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Re-thinking Governance in Public Policy: Dynamics, Strategy and Capacities

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1.1 Introduction

Governance is not a fashion, but a firmly established lens through which to analyse the complexity of contemporary policy-making, that is the way in which a society and its political processes are organized and steered. Thus, governance needs to be seen as a general concept within political analysis that represents a necessary, heuristic tool with which to describe some of the complexity of political processes. Governance is not only a fashionable term, but one destined to remain with us for some time yet.

However, despite a great deal having been written on the subject in recent years, questions remain about many fundamental aspects of governance. This is especially the case in both defining and understanding governance modes and their dynamics, the subject of this book. Many “varieties of governance” exist, both cross-nationally and cross-sectorally, and understanding why this is the case and how it has come about is important for the future of governance studies.

In this introductory chapter, after a brief reflection on the heuristic relevance of the concept, we focus on the following three specific aspects of governance: *dynamics, strategy and capacity*.

The notion of *governance dynamics* suggests that “modes of governance” identified in earlier studies may not be stable, but rather dynamic, meaning that there are no set governance arrangements within a given political system. These may change over the course of time, as governments adopt different architectural features and mix policy tools in different ways. A mode of governance, in this perspective, is an equilibrium moment, rather than a permanent stable construct.

Governance strategy is a concept that reflects this ability of governments to alter governance arrangements and give them their dynamic character. It suggests that behind every mode or governance equilibrium lies a specific undertaking by different policy actors, as they seek the best governance arrangement to attain their purposes, and consequently try to see that it is established. This is particularly true of governments, since they continue to be in charge of systemic responsibility and are the most powerful authoritative actors in virtually all societies.

Governance capacity is a third critical concept, one which emphasizes that not every choice of governance mechanism is likely to be equally successful in terms of attaining government goals. Every governance arrangement must be effective, that is capable of resolving political and policy problems, but simply designating or advocating a specific arrangement does not ensure its success.

1.2 Governance as a heuristic means

Following 20 years of enthusiastic discussion as a theoretical panacea capable of finally explaining contemporary policy-making, the time has come to start afresh in the study of governance as a social phenomenon. In fact, following the passing of the fashion of studies of “new governance” arrangements due to its empirically unsustainable nature, there is now a fair degree of agreement among public policy scholars as to what governance is, and what it does

The general concept behind governance thinking – of complexity in government policy processes beyond the confines of what goes on in formal state structures – is not a new one. This is because policy-making is an arena full of actors who are not only vertically structured, but are also linked by a series of informal relationships, and this is not a recent discovery (Solomon 2008; Richardson 2012). Nevertheless the use of the term “governance” to capture these additional aspects of government and governing achieved importance not because it was fashionable, but because it was, and still is, necessary to redefine the scope of public policy research and of all branches of political scientific analysis where a multitude of actors interact in both formal and informal ways (for example: international relations, international political economy, global studies).

The governance lens is useful in this context because one can re-direct the analytical perspective away from the details of formal institutional behaviour and towards answering the fundamental question of political theory, namely “How is the social and political order possible?” We

know perfectly well that in order to answer this question we need to understand how political power is distributed and exercised, and how policy problems are dealt with by it. In other words, we need to understand how society is steered. And here the concept of governance is useful from a heuristic perspective, since it enables us to render the apparently chaotic reality of policy-making organized and readable by describing sets of state and societal relationships as different “modes of governance”.

Assuming such an inquisitorial pose allows one to deal with the fact that political and policy reality cannot be grasped simply by observing the behaviour of those actors who are formally granted power (governments, parliaments, courts). Of course this does not mean that hierarchy no longer matters (Goetz 2008; Heritier and Lehmkuhl 2008; Bell and Hindmoor 2009; Lynn 2012). Many actors participate in the power game by pursuing their own interests and ideas; and there are many places where such participation may be witnessed. However many different games can be played by policy actors at different levels, or at different times at the same level and such complexity cannot be resolved, from either an analytical or a practical perspective, simply by recourse to the hierarchical approach to steering. There will always be a degree of hierarchy, because governments exist and have to do their job, but this blends with other principles of co-ordination and co-exists with market-driven principles and network-oriented behaviour, and a focus on “governance” mechanisms and modes helps address this complexity.

