European Journal of Political Research **43**: 143–171, 2004 143

'Governance' as a bridge between disciplines: Cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy

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Abstract. Modern societies have in recent decades seen a destabilization of the traditional governing mechanisms and the advancement of new arrangements of governance. Conspicuously, this has occurred in the private, semi-private and public spheres, and has involved local, regional, national, transnational and global levels within these spheres. We have witnessed changes in the forms and mechanisms of governance by which institutional and organizational societal sectors and spheres are governed, as well as in the location of governance from where command, administration, management and control of societal institutions and spheres are conducted. We have also seen changes in governing capabilities (i.e., the extent to which societal institutions and spheres can, in fact, be steered), as well as in styles of governance (i.e., the processes of decision making and implementation, including the manner in which the organizations involved relate to each other). These shifts tend to have significant consequences for the governability, accountability, responsiveness and legitimacy of governance institutions. These developments have been generating a new and important research object for political science (including international relations). One of the crucial features of these developments is that they concern a diversity of sectors. In order to get a thorough understanding of 'shifts in governance', political science needs, and is also likely to adopt, a much stronger multidisciplinary orientation embracing politics, law, public administration, economics and business administration, as well as sociology, geography and history.

Introduction

In recent decades, traditional governance mechanisms have started to become destabilized and new governance arrangements have emerged. Such shifts in governance have occurred in the private, semi-private and public spheres, and at (and in-between) the local, regional, national, transnational and global levels. Changes have taken place in the forms and mechanisms of governance, the location of governance, governing capacities and styles of governance. These changes have been the subject of a variety of literatures and disciplines, including political science, law, public administration, economics, business administration and sociology as well as geography and history. These literatures all give the term 'governance' different meanings. Nevertheless, the concept could function as a bridge between disciplines, and it might stimulate comparisons between rather different phenomena, which, when viewed under

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the more abstract perspective of governance, might be found to have something in common.

Political science has been studying such shifts in governance, but largely in ignorance of the increased use of the same concept in neighboring disciplines. In this article, we look over the fence to these other disciplines. Though we do not believe that the concept of 'governance' can in the near future become a common 'theory' shared between disciplines – the theoretical and methodological diversity is simply too great for that – it can become a vehicle for comparison and for mutual learning and theoretical inspiration.

We begin with a short review of the various meanings of the concept 'governance' in different literatures. A first commonality is empirical-analytical and descriptive: they all describe and analyze 'shifts in governance', albeit at different levels and in different sectors of society. Second, there is a common concern for the problems of governability, accountability and, hence, legitimacy associated with 'shifts in governance'. As such issues have traditionally been of central concern to political science, looking over the fence into other disciplines may enrich the political science research agenda. After all, many of the problems of legitimacy, accountability and legitimacy arise from shifts from traditional national political institutions to other levels, sectors and organizations of society that have been the subject of other disciplines. We therefore conclude by identifying some issues and questions for such a research agenda that could become part of a multidisciplinary one.

Governance: A review of literatures

The study of governance has become a veritable 'growth industry'. The Online Contents catalogue of journals, for instance, returned 24 hits of the term 'governance' in 1990, 510 hits in 1999 and 603 hits in 2000. The number of books in Dutch libraries carrying the term in their title was 23 in 1990, 154 in 1999 and 119 in 2000.However, there has been quite some theoretical and conceptual confusion. In what different meanings do we find the concept of 'governance' used? Hirst (2000) distinguished five versions of 'governance'. We follow him, but rearrange them and add a few uses derived from other authors (Rhodes 1997, 2000; Pierre & Peters 2000).

Good governance

The first prominent modern usage of 'governance' is in the field of economic development, where the World Bank and other international organizations

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have been stressing sound or good governance (see Janning 1997). Good economic governance belongs to the so-called 'second generation reforms', consisting of reducing wasteful public spending; investing in primary health, education and social protection; promoting the private sector by regulatory reform; reinforcing private banking; reforming the tax system; and creating greater transparency and accountability in government and corporate affairs (Rosenbaum & Shepherd 2000; Woods 2000; Philip 1999; Kiely 1998). This usage stresses the political, administrative and economic values of legitimacy and efficiency and, in the words of one theorist, therefore 'marries the new public management to the advocacy of liberal democracy' (Rhodes 2000: 57). However, good governance has also been promoted for advanced economies. Thus the OECD (Organization for Economic Cooperation and Development) has propagated good governance by comparing best practices in key areas such as public management, business–government relations and social policy.

Governing without government I: International relations

A second meaning of the concept stems from international relations theory and refers to the possibility of governing without government (Rosenau & Czempiel 1992), in the form of international or even global governance (Prakash & Hart 1999) and global democracy (Holden 2000; Murphy 2000; Sassen 2000; Ronit & Schneider 1999; Hewson & Sinclair 1999; Michie & Grieve Smith 1999). This literature has pointed to the possibility of policy cooperation between nation-states in an international system that *prima facie* is not conducive to such cooperation. The international system lacks a hierarchy, or – to put it differently – is characterized by an anarchy of competing, interdependent states that acknowledge no authority other than their own (see Lieshout 1995). Although states may cooperate in international organizations and regimes, these are 'cooperative acts to which authority may be attached but which can also be withdrawn if states so wish' (Rosenau 2000: 170).

However, theorists decreasingly perceive international politics solely as cooperation between independent states. Instead, international organizations, regimes and treaties are seen as new forms of international governance for dealing with typically transnational problems. Rosenau (2000: 171) defines governance as 'systems of rule, as the purposive activities of any collectivity, that sustain mechanisms designed to ensure its safety, prosperity, coherence, stability, and continuance'. These mechanisms, usually the core business of governments, are increasingly found in international collectivities.

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Governance without government II: Self-organization

A third use of governance refers to self-organization of societies and communities, beyond the market and short of the state. Typical is the work of Elinor Ostrom (1990), who studied the capacity of communities in different places and times to manage common pool resources and prevent their depletion (a prime example is overfishing). Small local communities have done so without the help of a formal government through bottom-up self-government by associations, informal understandings, negotiations, regulations, trust relations and informal social control rather than state coercion. Ostrom's focus was on the conditions that facilitated such governance arrangements and made them effective, efficient and stable.

