“A conceptual basis for the notion of ‘governance’ in political science”

Jean Mercier
Université Laval
Québec city
Canada

Institutions and Human Behaviour,
Third Winir Conference
Seaport Boston Hotel
2-5 September 2016
**Introduction**

In Institutional Economics, the important notion of “governance mode” refers to a choice any business enterprise makes between market, contract, and hierarchy in order to perform its various tasks (Williamson, 1996).

In political science, public administration, public policy and related fields, the term “governance” has often been opposed, even contrasted, with the term “government”. Whereas government refers to the direct provision of public goods and services and the use of authority, the use of the term governance refers to a more horizontal, interactive process where public authorities become partners with non-governmental elements in order to provide public sector goods and services.
In political science and related fields, the use of the term governance has not been as rigorous as in institutional economics, but there are nevertheless some elements of consensus.

A point on which there is consensus among policy observers interested in political governance is the fact that, in contrast with the “government mode”, there is a wider variety of parties involved in the decision-making and implementation of public concerns. There are of course stakeholders, private interests and several levels of government, participants who could often be classified as either government or private. But more and more, governance situations have revealed many participants who elude or escape this binary and purely economic universe (Shanin and von Weizsacker 2005: 326). They are often referred to as part of a more informed and active civil society.

Another point of consensus is that public authorities are less capable of working alone. They lose “the capacity for direct control and replace that faculty with a capacity to influence” (Peters and Pierre 1998: 226), and thus become more of a guide than a commander.

The elements of consensus, just described, can be considered as being more descriptive than theoretical. Indeed, in the political science approach to governance, theoretical contributions have somewhat lagged behind. In a 1998 article, which is considered as a classic within political science, Gerry Stoker downplayed somewhat the conceptual strength of the term by pointing out the fact that “the contribution of the governance perspective is not at the level of causal analysis...Its value is as an organizing framework” (Stoker 1998: 18)
The goal of this paper is to shed additional theoretical light on the concept of governance, in the public policy-public administration sense, and thus to contribute to its advancement beyond its status as “organizing framework”. To realize this goal, we suggest to apply institutional economics’ concepts, particularly those related to information and information management, in order to develop a better understanding of what we can describe as “political governance”. We will complement our treatment of the information variable with notions coming from organization theory and network theory.

The role of information, and more specifically information asymmetries, will be highlighted and our paper can be considered as a response to Joseph Stiglitz’ invitation to propose “new applications showing the role that information considerations play in explaining a broader array of institutions and behaviour … some of it will entail an integration of economics with other sciences … in understanding how and how well organizations and societies absorb new information, learn, adapt their behaviour, and even their structures” (Stiglitz 2000: 1471).

The ultimate goal of this paper is thus to combine institutional economics and political science in advancing our understanding of political governance which can be defined in the following manner: governance is a format to manage multilateral and reciprocal asymmetries of information, regarding partial, incomplete and evolving knowledge which is subject to learning.

As stated earlier, governance and governance patterns can be understood, at least in a preliminary phase, by comparing and contrasting it with government and the government mode.
Admittedly, the distinction between “governance” and “government” can be somewhat abstract and arbitrary, and no doubt public authorities make ample use of both more direct and more indirect intervention procedures. Yet, as suggested earlier, the governance mode exhibits a different dynamic, one that is characterized by a more horizontal and interactive process, where information considerations play a central role.

We believe that the study of policy tools (or “instruments”) represents a good method at distinguishing the governance mode from the government mode. We can define policy tools as a set of means of action by which public authorities can guide individual and collective actors towards policy goals (Varone, 2000), and they can include more direct and top down means, such as legislation (government) and more indirect means, such as consultation processes and information gathering, more easily associated with governance.

Indeed, governance patterns, as opposed to government ones, require a somewhat different set of instruments for implementation (Howlett, 2014, p. 189); (Torfing and Triantafillou, 2013, p. 10; Torfing et al., 2012), requiring policy tools which are less direct and more interactive (Jordan et al., 2008; Howlett, 2001; Kassim and Le Galès, 2010; and Salamon, 2002). And consequently, the presence of more interactive and flexible policy tools can be used as reliable tracers, indeed witnesses, of the presence of governance patterns.

Before attending, in the next section, to the current status and debates on the instruments of public policy, especially as they relate to governance and government, let us offer a brief résumé of our journey and goals: to shed
additional light on the political science-public administration-public policy notion of governance, by examining it through economic institutionalism, particularly as it relates to information and information asymmetries, as witnessed through the use of specific policy instruments.

