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PART I

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Central threads and analytic perspectives

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## Introduction: new perspectives on governance for sustainable development

MAGALI A. DELMAS AND ORAN R. YOUNG

We live in an era in which the demand for governance arising from human–environment interactions or, more broadly, the quest for sustainable development is growing, while confidence in the capacity of government – the conventional mechanism for handling such matters – to address problems of governance is waning. What are the sources of this paradox? What can we do to address the rising demand for governance under these circumstances? How can we expand our repertoire of mechanisms for supplying governance to avoid the onset of crises attributable to this governance deficit? These are the questions that have motivated this inquiry into the rising demand for governance and the relative merits of alternative ways to address this social challenge, with particular reference to the pursuit of sustainable development.

Our examination of this problem has yielded two broad conclusions. There is, to begin with, a critical difference between governance and government, an insight that has stimulated a lively interest in arrangements that can be characterized as governance without government (Rosenau and Czempiel 1992). In addition, there is no need to put all our eggs in one basket when it comes to meeting the demand for governance for sustainable development. Hybrid systems in which several forms of governance operate simultaneously, and even with an element of coordination, are not only possible – they are also increasingly common in the realm of sustainable development.

### The paradox of rising demand and waning confidence

It is not hard to identify factors that have given rise to a growing demand for governance to address problems of sustainable development. Human actions have become a dominant force in the dynamics of large and

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complex socio-ecological systems (Gunderson and Holling 2002; Steffen et al. 2004). More often than not, as in cases such as climate change, the loss of biological diversity, the depletion of fish stocks, and the destruction of tropical forests, the impacts of human actions are unintended and (quite often) unforeseen. But this does not mean that we can afford to ignore the need to steer or guide human actions to prevent, or at least ameliorate, their impact on the planet's life-support systems. The need for governance to address these problems is critical if we are to avoid drastic changes in the Earth's climate system or to continue to enjoy ecosystem services on a large scale. As these observations make clear, we must address the demand for governance on a global scale. While domestic systems may have essential roles to play in experimenting with innovative approaches to governance and in implementing the overarching arrangements we create, there can be no substitute for tackling the need for new and more effective systems of governance on a global scale.

Shifting the discourse from the conventional idea of environmental protection to the new – and still contested – idea of sustainable development intensifies the growing need for governance. As the idea of the “triple bottom line” suggests, it is no longer sufficient to concentrate on protecting ecosystems in biophysical terms, leaving the economic and social consequences for others to address. We find ourselves increasingly faced with the need to consider tradeoffs between responding to looming crises such as the impacts of climate change, and coping with critical current needs such as those spelled out in the Millennium Development Goals (United Nations 2007). There are, of course, cases in which it is possible to make progress on several fronts at once. Reducing the ravages of diseases associated with extreme poverty, for instance, seems desirable on many levels. Yet the need to make tradeoffs in this realm is inescapable. As the ranks of environmental refugees swell, leading to economic and political instability and the ensuing civil strife, we will be unable to avoid making decisions about the allocation of resources to respond to immediate needs for humanitarian assistance, in contrast to addressing the underlying causes of large-scale problems such as climate change and land degradation.

So, why can we not rely on governments – social institutions and organizations specialized to address matters of public choice at various levels of social organization – to cope with the rising demand for governance for sustainable development? Although the challenge of governance is increasingly global in scope, we do not have a world government – and there is little prospect of such a government arising during the foreseeable

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future. Individual states are territorially defined, a feature that makes them ill-suited to addressing the need for global governance, even when they band together to devise intergovernmental arrangements, such as the growing universe of multilateral environmental agreements.

