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On the Different Facets of the Debate on Governance¹

The concept of governance dates back to 14th century France. There it was used in context of court affairs. Being used as a synonym for government, e.g. when referring to royal officers, it remained a marginal concept. Governance obtained its present popularity in the academic context only in very recent times (Pierre/Peters 2000: 1f.) and is now used in a wide variety of academic and political fields to describe phenomena that go beyond the synonym for government. Its growing popularity is reflected by the steadily growing amount of literature. Whereas the catalogue of the British Museum Library lists only 67 results for “governance” before 1975 (<http://www.nationalarchives.gov.uk>), the Social Sciences Citation Index displays 9,829 results between 1976 and 2005. Most of the articles have been written since the beginning of the 1990s. In 1990 only 45 articles were written with a focus on governance, in 2005 as many as 1,505 articles on governance were registered (<http://portal.isiknowledge.com>). On February 1st 2007 the Internet search engine www.google.com displayed 96,400,000 results for “governance”, which exceeds the 31,600,000 results for “globalization”. The explosion of literature can partly be attributed to language questions, as governance has remained an Anglicism in German. On the other hand, it also indicates a “bandwagon effect” (Jessop 2006a), as the concept is currently applied to a wide range of topics.

This exceptional increase of attention is mainly due to transformations of the political conjuncture, as theoretical concepts always emerge within specific historical circumstances. To contextualize the conjunctural background of the current discourse on governance I will first illustrate its emergence within the perspective of recent socio-economic transformations. This shall provide the basis for the understanding of the concept’s general characteristics. The renowned governance theorists Jon Pierre and B. Guy Pe-

ters (2000: 7) state that “the concept of governance is notoriously slippery; it is frequently used among both social scientists and practitioners without a definition which all agree on”. The main aim of this article is therefore to give an overview on the different meanings and directions of governance within the framework of development studies. In a second step I will present the diverse approaches to governance, to provide the basis for an analysis concerning the potential and the problems of the concept for development studies.

1. Governance and socio-economic development

The concept of governance emerged within a specific socio-economic context. (1) Fordism was the hegemonic project from the 1940s to the 1970s (2) when it went into crisis and gave way to the emergence of a liberal mode of governance, which has never been able to gain as much popular support as Fordism and thus, has always showed more crisis-tendencies. These developments have been linked to transformations in the territorial dimension of political decision making.

(1) During the 1930s Fordism emerged as a new mode of societal organization. It gradually achieved hegemony after the end of World War II and lasted until the 1970s (cf. Hirsch 2002: 84ff.; Jessop/Sum 2006: 58ff.). Fordism materialized within different models of the Keynesian National Welfare State in the USA and Canada, north-western Europe, Australia, and New Zealand (Esping-Andersen 1990; Jessop 2002: 55ff.). In the peripheral countries Fordism materialized in a less inclusive form within the Developmental State (Becker 2004). These different models were generally characterized by mass production for mass consumption within the “power container” of the national state (Taylor 1994). Mass production was made possible by technological progress resulting in productivity gains, whereas for mass consumption the working class had to obtain the necessary purchasing power. This was managed via relatively high wages that were negotiated within corporatist arrangements (Jessop 1990: 110ff.). Public services provided a “social wage” by reducing the costs of living. Thereby “anti-value” (Oliveira 1988) was created, i.e. state-provided goods were indirectly responsible for capital accumulation as they did not directly result in profits

but improved the situation of the working class who was then able to consume more goods in the market. However, women tended to be excluded as the “patriarchal welfare state” (Pateman 1989) was focused on the male wage earner. Nevertheless, Fordism resulted in high economic growth rates, which came along with diminishing social inequalities in most parts of the world (Hobsbawm 1995: 257ff.).

Fordism was internationally organized by the Bretton Woods institutions that helped to constitute the economic territory of the national state via restrictions for capital flows. The resulting relative internal sovereignty provided the basis for national class compromises and/or import substituting industrialization. The dominant discourse was centred on the notion of “development”, which led to the heydays of “social engineering” and planning (Novy 2002: 87ff.). Political theory was thus focusing on top-down approaches, by means of planning, policy development and implementation (Mayntz 2003: 28f.), centred on the national state. The corresponding political regulation resulted in economic forces being “embedded” in society, to quote the famous political economist Karl Polanyi (1978).