Governance thinking, however, requires a dynamic orientation since the way in which society and its political processes are steered can radically change, at least in terms of the intensity of this steering process. It is clear that even in the past, governments were not the sole decisional forces, at least not in democratic political systems and even dictatorial and totalitarian systems encountered resistance from many elements of society. However, thinking about the dynamics of general modes of governance in recent years has focused on shifts away from governments to societal actors and has attributed this change to two converging factors. On the one hand, it notes a trend towards the current fragmentation of the policy-making process, during which a number of actors have found new room for manoeuvre they may not have had in the past (interest groups, non-governmental organizations (NGOs), social movements), and notes the fact that many countries have decentralized their political institutional arrangements in response to it. On the other hand, studies have also shown that this change has been intentionally pursued by governments, following the discovery

that the traditional command and control approach to steering was inefficient and ineffective, and that the involvement of other actors in policy-making could help temper the constant social pressure they were under. These counter-forces have generated what may appear at first sight to be a radical change of the way in which society is steered, involving more actors and making decision-making more horizontal and less hierarchical, but on closer inspection emerges as a complex new trend in designing the ways of governing.

After lengthy, heated debate among policy scholars, the original dichotomy proposed by a first generation of governance scholars – between old governance/new governance – finally appears now to have been superseded. Only those with a specific normative afflatus continue to see current governance as something totally different from “old” governance (Rhodes 1997; Sabel 2011; Zeitlin 2011). Not only are such dichotomies historically inaccurate, many scholars have pointed out that the features of the new governance arrangements often promoted as effective responses to changes in state–societal arrangements (polycentrism, flexibility, co-operation, deliberation, non-coerciveness) seem to be less effective than expected and, above all, that their effectiveness and enforcement are closely linked to the presence and actions of public institutions and their own fundamental resources (authority, financial means, information and organization) (Davis 2002; Richards and Smith 2002; Kooiman 2003; Heritier and Eckert 2008; Lynn 2010). So, new governance often simply means that new actors have entered the policy-making arena and new policy instruments (contracts, partnership, recommendations, participation, benchmarking, learning) have been added to the traditional policy-steering tool-kit. These changes are undoubtedly important, since they have increased the complexity of policy-making, and thus its possible dynamics, direction and equilibria, but do not represent a sharp distinctive non-linear break with the past.

Thus, it is clear that the ways in which policy is steered in many countries and sectors at present are less monocentric than previously, as they are characterized by the presence of a plethora of policy actors; however, whether this means a reduced degree of hierarchy and greater co-operation is a matter for empirical research to establish, and cannot be taken for granted. Furthermore, the use of new policy tools does not mean that they do not need to be hierarchically addressed, at least from a distance, through various other policy instruments that governments adopt in such cases: instruments such as financial incentives, periodic evaluation, the request for transparent processes, and so on (Howlett 2011).

So while some of the ingredients have changed in contemporary governance arrangements, we need to direct our research towards answering the right questions with respect to their import and variety. Having superseded the problem of whether or not there is more, or less, government in governance, it is now time to examine how governments can interpret their role in governance arrangements, which new actors really matter, how these arrangements evolve over time, and whether, and in what sense, such arrangements are effective.

1.3 Elements of governance: beyond the typological tradition

Political scientists use typologies as a methodological tool with which to order reality and grasp the most important aspects of a political phenomenon and there is a vast array of typologies in governance studies. The typological tradition present in the governance literature gives a rather clear picture of what may be the more important dimensions of governance arrangements. Many scholars emphasize the fundamental principles of co-ordination on which a governance arrangement can be based. Considine and Lewis (2003), for example, focus on hierarchy, network and enterprise bases of state–societal linkages. Others like Treib et al. (2007) focus on three pairs of dichotomies related to both co-ordination modes but also tools and actors involved in specific arrangements (soft vs. hard law; only public actors/only private actors; hierarchy vs. market). These are applied according to the specific field of governance (politics, policy and polity) involved. Börzel (2010), on the other hand, focuses above all on the institutionalized structure of governance, by distinguishing between hierarchy, competition and the negotiating system. Howlett (2011), by using the dichotomization of implicit and explicit rules, and of hierarchical and non-hierarchical interaction, has proposed four types of governance arrangements: legal, network, corporate and market. Howlett et al. (2009) and Tollefson et al. (2012) have gone beyond the focus on the fundamental co-ordination mechanisms characterizing the previous typologies, and assume that governance arrangement fulfil a multi-dimensional space in that each can be more, or less, hierarchical, and thus more, or less, plurilateral, with corresponding possibilities in their institutional, political and regulatory dimensions.