**Policy Tools: classification and other current debates**

Because our main interest in policy tools is focused on better distinguishing, and better understanding, governance and government patterns, we are particularly interested in classification which would contribute to this distinction.

In a reflective article published in Governance (2007) twenty years after his own classic contribution, *The Tools of Government* (1983, 1986), Christopher Hood surveyed the evolution of the field of policy instruments in the preceding two decades and concluded that the research topic that should be front and center in the research effort is the quest for a “parsimonious and comprehensive or generic classification(s) that [allows] comparisons across time, area, and policy domain (Hood, 2007, 129, 135, 139).

In the effort at instrument classification, there have been several enlightening contributions, and Christopher Hood identifies some of the most important ones.

There is of course his own classification, based on the means available in the hands of governments: modality, authority, treasure and organization: “Nodality denotes the capacity of government to operate as a node in information networks-a central point of contact. Authority denotes government’s legal power and other sources of legitimacy. Treasure denotes
government’s assets or fungible resources, and organization denotes the capacity for direct actions, for instance, through armies, police, or bureaucracy.” (Hood, 2007, p.129).

Reviewing some of the other classifications, Hood mentions the “carrots, sticks and sermons” categorization developed by Evert Vedung, where the instruments are classified according to an increasing level of coercion: sermons, then carrots, then sticks (Bemelmans-Videc, Rist and Vedung, 1998). Also mentioned, there is the distinction between the more traditional “earlier government activity […] largely restricted to the direct delivery of goods and services…” which is different to what its proponent calls “new governance” (i.e. a move away from stand-alone public bureaucracies towards network structures)” (Hood, 135). In this latter case, the Salamon categorization, we are quite close to a classification which can directly contribute to our own search for distinguishing governance and government. There are also other contributions to instrument categorization. Let us add two more.

Much in the same spirit as Lester Salamon’s distinction, Wurzel, Zito and Jordan distinguished between “regulatory instruments” (2013,p.29), corresponding to government patterns, and more flexible governance instruments, often present in environmental policies (Jordan, Wurzel and Zito, 2003, p.201,209).

Finally, let us mention Michael Howlett’s distinction between substantive instruments, where government intervention is directed towards an explicit policy content, and procedural instruments, where government intervention
is directed towards the adoption or the respect of a process such as a duty to report or to consult for example.

As Christopher Hood concludes in his reflective article, “The last two decades (1987-2007) has seen the development of several alternative ways of categorizing government policy instruments in a generic way” (2007, p.138). But these different categorizations need not to be seen as competing, as “they may be better understood as having developed....for different purposes” (p.141).

Nevertheless there is room for additional understanding of policy instruments. What are some of the elements which could guide us? How can a different classification add additional light to the different dynamics of governance and government patterns?

In identifying these guiding elements, let us first turn to those which can be drawn, explicitly or implicitly , from Christopher Hood’s reflective 2007 article. From his 2007 article, we have focused essentially on his analysis of instruments categorization. But Hood identifies other dimensions of analysis of policy instruments. Among these other dimensions, there stands the “constitutivist” politics of instrument choice approach, which focuses on “all the touchy-feely aspects of “ideology”, “politics” and “culture” “ (p.137). This softer dimension does not need to be opposed to the presumably more neutral categorization approach, because “some variant of the [categorization approach] is a necessary condition for effectively pursuing the” [first] (p.137). In this spirit, our goal can be stated as a better integration of objective and subjective elements of categorization.
A second goal, also drawn, albeit more implicitly, from Hood, is the quest for a classification which could be more theoretically grounded, to some foundational analysis (p.142), where there would be “why type” questions and possibly causal analysis with independent and dependant variables (p.136).

We will come back to this latter challenge in our next section.

Beyond these guiding elements identified by Christopher Hood in 2007, what other challenges should an additional categorization scheme respond to? Among these other challenges, there is one, we believe, which stands out.

One contemporary characteristic of instrument use, also mentioned by Christopher Hood, is the fact that there is now a “mix of instruments used to provide public services” (p.131). Because part of the mix of instruments involved some kind of devolution to private entities, an ideological debate has often arisen as to the respective merits of public versus private provisions (p.131). An ideal classification of instruments would bring some objective elements to these debates by better identifying why, and how, government-in house instruments are chosen, and why, conversely, governance-decentralized ones are chosen.

