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**From government to governance: Political steering in modern societies.<sup>1</sup>**

Governance is a word and a concept that has recently become very popular. For a long time, the word „governance“ simply meant „governing“, government seen as a process. Today, however, the term governance is mostly used to indicate a new mode of governing, different from the old hierarchical model in which state authorities exert sovereign control over the people and groups making up civil society (Mayntz 1998). ‘Governance’ refers to a basically non-hierarchical mode of governing, where non-state, private corporate actors (formal organizations) participate in the formulation and implementation of public policy (Rhodes 1997).

Beginning in the 1970s, a certain shift from hierarchical to a more cooperative form of government has been observed by political scientists, first in West European countries, i.e. countries that used to have strong, interventionist states. Characteristic forms of modern governance were also found in the United States, but did not strike observers as particularly new since the US lack the tradition of a strong interventionist state and have always stressed individual autonomy and self-government. Non-hierarchical political control is also found in the European Union. The European Union is a system of multi-level governance, where networks rather than hierarchical authority relations are the dominant structural feature – networks of member state representatives, networks linking the national and the European levels of decision-making, and networks linking public and private actors across policy sectors and political levels (Kohler-Koch/ Eising 1998). And if we move to the international level, there has never been anything else but „governance without government“, as a famous book title puts it (Rosenau/Czempiel 1992). Governance has become a pervasive form of political steering.

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In Western Europe, the crucial experience that triggered the movement from a more interventionist state and hierarchical control to more cooperative forms of governance was the failure of ambitious reform policies that had been pursued after the end of the Second World War and the immediate post-war reconstruction period (Mayntz 1996). Though not without effect, many of the intended reforms did not achieve their goals. In the 1970s, economic growth also slowed down. Apparently the isolated national state alone was not able to assure constantly growing wealth. The disappointment of the belief in the state as an effective political steering center of society gave rise to the search for alternative modes of guiding socio-economic development.

One of these alternatives was deregulation and privatization, the turn from the state to the market. Market principles became the backbone of the political ideology of neo-liberalism and Thatcherism. Deregulation and privatization were believed to stimulate economic growth and liberate forces of innovation in all areas of productive activity. Around 1989, the break-down of state socialism in Eastern Europe strengthened the belief in the superiority of the market. But a series of political crises and economic set-backs has meanwhile discredited the bright promises of the market as driving force of progress. Increasing attention is given instead to the second alternative to the hierarchical state, the move from government to governance, which means that state authorities cooperate with private corporate actors and that private organizations are involved in public policy-making. In complex environments, non-hierarchical forms of decision-making can produce more effective solutions than even a "benevolent dictatorship", or paternalistic domination: they permit to process more information and to take a greater variety of values into account, and they make for higher flexibility and adaptability (Scharpf 1993b).

The cooperation of state and civil society in public policy making takes place in different forms. Most attention has been given to the direct collaboration of public authorities and private corporate actors in policy development. The

private corporate actors involved are mainly organized interest groups, but sometimes also large enterprises. Collaboration can occur in the form of so-called neo-corporatist arrangements, the institutionalized negotiation between the state, organized business, and organized labor about issues of macro-economic policy. Such neo-corporatist structures exist in a number of West-European countries, including for instance Sweden and Austria, but also Germany. Though the most spectacular manifestation of neo-corporatism, the German "Bündnis für Arbeit" (alliance for jobs) has miserably failed, tripartite negotiations still exist, today especially in the field of social policy.

Mixed networks of public and private actors can also be found in a number of more narrowly defined policy sectors, for instance in telecommunications, public health, or scientific research (Marin/Mayntz 1991). The composition of these policy-networks differs. The German science policy network for instance includes large research organizations like the Max-Planck society, federal and *Länder* authorities, and the *Hochschulverband*, the association of (mainly public) institutions of higher learning; negotiations are often conducted in the framework of the Science Council (*Wissenschaftsrat*). In the United States, a frequently found kind of policy network is the "iron triangle", which consists of the federal authority working in a given policy field, a powerful interest organization, and the respective parliamentary appropriations committee. The emergence and growing importance of policy-networks is a particularly important feature of modern governance. Where public policy is developed in policy networks, government is no longer the steering center of society. In policy networks, the state and civil society are loosely coupled, and interaction within such networks produces a negotiated consensus which facilitates the formation of a policy that meets with compliance rather than resistance in the phase of implementation. This mode of policy making is adapted to a complex and dynamic social environment, where central coordination is difficult if not outright impossible.