Economic governance (with and without the state): Markets and their institutions

A fourth usage is economic governance. This approach has developed in a variety of disciplines, including economic history (North & Thomas 1973; North 1990), institutional economics (Williamson 1975, 1985, 1996), economic sociology (Smelser & Swedberg 1994), comparative political economy (Hollingsworth & Boyer 1997; Crouch & Streeck 1997; Hall 1999), and labour relations and labour economics (Soskice 1990; Brunetta & Dell'Aringa 1990; Streeck 1992; Teulings & Hartog 1999). They have all done so more or less in discussion with neo-classical mainstream economics.

While classical economics assumed markets to be spontaneous social orders that flourish best in the absence of any intervention, many political theorists and lawyers start from the opposite assumption. Following Hobbes, they assume that the natural societal condition is one of chaos, uncertainty and conflict. New institutional economics, economic sociology and comparative political economy brought these approaches together by emphasizing that markets are not spontaneous social orders, but have to be created and maintained by institutions. These provide, monitor and enforce rules of the game, which among other things fix property rights, back up contracts, protect competition, and reduce information asymmetries, risk and uncertainties.

Societies have produced a variety of institutions to govern economic transactions, help reduce their costs and hence increase the likelihood of their occurrence. Governments are only one source of such institutions. Others are contracts, commercial businesses, private sector hierarchies, voluntary associations, courts, clans and communities. In other words, 'governance' is a broader category than 'government'. Much of it takes place without direct state

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involvement, though the shadow of hierarchy may either incite private actors to create private governance institutions (to pre-empt state intervention) or back up private governance arrangements (e.g., courts enforcing contract law).

Comparative political economy has four conceptual approaches to economic governance: national policy styles literature (Van Waarden 1995), neo-corporatism, neo-institutionalism and the organization of production (Hall 1999). Recently new lines of research have been developed. Neo-corporatism has focused on sectoral governance (Hollingsworth & Boyer 1997). 'Flexible specialization' literature has focused on decentralization (Boyer & Saillard 2002; Jessop 2001), while neo-corporatism and neo-institutionalism have developed 'varieties of capitalism' literature emphasizing that countries may perform well with different sets of institutions, even in the face of internationalization (Crouch & Streeck 1997; Kitschelt et al. 1999; Coates 2000; Ebbinghaus & Manow 2001; Hall & Soskice 2001).

'Good governance' in the private sector: Corporate governance

The fifth usage is that of corporate governance – a watchword, according to Hirst (2000: 17), 'of those who wish to improve the accountability and transparency of the actions of management, but without fundamentally altering the basic structure of firms in which indifferent shareholders are the principal beneficiaries of the company'. As a generic concept, it refers to the system of direction and control of business corporations (Blair & Roe 1999; Cohen & Boyd 2000; Demirag 1998; Dine 2000; Hopt 1997; Keasey et al. 1999; Lannoo 1999; OECD 1999; O'Sullivan 2000; Sternberg 1998; Williams 1999). This usage is connected to the 'good governance' approach. Thus the OECD has established a set of (non-binding) principles of corporate governance that 'represent a common basis that OECD Member countries consider essential for the development of good governance practice' (see www.oecd.org/daf/governance/principles.htm). One idea is that governments can increase macroeconomic efficiency by promoting good corporate governance because investment possibilities increasingly come to depend upon it.

'Good governance' in the public sector: New public management

The sixth use of governance is found in the New Public Management (NPM) literature. While corporate governance brought 'good governance' practices to the business sector, new public management has endeavoured to introduce what it considered 'good governance' into public organizations. This has

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entailed, for the most part, bringing management concepts from private business into the public realm (e.g., performance measurement, customer and bottom line orientation, restructuring of incentives) as well as the conditions that would facilitate this, such as deregulation, outsourcing, tendering out and privatization (Hirst 2000: 18; Brudney et al. 2000; Lane 2000; Lynn 1998; Minogue et al. 1998; Pollitt & Bouckaert 2000). In their classic formulation, Osborne and Gaebler (1992) attempt to 'reinvent government' and distinguish 'steering' (policy decisions), of which a modern state needs more, from 'rowing' (service delivery) of which it needs less. They formulated principles for entrepreneurial government (Nagel 1997). Analytically and empirically, NPM focuses on the similarities between public sector reforms in countries that are politically and economically very different. In all these reforms, the market is a model for public policy implementation. It will come as no surprise then that NPM is inspired by public choice, principal-agent theory and transaction cost economics (Kaboolian 1998).

Governance in and by networks I: In general

A seventh meaning of the term 'governance' is found in the burgeoning literature on governance through networks. There are many strands of this. A main distinction is between those that refer to networks of public and of private organizations, and of mixes of public and private ones. In all three literatures, networks are explicitly conceptualized as pluricentric forms of governance in contrast to multicentric (market) and unicentric or hierarchical forms (state, firm hierarchy). They are considered to be self-organizing, and to 'resist government steering, develop their own policies and mould their environments' (Rhodes 2000: 61). Furthermore, they are characterized by an exchange of resources and negotiations, and by game-like interactions 'rooted in trust and regulated by rules of the game negotiated and agreed by network participants' (Rhodes 2000: 61).

Networks of public policy organizations have been considered to be 'the analytical heart of the notion of governance in the study of public administration' (Rhodes 2000: 60). Yet, there are many versions of this literature, varying from early analyses of corporatist networks of interest groups (Schmitter 1974) via the state's (limited) capacity of societal steering (In 't Veld 1991) and the actor-centred institutionalist (ACI) analysis of policy networks (Scharpf 1997; Mayntz & Scharpf 1995) to Castells's (1996) network society and the sociocybernetic analysis of public–private mixes of societal problem-solving (Kooiman 1993; Van Waarden 1992).

