

GLOBALIZATION, GOVERNANCE AND THE STATE: SOME PROPOSITIONS ABOUT GOVERNING

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I. INTRODUCTION

The conventional model of governance is based on the role of the State and its various organizations in making and implementing laws. This model is not only centered on the State, but is also hierarchical, with authoritative decisions made at the top of the hierarchy of government flowing downward through the remainder of the system to the public. Further, in this conventional model most of the action of governing occurs within government itself, excluding actors in the civil society as well and international actors that may have some influence on decisions. Much of this model is also premised on a centralized state, with sub-national governments being largely dependent upon central government.

The conventional model of governance has been under attack from above, from below, and from outside. Indeed, scholars operating from a number of perspectives have tended to denigrate the role of the State and government in the process of governing, and assume that it is possible to have “governance without government” (Rhodes, 1997), or alternatively “policy without polity” (Hajer, 2003). For others the State is powerless in the face of a powerful international market (Strange, 1998; see Reich, 2005), or has been fundamentally changed in terms of structure as well as its own image (Migdal and Schlichte, 2005). The assumption is that the State is no longer capable of governing in any meaningful manner, and hence alternatives are necessary to provide direction to the economy and society.

Before moving to discuss important propositions about the changing role of the State in governing, I need to discuss the meaning of the term “governance”. To some extent governance has been like words in *Alice in Wonderland*—it means exactly what each scholar wants it to mean. In particular, some scholars tend to beg the question of governance by arguing

that any actions through which non-State actors influence actions and policy is “governance”, thereby setting a very high standard for any action *not* to be governance. Thus, by definition, in this definition of the term the State is largely excluded from “governance”.

In this paper I am conceptualizing governance more broadly. Governance will be used to mean the process of providing direction to the economy and society. Governance therefore is will be conceptualized as a goal directed activity, requiring the means of identifying what society wants to do, and then examining the means of achieving those collective goals. And it is important to note that any understanding of governance should focus attention on the pursuit of *collective* goals, rather than on the goals of individual actors or groups. Given that there is more than a little diversity in the goals being pursued by individual actors, governance therefore requires mechanisms for resolving the inherent conflicts, and that collective nature of the process in turn may return government and the State to a more central position in governing.¹

This definition of governance does not beg the question about the role of State actions or social actors in the process, but instead leaves the role of those various actors open as an empirical question. Indeed, beginning with this definition, a major part of the analysis of the governance process is to determine the role of the various actors, and to understand something about the interaction of State, international and social actors involved in the process of governing. Few, if any, processes for steering society are so simple that any single actor will be able to determine the outcomes alone. That has almost certainly been true in the past (see Pierre and Peters, 2000) governing has become more complex and hence understanding the complexity have become at once more difficult and more necessary.

In addition to the generalized conception of governance, the term has been discussed with a number of adjectives (Adam, 2000). Most commonly, there has been a concern about “good governance”, which has come to mean primarily governing, especially in less developed political systems, in a more open and transparent manner than has been true in those systems in the past.² lending money for public purposes. Another common concern has been “multi-level governance”, emphasizing the complexity of multi-actor systems within the public sector (Marks, Hooge and Blank, 1998). Also, “network governance” (Torfing and Sorenson, 2002) has been used to describe the role of non-state actors in the process of making and implementing policy. The list of concepts that can be used with reference to governance could be extended, but the basic point is that this concept can

play a central role in understanding how the contemporary public sector functions.

II. PROPOSITIONS ABOUT GOVERNANCE

I will now proceed to discuss governance and the role of international, societal and local government actors in the process. I will do this by advancing several propositions about governance and addressing them through an analysis of the logical and empirical evidence that can be brought to bear. Further, there will be some attempt to examine these factors in comparative context. Not all States are equal in the process of governance, and the differences among them can help to explain the capacity of some to exercise greater control over their societies, and to cope with the pressures from the international environment.

As noted above, one of the standard contemporary arguments about governance is that it is possible without the involvement of the State. Indeed, some of the argument is that governance does occur, and is more effective, without the active involvement of the State. The social actors involved in the process in this description of governance generally are networks or interest group actors comprising civil society. For example, the assumption of scholars stressing the importance of these social actors in governance has been that self-organizing groups of groups and individuals are more capable of coping with rapidly evolving challenges (In Veld, 1994; Rhodes, 1997). Governments, on the other hand, are characterized by these scholars as being clumsy, excessively bureaucratic, and generally incapable of making effective decisions for their societies.