All of these typologies offer important insights into the ways in which governance arrangements can be designed, but nevertheless they only portray a rather general picture of what governance is. They clarify the

fundamental co-ordinating logic of a governance arrangement, but as always happens with typologies, they only offer a static picture of something which is intrinsically dynamic. Governance arrangements are usually composed of a prevailing co-ordinating principle (hierarchy, market, network) accompanied by other principles (it is quite rare to find a monopolistic governance arrangement, that is an arrangement governed or monopolized by just one co-ordinating principle). The reason for this is not only the ever-present shadow of hierarchy, but also because policy-making is usually characterized by the asymmetric co-existence of different co-ordinating principles. For example, in education policy – even in the more market-driven systems (for example, in the Netherlands or England) – policy instruments such as institutional autonomy and competition are accompanied by the supervision of public institutions and work through the involvement of several stakeholders in a network-based system (Woessman 2007; OECD 2010). Over the course of time, the balance between these constituent principles may change as a result of the pressure or actions of the most important actors, and may shift in a specific direction (towards the increased institutional autonomy of schools or, on the contrary, towards the more intrusive role of the state by means of a closer link between funding and national testing). This way of working can be found in all policy fields. Governance is ever changing.

Several further elements also emerge from the governance literature that merit consideration in relation to existing typologies of governance. First, these typologies do not offer any further information about how prevailing governance arrangements are chosen; this is a matter for further theorization as we explain below. Second, recent research shows how hierarchy is always present, at least potentially, in every governance arrangement, albeit in different forms (Hill and Lynn 2005; Goetz 2008; Heritier and Lehmkuhl 2008; Börzel 2010; Lynn 2010; Capano 2011), and this constant factor slips away in many typological efforts in which it appears as only one of the principles of co-ordination. Finally, the typological approach only manages to account for some prevailing trends in governance arrangements and policy designs, but is inherently limited by the fact that, very often, real governance arrangements consist of complex policy mixes, that is of a blend of different co-ordinating principles and their respective policy instruments (Capano et al. 2012).

So, what emerges from the aforementioned literature is that we need to further analyse the actual workings of governance arrangements, in order to get a better grasp of their *dynamics* (due to the fact that they

change over time and very often are characterized by different policy mixes), of their *strategic nature* (since they are the products of the actions and interactions of policy actors driven by specific goals), and of their *capacity* (that is how likely governance arrangements can be effective in relation to certain important collective goals).

1.4 Governance dynamics

Governance arrangements are dynamic, and thus – paraphrasing Hogwood and Peters (1983) – all governance is governance change. This means that governance arrangements and workings should be analysed from a diachronic perspective. Thus, the nature of a governance arrangement will change over the course of time, even in the short term. A mode of governance thus is not stable but rather in equilibrium, meaning the mix of co-ordinating principles and policy instruments adopted at time 0, which persists until one of the components is changed, is only temporarily at rest.

Very often, the intrinsically dynamic character of governance is not taken into consideration, and scholars tend to portray a static picture of the reality of governance, characterized by diachronic punctuations. This tendency is evident in all studies of the “demise of the state” produced during the 1950s and 1960s, which a couple of decades later was reversed by a series of studies on the “return of the state” (Evans et al. 1985; Evans 1997). The same could be said about the “new public management” (NPM) movement, which has often been assumed to have radically changed the ways in which public policies are steered, governed and managed (Aucoin 1990; Lane 2000; Barzelay 2001). Once again it too was reversed in recent years by a significant body of work underlining the partial, contextualized impact of NPM itself (Lynn 2006; Pollitt and Bouckaert, 2000, 2009; Ramesh and Howlett 2006; Ongaro 2009). In order to understand governance dynamics, we need to focus on certain important aspects of a diachronic development, namely *initial equilibrium*, *directionality*, *temporal dimension* and *relationships with the external environment*, which “traditional” governance studies have largely ignored.

The *initial equilibrium* refers to the specific configuration of governance arrangements and policy instruments at time 0. This implies defining the kind of balance to be found between the general principles of co-ordination, how such principles are implemented with regard to the chosen policy tools, and which types of actor are present. Here the analyst is asked to accept the idea that a specific set of policy tools is not necessarily

closely related to any given general principle of co-ordination. For example, assuming that policy instruments may be subdivided into either three or four large categories – inducements (including both incentives and sanctions), regulations and knowledge or capacity tools (Bemelmans-Videc et al. 1998; Schneider and Ingram, 1997; Hand 2012) or authority, nodality, organization and treasury (Hood 1983) – it is not immediately evident or necessary that instruments of regulation and authority are or should be directly linked to the prevalence of a hierarchical mode of governance. Similarly, nor can the capacity or nodality tools be deemed necessarily ascribable to a network mode.