ACI, a more important recent contribution, combines rational choice theory and new institutionalism. It seeks to explain policies and policy out-

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comes from intentional actions of interdependent actors, acknowledging that these are shaped by their institutional settings. Self-organizing networks are such institutional settings. Unlike in anarchic fields, minimal, majoritarian and hierarchic institutions, negotiations are the typical mode of interaction. Scharpf uses the concept of 'network' to specify conditions that reduce transaction costs of negotiations. Network relationships 'reduce the risk of opportunism by two mechanisms, the longer "shadow of the future" and the higher visibility of transactions to relevant others' (Scharpf 1997: 137). Networks as informal institutional settings help overcome collective action problems.

Networks of private organizations are a sub-form of self-organization of society and, in particular, the economy. They have been studied by researchers in the fields of industrial economics, organization studies and political economy (for an overview, see Ebers 1999). Business firms may cooperate in networks to combine resources (knowledge, skills, market access, finance), to organize specific activities (e.g., innovation), to realize economies of scale and scope; but they may also play a role in economic governance (see above): reducing risk and uncertainty in transactions and markets, overcoming collective action problems, and regulating and ordering economic sectors. Examples are the development of technical standards, the provision of sectoral collective goods (e.g., training, basic research, collective insurance), price and wage setting, and channeling competition. Their advantage is that they tend to be more flexible than economic governance through hierarchies.

A third network form is that which combines both public and private organizations. Such networks have been studied, for instance, by the resource dependency approach (e.g., Alter & Hage 1993). It emphasizes that many public services are not exclusively delivered by government, but by networks of actors from the government, private and voluntary sectors. These networks coordinate and allocate resources, and are again an alternative to, not a hybrid form of, the market or the state.

Network governance II: Multilevel governance

The notion of 'multilevel governance', an eighth use of the term governance, has two origins. In international relations theory it was a modernization of the earlier 'regime' concept (Hasenclever et al. 1997; Verbeek 2001). Krasner (1983: 2) defined the latter as 'a set of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations'. 'Governance' is a related concept: it refers both to the power relations resulting from such rules, as well as the substance of policies. 'Multilevel' refers to different government levels

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(e.g., European, national, sub-national), but also to the involvement of both public and private actors at these levels.

The other ancestor of multilevel governance is comparative European public policy analysis (Wallace & Wallace 1996; Peterson & Bomberg 1999; Richardson 1996; Marks et al. 1996a; Mazey 1996; Bulmer 1998; Hurrel & Menon 1996; Rhodes & Mazey 1995). It developed in response to state-centrism in European integration theory, which treats policy making in the European Union as a two-level game (Moravcsik 1993, 1998).

The state-centric or 'inter-governmentalist' school explains European integration – defined as policy coordination between nation-states – as a series of rational choices made by national leaders. Moravcsik (1998) explains the choices to 'pool and delegate' sovereignty to international institutions as efforts by governments to constrain and control one another and to enhance the credibility of commitments. Trans-national institutions thus resolve incomplete contracting problems. One core assumption in this approach is that the state is a unitary and rational actor. This approach is criticized by multilevel theorists. They deny that nation-states are the exclusive connection between domestic politics and intergovernmental bargaining in the European Union (EU) and stress the importance of policy networks that are organized across policy areas and government levels (Marks et al. 1996b). Therefore, the multilevel governance literature is linked to the governance-as-network literature (Héritier 1999). In fact, a recent important study by Kohler-Koch and Eising (2000) prefers to speak of 'network governance' in the EU rather than multilevel governance. The core idea of network governance is that:

> political actors consider problem-solving the essence of politics and that the setting of policy-making is defined by the existence of highly organised social sub-systems. . . . The '*state*' is vertically and horizontally segmented and its role has changed from authoritative allocation 'from above' to the role of 'activator'. Governing the EC [European Community] involves bringing together the relevant state and societal actors and building issue-specific constituencies. Thus, in these patterns of interaction, state actors and a multitude of interest organisations are involved in multilateral negotiations about the allocation of functionally specific 'values'. (Eising & Kohler-Koch 2000a: 5; emphasis in original)

European policy networks involve both public and private interests. It is assumed that actors in these networks are self-interested, but that they also have an interest in community-friendly behaviour.

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Network governance III: Private – From hierarchies to networks

Network governance has also drawn the attention of disciplines that study the private sector, such as industrial economics, organizational studies and business administration, where a ninth use of the term 'governance' emerged. It has been noticed that in many economic sectors, a concentration phase was followed by a phase in which hierarchy was again replaced by a looser form of proto-organization: cooperation of smaller firms in networks. Existing large firms have felt compelled to concentrate again on 'core competencies' in order to rid themselves of activities and subsidiaries and to outsource these to other firms. They, as well as new smaller start-up firms, have also felt a need for complementary resources – in particular, knowledge – leading them to engage in more or less enduring cooperative relations with a host of other firms, often leading to the formation of extensive, dense, complicated and more or less stable networks of customers and suppliers, and of competitors cooperating in certain activities (e.g., innovation, major projects) (see, e.g., Saxenian 1996).

Inter-firm cooperation can take many forms. Nooteboom (1999) distinguishes many of these on the basis of two dimensions: claims to profit and decision rights. The forms vary in degree of integration with one end of the continuum being contracting into the market and the other being merger into an integrated firm with centralized ownership and decision-making. In between the two are more or less centralized forms of organization connecting formally distinct firms through associations, industrial districts, consortia, franchises, equity joint ventures and so on.

Such relations have to be managed or 'governed'. They pose specific problems and risks, including loss of relation specific investments, free ridership, opportunism, hold up and blackmailing of the partner(s), and spillover. Firms and their supporting environment, including the government, have created institutions that help reduce the risks and uncertainties of such inter-firm relations, minimize transaction costs, enable or encourage trust, and facilitate choices within these dilemmas. Such 'governance' institutions include contracts, contract law, institutions for monitoring and enforcing contracts, and providing 'hostages' as security.

