THE EVOLUTION OF GLOBAL GOVERNANCE: THEORY AND PRACTICE

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Summary

Over the last decade, the concept of global governance has not only become more widespread and popular, but confusion about its meaning has increased. While global governance theory emerged as a necessary corrective to much of the state-centric theorizing and research that had long dominated the study of international relations, mainstream studies overemphasize the role of nonstate actors in international affairs. Only by placing the concept of global governance in a longer historical perspective is it possible to fully comprehend why contemporary challenges to state sovereignty from nonstate entities is neither novel nor should be viewed as sounding the death knell of the state as the key governing institution in global affairs.

If global governance is to improve in the twenty-first century, a compromise needs to be struck between states, corporations and civil society associations on key questions on the international agenda. Future research on global governance should focus on understanding the intricate and changing relationship between states and markets actors and institutions in the context of globalization.

Scholars and practitioners of global governance alike need to pay closer attention to the tensions between the values of democracy and the market, and how these tensions influence the governance of human affairs on a global scale. In many countries, the balance of power between democracy and the market has shifted decidedly in favor of the latter. But as the experience of the interwar period has shown, the pendulum could easily swing back in the other direction, redefining the character of global governance.

1. What Is Global Governance?

The contemporary discourse on global governance originated from, and is subsequently located within, the study of international organization. Until the 1970s the field of international relations (IR) centered largely on the study of the activities of (and interaction among) sovereign states. Insofar as there was a growing postwar literature on international institutions, this literature concluded that international organizations – defined as intergovernmental organizations – were, in the words of Robert Keohane, “mere instruments of governments, and therefore unimportant in their own right.” Realism, the dominant analytical perspective of the time, posited that states were the *only* significant actors in world politics; that they act as units; and that their military security interests trump all of their other goals.

Highlighting the profound effect of the expansion of the world economy, a significant number of scholars argued that transnational relations transcended the confines of the nation-state and constituted an increasingly important factor in world politics. This trend in the study of IR marked an important stage in the evolution of the field toward the study global governance in that it solidified the analytic distinction between governmental and nongovernmental activity, thus facilitating the task of examining the differences between them and the effects of each on the other. “Transnational activity,” wrote Keohane and Nye, “makes societies more sensitive to one another….the result of this may well be attempts at policy coordination, which will increase bureaucratic contact among governmental sub-units, and which may, particularly in a multilateral context, create opportunities for international organizations to play significant roles in world politics.”

As influential as the study of transnationalism was in encouraging the systematic study of nonstate activity in world politics, the events of the early 1970s made it apparent that the postwar focus on formal structures and multilateral arrangements had been overstated. Indeed, the disconnect between actual international politics and formal institutional arrangements grew so wide that, intellectually, the two became difficult to reconcile. Two decades of predictable monetary relations under the Bretton Woods institutions were shattered by the unilateral decision of the United States (US) in 1971 to withdraw from the gold-dollar exchange system and to float the dollar. The rise of the Organization of Petroleum Exporting Countries (OPEC) and their evident power to disregard multilateral agreements with respect to oil pricing and availability occurred outside the realm of formal international organizations. Few during this time doubted that international relations were “organized,” but it became increasingly apparent that postwar attention to formal institutions and treaties, especially the United Nations (UN) and the Bretton Woods institutions, had been exaggerated.

Nevertheless, the study of international organization represented an important advancement in the broader field of IR. Liberals succeeded in debunking the realist assumption that states were the *only* significant actors in world politics, yet it was also clear that states remained the key actors in the international system. The distinction is not merely semantics, but rather accounts for the better part of the three decades of analysis of nonstate actors, patterns of nonstate activity, and the effects of state and nonstate activity on each other.