There are several important points that must be made about this proposition that for some advocates of the presumed “governance approach” is an unquestioned assumption. First, although this proposition is presented as reflecting recent changes in the manner in which societies are governed, in reality most democratic political systems have had a long record of involving societal actors and the all powerful State was as much a myth as is the impotent State is now. The variety of mechanisms³ forms of interaction between State and society used to involve civil society actors may differ from those that characterize contemporary networks models, but governments have not acted with nearly the autonomy that they are sometimes assumed to have.

Second, as noted above, networks and other informal mechanisms for governance may lack the means for coping with an absence of consensus. The State, whether an autocracy or a democracy, is capable of making decisions when there are competing interests, and these mechanisms tend to be sanctioned by constitutions and laws. Further, those rules are known *ex*

ante rather than having to be invented when networks are formed, or when new players are added. Some networks may have an internal consensus, but arguably in such cases the homogeneity is a function of excluding other than certain types of actors which hold those common opinions⁴.

Third, although many individuals are committed to their unions, civil society organizations, or whatever, these organizations may not have much legitimacy outside their own membership. Therefore, the involvement of the State may be necessary for creating legitimacy within the society. Of course the State is itself not always fully legitimate in all countries, and problems of corruption and incompetence may diminish the respect with which the public regard their government (Rothstein, 2000). Even in those cases, however, the public sector may still have to approve formally the actions of the private sector and attach the official sanction to their decisions.

In short, although there are important changes in the manner in which governance is achieved in most modern societies, the shift is not absolute. First, there were substantial elements of private power at work prior to these changes. Further, the State retains a good deal of latitude for action, and also retains the capacity for formal legitimation of private action. Therefore, the rather simplistic understanding of the enhanced capacity of non-State actors to provide governance requires a good deal of nuance.

III. THE STATE IS POWERLESS IN THE INTERNATIONAL MARKET PLACE

The central component of the globalization argument is that the increasing power of international markets has rendered the State powerless to exercise governance within their own territories. For example, the free movement of capital and to a lesser extent of labor has been argued to make it impossible for governments to make their own taxation or regulatory policies (Strange, 1998; but see Weiss, 1998). If a country should want to regulate the economy and/or the environment strictly then firms would be expected not to locate in that country, or to leave if they were already located there.

Empirically, the evidence to support this proposition about the weakness of the State is weak. The assumption that individual states will be forced into a “race to the bottom” in terms of labor, tax or environmental regulations does not appear to be supported strongly. Certainly if one examines the more affluent countries alone, there is some evidence of a “California effect”, with countries competing to be the greenest, and to spend the most money on education, in order to attract industries (Vogel and Kagan, 2002).⁵ Even if the analysis is extended to the less affluent part of the world, the evidence for the impotence of the State is not

overwhelming as might be expected, and there are good examples of the poorer states also exerting their powers to enhance the well-being of their citizens.

More analytically, the State can be seen as to a great extent more crucial as an actor in a globalized world than in the (presumably) less interdependent world of the past (see for example, Mearsheimer, 2002). If indeed the international market is exerting significant unaccountable powers on the citizens and a business of a country, then the logical response is for government to engage in activities to control those influences. And the international market is not the Wild West that is often portrayed, given the presence of regulators such as the World Trade Organization. The trade that has been developed in the context of this international order has been regulated, with national governments involved in the process of making and implementing those regulations.

We should also note that the media is an aspect of globalization that may be ignored in the rush to argue that the State has become powerless. The media has played a major role in making residents of more powerful countries aware that globalization may have negative consequences for less-affluent countries and to try to use consumer pressures as a counter to producer pressures in the market. While far from a panacea, the dispersion of information and consumer power has forced many companies to improve the lot of their employees in Third World countries, and to develop their own environmental standards.⁶ They are governed more nationally, and less subject to global pressures from civil society organizations. Much of this activity may be private, but it has also made States more active in international fora to protect the interests of workers in less affluent countries.

IV. DEMOCRATIC GOVERNANCE

As well as the more functional concern about the capacity to make decisions, many scholars would also be concerned about the manner in which decisions are made. In particular, democracy has become a standard for governance, as well it might be. Governance in the most general sense of steering can be accomplished through the most autocratic methods, but effective governance can be accomplished through more democratic means. Thus, this definition of governance does not beg the question of which actors will dominate but rather will address the functional role of governance for societies.

One of the standard arguments for the using governance mechanisms such as networks has been that they, as more deliberative structures, are more democratic than the representative methods normally used by the

State. For example, networks are assumed to be able to involve a full range of interests involved in a policy field and therefore to move policymaking in the direction of deliberative models of democracy. Even if not that completely democratic and inclusive, the inclusion of interests directly in the decision process through networks is considered a mechanism for permitting greater public involvement in governing and of enhancing democracy.