The nine approaches

The meaning of 'governance' in these nine approaches may differ, but most of them have some characteristics in common. First of all, the approach is pluricentric rather than unicentric. Second, networks, whether inter- or intra-organizational, play an important role. These networks organize relations between relatively autonomous, but interdependent, actors (e.g., business firms

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in a sector, public and private organizations, EU Member States). In these networks, hierarchy or monocratic leadership is less important, if not absent. The formal government may be involved, but not necessarily so, and if it is, it is merely one – albeit an important – actor among many others. Third, one finds an emphasis on processes of governing or functions as against the structures of government. These processes are relatively similar in the public and private sectors, and concern negotiation, accommodation, concertation, cooperation and alliance formation rather than the traditional processes of coercion, command and control. Fourth, the relations between actors pose specific risks and uncertainties, and different sectors have developed different institutions to reduce these in order to make cooperation possible or easier. Finally, many approaches are normative. They prescribe an ideal as well as an empirical reality. This holds in particular for the 'good governance', 'corporate governance', 'new public management' and 'multilevel governance' approaches.

These similarities might make it possible for the various literatures that use the the concept of 'governance' to learn from each other. For instance, students of multilevel governance in the EU may learn from the organizational literature on economic governance through inter-firm networks by studying to what extent problems and risks are similar. Alternatively, institutions developed to govern inter-firm relations may also work for the governance of inter-organizational relations in the public sector. To advance interdisciplinary learning it is important to bring to light how 'shifts in governance' are perceived in the various literature. It is to this topic that we now turn.

Shifts in governance

Each of the nine strands of literature that use the term 'governance' identify, hypothesize and discuss one or more crucial shifts in governance. To advance interdisciplinary learning it is important to bring these shifts to light. Vertically, there are upward shifts from nation-states to international public institutions with supranational characteristics such as the EU, the WTO (World Trade Organization) or NAFTA (North American Free Trade Association). Controversies focus on the centrality of states in the international system and effects on their capacity for autonomous policy making. To what extent have EU Member States – as the classic international actors – had to make way for transnational and supranational actors? To what extent are policies decided at the European level? What policy-making capacity do nation-states still have? The formal and informal European policy-making institutions influence the capacity and autonomy for policy making at the national level. On the one hand, European integration may enhance the capacity of national institutions

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to deal with the effects of economic internationalization. On the other hand, it may exert pressure on Member States to adapt to European rules and regulations, and thus may affect the national institutional framework of policy making (Moravcsik 1998; Sørensen 1999; Van Kersbergen et al. 1999, 2000; Green Cowles et al. 2001; Føllesdal & Koslowski 1998; Eriksen & Fossum 2000; Neyer 2000; Thomassen & Schmitt 1999b). Most attention has focused on shifts from national to international 'governments'. However, there is a comparable shift from national to supranational courts, such as the European Court of Justice, the European Court of Human Rights, the International Court of Justice and the judicial agency of the WTO.

There is also a *downward vertical* shift from national and international to sub-national and regional levels. In part this is related to the internationalization shift: international bodies rely on local agencies to implement and enforce their regulations, and therefore tend to strengthen them. In the economy, of course, there is a *vertical* shift from national to international governance as well: the increased importance of international markets, multinational corporations, agencies that regulate international economic transactions; international standardization bodies such as those found in telecommunications, rating agencies such as Standard's and Poor's, merging stock exchanges that regulate financial capital mobility – all of which is further facilitated by the Internet, e-commerce and the new economy.

Horizontally in the public sector there is a shift from governance by the executive and legislative powers to the judiciary. In many countries, and in particular also at the level of the European institutions (Sweet Stone 2000), the courts are assuming a more active role in rule interpretation, and as a result also in *de facto* rule formulation – often forced to do so by a more litigious population. That means that judges and courts increasingly occupy the seats of politicians and administrators and take – often reluctantly – political decisions. This seems to be part of a broader tendency of increasing juridification of social relations. Informal relations are becoming increasingly formalized, and mutual expectations and agreements over reciprocal rights and duties fixed in more or less official 'contracts'. These have to be enforced, resulting in more work and more influence for the courts.

The role of the judiciary in policy making is also increasing as more countries have introduced constitutional courts, constitutional review, administrative courts and administrative review. The body of administrative law is quickly expanding. The process of European integration has promoted this tendency. It introduced the principle of judicial and constitutional review to countries like Britain and the Netherlands that did not have it previously. Furthermore, with the development of a European as well as a national body of law, the legal system has also become multilevel, increased in complexity, and

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created more opportunities for individuals and groups to get their way against the government. Tate and Vallinder (1997) have captured this tendency well in the title of their study: *The Global Expansion of Judicial Power*.

Another horizontal public shift is that from public to semi-public organizations and governance. Policy making, policy implementation, enforcement and control have become differentiated as separate functions. For reasons of efficiency and effectiveness in complex situations and political prudence or credibility, some of these sub-tasks have been delegated to more autonomous semi-public organizations. An early example was the central bank, while more recent examples are the control agencies that regulate privatized sectors such as telecommunications, energy and the media. This trend is related to a broader horizontal shift in the public domain away from the three branches of government – for instance, from parliaments to semi-autonomous state agencies, from the European Commission to 'Comitology' (the system of committees created by, assisting and circumventing the European institutions), from statutory instruments to instruments under private law such as contracts or covenants between public and private actors, and from command and control to information management. Horizontal governance shifts from public to private organizations have gone even further. Public state agencies have been outsourcing more and more tasks to private business. In addition, formerly public organizations have been wholly or partially privatized, including gas and water utilities, telecommunications, highway management, harbour piloting, compulsory social insurance, health care, and even real public services such as prisons.