Similarly, the capacity of national policy styles to influence the significance and employment of policy instruments should not be underestimated. For example, in general the UK and other English-speaking nations are more reluctant to use the instrument of authority than are continental European countries where there is a deep-rooted tradition of strict regulation. However, the meaning of such instruments may vary considerably, in that apparently strict regulation may offer great freedom to policy networks within a specific policy field (meaning less hierarchy and greater self-organization), whereas the prevalence of nodality or organizational instruments employed by government may be more intrusive and hierarchical. It is therefore a rather complex operating of trying to get the right picture of the initial equilibrium in governance arrangements, but it is one that needs to be done in a proper manner since all subsequent analyses of governance dynamics depend specifically on the initial picture.

The *directionality* of governance dynamics means focusing on the logics of their development. Governance arrangements may change in an either an incremental or radical way, thus moving away from the initial equilibrium point in terms of both the mix of general co-ordinating principles and policy instruments, and of the set of actors involved. However, the real challenge is that of understanding whether the direction of governance dynamics is reversible or not, that is whether it is subject to oscillation over time, returning to previous equilibrium points and mixes. Clearly, the timespan in question represents the real problem here. We should assume that there is something cyclical in the directionality of governance dynamics (for example, the direct role of the state in policy-making), but also that certain features are less likely to be reversed, particularly the set of policy actors involved.

Understanding the *temporal dimension* of governance dynamics gives us the sense of the historical sequence through which governance dynamics develop. A number of specifications need to be made

here with regard to this point. Governance dynamics can develop in a punctuated way, with long periods of stability followed by periods of radical change; however, such dynamics may also develop according to a continuous process characterized by the occasional micro-change (the progressive calibration of specific policy instruments) while the equilibrium between the general principles of co-ordination remain apparently the same (although an incremental change in policy instruments can lead to a more radical degree of change in the medium/long term). Furthermore, any reconstruction of the time sequence should focus on the timing of potential changes. It is quite clear, in fact, that the same intentional change can have different effects, depending on the time it is enforced. The temporal dimension of governance dynamics is also important if we are to understand the kind of reaction seen in relation to the external perception of the inefficiency or ineffectiveness of the existing governance arrangements: is there temporal alignment or misalignment between the internal development of the governance arrangement and the external environment? What is important here is the potential synchrony with the external environment.

These *relations with the external environment* represent a complex aspect of governance dynamics, which needs to be simplified if theoretical and conceptual progress is to occur. The first form in which these relationships take place is within the boundaries of the constitutional arrangement of the state. Unitary, regional and federal state structures have different effects on governance arrangements. As we know from the work of scholars such as Baumgartner and Jones (1993, 2002), the greater the number of institutional venues that policy actors may use to pursue their interests, for example, the greater likelihood there will be that changes will also occur to a governance equilibria. The second important aspect is the nature of interest groups (Dür and De Bièvre 2007; Binderkrantz and Krøyer 2012). The more pluralistic the external environment, the greater the pressure on governance dynamics will be. On the contrary, if the social environment is organized in a more corporatist way, then governance dynamics will be subjected to less pressure for change. The third important external factor is the social relevance of the policy field. The more a policy field is considered important in the public's eye, the more it will be subjected to external pressures that can affect governance dynamics.

1.5 The strategic nature of governance

Very often, governance arrangements are viewed from a functionalist perspective, as a structure of institutionalized relationships by means of

which certain systemic functional requirements are met and structural-functional needs are satisfied. There is nothing wrong with this view, except that it does not help us understand the intrinsic dynamics of governance or the importance of actors' behaviour to it. This is probably one of the most significant shortcomings of governance theory, due to the need to consider the agents' own view of governance (Peters 2012). We do not intend here to bridge any gap in the micro-foundation of governance (Mayntz 2004), but simply to point out that actors themselves influence the development of governance arrangements and the workings of governance.

Governance in this sense can be seen as a strategic dimension of policy-making. This means that actors know that the features of governance arrangements and the types of policy instruments adopted have an impact on the interests they are pursuing, and that the positions/roles they have in the existing governance arrangement represent a fundamental source of power and/or influence. This awareness justifies the emphasis that all governments have placed on continually re-designing governance arrangements within policy fields in order to better accomplish their goals. At the same time, this awareness underlies the ongoing battle over policy instruments and the features of governance arrangements (which can be defined as "meta-governance").

