◼ REVIEW ESSAY ◼

GOVERNANCE IN A GLOBALIZING WORLD, JOSEPH D. NYE AND JOHN D. DONAHUE, EDS.

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MANAGING GLOBALISM

Globalization, or globalism, as the authors of the book reviewed prefer to call it (they refer to globalization as a thickening of globalism), is an often-rehearsed subject. So is governance, which has been actively (albeit in different cycles) discussed at least since the World Bank made it a cornerstone of its analysis and lending strategy since at least 1989. The combination of the two subjects is also not new, but it had a particularly memorable year in 2000.

Previously, one could still believe that globalization was a development outside the reach and remit of national and international authorities. Managing globalization was generally suggested to be an oxymoron. Globalization was shaped by markets, not by governments. There was no governance against the electronic herd. Rather, governance was a term used to define the activity mode of and for a wider public sector that was governing in the shadow of hierarchy.

The somewhat cautious discourse relating to these phenomena had totally changed by 2000, the year when this book appeared. The UN secretary general declared in his Millennium Report that globalization was to be managed. That was not far off the language used by the communiqué of the 2000 ministerial meeting of the OECD, headlined "Shaping Globalization." Others again proposed to govern globalization and make it work for the poor or even proposed achieving globalization for all. Of course, these proposals also included the opposite possibility—such management might also go wrong, as we are reminded by a recent publication by Bhagwati (2001).

The claim to be able to deal actively with globalism was translated into public policy prescriptions by a number of organizations on both national and international levels. It was believed that these prescriptions would ensure that ambitious objectives could be reached, including ensuring growth, fighting corruption, eradicating poverty, enhancing democracy, and so forth. Of course, hardly any of the organizations concerned bothered to provide hints on how to tackle these objectives and implement their prescriptions. The

leading economic minds of the World Bank limited themselves to the suggestion that "for economic policies to be sound, well balanced and sustainable, strengthened national institutions were required to implement them" (Collier, Dollar, and Stern 2000, 22). The argument was that governance was about including new actors and finding innovative ways of dealing with these actors. However, when it came to defining the modes and conditions of transactions between these actors, the argument became somewhat less clear: the state, or more particularly the formal institutions of the state, was supposed to enable, to nurture, or to negotiate. While the term governance was used with increasing frequency, it remained opaque. The lack of clarity was compounded when other equally imprecise concepts were combined with governance—such as, globalization.

So, anything that promises to shed some light on how to govern in a globalizing world or even how to manage globalism itself is very welcome, not least because the tasks government leaders have set for themselves are daunting. In their 2002 communiqué from the Stockholm Progressive Summit, a group of world leaders defined the key principles of modern and progressive policies. "We are committed to a global perspective and a multilateral approach. Internationalism cannot be optional—it is at the core of our progressive values. We cannot insulate ourselves from the problems of an increasingly interdependent world by putting up barriers. If we are to solve challenges at home like economic instability, providing asylum from persecution, and illegal trade in drugs, arms and human beings, we need to engage with the rest of the world. Only by working together can nation states restore the potential for political action to be effective in more and more crucial fields" (Stockholm Progressive Summit 2002).

To start at the conclusion, the authors have provided a highly interesting, informative, and stimulating collection of essays, which add valuable viewpoints to the evolving subject of globalization. How globalization may affect governance of the nation state is well illustrated. The governance challenges are set out as well as some impacts which changes in the governance framework may have on the course of globalization. But how governance will be exercised in a globalized environment, and in particular how we have to change and reform existing systems of state and international governance in order to find convincing answers to globalization (let alone reaping its benefits), remains a subject to be analyzed in more depth.

The essays are edited by Joseph S. Nye, dean of the Kennedy School of Government at Harvard, who in 1997 brought to our attention the theme *Why People Don't Trust Government*. It was the first volume of the series on "Visions of Governance for the 21st Century" (Nye, Zelikow, and King 1997), a research project that is now directed by his co-editor John Donahue. Its third volume is reviewed here. For this volume, the editors brought together viewpoints and findings of their colleagues from Harvard's Kennedy School of Government.