(2) Between the late 1960s and the early 1970s Fordism went into crisis. Between the 1970s and the 1980s a liberal mode of societal organization started to emerge. Beginning in 1973 with the military dictatorship of Pinochet in Chile, liberalism was implemented in the industrialized nations towards the end of the 1970s. Then Margaret Thatcher was elected prime minister of Great Britain in 1979 and Ronald Reagan was elected president of the USA in 1980 (Harvey 2005b). Important changes concerning socio-economic organization have been taking place since that time (cf. Hobsbawm 1995; Hirsch 2002; Jessop 2002). In terms of Polanyi (1978), the economy has been “disembedded” from society as market forces have been gaining strength (Altvater/Mahnkopf 2002: 90ff.).

“Disembedding” is mainly characterized by the dismantling of the welfare and development states. Instead of being treated as a source of demand, wage tended to be treated more and more in terms of costs to the capitalists. The social wage in the form of the provision of public goods was reduced by efforts of privatization (Altvater 2003), which led to the inclusion of various new fields into the process of capital accumulation on the one hand, and to rising insecurity among the majority of the population which came along with rising social inequalities on the other hand (Duménil/Lévy 2001; Wade

2004). Another important element has been spatial restructuring, which has exhaustively been analyzed within the framework of “globalization studies” (Hurst/Thompson 1996; Held/McGrew 2000; Altvater/Mahnkopf 2002; Petras/Veltmeyer 2003). The national state was no longer considered to be the main node of power (Taylor 1994), as global development has been increasingly managed by multi-lateral institutions and a few dominant nation states (Zeller 2004; Harvey 2005a). A crucial point in this direction was the deregulation of financial markets leading to a financially dominated accumulation regime (Kirshner 1999; Chesnais 2004), as financial capital gained power *vis á vis* (but also deeply intertwined with) the producing sector of the economy.

Contemporary governance theory had its starting point at that time, as Oliver E. Williamson (1979) introduced it for transaction cost economics, reflecting on hierarchical (state-based) vs. market-based modes of regulation and organisation. Until the beginning of the 1990s governance tended to head more into the direction of displaying the virtues of political steering by market forces as state intervention tended to produce failure (Mayntz 1993). “Governance is on occasions used to provide the acceptable face of spending cuts. It is a code for less government”, as Gerry Stoker (1998: 18) correctly summarized this tendency, which provided the basis for the so-called “Washington Consensus” (cf. Williamson 1990). Nevertheless, governance theory later had to include market failure and thus rethink the role of the state.

Apart from the social crisis resulting from rising inequality and poverty (Wade 2004), neoliberalism also produced vast economic crises, especially the financial crises between 1997 and 2002 (Becker et al. 2003b). These crisis-tendencies were rooted in structural contradictions (cf. Jessop 2002: 103ff.) and led to certain revisions of liberal politics, as expressed by the emergence of a “Post-Washington Consensus” (Helleiner 2003; Schwank 2003). In the wake of market failure and social crises, liberalism therefore seems to develop a “human face” (JEP 2/2003; Cornia et al. 1987), which may lead to the rise of an “inclusive liberalism”. Analysing development policies of the international financial institutions as well as so-called “third way social democracy”, Doug Porter and David Craig (2004) developed this expression, which does not only comprise the social side of the inclusion of the formerly excluded population, but also shows that this can lead to an

even more sustainable form of liberalism. This development is certainly not pre-determined and therefore empirical studies on the subject are necessary. Miriam Heigel's article in this issue will reflect empirically upon the effects of the crisis of liberalism. Taking Latin America as an example, which has probably been the region which was most affected by the liberal transformation (Gwynne/Kay 2000; Becker et al. 2003a; Sader 2005), she analyzes current developments. Within a framework of Poulantzian state theory she argues that despite some changes it does not seem as if a post-liberal society was on the rise.

The transformations in political economy have been accompanied by transformations in the according theories. Here governance comes into the scene as a kind of solution to the dilemma of state and market failures and thus as a theoretical expression of the crisis-tendencies of liberalism in its pure form².