Governments, for example, are interested in achieving public policy results according to their respective electoral manifestos, and in resolving contingent policy problems. Governments play a central role in governance changes and shifts: they are constantly searching for solutions to their policy and political problems, and very often changes in the components of governance – from ministerial re-organization to stakeholder limitation or enhancement – represent a highly promising way forward.

Regarding policy problems, most governments and especially democratic ones subject to the whims of the ballot box are intrinsically committed to offering better performing policies, and they are very often the first to promote governance reforms in order to do so. It should be assumed that it is in the interests of government to adopt those instruments and equilibrium in governance arrangements which in a specific context may help build effective policies. The increasing role of the "market" principle of co-ordination in many policy fields is governments' response to the financial crisis afflicting "the big state". NPM policy instruments have been adopted by governments in order to make public administration more accountable and responsible. As far as political problems are concerned, governments are continuously

faced with the problem of having to legitimize their decisions outside the normal route of democratic parliamentary procedures.

This means that the governance toolkit can provide certain solutions to the issue of political and social consensus. For example, the stable involvement of specific interest groups in governance arrangements, or the structural openness of such arrangements, may represent a strategic decision designed to ensure government's control of the agenda, and the significant probability of effective implementation. At the same time the contrary may hold true; that is, a reduction in the openness of policy-making within a specific field may allow government to publicly demonstrate its will to take radical decisions, thus altering the joint decision-making impasse.

However, every policy actor needs to understand that the design of governance and the instruments adopted in steering policies are of importance to that actor. Every policy-maker should find room for his/her own interests within the governance arrangement. They should be aware that having a governance arrangement that best fits their own preferences, amounts to institutionalizing them and to guaranteeing a positive trade-off in the medium term.

So, governance arrangements lie at the heart of the constant battle for power constituting the very substance of politics. While actors pursue their substantial contingent policy goals, at the same time they try to gain advantages in relation to the governance arrangements. Trade unions would prefer a more corporatist form of governance, or at the very least a series of very impermeable arrangements; large firms would prefer strongly market-oriented governance arrangements; while social movements would prefer highly decentralized, poly-centric arrangements together with deliberative policy-making tools, and so on. It is clear that not all policy actors are successful in their battle for such arrangements, and that the losers will continue to pursue their undertakings with regard to the governance design.

Thus, from this point of view, governance should also be studied by focusing on the "battle" for governance arrangements. Researchers need to answer the following questions: What strategies are the most important actors pursuing? What kind of coalition building has proven successful? What kind of trade-off between contingent policy solutions and medium-term governance arrangements has been achieved? Do network or co-operative forms of governance exist simply as a consequence of overcrowded policy arenas, or because of a strategic decision made by governments, or a strategic form of negotiation between actors?

Furthermore, observation of the strategic behaviour of policy actors in the governance battle is of fundamental importance to an understanding of why, very often, within the context of structural multi-level policy-making, actors change behaviour according to the level of governance. Structurally speaking, the governance game is a multi-level one, and thus the power/position preferences of actors may vary according to the governance equilibrium at each level, and to the kind of links (strong/loose) that exist between the different levels of governance.

By abandoning a structuralist or a functionalist perspective and assuming the strategic nature of policy actors' behaviour, our understanding of governance development become both more realistic but also more complex. It becomes more realistic because the analysis of policy actors' strategic behaviour enables us to get a better understanding of what practical governance actually is, and of how and why it changes. It is precisely by viewing the development of governance in terms of actors' strategies, that the real role of the state and government can be understood; and it is exactly from this micro-perspective that the real political nature of existing governance arrangements can be understood. It becomes more complex due to the intrinsic difficulties of gathering data on actors' preferences and behaviour, and of showing that actors' behaviour in the governance battle is strategically oriented. However, this greater complexity can be resolved by the adoption of the right, theoretical research design, and in the public policy field by a suitable reconstruction of policy dynamics. Furthermore, our focus on the strategic actors involved in the governance battle does not limit the theoretical foundations of actors' preferences. It does not matter whether actors' preferences, regarding their strategic interests in governance, are exogenously or endogenously driven. This is a legitimate, epistemological and theoretical decision to be taken by the researcher. What matters is the "fil rouge" by means of which policy actors interact, compete and negotiate in the search for a specific governance equilibrium.