There are also horizontal shifts in private economic governance, such as those towards less coordination through the market and more through hierarchies – raising the degrees of concentration of markets – and through interfirm networks. The increased importance of knowledge in the economy has made firms more interdependent, as many do not by themselves harbour all the knowledge and information needed for innovation. Knowledge has to be shared, but at the same time property rights have to be protected. Firms have to invest in knowledge, machinery and software, relevant only for relations with specific customers or suppliers, and so do employers and employees. This has increased the risks of poaching, hold up and opportunism, and consequently raised transaction costs, at least potentially. In order to reduce these risks and transaction costs, firms have merged or taken over relevant customers, suppliers or competitors. Internationalization has raised competition in many sectors to a regional (European) or world level and has increased it, also stimulating mergers and takeovers, as firms try to occupy important competitive positions in these larger international markets, even if only out of a fear of 'eating, in order to avoid being eaten'. In addition to these shifts from

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markets to hierarchies and networks, the literature refers also to changes from associations (trade associations, cartels) to large business firms, or from competitive markets to monopolistic or oligopolistic ones. And the corporate governance literature is concerned with the ongoing shift from shareholder to management control of business firms.

Finally, there are various kinds of mixed vertical–horizontal shifts – for instance, from national public standardization bodies to international private ones (an example is the telecommunications sector). Increasingly, governance decisions are made in complicated networks encompassing supranational, national and sub-national actors – public, semi-public and private.

With the changes in the location of policy and in rule production, the style of governance seems to change as well. In more complicated network structures, the traditional approaches of command and control and enforcement are less effective and efficient. New forms of governance come to replace them, such as negotiation and concertation and the management or manipulation of information in networks. These new reforms include, for instance, the comparison of information and of performance scores, exemplified in the increasing popularity of benchmarking and the comparison of best practices, first in the private and now also increasingly also in the public sector.

Several recent and ongoing trends seem to be redrawing the boundaries of the various societal spheres like those between the public and private and the political and economic. These trends are interlinked, sometimes mutually reinforcing, but at times also contradictory. They seem to be affecting the governance capacity of existing arrangements. Decision-making power is being shifted, and with that sources and relations of regulation, of providing social order. Again, such issues are the core business of political science, but by their nature can best be dealt with by adopting a multidisciplinary approach.

Problems of governability, accountability and legitimacy

Another central element the various literatures have in common is a concern with new problems of governability, accountability, responsiveness and legitimacy. The shifts in public and private governance have one major consequence in common: traditional institutions of checks and balances on power and accountability could become obsolete, or at the very least less effective. Such issues are of central importance to an interdisciplinary political science. In order to highlight the new forms in which problems of governability and accountability appear, let us first summarize how the classical political and economic institutions have been a response to these problems in the past.

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Governability and accountability have developed hand in hand with the process of state formation, albeit not always at exactly the same pace. There was a need for both. Governability – the capacity to solve urgent societal problems – often required a certain centralization and concentration of political power. Basic examples are the protection of man against man – the problem of social order, of criminality, civil war and war – the protection of man against nature – the problem of material and economic survival – and the protection of nature against man – the problem of the environment.

At the same time, the historical process of modernization has led to a differentiation of society into semi-autonomous spheres, each providing solutions to different problems of survival. Thus separations have developed – for instance, between the public and the private, between politics and economics, between politics and administration, and between for-profit organizations and not-for-profit sectors. These different societal, political and economic spheres have all developed their own governance institutions: organizations that have become concentrations of power and are hence able to make binding decisions, ordering their segment of society: states, public administrations, large business firms and large interest associations. Each one of these, in turn, requires some minimal degree of centralization of power and decision making.

However, any concentration of power carries immediately the danger of arbitrariness, of abuse, corruption and advancing self-interest by those in control. Therefore, in the course of history, societies have not only centralized political and economic power in such organizations, but they have also gradually developed a system of checks and balances to control the exercise of power, prevent its abuse and arbitrary application, hold power holders accountable, and protect citizens, consumers and workers from them. It should be noted, however, that there is an inherent tension between the functional requisites of centralization and the containment of power. Not enough controls on power allow for abuse and arbitrariness, but too many checks and balances can reduce power too much and inhibit the capacity of organizations to act and to realize policies (i.e., their governability). Both affect their legitimacy. Institutions of power wielding can be legitimate in the eyes of citizens either because they 'work', 'perform', are able to 'deliver the goods' (output legitimacy); or because they result from decisions made according to procedures that include some minimal forms of accountability such as the rule of law, democracy, or political or economic competition (input legitimacy).

The primary control of economic and private organizations is through the *exit option*. Firms and associations are typically controlled by competition. The presence of alternative suppliers, clients, employers and employees provides the clients, suppliers, workers and employers with an exit option. In case of

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dissatisfaction they can turn to a competitor of the organization with which they have been dealing. This is a major check on the abuse of power. Political and other public organizations lack such competition. There is usually only one organization in a specific jurisdiction – one agency for distributing driver's licenses or one police force. This is linked to the fact that they provide typical collective goods (and that is their legitimacy), which often require a monopoly in order to deal with collective action problems. Therefore, political organizations are controlled through institutions that channel a *voice option* for citizens. The principle of the rule of law, periodic democratic elections, the separation of powers, federalism, judicial review and administrative law all check the arbitrary use of political and administrative power, and provide citizens and users of state services with channels for redress and appeal. Much constitutional and administrative law is concerned with such institutions that control public monopolies. The tension between governability and accountability holds for institutions controlled through both voice and exit. Too many constitutional checks and balances may render political institutions incapable of governing (Lazare 1996); and too much competition may reduce the capacity of a business firm to govern privately (e.g., to innovate).

A consequence of the shifts in authority of and within governance mechanisms might be that traditional instruments for control of power may become less effective. For instance, it is questionable whether a minister effectively can still be held accountable by Parliament, the voters, the Court of Accounts or administrative courts for decisions that have shifted to European institutions, to semi-independent regulatory agencies or to only partially privatized formerly public organizations. One may ask whether a minister's formal responsibility for actions already taken by his civil servants (that he did not and could not have known about) are becoming more and more a strange legal fiction as the size and differentiation of the administration increases and as decisions are increasingly taken in networks of actors located at different levels of aggregation in both the public and private spheres. A national competition authority, applying national criteria for market power, may have lost effective control over the power of firms active in globalizing markets. It may be increasingly difficult for a supervisory board or the shareholders to hold the Chief Executive Officer (CEO) of a private firm responsible for decisions that have been taken by some minor subsidiary involved in a joint venture with others. The long list of CEOs replaced in the last years could be an indication that living up to such expectations of control becomes increasingly difficult for leading entrepreneurs.