The editors' ambition is to present answers to the question of how globalization will be governed. The aim is to present a set of perspectives "that is at once sound and useful to stimulate scholars while informing practitioners" (xi). According to the publisher's press release it "adds valuable depth, discipline, and a fitting diversity of intellectual perspectives to the debate over globalization" (http://www.brook.edu/comm/books/0012Nye.htm).

Problem statements and definitions of the subject reflect, of course, the works on interdependence of Robert O. Keohane and Joseph D. Nye (1989). They define globalism as a state of the world involving networks of interdependence at multicontinental distances. It should be contrasted with localization, nationalization, and rationalization, but it does not imply universality.

Globalization, according to the authors, is the process by which globalism becomes increasingly "thick" (7). The increasing thickness of globalism or the density of networks of interdependence is not just a difference in degree from the past. Thickness is understood to mean that "different relationships of interdependence intersect more deeply at more different points" (11).

By governance, the authors mean the processes and institutions, both formal and informal, that guide and restrain the collective activities of a group. Governance can be accomplished by law, by norms, and by organizational architecture. Government, on the other hand, is "the subset of governance activities that acts with authority and creates formal obligations" (12).

The volume is divided into three sections that reflect broadly the three themes that serve as a pattern to discuss globalization: the state of globalization and its aspects, globalization's effect on nation state governance, as well as effects of governance on globalization.

In the first section, Jeffrey Frankel describes the current state of economic globalism. He finds the degree of globalization/globalism being actually much smaller than the current debate suggests, and he suggests that further openness might bring additional substantial changes. Graham Allison explains how military and other forms of globalism are changing concepts of security.

William C. Clark shows that much of the recent change of environmental globalism has been induced by human activity—as opposed to entirely natural causes. In two chapters, it is shown how social (Neal Rosendorf) and cultural (Viktor Mayer-Schönberger and Deborah Hurley) globalism affect the movement of ideas, of information, and of images, as well as people. But in the days of Internet and global communication the flow of ideas has become independent of other forms of globalization.

The second section opens with Pippa Norris, who regards cosmopolitan and local citizens as the background for higher legitimacy of international governmental organizations (IGOs). According to the findings of the World Values Surveys people trusted global and regional institutions (e.g., UN and EU) far more than their own domestic governments, in which only one third of the public expressed any confidence.

Merilee Grindle addresses the situation of poor countries as they confront globalization. It is best described by a powerful combination of difficult domestic challenges, vulnerabilities to foreign and international factors, and more complex decision-making arenas. To reverse this set of conditions at national and international levels wise policy making, effective implementation, and the creation of capable state institutions are essential. But two decades of stabilization and structural adjustment have not shown a convincing way out for countries that present characteristics of a weak institutional base, of economic and technological dependencies, all coupled with entrenched poverty.

Tony Saich presents a case study of China where globalization appears to undermine the power of an authoritarian state. In her chapter Elaine C. Kamarck charts the public

sector reform efforts of a sample of 123 states and analyses the drivers for government reform. She suggests a bureaucratic paradigm beyond the twentieth century according to which governments are moving to close the gap of efficiency and capacity for innovations relative to the private sector. Frederik Schauer concludes the section on how globalization is shaping governance. He analyzes the conditions for the migration (transplant) of norms and laws. He suggests that the adaptation of foreign norms is governed by the same or similar political, social, and cultural considerations that determine the success of global transfers in general, and that these factors play a much more important role than do factors related to the efficacy of the legal instrument itself.

The contributions on effects of governance on globalization (roles of NGO, information policy) and the logic of governance for a global economy include an article by L. David Brown, Sanjeev Khagram, Mark Moore, and Peter Frumkin, who see NGOs as a precursor to the involvement of other sectors. Cary Coglianese assesses the development of international institutions, from a system where they are dominated by nation states to systems where their authority is derived from a multitude of sources—characterized by complex interdependent interrelationships. This kind of delegated authority has to respond to a new balance between control and discretion. Another issue of global governance is addressed by Isaak Applebaum as he explores the sources and rationality of legitimacy. Deborah Hurley and Viktor Mayer-Schönberger localize the role of governments in shaping an information policy and of coming to grips with dynamic information flows.