1.6 Governance capacity

Thirdly, we need to focus on governance capacity in order to get a better understanding of the effectiveness of governance arrangements once launched. Most literature and research focuses above all on the architectural features of governance arrangements, and we have suggested additional work should be done on which actors or types of relationship matter in governance, and on how governance arrangements change. However, attention also must be paid to the real effects of changes in governance

on policy and governance outcomes. From our point of view, having suggested the need to focus on the dynamic character of governance and on its strategic-behavioural component, there are several reasons why we should also focus on the capacities of governance. The first is that governance arrangements are institutionalized patterns of behaviour whereby public policies are designed, and commonly perceived problems are handled and possibly resolved. Hence the inescapable problem of the importance of the capacity of governance arrangements to deliver policy results. Second, governance arrangements also represent one of the places where the power game leading to legitimization of the social order is played out. Thus we need to understand how governance arrangements can preserve political consensus and legitimation, both of which are prerequisites for successful policy attainment. Third, governance changes (that is changes in the dynamics and strategic aspects of governance) cannot be understood without a more detailed analysis of the capacity of governance.

Governance capacity is not the same as good governance in its different definitions (World Bank 1994; Pierre and Peters 2005; Fukuyama 2013), or state or government capacity (Besley and Persson 2011), or quality of government (Rothstein 2011), or systemic sustainability in governing pooled resources (Ostrom 1990), or the capacity to produce optimal or good regulation (Jordana and Levi Faur 2004). It is clear that all of these things can help us focus on governance capacity, although they are too partial or too prescriptively oriented to identify with capacity as such.

Governance and state capacity and the quality of government, that is the capacity to maintain social order and to effectively decide and implement democratically legitimized policies (Matthews 2012), are clearly one aspect of governance capacity. On the other hand, the search for optimality is less important from our point of view. The concept of governance capacity from a public policy perspective can be used to evaluate the capacity of a governance arrangement to achieve its declared goals, and to obtain and maintain the necessary political consensus among the actors involved in the specific policy field in question. So, governance capacities directly affect both the degree of effectiveness of a specific governance equilibrium in reaching the expected goals, and the degree of legitimization it is capable of reaching and maintaining.

More specifically, the capacity of governance arrangements concerns two fundamental aspects of the governance game (which are also the drivers of governance), namely policy and politics. Policy capacity focuses on performance in the respective policy field: if performance

is perceived as satisfactory, then the existing governance arrangement will persist, otherwise a decision may be taken to change that governance arrangement and/or policy instrument, in order to improve policy performance or to redefine policy issues. At this point, the researcher should focus both on the qualitative/quantitative indicators of policy performance, and on the definition of policy problems at time t_0 , and then establish whether, after a reasonable period of time (not less than ten years, according to Sabatier and Jenkins Smith 1993), performance has improved/worsened, the reasons for such, and whether the definition of the policy in question has persisted or has been changed (clearly, this kind of analysis requires verification of any changes in the governance equilibrium during the period in question).

Political capacity means the capacity to maintain the political consensus both of those actors involved, and of those not involved, and to preserve the general perception of legitimacy. When the political aspect of governance does not work, this constitutes a situation in which the inherited governance arrangement is challenged by actors (not necessarily new ones) demanding a role (if outsiders) or a stronger role (if insiders). At this point, the researcher needs to diachronically reconstruct the dynamics of governance starting from t_0 (a point of substantial political legitimization of the existing governance arrangements), in order to observe what kind of changes have occurred during the period in question (changes in the position of existing actors, the entry of new actors, changes in the public's perception of the governance arrangement in question). Governance arrangements and their workings are constantly under pressure from both sides of the capacity dimension, which very often interact with one another: dissatisfaction with the performance of policy leads to delegitimation and political disagreement regarding existing governance arrangements, while a fall in political consensus may encourage a different perception of policy performance.

1.7 The plan of the book

Thanks to the above-mentioned understanding of governance as a heuristic lens through which the reality of policy governance can be reconstructed, we can achieve a more detailed and convincing description of that governance by looking at governance in terms of its dynamics, of its role as a strategic goal for policy actors and at its dual capacity. Thanks to this heuristic strategy, the complexity of governance can be more clearly ordered, and can thus become a challenging field

of study in which rival theories and explanations flourish, notwithstanding the fact that our own approach is clearly based on a contingent perspective.

The empirical chapters of this book examine these concepts and measures in specific national and sectorial cases in order to grasp the nature of actually existing governance arrangements and the workings of governance modes and their dynamics within a variety of different policy fields from a comparative perspective.