Even if it were feasible, the creation of a world government as a means of overcoming the resultant fragmentation has few supporters at this time. This is due, in large part, to a growing awareness of and concern about what are often described as government failures, a perspective that draws attention to the role of these failures as counterparts to market failures (Wolf 1988; Winston 2006). Governments are sluggish. They are often slow to respond to problems and typically make use of blunt instruments, even when they do take action to address the need for governance. Governments lack the discipline of the market; they seldom feel the pressure to seize opportunities and to perform efficiently that corporations routinely experience in competitive markets. Political leaders are typically motivated by a desire to maximize their chances of re-election, a situation that drives them to think largely in distributive terms rather than in terms of a larger concern for the public interest or the common good. Equally important, governments regularly fall prey to corruption. In extreme cases, authoritarian leaders use their power to promote their own interests, amassing fortunes held in Swiss bank accounts or other offshore locations. Even in more democratic systems, abuses of power are widespread, and accountability is limited. The role of special interests and what are often called “iron triangles” or coalitions among special interests, administrative agencies, and legislative committees has grown to an extent that breeds understandable cynicism about the capacity of governments to deal with the need for governance in more or less conventional cases, let alone the sort of situations we face today. There is no reason to expect a world government to be any more immune from governance failures of this sort than the average national government. It is not surprising that many have concluded that government can, and often does, become part of the problem rather than part of the solution, a conclusion motivating them to join movements intended to reduce both the size of governments and their ability to intervene in a wide range of issues.

The fact is that we find ourselves facing an exceptionally demanding challenge of governance with little confidence in the ability of governments to meet this challenge in an effective manner. This is a novel situation. Unlike crises in which we have turned to governments to mobilize society's resources to fight foreign wars or to intervene to reverse the tide of economic recessions or depressions at home, we now find ourselves

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confronting challenges on an almost unprecedented scale with little faith in existing institutions to take the steps needed to address them successfully. This is the paradox of rising demand and waning confidence. It also constitutes the central focus of this book. We have set out in search of responses to this paradox. In the process, we have sought to mine the intellectual capital of a number of disciplines to find grounds for optimism in response to this paradox, and we have discovered that many of the most promising responses to this problem involve building bridges to integrate the intellectual capital of different fields that can contribute to the development of effective responses but that are isolated from one another because they are managed by members of scientific communities who do not interact regularly with one another.

### New approaches to governance

What can we do to address the paradox of rising demand and waning confidence? Are there promising developments that we can single out and nurture in this realm? More specifically, are there opportunities for productive engagement between the scientific community and the policy community as we search for a way forward in addressing the growing need for governance for sustainable development? The somewhat surprising answer, we have found, is that new ideas about the supply of governance are sprouting in many quarters. Far from being a gloomy backwater, the study of governance is a growth industry generating all sorts of new ideas about mechanisms for addressing the demand for governance. These are early times to assess the efficacy of this development; it would be premature to attempt to draw precise conclusions about the relative merits of any particular line of thought in this nascent field. But the distinction between governance and government makes it clear that we should cast our net wide in thinking about new forms of governance. Moreover, most discussions of pure forms of governance are analytic in character. To address the real problems of governance, it is often helpful to draw on several forms of governance at the same time, or even to devise hybrid systems that will seem messy to those who think in taxonomic terms but that are often better suited to getting the job done than any pure form of governance by itself.

Governance is a social function centered on efforts to steer societies or human groups away from collectively undesirable outcomes (e.g., the tragedy of the commons) and toward socially desirable outcomes (e.g., the maintenance of a benign climate system) (Young 1999a). Government,

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by contrast, is an organization or collection of organizations specialized to address problems of governance in a well-defined setting (e.g., a nation-state). We are apt to take it for granted that we can rely on government to take care of the need for governance. In some times and places, this natural assumption has made sense. But many governments do a poor job in meeting the demand for governance; some are more or less total failures when it comes to addressing anything but the most routine problems of governance. Conversely, organizations other than governments can, and often do, emerge as important players in efforts to meet the demand for governance. We are used to acknowledging this proposition with regard to specialized bodies (e.g., land trusts) or professional associations (e.g., scientific organizations). Yet there is clear evidence today that the idea of governance without government is spreading to other areas and is in the process of becoming a significant option in thinking about the challenges of governance for sustainable development.