The final chapter is by Dani Rodrik. He posits that the reach of markets, jurisdictions, and politics need to be commensurately global. This will mean an expansion of jurisdictions coupled with a relocation of politics to the global level, or a shrinking of our politics as it will be driven by markets. Bridging different perspectives and aspirations of different levels—global, national, and subnational—will finally lead to a global federalism. He believes that the form of governance can be developed in innovative directions by new social, institutional, and communication technologies.

These various angles of globalization individually merit more discussion and comment. They offer material for dealing with many other issues related to globalism. As the focus of this review is governance and its relation to globalism, we will first turn to globalism as the authors see it, followed by a discussion of the authors' view on how governance institutions and mechanisms will have to develop to react to globalism.

THE STATE OF GLOBALIZATION

In addressing the state of globalism and its impact on the state of the state or on formal government, the authors refrain from sweeping generalizations. They are convinced of globalization's strong effects on national governance. But that does not automatically mean that all predictions of how the nation state and domestic actors and government patterns may be affected become true, or are driven by the alleged causes. Their cautious answer is that the impact varies from state to state depending on their power, size and tasks, their political culture and that of their citizens.

Similarly, the authors see economic globalism bringing growing pressure to bear on traditional formal state entities to address problems of economic inefficiencies and

inequalities in world distribution of wealth. Whether state responses will be effective in the end remains to be seen. It will depend on "the degree of interdependence leading to fundamental transformations" (18).

So, radical changes depend on what sort of globalism we are going to have and how states will and can react. The authors assure us governance will continue to be centered in the nation state. State power and its exercise will remain crucially important, as will the distribution of power among states to tackle problems caused by or related to globalism. It is the image of the state and its center that will change. It will be the periphery of state power and its networks that will become increasingly important. Agencies combining some autonomy of decision making with an independent resource base, linked in networks to private and third sector actors, within and across national borders, will take over where central hierarchies are losing importance.

The state will need to reform itself to retain legitimacy and inspire trust. One of the preconditions for this transformation is for the state to be able to generate and facilitate the conduct of politics in spaces that have become out of reach for the old system (13). The state needs to understand how to address those actors and their interest in the specific context of these no-go spans. One of the suggestions of the authors is to shift regulation away from laws and to separate code writers from lawmakers. Understanding how agents interact in a context of rapidly changing norms and in rapidly changing contexts will contribute to the building of new legitimacy (26).

The authors are equally measured in their appreciation of international governance. They dismiss world government as infeasible and laissez faire as a recipe for backlash. Among the three remaining options:

- strengthening the territorial-bound political capabilities of the state in defense of the nation state as a political domain, in particular for social questions;
- restricting economic globalism to those areas that are politically feasible, to make the size of markets and the reach of politics compatible; and,
- defense of the traditional but developed multilateralism, leading to global regulation.

The authors favor the last one, adding to it a strongly multidimensional approach. They recognize that traditional governance in the international domain has failed. Problems of democractic legitimacy will contribute to the gradual disappearance of the Club Model of international cooperation embodied by the Bretton Woods system. The objective is to overcome the democratic deficit by increasing legitimacy on the input—the democratic process—as well as on the output side, i.e., by arriving at "policy choices that can be justified in terms of consensual notions of the public interest," as developed against the background of the European Community by Fritz Scharpf (1999, 188). The authors call for a more appropriate measure for judging democratic legitimacy rather than relying on domestic analogy and the so-called democratic deficit.

Both, domestic and international governance patterns combined, lead to a set of governance practices that improve coordination and create safety valves for political and social pressures. Such arrangements will need to involve, the authors argue, a heterogeneous array of agents from the private and the third sectors as well as from government. And governmental agents will not necessarily be operating on orders from

the top levels of governments. Added to networking as their mode of interaction, the result is "networked minimalism" (14).

GLOBALISM DRIVEN GOVERNANCE REFORMS

One main finding of the authors is simultaneously the justification for the volume: globalism is here to stay—how it will be governed is the question. By following a strategy of incremental change on all fronts, traditional governance will survive the challenge. Governance in times of globalism means, therefore:

- domestic governance plus globalized interdependent governance;
- (state) government plus networks;
- laws plus norms; and,
- public-sector actors plus private and third-party actors and regimes.