Similarly, decentralized, or “decentered” modes of governing such as multi-level governance may not produce the enhancements for democracy that are sometimes argued. For example, multi-level governance has been argued by its advocates to permit interests that might otherwise be excluded a greater opportunity to participate in the public sector. However, the increased complexity of these governance arrangements may make decision-making more difficult, and in fact privilege those organizations with clearer goals and the instrumentalities to achieve those goals (Pierre and Peters, 2006). The organizations with those capabilities of being effective in the policy process are more likely to be public bureaucracies or powerful private actors, rather than the excluded and the less organized.

Democratic governance in a globalized context is perhaps more difficult to sustain, or even to conceptualize. The international system is not by nature democratic, and the institutions empowered to make decisions tend to involve national actors rather than to involve citizens or interests. That having been said, however, scholars have considered the capacity to provide for a more participatory style of governing within the international environment (Held, 2004), and some have sought to find ways of creating at least indirect forms of participation. Still, these mechanisms remain weak and the State remains the central locus for opportunities for democratic action in governance.

V. IS THE STATE REALLY SO STUPID?

As noted, one of the arguments for the incapacity of contemporary States to govern effectively is that they are fundamentally incapable of responding effectively to changes in their environment, and are therefore always behind the more nimble firms in the international environment, and the more nimble interest groups/networks in the domestic policymaking sphere. The bureaucratization and the complexity of decision-making within the State (often a function of democracy), make it impossible for governments to be effective policy actors. Further, it is argued that the need to accommodate multiple interests in public decision-making may produce government by the lowest common denominator (Scharpf, 1988) with poor quality public decisions.

This conventional wisdom about governing underestimates state capacities, and also overestimates the capacities of non-State actors to make decisions. First, governments may not be as nimble as some citizens might like, but they have demonstrated their capacity to respond to their changed environment.⁷ For example, the globalization of economies has made income taxation, especially of firms, a less viable means of collecting revenue. This may not be so much that firms would leave a country because of taxation, although that threat exists, but because it is easy to move profits through accounting mechanisms and hence to evade taxation. Governments have responded to that problem simply by shifting more of the tax burden on to individuals and especially on to consumption (see Hallerberg and Basinger, 1998; Crepaz and Moser, 2004). These taxes may not have the positive social functions that taxes on firms may have, but they do enable governments to collect revenue.

On the other hand, neither firms nor networks may be quite as clever as they are portrayed by the critics of the State's role in governance. Firms may be tied closely to their own homelands—Phillips to the Netherlands, Siemens to Germany, etc.—and although they produce abroad they also remain national actors, and also retain national styles of internal governance. Their willingness to make rapid moves based on taxation or regulation or taxation is thus limited culturally as well as by the physical difficulty and cost of moving factories. This is not to deny that there has been movement and substantial dislocation, but only to argue that there are more constraints than often argued.

Likewise, networks may also be bound by the concerns and priorities of their own membership. Although norms of inclusiveness are usually advanced, in practice networks tend to be somewhat constrained in whom they admit and how they define membership. Therefore, as is true for any institution, their response to the environment is likely to be sticky. Arguably, the more inclusive the network is the more sticky it is likely to be, given that any agreements on policy will be the products of hard bargaining in the past and most members will be loath to open up new bargaining over the same issues.

VI. GOVERNANCE IS ABOUT COLLECTIVE GOALS

While much of the above discussion has been occupied with rebutting, or at least casting doubt on, propositions about the weakness of the State in governance, the next several propositions reflect more positive propositions about governance. The first of these propositions is that governance is about collective goals, rather than individual or group goals. If governance is to be, as described above, about setting the goals of a

society then there must be some means of doing so for the collectivity. The notion of governing then is to establish a sense of direction that can be accepted by at least most of the population, even if perhaps grudgingly.

I would argue that the State is the only institution capable of performing this task of making and implementing collective goals effectively. Markets are largely the products of interaction and do not have mechanisms for goal-seeking activity, unless they are structured in such a manner by other actors, notably States. Likewise, networks may be able to make goal selections for their members, but the decisions taken by many networks with complementary purposes, e.g. in labor market policy and in social policy, need to be reconciled and brought into conformity with other sets of social goals. Networks may well be able to steer themselves effectively (see Kickert, Klijn and Koopenjaan, 1997), but are generally do not appear capable of steering much else.