Once we accept the possibility of governance without government, a variety of interesting options come into focus. There is, to begin with, the prospect of private governance, taking such forms as codes of conduct, certification schemes, and voluntary markets for permits to emit greenhouse gases (Delmas 2002). The logic of such arrangements is relatively easy to understand. Corporations – especially those that operate in a number of countries – seek clarity and predictability regarding the rules of the game applying to their operations. They often prefer well-defined rules coupled with a level playing field to a situation in which they are free to make their own decisions in the absence of regulatory rules. Civil society has also become a locus of creative initiatives for those seeking to address the need for governance for sustainable development. Whereas agents operating in civil society (e.g., environmental NGOs) once devoted their energy largely to efforts aimed at influencing the actions of governments, these players now devote substantial resources to approaches to governance that bypass governments. As confidence in the ability of governments to meet the demand for governance for sustainable development wanes, the lure of new forms of governance rises. Even at the international level, civil society has emerged as a force to be taken seriously (Wapner 1997). Any objective assessment of efforts to address the challenge of climate change, for instance, must devote at least as much attention to activities rooted in civil society as to the formalities of intergovernmental negotiations.

As this observation makes clear, there is no need to treat distinct approaches to governance as options that are mutually exclusive. A major insight we have gleaned from our research is that real-world

efforts to meet the demand for governance often feature the emergence of multiple mechanisms. Sometimes these mechanisms are alternatives to one another. Voluntary codes of conduct (e.g., the CERES principles) emerge to address situations in which public regulations are either absent or inadequate. Environmental NGOs strive to bring pressure to bear on multinational corporations directly in cases where there seems little likelihood that governments will act to put effective public regulations in place. Voluntary markets (e.g., the Chicago Climate Exchange) arise in situations where participants are free to participate or not according to their own calculations. Figure 1 maps the different governance mechanisms cited in this volume, based on the actors involved in their creation and implementation. We classify actors engaged in the supply of governance into three broad categories: those belonging to the public sector, civil society, or the private sector.

However, a particularly interesting and potentially effective option, we have found, involves hybrid systems in which diverse actors seek to form coalitions that cut across different approaches to governance in the interests of meeting the growing demand for governance

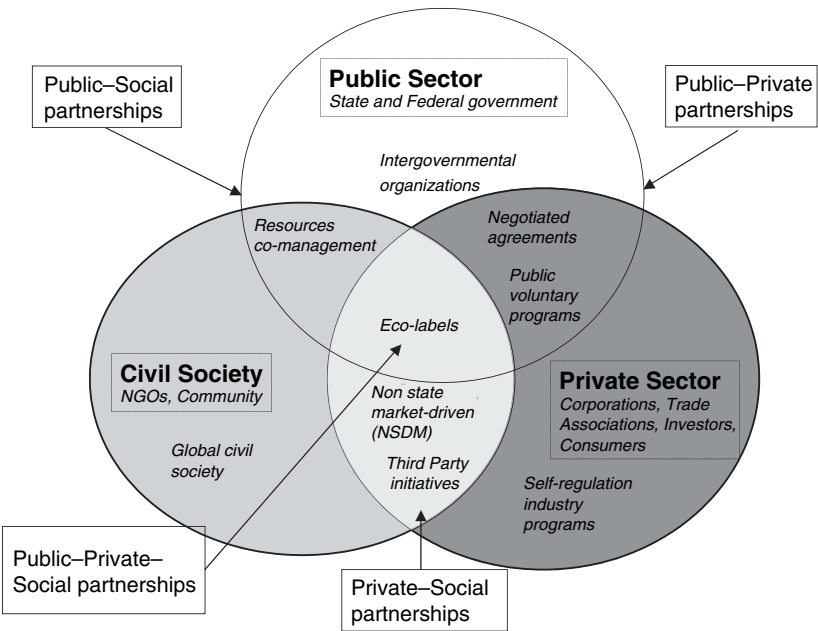


Figure 1 Mapping environmental governance systems

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for sustainable development. As Figure 1 indicates, a number of the governance mechanisms identified are located at the intersection of these circles. These include public voluntary programs where the government offers technical assistance and positive publicity to firms that reach certain environmental goals (Lyon, Chapter 2, this volume; Khanna and Brouhle, Chapter 6, this volume) or negotiated agreements where firms and regulators bargain over the frame and the pollution-reduction targets set forth in the agreement (Delmas and Terlaak 2002). Co-management is an increasingly common form of collaboration between state agencies and communities (Lemos and Agrawal, Chapter 3, this volume). Eco-labeling systems (e.g., those used by the Forest Stewardship Council) often engage corporations and NGOs (Auld et al., Chapter 7, this volume); they might also engage governments.