2. General Characteristics of Governance

The concept of governance has two main dimensions: (1) Concerning actors in politics it describes a new mode of governing which transcends the rather mechanical view of governing as government. This leads to the normative claim to be a concept of a more integrative form of governing which offers the most efficient techniques of governing. (2) In a territorial dimension governance tries to capture ongoing spatial restructuring by introducing global, regional, and local dimensions beside the national state.

(1) Differing from the usage in former times when it was either synonymous with government or with steering by market forces, governance can be defined as the totality of theoretical conceptions on governing, which, according to Jan Kooiman (2003: 4), "can be considered as the totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities". This indicates a shift in the conceptualisation of state and power. The state is no longer treated as the only agent responsible for societal development but is recognized to have a crucial role in steering society. The emphasis thus shifted towards the analysis of the interplay between state and non-state actors (Kooiman 1993; Rhodes 1997).

Thus, governance claims normatively to be a concept of a more integrative form of governing which permits broader participation of civil society. It claims to overcome bureaucratic and hierarchical forms of government, characteristic of the Fordist period, by offering participation and the integration of civil society and the citizenry in planning and community development. NGOs and Public Private Partnerships are new organisational forms seen as innovative responses to the crisis of the state and politics (Kooiman 1993; Demirovic 2003; Kamat 2004; Smith et al. 2006). Therefore, the governance approach tries to cope with the question of how the interplay between government and private actors can be managed in the most efficient way. The “cooperative state”, as the proposed solution was called by Renate Mayntz (2004: 68ff.), results in the re-emergence of corporatist arrangements (Jessop 2003b: 35f.).

(2) Another important characteristic element of governance theories is the shift in the conceptualization of space. The state thus not only comprises a larger number of actors but is also not necessarily linked to the territory of the national state. The importance of trans-scalar linkages of international, regional, and local networks has grown significantly instead (Madanipour et al. 2001; Le Galès 2002; Bache/Flinders 2004; Benz 2004b; Brenner 2004; Benz/Papadopoulos 2006). The above-mentioned debate on “globalization” has influenced governance theories (cf. Rosenau/Czempiel 1992). Beside the growing influence of international agents, local agents have also gained importance due to ongoing processes of decentralization (Hutchcroft 2001). To put it in a nutshell, governance theories try to grasp the double movement of political power shifting away from the national state towards trans-national and multi-national levels on the one hand and local levels on the other hand.

3. Governance in different academic and political fields

Despite the common features there are many different approaches to governance. In the following chapters these differences will be presented in line with the academic areas where they are mainly applied. In this article I will distinguish between governance (1) within the domain of international relations, (2) within the domain of business administration, represented by

corporate governance, (3) within the domain of state theory, and (4) within development theory via the normative concept of “good governance” (cf. Hirst 2000; Rhodes 2000; Benz 2004a; Kjær 2004; for similar, but slightly different classifications).

3.1 Governance and international relations

Governance in the field of international relations covers mainly two different areas. (1) The debates on globalization led to the inclusion within the rather analytical concepts of multi-level- or multi-scalar-governance (Bache/Flinders 2004; Eising 2004; Brand 2006). This area has also drawn heavily on studies of regionalist governance (Payne 2000), especially concerning the European Union (Sbragia 2000; Eising 2004; Holman 2004; Yee 2004; Jessop 2006b). As the EU provides the most radical example of the internationalization of statehood it will also serve as point of departure for case studies in this issue. The case studies of Daniela Coimbra de Souza and Andreas Novy and of Chiara Tornaghi will show the influences of EU-policies on regional and local governance. Giancarlo Cotella will analyse the transformation of the Central and Eastern European Countries after the breakdown of actually existing socialism, taking the influences of international agents such as international financial institutions and the European Union into account.

(2) Another important approach, which refers normatively to the above-mentioned debates on globalization, is global governance (CGG 1995; Kennedy et al. 2001; Brand 2005: 150ff.; Soederberg 2006; Ziai 2006: 70ff.). This concept is a response to the critique of the decline of democracy due to negative side effects of “globalization”. The alleged loss of power by the national state and the perception of common global problems such as environmental policies have led to the idea that these problems should be solved by international networks of political actors.

The literature on the field of governance and international relations covers a wide spectrum of themes ranging from the governance of global commodity chains (Gereffi et al. 2005) to the governance of international organizations (Stiglitz 2003; Verweij/Josling 2003; Kapoor 2004). Ulrich Brand’s article in this volume will provide further insights into governance and international relations as this field is crucially important for development studies.