In other words, the central question is whether the shifts in location of public, semi-public and private governance are threatening to make old established systems of accountability obsolete. The traditional separation of powers

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may be less suited to organizing accountability for these new forms of network governance. The same may hold for traditional competition policy or traditional principles of corporate governance. Where decision making becomes less transparent, it is less easily to locate *loci* of power, to identify where decisions are being taken and who is responsible. With that, legal certainty, legal equality and legal interest protection may become endangered.

Perhaps one could doubt that there is a problem of accountability at all or even welcome the loss of function of – in the light of the information and communication technology revolution – such 'archaic' institutions of representation as political parties and parliaments. So, what is the exact nature of the developments and does this actually poses a problem? Do the new actors or governance arrangements have legitimacy? Does the public trust them, the courts, the privatized companies, the independent regulatory agencies, the expert networks, the large business enterprises? What is the relationship between institutional controls and trust? How 'independent' are independent regulatory agencies such as the European Central Bank, and how 'independent' should we allow them to be? Who controls the controllers? What are the roads for public discourse on the performance of governance mechanisms, criticism, redress? These and similar questions have been of major concern to the various governance literatures. Let us take a closer look at some of them.

A major shift that has increased legitimacy problems, and that has received much attention, is the one from national to European governance, and in particular towards governance through European policy networks. This has been of major concern to multilevel governance theorists. They have made the distinction between input and output legitimacy. Input legitimacy implies that a political system and specific policies are legitimated by the rules-of-the-game and the processes by which they have come about. It stresses that 'a well functioning system of political representation is a precondition for a legitimate democratic political system' (Thomassen & Schmitt 1999b: 255). Output legitimacy implies that a political system and specific policies are legitimated by their success. This implies that governability is a precondition for legitimacy.

Scharpf (1999) has used this distinction first of all to explain the process of European integration. He argued that a decrease in problem-solving capacity of national political systems – a loss of output legitimacy – forced national governments to engage in European integration. However, he argued that this could not solve the problem of accountability and legitimacy in terms of input: the stronger the role of the non-accountable supranational institutions, the less legitimacy can be assured through the intergovernmental mechanism of national accountability. Yet it could not solve these problems in terms of output either. The complicated decision-making procedures of the EU lead

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regularly to stalemate, joint decision traps or asymmetries in output (economic integration at the cost of social protection). On important policy issues, consensus among democratically accountable governments is difficult, European action is blocked and solutions are again left to the national level. Furthermore Scharpf (2001: 14–15) observes that 'market making policies on which Europe can agree will damage the capacity of national governments to adopt those "market correcting" policies on which the Union cannot agree'.

Thomassen and Schmitt (1999a) are less pessimistic as regards input legitimacy. Whereas Scharpf argues that there is no European collective identity, let alone a single political constituency, they show that the requirements of the (moderate) responsive party model (e.g., a congruence of political agendas among representatives and represented) is not that far removed from what is typical at the national level with respect to cleavage structures and the left–right dimension of the political spectrum. In fact, 'a truly European system of political representation involving transnational political parties competing for the votes of a single European electorate might be more feasible than is often suggested' (Thomassen & Schmitt 1999b: 257). It may be that there is no congruence between the agendas of European voters and representatives on strictly European issues (Thomassen & Schmitt 1999b: 258). However, this does not rule out the European responsible party model. A broad consensus among political elites (in contrast to opposite views among the electorate) may be enough for the development of an effective system of political representation in the EU. Still, in our view, various shifts in governance tend to cause a loss of responsiveness of traditional intermediary institutions and organizations, most notably political parties. This does add to the already considerable problems of responsiveness and hence – in this case, input – legitimacy.

Eising and Kohler-Koch (2000b) continued Scharpf's reasoning on the relation between lack of legitimacy and search for new forms of governance. They claim that the EU's frail democratic legitimacy favoured the emergence of EU network governance. 'The member states and the community institutions accept *consociation* as the central ordering principle in their relations, and regard *interest* as the constitutive basis of the EC system' (Eising & Kohler Koch 2000b: 269; emphasis in original; see also Gabel 1998). Network governance is supposed to increase both the governability (output legitimacy) and to involve more national actors in the process of European integration (input legitimacy). For them, network governance is the dependent variable and lack of legitimacy the independent variable, where most analysts have concentrated on the opposite causal relation (Haverland 1998; Van Kersbergen et al. 1999, 2000). And indeed, that opposite relation exists as well. Network governance – the solution – creates in turn new problems of legitimacy. Scharpf (2001: 14) points out that 'it is hard to see how informal networks of interest

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intermediation and anonymous expert committees could be considered satisfactory substitutes for the democratic accountability of representatives whose mandate is derived, directly or indirectly, from general elections based on the formal equality of all citizens'.

Other literatures have been concerned with problems of accountability and legitimacy as well. A major problem in the international relations literature on 'governing without government' has been the accountability deficit – that is, the fact that 'most collectivities in globalized space are not accountable for their actions' (Rosenau 2000: 192), whether they be multinationals, non-governmental organizations or international organizations. In international law, the so-called 'democratic entitlement thesis', which has gained in significance, is pushed beyond the human rights treaty system and hence is argued to have consequences for the relationship between democratic governance, accountability and international law (Fox & Roth 2000).

Critics have argued that the new public management may be detrimental to the representativeness of bureaucracies and democracy because it prioritizes performance over accountability to citizens. There is a problem with democratic accountability, not only because elected officials under NPM lose their top-down authority over public bureaucracies and managers, but also because it is difficult to maintain and increase the bottom-up control of all officials, including those employed on contracts as well as elected officials (Kelly 1998). Privatization and delegation to 'independent' regulatory agencies gives citizens fewer chances to control such agencies through voice and there is often insufficient compensation for this through new exit options.