Seeking to build on the study of transnationalism and international organizations, an increasing number of scholars shifted their attention to the study of international regimes or, in Krasner's words, "implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations." Regimes, in his formulation, are ideas and rules about how states should behave. A vast literature emerged in an attempt to explain the conditions under which regimes are created, maintained and destroyed. Most approaches see regimes as being created through state-to-state negotiations with states acting as self-interested, goal-seeking actors pursuing the maximization of individual utility. In other words, states create regimes because they believe that a regular pattern of cooperation will bring them benefits. In many cases, states will participate in regimes that are imperfect because the costs of discord outside the regime is greater than the imperfect situation they experience inside the regime. For example, developing countries may object to many aspects of the trade regime, but they prefer to be a member than to operate outside the main trading institution, the World Trade Organization.

The study of international regimes, then, marked another important turning point in the evolution of the study of international organization. On a positive note, research on international regimes focused attention on how such institutions are created and transformed in the first place as well as the behavioral consequences of norms and rules, rather than the distributive consequences of behavior itself. Moreover, attention to the normative aspects of international regimes, and international relations more generally, led to consideration of the subjective meaning of norms and rules, which was inspired by the constructivist school of thought. By the mid-1980s, studies of international regimes became closely intertwined with explanations of international cooperation more generally. However, despite seeking to move IR beyond its preoccupation with the study of interstate relations, analysis of international regimes itself continued a state-centric bias.

Consequently, scholars have sought to develop global governance theory in order to transcend theoretically the narrow ontological confines of the state as a unit of analysis in international relations. In a pioneering effort, James Rosenau's and Ernst-Otto Czempiel's published *Governance Without Government*, in which they challenged the assumption that governance is associated with the activities of governments.

Even though most serious studies of global governance treat states as key actors in the international realm, international organizations and such nonstate entities as transnational corporations and non-governmental organizations (NGOs) are accorded an essential analytic place. There is general consensus that states remain the most powerful decision-makers in the global system, some clearly more so than others, but state power is being transformed both by the intricate relationship between states, markets, and various civil society associations.

An important piece in the puzzle of global governance centers on the political impact of globalization on state sovereignty. Much of the literature on the state conceptualizes sovereignty in terms of control, or the ability of states to control activities within and across national frontiers. Defining sovereignty in terms of authority, Janice Thompson developed the concept of "meta-political authority," arguing that "states do not simply have ultimate authority over things political; they have the authority to relegate activities, issues and practices to the economic, social, cultural and scientific realms of authority." Moreover, the vast majority of literature on international relations downplays the role of corporate actors in governing the world economy and more general international affairs, focusing instead on the behavior of states, intergovernmental organizations and, increasingly, NGOs. Yet, a growing number of authors are attempting to conceptualize the emergence of private-sector actors in international affairs. Some have pointed to the existence of "private authority." Private authority should not be conflated with private power, which connotes influence. The basic difference between the two concepts is that private authority is based on the combination of *power* and *legitimacy.* Thus, to private authority one may add the notion of "shared authority" among state and nonstate actors over a particular political, economic or social function or process. Indeed, states, as Thompson asserts, may even possess "ultimate authority." But insofar as states defer to or consult with private-sector actors in devising public policies or effecting desired outcomes in markets, such behavior itself attests to the existence of private authority.

As we will see, there is vast historical evidence of private-sector actors' performing public functions and of governments' complying with normative appeals for such action based on the belief that doing so is legitimate. Private authority is particularly observable in the area of banking and finance. Historically, commercial banks have regularly been central to the process of rescheduling government debt. In addition, state behavior often reinforces the market as authoritative. As Hall and Biesteker explain, "when state leaders proclaim that 'the forces of the global market' give them little room for maneuver or independent policy choice," not only are they "ceding claims of authority to the market; they are creating the authority of the market." Importantly, private authority does not necessarily undermine government authority or policies. Rather, it often complements the efforts of governments in various aspects of economic governance.

Thus, only by placing the concept of global governance in a longer historical perspective is it possible to fully comprehend why challenges to state sovereignty by nonstate actors, and global governance more generally, is not either novel or suggests the demise of the state as the key governing institution in human affairs. In fact, at the turn of the twenty-first century relations between states, on the one hand, and market- and other nonstate actors, on the other hand, bear important similarities to patterns of relations which existed in the 1920s, culminating a period in history in which nonstate actors (i.e., international businessmen and private experts) performed public functions by proposing and designing new international institutions.

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