3.2 Corporate Governance

The growing importance of corporate governance hints at the legal dimensions of the blurring boundaries between government and business actors. The main current of corporate governance studies is associated with the relations between the shareholders and the management of capitalist firms. Starting at the beginning of the 1990s in Great Britain with concerns about the abuse of power by managers (Cadbury Committee 1992), corporate governance tries to establish rules to protect shareholders from bad practices of management officials. This development culminated in the establishment of principles of corporate governance, first published by the OECD in 1999 and then revised in 2004 (cf. Jesover/Kirkpatrick 2005). In contrast to legal regulations, which are issued by national states and sometimes international, regional or local administrative bodies, the principles of corporate governance are private regulatives issued by individual firms in the last instance, while the OECD principles only provide the guidelines to follow. This development occurred mainly due to (1) the above mentioned financialization of the economy (cf. O'Sullivan 2003) and (2) the rising inequalities in payment and power between workers and top managers who managed to get into a privileged position where they are not accountable, neither to the remaining employees nor to the shareholders of the company, especially owners of small stock (cf. Erturk et al. 2004).

Especially after the financial crises at the end of the 1990s, the promotion of this Anglo-Saxon version of governance in the countries of the global south came hand in hand with Structural Adjustment Programmes (SAPs), imposed by the IMF and the World Bank, which usually were designed more towards the needs of multinational corporations in industrialized nations than towards those of the local population (Soederberg 2003; more on this theme in the section on good governance in this article).

Apart from the above mentioned shareholder value oriented version of corporate governance there is also a stakeholder value oriented version, with a larger variety of actors being included. Apart from employees, management and shareholders, the clients and the public are referred to as stakeholders (cf. Hilb 2005). In recent years, Corporate Social Responsibility (CSR) has turned into an important concept for the creation of stakeholder value. Companies instead of governments are taking care of social and environmental regulations (Thompson 2005). This can be seen as a response to

the criticism by NGOs, e.g. the Clean Clothes Campaign or the Fair Trade movement, which tries to make the concept of CSR part of a marketing strategy (Soederberg 2006).

In short, corporate governance aims at the previously mentioned blurring of the private and the public spheres as some of the legal regulations formerly provided by the state are now provided by private companies.

3.3 Governance and the transformation of statehood

As already stated above, governance has its main field of application within state theory and public policy approaches, including more actors than the planning approaches of the 1960s and 1970s and more scales of political action (cf. the section on the historical background of governance in this article). Apart from the field of international relations already mentioned above, governance also relates to local and urban governance (Pierre 1999; Hillier 2000; Le Galès 2002; Brenner 2004; García 2006). This field will be covered empirically in this issue of JEP, with Daniela Coimbra de Souza and Andreas Novy's article, who analyze the formation of regional growth alliances in Brazil and Central Europe and thus contribute to the theories of regional governance. Chiara Tornaghi's article deals with the practice of urban governance in a town on the periphery of Milano/Italy and the introduction of participatory schemes – an important innovation of local governance in recent years (cf. Fung/Wright 2003; Moulaert et al. 2005; Melo/Baiocchi 2006).

Another important innovation within the governance approach is the shift from input- to output-oriented public management. The focus is thus less on the procedural dimension, e.g. on the democratic legitimation of the institutional design of decision making bodies, as the shift towards the output dimension means that the main emphasis should be on the efficiency of political actions (Peters/Pierre 2006). This development is linked to the increasing use of New Public Management, which has put a heavy emphasis on the change of the role of the state, which is supposed to perform less “rowing” in the sense of direct government involvement but more “steering” in the sense of output-oriented governance (Osborne/Gaebler 1992: 34ff.). This new focus makes Peters and Pierre (2004) speak of a “Faustian Bargain” as governance tends to favour short-term output efficiency at the expense of long-term democratic legitimacy and socio-economic sustainability.