Similar concerns exist in the broader network literature. Rhodes (2000: 61) writes: 'Networks are not accountable to the state: they are self-organizing.' Studying developments in Britain, Rhodes (1994: 138–139) has introduced the phrase 'hollowing out the state' in order to summarize how privatization, the transfer of public services to agencies, the relocation of governmental functions to the EU and the restriction on bureaucratic discretion reduce and fragment government. Hollowing out has as its main victim accountability.

Accountability has been of concern to the corporate literature since its inception. The separation of ownership and control with the 'managerial revolution' early on led to concerns about, among other things, who was to control the managers and how the interests of shareholders (or, more broadly, stakeholders) should be protected. The problem has been exacerbated by the participation of firms in networks. Just as parliaments have more difficulty controlling governments bound up in networks of corporatist concertation or in interstate networks (agreements reached after difficult negotiations in these networks cannot easily be amended by parliaments), so shareholders cannot easily modify the results of painstaking inter-firm negotiations.

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Emerging alternatives?

How might these new problems of governability, accountability and legitimacy be solved? This question is relevant both from a normative and empirical-analytical point of view, for new principles are already developing, both in empirical reality and as theoretical concepts. However, they do so in different spheres and are studied in different literatures. Can they really replace the old institutions of control with proven effectiveness over decades, if not centuries, like the rule of law, the separation of powers, judicial appeal or competition? Getting some familiarity with these other literatures embraced by the concept of 'governance' may inspire political scientists and students of public administration to develop new conceptions of control over the public institutions. Let us look at some such new conceptions.

The development of new levels (vertical) and arenas (horizontal) in public and private multilevel networks implies that these different levels and arenas form checks and balances for each other, just as federalism at the level of the nation-state has traditionally been a major check on central state power. However, can the 'public interest' be trusted with this new form of federalism, or will the different levels be more likely to represent rather particularistic interests? It seems that this is less a problem of accountability and more an issue of effectiveness of decision making (the joint decision-making trap of Scharpf).

An interesting idea, stemming from political science itself, is the concept of 'deliberative democracy' of Paul Hirst (1994). In essence, this suggests that policy networks be extended to include all the governed. 'Democracy in this sense,' says Hirst (2000: 27), 'is about government by information exchange and consent, where organized publics have the means to conduct a dialogue with government and thus hold it to account.' Government by consent dissolves the problem of accountability, so to speak. This requires large-scale institutional reform, the adoption of the so-called 'associative democratic model', which 'involves devolving as many of the functions of the state as possible to society (whilst retaining public funding) and democratising as many as possible of the organizations in civil society' (Hirst 2000: 28).

Where formerly public organizations are privatized and where economic governance through markets or associations has shifted in the direction of governance through large firm hierarchies, other controls on economic power may be needed to complement the control through competition. Thus different combinations of competition and regulation may be required, and new kinds of referees and market superintendents. 'Sectoral' and 'sectoral-unspecific' regulators will have to protect a minimum level of competition and set the rules of the game in the competition between the large players. Such

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independent regulators have been created in recent years, but they are not without their problems. The issue of how independent they are – as well as can they be and should they be – from politics, but also from the sector they are to regulate, is not easily solved. In addition, new mechanisms need to be introduced to guard the guardians, to control the regulators. One can think of courts, interest associations, professions, peers, science and policy evaluation studies, or some 'ombudsman' for competition, all with their own advantages and drawbacks. In fact, in this context it is not even certain whether control of competition and setting the rules of the game in the marketplace have to come from state or semi-state agencies anyway. Perhaps economic governance mechanisms may play a role here, such as liability litigation, self-regulation by industry, the setting of terms by insurance companies, commercial certification and the reputation rating of organizations.

With the increase in knowledge-based policy making, many participants in the governance network have expert knowledge or have recourse to sources of information and knowledge. Many also specialize in the production of knowledge, such as government planning bureaus, universities, ministerial research organizations, consultants and accountants. Their knowledge production involves, among other things, policy evaluation and comparison, cost-benefit analysis, benchmarking and competition over standards. It is fed into policy-making arenas, including the public media, and confronts policy makers with policy consequences: real consequences of past policies and prospective ones of future policies. These new forms of technocracy pose serious problems of accountability. Its is unclear who has enough counter-expertise to control the experts. Independence may be crucial for the objectivity of information and the neutrality of the providers, but how independent are government planning bureaus? The combination of accountancy and legal representation in large accountancy and law firms may very well reduce the credibility of the accountants.

New forms of technocracy may pose problems, but they also provide solutions. Other actors, for instance, are induced to produce counter-expertise and information. Examples are the publication of benchmarking studies on the performance of individual schools, hospitals and municipalities. Thus information exchange and disputation itself becomes part of the system of checks and balances within the network administration and the network economy. It works also as a mechanism for mutual learning, and functions both in private and public (media) arenas. In this way, networks may be producing their own system of mutual control. There are, however, still many problems related to this production and exchange of information that require investigation. For instance, it is complex to control the quality of information and the credibility of information providers and critics. It may or may not be desirable and

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possible to create a 'certification' system. Perhaps there are possibilities and conditions for 'peer review' among information producers (such as sociological researchers or accountants).

There seems to be an increased need for new forms of quality control over organizational agents. The professionalization of the staff of organizations and their growth in size has increased the information asymmetries between organizational leaders and workers. This holds for the public bureaucracy, but also for independent agencies and even commercial organizations. It may no longer be realistic to hold leaders responsible for all the deeds of their employees. The constitutional principle of ministerial responsibility may increasingly become a fiction, but are any alternatives being developed? Perhaps we may learn from principal-agency theory in economics, for instance by looking at how organizations compensate for such asymmetries and studying the possibilities of giving 'agents' more responsibilities, greater discretion and holding them directly accountable to the outside world. If they were not held to account to Parliament, then perhaps this could be a role for an institution specifically designed to evaluate the quality of the civil service and individual civil servants. Such solutions undoubtedly have pitfalls that need to be addressed in the light of possible alternatives, such as peer review among civil servants.