This sounds rather straightforward but is, of course, an exceedingly tall agenda. Everybody needs to have the exasperation of Merilee Grindle: countries with weak governance structures will be asked to follow this strategy and undertake the necessary reforms if they want to reap benefits from globalization. And they will know why: foreign direct investment tends to be associated with stronger domestic governance frameworks. A better income and wealth distribution will not materialize as long as corruption and rent seeking by vested interests operating in noncompetitive markets prevail, the latter again testimony to weak governance institutions.

While the essays deal with the objectives for change they do little to inform the reader about how this change is going to be brought about. The volume constitutes a valuable inventory of the type of developments we have to be aware of in times of globalization. It provides the terms of reference for a governance reform that can effectively respond to the challenges and opportunities of globalism. But there is little to assure us that these terms of reference are realistic and can therefore be implemented. In addition, the authors have avoided some of the trickier questions, e.g., the risks inherent in globalized governance for states. They do not examine the details of governance reform, of what needs to be done to reform the public sector to play a positive role under the conditions of globalism.

One of the better known details is the fragmentation and the loss of coherence of decision making as formerly well-defined relationships may break down. "Disaggregating the state into its functional components," as was suggested some time ago by Anne Marie Slaughter (1997, 183), may make it possible to create networks of institutions engaged in a common enterprise even as they represent distinct national interests. It still remains to be seen whether governance systems will be able to create enabling framework conditions for these networks to comply with rules without the basis of morals (nation or group bound, i.e., not globalized). This will need to be explored further.

Another characteristic of globalism, the variety of participating actors, is given very limited attention, surprising in a volume dedicated to Raymond Vernon. Corporate actors and their demands on and contribution to governance have been all but

overlooked. In possibly his best known study, *Sovereignty at Bay,* Vernon (1971) addressed the issues of transnational corporations and their relations to host and home states. He examined and evaluated relations between these transnational (now global) players and nation states. He thought that these relations are conflictual by necessity since the differences in outlook and perspectives (e.g., global profits versus national welfare, long-term market domination vs. short-term political expediencies) were irreconcilable. From such a position to a proposal for including these corporations in publicly sponsored networks of all sorts of actors and asking them to contribute to governance is a big step.

Bringing in global corporate actors helps to emphasize the paradox of this discussion. On one hand, global corporations' actions in the public domain tend to weaken government. On the other hand, it needs effective and performing governance mechanisms to integrate corporate with public perspectives. If networking is taken seriously, ways need to be found of shaping politics with old and new actors and their global associations to bridge their widely different ways of directing and managing power, communicating, and decision making.

CONCLUSIONS

Summarizing, the authors offer several reference points for governance in a globalized environment. These reference points need to be examined in view of the strategies they entail and the risks of implementation they bring.

In international governance, the Bretton Woods arrangements produced a compromise which combined economic globalization with some domestic autonomy for democratic politics. New strategies will be necessary to resolve the old dilemma of efficiency versus legitimacy. The dilemma is exacerbated by globalization, which makes a new compromise indispensable as national constitutions, the main framework for democratic legitimacy, enter the equation (see Fox and Roth 2000). The benchmarks for the success of these strategies are not well known, however.

Rulemaking and rule interpretation in global governance have become pluralized. Any emerging patterns of governance will have to take this into account. These patterns will need to depend on networking rather than on hierarchies and must have minimal rather than highly ambitious objectives to succeed. In specific issue areas, transgovernmental networks may design soft legislation and may even develop quasi-judicial processes (38). But effective transnational governance and global rulemaking by partnerships/networks between states and global or national nonstate actors may degenerate into semiprivate regulation communities. They may be able to act and to contribute to solutions but may acutely lack democratic legitimacy, and these networks are very vulnerable as their lease of life depends on an unstable balance of power and understanding between their main agents.