It is too early to pass judgment on the efficacy of these hybrid arrangements in coming to terms with the rising demand for governance. But, already, we can say with confidence that the challenge of governance for sustainable development is giving rise to a variety of innovative responses on the part of those who understand that the conventional response of relying on government is unlikely to serve us well in meeting the challenges of governance arising from human–environment interactions in an era of human-dominated ecosystems.

### The shape of things to come

Part I of this book consists of this Introduction together with a chapter by Oran Young that seeks to provide a common analytic framework and theoretical point of departure for the chapters to come. Chapter 1 provides a roadmap regarding ways to think about the demand for governance, major options for supplying governance, and the issues that those desiring to evaluate the effectiveness of governance systems must address in arriving at judgments about specific cases.

The three chapters that make up Part II focus on the intellectual capital that the disciplines of economics, political science, and management can provide to those seeking to address the challenge of governance for sustainable development. In Chapter 2, Tom Lyon presents a clear and comprehensive account of the ways in which economists approach the problem of governance. The emphasis here is on market failures and on the demand for governance to avoid or correct market failures, including the tragedy of the commons, the free-rider problem, and a variety of negative externalities. As one would expect, Lyon's analysis is alert



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to the prospect of government failures occurring as a counterpart to market failures. Maria Carmen Lemos and Arun Agrawal follow, in Chapter 3, with an account of the idea of governance from the perspective of political science. In the course of their survey, they stress the importance of approaching governance systems as socially constructed arrangements as well as the extensive experience with hybrid arrangements involving more or less complex interactions among governments, corporations, and associations embedded in civil society. In Chapter 4, Andrew King and Michael Toffel approach governance from the vantage point of business administration or management. Without denying the roles that governments play, they emphasize the importance of self-regulatory institutions. As they see it, there is a bright future for such arrangements in efforts to address important environmental problems such as climate change.

The chapters grouped together in Part III then proceed to make use of this intellectual capital to review and evaluate efforts to supply governance in a variety of real-world settings. In Chapter 5, Virginia Haufler directs attention to the role of non-state and transnational actors in addressing international and global environmental challenges. She is particularly interested in the idea that multinational corporations can become part of the solution rather than remaining part of the problem in coming to grips with issues of this sort. In Chapter 6, Madhu Khanna and Keith Brouhle review the evidence on the effectiveness of voluntary environmental initiatives from a wide range of studies. Their results are generally encouraging, although they are careful not to overinterpret the available evidence in this realm. In Chapter 7, Benjamin Cashore and several of his colleagues and doctoral students take some additional steps in developing what they call non-state market-driven governance systems (NSMDs). Here, they focus particularly on how these systems can emerge across a range of economic sectors.

Part IV consists of a single chapter – Chapter 8 by Magali Delmas – that addresses the current state of play regarding our understanding of the role of governance as a social function. Because we have sought to capture the take-home messages from our project in this Introduction, Chapter 8 does not attempt to summarize the findings of the book as a whole. Rather, this chapter examines recent achievements in this field of study, highlights several important observations about the supply of governance (e.g., the emergence of hybrid systems of governance), and identifies cutting-edge questions for research during the next phase of the pursuit of knowledge about governance. In the end, Delmas concludes

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that this is a highly dynamic field, giving rise to experiments with many different approaches to the supply of governance. Opportunities for productive research in helping to devise successful mechanisms for pursuing governance for sustainable development are many. We have no hesitation in recommending this field of study to our colleagues and students as a rewarding area in terms of both scientific research and policy applications during the years to come.