An important contribution to control of policies of both state agencies and private business comes from public interest associations, which have spontaneously developed from the bottom up in civil society. Examples are the various national and international associations of environmentalists and critical consumers. In addition, organizations have emerged that control in general how efficiently government agencies spend their resources, similar to the ones already in existence in the private sector (e.g., rating agencies and accountants). They too produce critical knowledge and information: policy evaluations, benchmarking studies and other performance comparisons. In addition, they feed it into the various policy networks and policy communities in which they often participate. They also facilitate public democratic control by publishing their critical information and drawing political attention by public events, demonstrations or spectacular actions. The issue is whether such organizations are acquiring a more stable position within the formal system of political checks and balances. Perhaps they should be given such a position, although too much institutional integration may backfire and reduce their effectiveness and legitimacy among the general public as countervailing powers.

Recent years have seen a strong increase in the interest in business ethics, especially in the United States, as exemplified by the number of courses taught on the subject in major business schools and by the number of articles in the management literature devoted to it. Here ethics could have a role to play, as

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do appeals to norms and morals, in controlling the behaviour of powerful actors. Similar considerations may hold with regard to bringing such business ethics – if necessary through new public management – to public sector organizations.

The question is whether reliance on voluntary normative schemes is a real option. Training institutes may play a role in the socialization of expert and policy communities into specific 'professional' standards of behaviour (such as with the French *Grandes Ecoles*, or Westpoint for the United States Army Corps of Engineers). The effectiveness of the sanctions of 'naming' and 'shaming' is perhaps unstable, as it depends on the sensitivity of actors regarding their reputation. A reputation may or may not be important for functioning in economic and political arenas. More and more control systems are already relying on this, such as peer review in academia and in the professions, but can this be extended to the business world, and in which settings (e.g., large or small communities) is 'naming' and 'shaming' most effective?

From the sociological network literature (Knoke & Kuklinski 1982; Laumann & Knoke 1987) we know that actors who occupy a more central position in a network are more visible to others inside and outside the network, that information about their behaviour spreads more rapidly, that they are therefore more careful about maintaining a positive reputation, and that they are hence better able to resist temptations for opportunism, fraud or abuse of power. They also make a greater effort to be exemplary citizens. Thus larger and more visible firms care more about their reputation – for instance, regarding the environment or the treatment of their personnel (e.g., having a works council). This points to the importance of information spreading. It seems that new technologies – the Internet, e-mail, telecommunications – offer opportunities for spreading information more rapidly, and hence for making 'naming' and 'shaming' more effective instruments for social, political and economic control. However, there is of course also another side to this coin, because these new technologies also pose the danger of overhasty, sloppy, arbitrary and unfair blemishing of reputations. Modern day equivalents of witch hunts are a real danger and some actors, especially the more visible ones, may need new legal protection to ensure fair treatment in the arenas of Internet and the global mass media. Issues such as whether it is acceptable to use information about an actor's personal life for the evaluation of his functional performance need to be settled.

Conclusion

Such control institutions could all be topics for both empirical and normative studies. Which new control institutions and mechanisms do we see emerging?

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Our point is that it pays to look over the fence of political science, particularly to sectors or spheres studied by other disciplines, as many of the issues of governability, accountability, legitimacy and responsiveness arise here rather than in traditional political institutions. Yet such issues have momentous consequences for traditional institutions. How well do new control institutions and mechanisms perform? How well can they? Under what conditions? What changes would be useful in organizational structures, tasks and authority, and what resources are required for such instruments of control? And can solutions found in the private sector, in private networks, also be used in public networks?

By way of conclusion, we offer an ordering of these issues by identifying three main questions, or rather, clusters of interesting conceptual, theoretical and empirical problems and questions that are highly relevant for the theoretical advancement of political science in its relation to the disciplines of law, public administration, economics, business administration, geography and sociology.

Description of shifts in governance

There is a need to better understand precisely what the new forms, locations and capacities of governance look like and how relevant they are in diverse areas and at different levels. There is no consensus on which set of phenomena can properly be grouped under the title 'governance', while at the same time the significance of the topic is well appreciated by most researchers. In addition, there is considerable debate on the issue of whether (and to what extent) we, in fact, observe 'shifts' in government or whether we rather witness a process of redefining 'governance' or symbolic changes. These issues, we propose, may be defined as the problem of empirical identification and this touches, among other things, on the issue of to what extent we are still capable of describing observable new empirical phenomena with the help of the traditional conceptual tools of political science in an analytically sensible manner.

Causes

There is a debate on what is driving the observed shifts in governance. This, we suggest, may be characterized as the problem of the identification of causality and, among other things, concerns the development or elaboration of theories that are capable of explicating causes and causal mechanisms connecting independent variables and shifts in governance as the dependent variable of interest. One important and unresolved question is whether observed

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shifts in governance are brought about by changes in the type of problems with which governments are confronted.

Consequences

There are also controversies over the issue of the outcomes of shifts in governance. This, we think, can best be characterized as the problem of the identification of effects and concerns the issue of the effects of shifts in governance on a wide variety of empirical phenomena and associated normative matters. We hold that for political scientists it is particularly important to focus on issues of governability, accountability and legitimacy. Note that here 'shifts in governance' is brought into the equation as an independent variable. A further relevant distinction is that between questions and possible answers that are empirical-analytical – that is, those that deal with the issues of what is already happening and why – and questions and possible answers that are normative-evaluative – that is, pertain to questions of what should be and what should not be done – perhaps not only measured by the standards of effectiveness, efficiency and legitimacy, but also by the criteria of justice and equality. Finally, the observed shifts in governance and their (hypothesized) causes seem to require a new, proactive effort of institutional reconstruction and constitutional engineering, that is to say it raises questions of political-institutional design in reaction to observed shifts or in anticipation of expected changes in governance.

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