The authors describe their approach as networked minimalism. It seeks to preserve national democratic processes and embedded liberal compromises while allowing the benefits of global economic integration. As such, it will have to solve the classic governance problem of optimizing legitimate decision making both on the input (democratic process) and output (efficiency) sides. Cross-sectoral partnerships of

government and private and third sector institutions may be part of a global governance solution for legitimacy. It may indeed lead to nuanced approaches to transparency and accountability of both international institutions and networks.

The authors identify the deficient political base of IGOs as a major risk. They will be too weak to sustain high levels of governance, so the need for international regimes will exceed the supply. Here again intermediate solutions may be in demand, possibly improving limited legitimacy by associating citizens with some specific decision-making processes. As has been pointed out in the discussion on European governance, granting citizens a functional right to participate in decision making on specific issues may eventually lead to some kind of deliberative supranationalism—and even perhaps, in Kohler-Koch's term, to a "European demos" (2000, 30, 34). However, this would not be enough to create a broader-based legitimacy for IGOs, even in the case of Europe. Moreover, ingenuous ways of adapting jurisdictional borders to functionally defined bases of legitimacy, e.g., by way of the functional overlapping of competing jurisdictions (Frey and Eichenberger 1996, 15) will do little to improve legitimate governance of global questions.

Another of the conclusions of the authors is that, in order to create space for separate domestic policy processes, it will be crucial to relax the pressure from multilateral institutions. At this stage, the authors resort to the well known but also misused and misunderstood constitutional (as well as societal) principle of subsidiarity. Looking at the recent checkered history of this principle (e.g., during the period preceding the Maastricht Treaty[1]) it is far from certain that actors will use it in the way suggested here, namely, as a means to limit decision-making powers and to allocate powers to lower—possibly functionally defined—levels of decision making.

If there is no way back to the nation state and its exclusive reliance on formal governance mechanisms—if that has ever existed in the real world—what are the prospects for the development of governance mechanisms that can integrate all these aspects and stand the test of globalization?

- Will globalization remain a missed opportunity for many as governance arrangements remain out of step with technological and market developments that create global spaces and challenges?
- Will globalization simply be used as a pretext for more authoritarian decision making by governments that want to preserve power?
- Will national and international governments, unable to pursue effective strategies for globalization, lose their legitimacy over time and be restricted to an ever more limited area of decision making while others take over without legitimacy, restricting government to only a very limited arena?
- Or, will national constitutions and governance mechanisms prevail, giving citizens' organizations a key role in the judgment of and regulation of transnational relations, leading eventually to the primacy of citizens on their way to a global state of peace, as Kant so confidently predicted?

To deal successfully with global governance, today's governance institutions need to reform and develop. It is useful to take a look at today's agenda of public sector reform

and how it compares to the agenda set out by globalism. The nature and dimension of these reforms compare to major past exercises of government reform. According to Adam Wolf (2000, 689), senior manager in the Ministry of Finance, Denmark, and chairman of the OECD Public Management Committee, modern input and output oriented governments:

- will have to think more global in terms of analysis of their impacts and their instruments;
- will have to be more inclusive, linking politics with service delivery;
- will have to be more flexible, allowing non-negotiable or only very slowly moving stakeholder positions to exist side by side with ad hoc decision making and compromise;
- will need to govern horizontally, i.e., to accept the need to manage across levels and boundaries by partnerships and networks;
- will have to build new fora and interfaces for citizen engagement in order to rebuild trust and ensure accountable service delivery; and,
- will have to look into the human dimension as a much more volatile corps of personnel will need to show leadership and ethical values.

These are at first sight very abstract and general tasks. They are, however, based on reform experience of OECD member countries as well as reform demands of the last decade not necessarily related to globalization. They fit surprisingly well with the terms of reference for reform outlined by the authors.

While the objectives and terms of reference of reform are clear and the strategies and programs seem to have been written, the capability of governments to tackle these issues and the willingness of political actors to engage in the process of building legitimacy for reforms remains an open question. As one insightful observer has remarked: "There is a high probability that just about all governments will tackle the current issues, but a significantly lower probability that they will deal with the potential future issues" (Schick 2000, 88).

NOTE

1.   The provisions of the Maastricht Treaty on subsidiarity (Art. 3b) have been consolidated into Art. 5, para. 2 of the Treaty Establishing the European Community.

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