In addition to the direct cooperation of public and private actors in policy networks, certain forms of societal self-regulation are also part of modern governance. Self-regulation means that private organizations fulfill regulatory functions that are ultimately in the public interest. One form of societal self-regulation are systems of negotiation between the representatives of different or even opposed interests. An example is the German system of institutionalized wage bargaining between capital and labor, in which the government does not participate and where it is not supposed to interfere. A second type of societal self-regulation are the so-called private governments. Private governments are organizations that impose norms and standards on their members that do not only serve their own, but also certain public interests (Streeck/Schmitter 1985). Examples are the German DIN, a private organization that defines technical standards and quality norms, and professional associations that define ethical norms.

At least within a nation-state, these different forms of social self-regulation exist “in the shadow of hierarchy“: they are often established by the express delegation of functions from the state to private organizations, and they are monitored by the state. If self-regulation remains ineffective, the state can step in and regulate by direct intervention. Delegated self-regulation is thus an indirect form of cooperation between state and civil society. But it needs a sufficiently powerful state to motivate self-regulation which takes account of public interests and does not only benefit the participating actors themselves. Self-regulation in the context of modern governance is always regulated self-regulation.

The last remark directs our attention to the fact that effective modern governance can only emerge in societies that meet certain institutional and structural preconditions, both on the side of the political regime and on the side of civil society. Political authorities must be powerful, but not omnipotent. They must be democratically legitimated in such a way that the elected representatives reflect the interests of all major socio-economic, ethnic or

religious groups in society; only in this case can an elected legislature be assumed to act in the interest of all, rather than in the interest of a dominant class or political party. Political authorities must, in other words, be in a general way acceptable as guardians of public welfare. The second essential precondition is the existence of a strong, functionally differentiated, and well-organized civil society. "Civil society" is, of course, a value-laden concept with strong normative implications. The notion of a civil society has roots in the distinction made by German philosophers between "Staat" and "Gesellschaft"; it is also linked to the social philosophy of Scottish moralists like Ferguson, who contrasted traditional military societies with the peaceful industrial societies of the future. A civil society is a community of citizens, of individuals who enjoy legal equality and a set of fundamental rights, and whose freedom to pursue their private goals is only restricted by the same right of others and by the duties to the *res publica* that come with citizenship. The development of a free market economy is one consequence of this basic principle. But for modern governance to emerge, there must also be corporate actors that represent different functional as well as different socio-economic interests - organizations like labor unions, business associations, organizations of health care providers, of scientists and scientific research institutes, and organizations representing consumer interests or ecological values. Productive and service organizations as well as voluntary associations should not be politically controlled, as has been the case in state socialism. To make negotiation with opposite interests and with state authorities both necessary and meaningful, interest organizations must be sufficiently autonomous and resourceful. Finally, there must exist among the different social groups and organizations at least a minimal sense of identification with, and responsibility for, the greater whole, in short, a common identity. The nation can be the frame of reference for this identity, but its basis must be social and cultural integration. There are many societies in which different interests are organized and power is dispersed, but dispersed among hostile groups locked into a permanent struggle which nobody can win. For effective governance to emerge, both public authorities and private corporate

actors must themselves be effective in their respective spheres, and they must cooperate in public policy making instead of simply fighting each other.

In outlining the institutional and structural preconditions of governance as a new and effective way of political steering, I have obviously described an ideal polity and an ideal society. In fact, the concept of governance has a distinctly normative flavor. Even in the most developed, most democratic, and most privileged parts of the world, in Western Europe and the United States, reality only approximates this ideal. In highly developed democratic nation-states we do find policy networks, public/private partnerships, and regulated self-regulation. But different societal interests are unequally represented, interest groups often lack the necessary minimum of public spirit, politicians are more interested in maintaining power than in public welfare, and state authorities are too weak to discipline the particularism of powerful interest groups.

It may sound paradox that the state in modern governance should be powerful and effective, but not dominant and overpowering. These requirements do not seem compatible. In fact it has often been said that the negotiation of political with societal actors in mixed policy networks or in neo-corporatist structures, and the delegation of regulatory functions to private organizations indicate a loss of political steering capacity, a weakening of the state (e.g. Offe 1987, 313). But what we are dealing with in modern forms of governance is not so much the loss of state control, as a change in its form. State actors participating in policy networks play a very special and privileged role since they retain crucial means of intervention. Where decision making has been delegated to institutions of societal self-regulation, the state retains the right of legal ratification and the right to intervene by legislative or executive action if self-regulation proves ineffective. In modern governance, hierarchical control and civic self-determination should not be opposed to, but combined with each other. Theoretically, this combination can be more effective than either of the „pure“ forms (Mayntz/Scharpf 1995).