In her work, Manuela Moschella examines governance dynamics in the sector of global finance. Focusing on the historical evolution of the policies governing the movement of cross-border capital flows, the chapter provides a diachronic perspective on the varying policy instruments and institutional features that governments have selected over time to steer the movement of private capital flows. In order to explain the choice of specific governance modes over time and the directionality of governance dynamics, the chapter draws attention to misalignments between governance arrangements and the external environment, on the one hand, and to the conditions in place at the initial equilibrium point influenced the governance dynamics over time, on the other.

Continuing with the theme of dynamics, Isabelle Engeli and Christine Rothmayr Allison analyse how modes of governance emerge and evolve over time in the field of human biotechnology. The four case studies on the United Kingdom, Italy, France and Germany shed light on the impact of the dynamics between stakeholders on building governance modes over time. During this process, governments have taken into account the dynamics of interactions between actors. We can discern two basic forms of interaction: collaboration versus competition and contention. The four case studies highlight how these forms of interaction influence the process of building governance modes. Their diachronic comparison allows us to identify and isolate the critical differences in *prima facie* similar initial regulatory arrangements that ultimately lead to divergent outcomes and widely varying modes of governance.

Anthony Zito then examines whether the governance-related developments in four OECD countries (Australia, Canada, Germany and the Netherlands) follow any particular pattern of convergence. In examining the governance arrangements, the chapter explores the balance and relationship between both public and private actors, and how innovations in instruments may have affected this balance. The sample of countries focuses on three federal systems and one unitary system. Special attention is given to the role of the European Union (EU) in shaping the governing processes in the two EU member states.

The chapter uses a mixture of interviews for the Netherlands, Australia and Canada (interviewing over 60 mid-level policy officials in both state and society spheres as well as academic and non-academic policy experts), government documents and secondary sources to highlight the nature of environmental policy-making across multiple levels of analysis.

Examining the second theme of government strategies, Giliberto Capano looks at how over the last three decades there has been a significant governance shift in higher education in all Western countries. Previous governance modes have been reshaped by the continuous efforts of governments concerned about the capacity of higher education to genuinely serve their respective societies. In this broad dynamics, Capano focuses the strategic choice of governments in changing governance of higher education by analysing three federal countries, where the governance game can be even more complex due to the presence of two levels of strong government, thus implying that every attempt that federal government makes to modify the status quo will be met by the reaction of the other level of government. The efforts of such governments represent an ongoing process characterized by the adoption of similar policy tools (albeit assembled in different policy mixes, due to the specific combination of individual federal dynamics, the structure of the vested academic interests and certain specific contingencies) by a clear strategic approach aimed to circumvent or overcome previous governance modes.

This is followed by Jenny Lewis who examines which strategies governments have used to direct research policy. By arguing that, since the 1980s, governments have pursued their goals for the sector through new public management initiatives (such as assessing and rewarding the research outputs of universities) and network governance schemes (such as providing incentives for research collaboration), Lewis tries to empirically demonstrate these governance strategies in action by comparing Australia, the United Kingdom and New Zealand. The empirical analysis shows that the two different governance strategies are neither mutually exclusive, nor temporally sequential in their conception and their implementation. Both of these differently oriented governance modes can be seen operating in the same location at the same time. Sometimes they work in concert while, at other times, they pull in different directions. But regardless of this tension, strategic interventions by the state have produced a particular configuration of research policy in each nation, which has resulted in a set of strong incentives and deterrents to do specific types of research in particular ways.

David Natali then investigates the changing governance of pension policy in Europe. In this policy area, as well as in many others, analysts have stressed the progressive shift from the hierarchical “command and control” (centred on the key role of national governments) to multi-level governance (consistent with soft modes of regulation and the growing role of supranational organizations). This is particularly the case of Europe, where the EU has an evident role in shaping national pension policy. The chapter analyses most recent pension reforms in Central-Eastern Europe, through an actor-centred approach, which sheds light on the reasons why national governments have regained a central role in reforming pensions. In a context marked by weak lock-in mechanisms, actors’ strategies have been crucial to shape governance dynamics. Both national and supra-national actors have altered their governance priorities, and consequently their role in policy-making, on the base of their own political and policy goals. In particular, the changing pensions governance is interpreted to be the consequence of a number of factors: the partial retreat of international organizations (IOs) from the field; the changing policy goals of the EU in the wake of the economic crisis; and the new opportunities for national policy-makers to pursue credit-claiming strategies.