The rather obvious conclusion from the above is that the State is likely to be the principal source of collective governance for a society. This does not mean that States will be perfect mechanisms for making decisions, or that they will necessarily make good decisions, but they are the only available locus if there is to be legitimate collective action. In addition, the capacity of States to make difficult allocative decisions even in the face of conflicts enables them to be the governor of last resort. Power may be ceded to networks, or even to market-based organizations, but in the end the State can—and may have to withdraw that delegation in order to be capable of governing, the primary responsibility and task of the State. Further, it is important to note the extent to which the delegations of power, even in “New Governance” (Salamon, 2001), tend to be at the implementation stage of governing, rather than when goals are being formulated.

VII. GOVERNANCE REQUIRES ACCOUNTABILITY

As something of a corollary to the argument above concerning democracy, I will make the additional yet fundamental point that governance requires some form of accountability and feedback. Further, like the process of determining goals for governance, this feedback should be oriented in a collective rather than differentiated manner. Markets are, in a differentiated manner, very good at providing feedback. Firms know what is sold, and at what price, and whether they have made a profit or a loss. But the market does not provide much useful information about the social impact of the transactions.

Networks are perhaps more publicly accountable than are markets, but still do not capable of providing the degree and type of information

useful for collective learning and policy change. The membership of these structures have their own goals and their own values, and hence may not be particularly interested in responding to more general demands for accountability. That accountability tends to imply some external actor to whom the actors involved must render their accounts (Thomas, 2004), but networks tend to lack that form of external accountability.⁸ Thus, while they may well be able to govern in their own interest, their capacity to govern in a more general manner remains doubtful.

The formal institutions of States are much better designed to produce accountability than are non-state structures and procedures that have been touted as the replacements for the State. In the contemporary world of governing accountability may be a necessary substitute for other forms of democracy (Peters, 2006). Even if participatory forms of democracy are not now as successful in guiding governance as they have in the past, then the feedback from decisions can be the mechanism for imposing control over policy. The State has the capacity to use that information to learn from its past actions and to improve the performance of the public sector. If governance is to be successful, it must be capable of being connected with the political environment, and it must be able to correct its own errors.

Thus, just as democratic governance is more attainable through formal state institutions so too is accountability more attainable through those institutions. Again, there is no sense that the institutions of the public sector are capable of performing these tasks of enforcing public sector accountability perfectly. There may be any number of flaws in the procedures and the structures of public organizations as they attempt to understand and to control their own actions. Still, there is only the sense that these institutions can perform these tasks better than any of the available alternatives.

VIII. SUMMARY AND CONCLUSIONS

There is no doubt that governance has changed through the process of globalization and through changing forms of involvement of citizens in public sector activity. Likewise, there is little doubt that the manner in which societies are regulated has been fundamentally transformed. Through these same processes. States and state action have indeed been transformed, and their relationships with the international environment and their relationship with civil society have also changed. These changes have been documented in any number of places and have been used to explain how contemporary governance has become a more complex and to some extent more open process.

In the process of change from below and from above, the State has been transformed, but it has not been dismantled nor has it been rendered as impotent as some scholars and some practitioners have had us to understand. Rather, in many ways the State has become more important, rather than less important in how it is involved in the process of governing. The role of the State is not of directly providing governance but rather one of using its powers to legitimate the actions of other actors, permitting substantial latitude of action while always retaining the capacity to withdraw the mandate. The shift has been from the Service State to the Enabling State, although it remains capable of the exercise of substantial powers over elements of the society. The fundamental plea of this paper, therefore, is for a more complex and nuanced understanding of governance, and the impacts of changes in the international environment and in domestic politics.

Notes

- ¹ As will be discussed below, networks and other social mechanisms may find conflict resolution more difficult than do governments, not having constitutional and legal rules.
- ² This view has been especially important for the World Bank and other international organizations that have been pressing for reform of the countries to which they have been lending money for public purposes.
- ³ For example, corporatism has been used to describe these relationships in a variety of countries, while corporate pluralism (Rokkan, 1967) and pluralism are more specialized
- ⁴ For example, “epistemic communities” (Adler, 1992) composed of individuals with the same professional and/or scientific training may find it easy to agree on policy than do those with more disparate backgrounds.
- ⁵ This effect may be seen as an impact of global competition, but certainly without the dire effects assumed in most of the presentations of the subjects.
- ⁶ One of the several ironies of globalization is that firms that are more embedded in that economy may be more subject to controls than those, such as many Chinese companies.
- ⁷ Also, arguably, some aspects of governing should not as transient as activity in the private sector. Both citizens and firms need to be able to make decisions with some probability that the regulatory regimen will remain in place for a reasonable period of time.
- ⁸ The multiple actors involved in networks may provide some external assessments of the decisions of the network, but if there is little difference among the actors there may yet.

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