Such superior effectiveness, however, is only a chance, a highly contingent outcome. Sometimes cooperation between political and societal actors is clandestine and serves private rather than public interests. This is found especially in the field of public works, where there is frequently collusion between corrupt officials and private firms (della Porta/ Vanucci 1999). By definition, governance refers to the solution of collective problems and the production of public welfare. But there is no doubt that the danger of corruption is present wherever public and private actors can enter into mutually profitable exchanges, which is more likely in horizontal than in vertical relations.

Problems also arise in decision-processes that do indeed aim to solve public problems. Policy making in neo-corporatist structures, in sectoral policy networks, and in systems of delegated self-regulation is not harmonious. If conflicting interests enter into negotiation with each other in the search for agreement on a joint decision, the result is „antagonistic cooperation“, as Bernd Marin (1990) has called it. Such antagonistic cooperation runs the risk of ending in a complete blockade, or of producing solutions on the level of the lowest common denominator - cheap compromises that cannot solve the problems at hand. The basic problem with modern governance is therefore how to avoid stalemate and ensure effective problem-solutions (Scharpf 1993a).

Collaborative problem-solving depends on several conditions. To begin with, there must of course exist a pressing problem that neither public nor private actors can solve alone. Problems, however, differ in scope. They can present themselves at the local, sub-national, national, regional, or even the international level, but the level at which a problem manifests itself it not necessarily the level at which it can most effectively be solved. Effective problem solution is only possible where there is congruence between the causal (or genetic) structure of a problem, its impact structure, and the structure of available problem-solvers. The causal or genetic structure shows what actions by what actors produce the problem, and what must therefore be changed if the problem is to be solved. The impact structure is composed of those actors who

suffer the negative consequences of a given problem, and who are therefore interested that a problem solution be found. Finally there are the potential problem solvers, i.e. the set of those actors who are capable of effecting a problem solution. Problem solving is most effective if these three sets of actors - (1) those who cause a given problem by their behavior, (2) those who are negatively affected by it, and (3) those who are trying to solve it - are fully congruent with each other. This is, for instance, the case in the famous "tragedy of the commons": the problem of over-grazing the commons is caused by the same group of persons who subsequently suffer from it, and it is again the same group that could solve the problem by agreeing on rules of utilization which avoid the destruction of a common resource. But it is a very special type of situation where those creating a problem in the first place are also those who suffer from it, and whose cooperation would be a necessary and sufficient cause for the solution of the problem. Many problems with which public policy must deal are negative external effects visited upon groups who have no share in their production, and many problems cannot be solved by those whom they afflict.

Applied to the nation-state it is often argued that the globalization of financial markets and of the economy produces problems that manifest themselves domestically, for instance in the form of unemployment and a volatile currency, but cannot be coped with by domestic actors alone (Kohler-Koch 1998). Domestic firms as well as political authorities are losing in power and are becoming dependent on forces that transcend national boundaries, and are therefore also beyond the scope of cooperative action of domestic actors. The potential effectiveness of modern governance within a given nation-state is thus limited by developments on the international level. Problems that manifest themselves domestically, but whose causal or genetic structure transcends national boundaries, can only be solved by international action. This holds today for many economic and ecological problems. But the international problem solving capacity is still quite limited. It is, maybe, highest within regional institutions, and here particularly the European Union. But recent events, both

political and economic, have shown that even the problem solving scope of the EU is quite limited. At the global level there is, aside from the United Nations which have been established to deal with issues of security, of war and peace, no international institution that could play the role of a world government aiming at global welfare. The typical international organization is not much more than an arena for intergovernmental negotiation, and in these negotiating systems, the interests of the most powerful actors, of the richest countries dominate. They dominate in the very institutions that have been designed to solve the problems of the international economy, like the World Bank and the World Trade Organization (Mayntz 2002). International civil society, too, is only weakly developed. True, human rights conventions have been formulated under the umbrella of the UN, but we are still very, very far from a situation of universal citizenship. There is also a lack of private international organizations representing the full scale of different socio-economic interests. Labor, for instance, has no powerful international representative. And while a number of international public welfare organizations have emerged after the Second World War, these lack competent international negotiating partners on the political side. At the international (or global) level, the preconditions of effective governance that I have described for the national level are met only very insufficiently. We are in fact still very far from effective international "governance without government".

For the time being, therefore, individual countries are thrown back upon their own resources in dealing with problems whose causes they cannot effectively control. There is the danger, of course, to make use of this situation to shift the burden of blame for an ineffective national public policy to these outside forces. The wide-spread conviction that economic globalization does not only undermine the effectiveness of national economic policy, but also forces modern welfare states to dismantle their systems of social security, while scientifically not unfounded (e.g. Scharpf 2000), can thus easily be used as an excuse by politicians. What is needed instead is an honest and competent analysis of the present situation and the complex interdependencies that characterize it on

every level of political action. Reflections on the nature of modern governance, its preconditions and its limits may help in this task.

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