Turning to the third theme of “capacities”, Edoardo Araral and his colleagues test Fukuyama’s recent hypothesis that argues that governance is “the government’s ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not”. The key to Fukuyama’s argument is to de-link governance from democracy. He suggests that scholars should pay attention to two critical dimensions, which have been neglected in the literature: state capacity and autonomy. Araral et al. build on this hypotheses by proposing several conceptual and operational measures of capacity and autonomy and show this with comparative data from 27 countries in Asia and with stylized comparative country analyses. Thanks to this research strategy they show that varieties of governance can be explained by variations in capacity and autonomy of governments, but also that capacity and autonomy can vary overtime, across instrumentalities, size and levels of government. (and thus that an aggregated, single measure of state capacity across countries – as is conventionally used in the World Bank Governance Indicator (WBI) – is very controversial).

This is followed by M. Ramesh, Wu Xun and Michael Howlett who look at health-care governance in China and Thailand. They argue that while it is widely accepted in policy circles that markets and networks are superior forms of governance in delivery of public services, this claim

is no more than an article of faith, however, regardless of its widespread acceptance among scholars as well as practitioners. The objective of the chapter is to analyse the experience with different forms of governance in health care in China and Thailand with the purpose of assessing the workings and implications of different governing arrangements.

The “failures” of different modes of governance – governments, markets and networks – are well recognized in the literature. What is less recognized is that, while all three modes suffer from severe limitations, they do not all afford the same level or type of risk. In situations where both market and network failures are likely and substantial, hierarchical governance may remain a preferred option even in the face of various government failures since at least the needed services will be delivered, although perhaps inefficiently distributed in a technical sense and in all likelihood not as responsive to users’ preferences.

Given that all governance modes are vulnerable to failures of different kinds, when governments adopt one or the other modes, they need to understand: (1) the nature of the problem they are trying to address and the tools they have at their disposal to address it; (2) the innate features of different governance modes so that they can match these to the problem they seek to address; and (3) the capabilities of governments and their societal partners to successfully implement the first best option.

Eva Heidbreder then evaluates the *governance capacity* of a non-state polity, namely the EU. Given that the EU does not unambiguously qualify as either a state or an international organization, only certain dimensions of the EU but not the polity as such can be captured by traditional, state-centred concepts. Not least for this reason, the standard characterization of the EU has become “a system of multi-level governance” (the term was branded by Gary Marks’ work on cohesion policy – see Marks 1996; see also Marks et al. 1996; Scharpf 1997; Bache 1998). If we conceptualize the EU as a multi-level governance system that is marked by multiple interacting levels of authority, actors in which policy-making processes transcend not only vertically different levels of governance but also horizontally different co-existing jurisdictions (cf. Hooghe and Marks 2003), the question of governance capacity presents itself as pre-eminent: because the EU has only limited state-like features, its tool-box of governance modes differs from those of states in which authority and capacities are monopolized for a given territory.

In the context of this edited volume, the questions this chapter derives from these defining features of the EU focus on the framing and the

effect of EU governance capacities. First, how do central EU actors deal with the notion of governance and what are the capacities these actors aim to realize? Second, how well have these desired capacities been realized or, in other words, how efficient in achieving specific policy objectives are they? Finally, what do the results tell us, on the one hand, about governance in the EU and, on the other hand, about governance capacities more generally?

In conclusion, Jeremy Rayner reviews the historical development of three main approaches to governance and their ultimate convergence on the idea of meta-governance in the context of this volume's focus on the dynamics, strategies and capacities of governance. In the modes of governance approach, hierarchy is usually distinguished from markets and networks as ideal types. In the dimensions approach, governance is understood as a shift away from a common starting point along one or more dimensions of governing functions. Both the modes and the dimensions approaches tend to be concerned with dynamics and, to a lesser extent, strategies. In the governance of problems approach, governance is treated as a problem-solving activity, with different kinds of problems calling for different kinds of governance. The problems approach to governance, in particular, introduces a concern with problem-solving capacity. Each approach has characteristic strengths and weaknesses but it is argued that each leads in its own way to the important concept of meta-governance, the balancing and rebalancing of governance components in response to particular governance contexts.

Most of the case studies in this volume describe meta-governance activities in addition to routine governance and tend to support the conclusion of the meta-governance literature that, although any actor can engage in meta-governance, state actors have considerable advantages over non-state actors in most circumstances.

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