increasing expectations on government from citizens, organized interests and the business community. To some extent, overload was a revolution of rising expectations; in most western countries, the 1960s and early 1970s had seen a steady increase in public services. Somewhat paradoxically, perhaps, the rising level of public services probably helped trigger expectations and demands for even more services.

The ungovernability argument emerged from different academic strands. Neo-Marxist scholars saw the state, particularly the welfare state, as subordinate to the capitalist economy, and the main role of the state was to ensure social reproduction (see, for instance, Gough, 1979; Offe, 1984). In terms of governance, subordination set firm and tight boundaries on the scope of state action and governing was perceived as a process conducted within the confines defined by the capitalist economy.

Another factor contributing to ungovernability was increasing social complexity. As Jan Kooiman (1993:4) argued in the early 1990s: “No single actor, public or private, has all the knowledge and information required to solve complex, dynamic, and diversified problems; no actor has sufficient overview to make the application of needed instruments effective; no single actor has sufficient action potential to dominate unilaterally in a particular governing model.” Thus, for Kooiman the most efficient strategy for the state to manage growing social complexity is to form alliances with strategic societal partners.

Thus, ungovernability has a number of different explanations. As we will argue later, ungovernability and overload are both relative rather than absolute measures. States could address these problems by strengthening their policy capacity but have for the most part chosen not to follow that path. Indeed, much of public management reform