With slightly different emphasis – with the Dutch school’s approach of “governance as a socio-cybernetic system” (cf. Kooiman 1993; 2003), the German approach of “governance as steering” (cf. Mayntz/Scharpf 1995; Benz 2004b; Mayntz 2005) and the British approach of “governance as networks” (Rhodes 1997; 2000) – governance represents an approach to politics different from the planning conceptions used before. Instead of state-driven top-down arrangements, governance takes place within policy networks where the state’s role is the coordination of the actions of the different private actors involved. The case study of Giancarlo Cotella deals empirically with the transformation of Poland and surrounding Central and Eastern European Countries (CEECs) from planned economies within the system of “actually existing socialism” to systems of liberal governance. It will thus further highlight the transformation from planning to governance. However, Cotella shows – in line with state centred governance approaches (e.g. Pierre/Peters 2000) and critical approaches of political economy (e.g. Jessop 1998; 2003a) – that apart from the official discourse of a “powerless state” the state remains the crucially important political actor. In the case of the CEECs it will also be made clear that national actors are nevertheless heavily dependent on external actors such as the EU, the international financial institutions (ISIs) or governments of the richest European countries in cooperation with business actors. Together with the analysis of Miriam Heigel, Giancarlo Cotella’s article will thus provide an empirical background for the understanding of the role of centre – periphery relations in the international governance regime.

3.4 Good Governance

Good governance is a normative concept, which is favoured by important international institutions such as the World Bank (1992), the OECD (1995), the United Nations (UNDP 1997) or the EU (EC 2003). These institutions have developed slightly different notions of the concept (cf. Weiss 2000 for a good comparison), which nevertheless show a lot of similarities. The emphasis will be on the World Bank as its influence via the conditions of SAPs is crucial for developing countries.

With its roots in the World Bank’s development efforts in Africa (World Bank 1989), good governance has turned into one of the central concepts of the World Bank in its attempts to re-establish its role as “the world’s lead-

ing development agency” (Weaver/Leiteritz 2005: 369). The development of the good governance approach went hand in hand with the transformation of the so-called “Washington Consensus” (Williamson 1990) into a kind of “Post-Washington Consensus” (Williamson 2004; cf. also JEP 2/2003; Helleiner 2003; Schwank 2003; Burchardt 2004). In the beginning the emphasis was on the “need” to privatize state-owned enterprises to promote economic development, as state bureaucrats and politicians were regarded notoriously corrupt and state-owned enterprises therefore treated as inefficient. Consequently, the economy was liberalized and deregulated. As the African experience has shown that the restructuring in the wake of SAPs resulted in rather weak productivity gains and the rise of poverty and social crisis (Adedeji 1999), which also applied to the rest of the world (Cornia et al. 1988; Lopes 1999; Imhof 2003) it became evident that the concept of the Washington Consensus had to be revised. “Governance” was a welcome response to the above mentioned crisis of liberalism, as it was possible to “bring the state back in” (Evans et al. 1985), without having to withdraw from the arguments against state involvement (cf. Abrahamsen 2000: 47ff.; Ziai 2006: 70ff. for discourse analysis).

Especially since James Wolfensohn entered office as president of the World Bank in June 1995, the state has been assigned with a new role. It should be accountable to its citizens and engaged in the fight against corruption and poverty. This development was accompanied by the World Development Report, the bank’s most important yearly publication: “The State in a Changing World” (World Bank 1997) and “Building Institutions for Markets” (World Bank 2002) clearly indicated this shift towards the comeback of the state, whereas in “Attacking Poverty” (World Bank 2001), poverty reduction was put into the centre of the debate, which has also been accompanied by the introduction of Poverty Reduction Strategy Papers (PRSPs) as obligatory parts of World Bank financing (JEP 2/2003). The focus on third sector engagement, accountability, and poverty reduction are means to try to outbalance social exclusion produced by the liberalization of the economy and privatization on the one hand. On the other hand, participatory structures, which have to be included within the PRSPs by the respective developing countries, hardly ever comprise decision making structures. On the contrary, the influence of the World Bank reduces the space of manoeuvre for local politicians and thus undermines democracy (Abrahamsen

2000; Cammack 2004; Weber 2004). Therefore, the emerging good governance regime can be analyzed as a “new continuity with colonial administration” (Cooke 2003).

4. On the potential and problems of governance for development theory

Governance can be seen as a concept to cope with the liberal transformation of society. In its more analytical forms or its normative forms, the focus lies on spatial transformations and the inclusion of civil society in the political game. Problems arise with democratic legitimacy, as private participants are normally not elected. Furthermore, their participation relies heavily on their financial resources for the necessary measures to be accepted as relevant experts and for the journeys to the places where governance takes place. Public space is thus potentially privatized (Burchardt 2006). Questions of democratic legitimacy therefore ought to be considered if governance is to serve the purpose of providing a background for development studies.

Antonio Gramsci (1971; 1992ff.) already included civil society in political analysis by the end of the 1920s. This historical heritage is hardly ever taken into account in governance theory, with the important exception of the strategic-relational approach (e.g. Jessop 2004). Gramsci had a broad understanding of the “integral state”, including state bureaucracy and government as well as civil society (Jessop 1992). The corresponding neo-Gramscian theories on the state have always treated the state as the concrete form of power relations (Jessop 1990; Poulantzas 2001; Hirsch 2005), thereby differing from the widely used definition of the state as neutral arbiter of the common good as applied by mainstream governance theorists (Kjær 2004: 124ff.). The inclusion of this conception of the state together with the recognition of the contradictions of capitalist development, which lead to governance failure (Jessop 2003a) can help overcome the normative and excessively positive connotations of consensual arrangements present in most of the governance approaches. As Florian Oberhuber (2005) shows in his discourse analytical study of the drafting of the European Constitution, “consensus” can easily be replaced by “mainstreaming”, where “a ‘stream’ of

communications is inconspicuously but steadily narrowed down, extremes on both sides are discarded, divergent questions and issues are marginalized, deviant positions ignored or ostracized, the stock of taken-for-granted assumptions, which must not be called into question, thus, is accumulated, and a dominant discourse (a 'mainstream') is established" (Oberhuber 2005: 177). Within the discourse of technical "efficient" solutions, questions on who benefits from "mainstreaming" remain untouched.

For this sake, governance theory would have to be extended into a theory of power relations. Beside the Strategic Relational Approach and neo-Gramscian theories, Foucauldian analyses of governmentality (Burchell et al. 1991; Lemke 1997; Bröckling et al. 2000), which emphasize the micro-power relations influencing civil society, and feminist approaches to state theory (Sassoon 1987; Sauer 2001) can be fruitful for this sake. Ulrich Brand's article in this issue of JEP deals with global governance in this way, pointing at problems and potentials of governance theory when applied to complementary theories.

Another important problem of governance theories is a certain lack of empirical analysis. Therefore the four remaining articles in this issue are concerned with current developments of governance regimes on different scales – from urban governance, as emphasized by Chiara Tornaghi, via regional governance, as emphasized by Daniela Coimbra de Souza and Andreas Novy, to governance of nation states as emphasized by Giancarlo Cotella and Miriam Heigel. The different regional foci of Southern Europe, Central and Eastern Europe and Latin America shall point out the dimensions of regional differentiations and different international influences. The aim of this special issue is therefore to highlight governance in a multi-scalar perspective to provide insights into the practice and analysis of development politics.

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- ²⁾ I owe this idea to Bob Jessop (2006a), who hinted at the correlation between the development of governance theory and the crisis of liberalism at a conference on multi-level governance, which took place in Kassel in November 2006.

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Abstracts

The aim of this article is to give an overview on the different meanings and directions of the concept of governance within the framework of development studies. First, the emergence of the concept of governance will be illustrated within the perspective of recent socio-economic transformations. The resulting contextualization of the conjunctural background of the current discourse on governance shall provide the ground for the following description of the concept's general characteristics. In a second step the diverse approaches to governance will be presented, to provide the basis for an analysis concerning the potential and the problems of the concept for development studies and politics.

Der vorliegende Beitrag zielt darauf ab, einen für Entwicklungsforschung relevanten Überblick über die verschiedenen Bedeutungen und Anwendungen des Konzepts *Governance* zu vermitteln. In einem ersten Schritt wird das Aufkommen des Konzepts mit Hilfe der Darstellung aktueller sozioökonomischer Transformationen erläutert, um den gesellschaftlichen Hintergrund seiner Entstehung zu erklären. Das soll die Grundlage für die

anschließende Beschreibung der generellen Charakteristika des *Governance*-Konzepts liefern. In einem weiteren Schritt werden die verschiedenen Zugänge zu *Governance* dargestellt, die als Basis für eine Analyse der Potenziale und Probleme der Anwendung des Konzepts für Entwicklungspolitik und -forschung dienen.

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