Tied to the latter, more ideological, question of private versus public provision, is the more technical question of sequence of coercive versus non coercive instruments. There is a good deal of confusion regarding this question, as some analysts suggest non coercive instruments are used first, and coercive ones later. But the opposite has also been described, and there is now no consensus on the matter (Wurzel, Zito and Jordan, 2013). An ideal classification would adopt a contingency approach which would explain that,
under specific circumstances, both sequences could be explained and understood.

The goal of this work on policy instruments, as a method to better understand both governance and government type processes, is thus to propose a response to Christopher Hood’s proposition to “produce a parsimonious and comprehensive or generic classification(s) that (allows) comparisons across time, area, and policy domain”, (p.129), a classification which would allow for both the more objective elements and the more subjective elements of instrument choice.

Among the other challenges of an additional classification is the need to base its elements according to some explicit theoretical elements.

It is with this latter challenge, the need to provide a conceptual-theoretical foundation, that we will deal with in the next section.

A theoretical base for instrument classification

In the introductory section of this paper, we pointed out two elements which seem important in our study of governance and government patterns of public policy. Those two elements constitute the foundation of the theoretical basis for our study of classification of policy instruments.

The first element is the presence of a wider array of participants in governance patterns (as contrasted with a presumably narrower array in government patterns). As seen earlier, this constitutes a consensus among policy-political science-public administration observers. Lester M. Salamon
may be the clearest author in this governance trend, by referring to an evolution towards “third party government” (Salamon, 2002, vii).

Our second element is closely tied to the first. In a governance environment, it can be presumed that there more numerous and more heterogeneous participants have their own interest and possess their own information. And beyond the characteristics of the process of governance, public authorities remain, more often than not, in the language of Institutional Economics, the “principal”, and the other, non-governmental participants, the “agents”.

We now have the assumption of a principal-agent relationship, where the agent is presumed to “have more information than their principal about the details of the task assigned to them, and about their own preferences, abilities and actions” (Majone, 1997, 154), and, as in institutional economics in general, “(p)olitical science principal-agent theory is based on the assumption of actor’s bounded rationality and as a consequence, incomplete contracts between principal and agent” (Heritier and Lhemkuhl, 2008, 4).

Having set the relationship between a principal- government-and an agent-business and non-governmental organizations-, we are now in a position to use the concepts developed in institutional economics pertaining to that type of relationship, in order to better understand how these elements influence instrument choice. Once a principal-agent relationship is seen to exist, the next theoretical question which needs to be address is what form of interaction will be chosen to structure their relationship. Governance, in
its political science-public policy-public administration sense, can be considered as one format to structure these interactions between the principal (public authority) and the agents (non-governmental participants).

In structuring the relationship between principal (in our case: government) and agents (in our case: non-governmental organizations), one important element coming from Institutional Economics will be transaction costs, and more specifically transaction costs related to the management of information.

Transaction costs can be defined as those related to the efforts and energy spent in dealing with outside partners: finding the partner, negotiating with him/her, evaluating the results, taking action to redress any shortcoming or improprieties. These costs, in institutional economics, are often seen to be higher when dealing with an outside participant (through contract or market) than when dealing with a participant within one’s own hierarchy. In our case, transaction costs would be lower in government than in governance.

However, in some case, transaction costs can be considered as higher when occurring within an organization’s own organization hierarchy.

One such case, within the world of business, concern the advantages of the multidivisional form over the more traditional unitary form of business organization.
The passage from the unitary form of large businesses (known in organizational theory parlance as the “U” form), to the multidivisional form (known as the “M” form), is associated with the work of Alfred Chandler. In a nutshell, the unitary firm is a large multifunctional firm, with a large and centralized head office. With an increase in the differentiation of its products and/or a greater geographical dispersion of its operations, the unitary firm is modified by its leaders into a multidivisional form, under the pressure of supervising so many different operations or products it knows less and less about. This leaves the head office to concentrate on the larger picture, liberated from much of the operating details. The theoretical debate concerns the question as to why, precisely, do some firms abandon the more centralized “U” form, while other firms do not, and, without going into alternative explanations of this mutation (commented in some detail in Scott, 2008), it is clear that Oliver Williamson’s explanation is based on information management, since the “U” form becomes too demanding on the cognitive capacities of the organization’s top executives. By reverting to the “M” form, these executives reduce their “internal” transaction costs, those costs related to the management of information in an organizational context (Scott, 2008, pp. 113, 162-163). The passage from the unitary form to the multidivisional form is quite relevant to our understanding of political governance, which, in the political sphere, shares many characteristics of the multidivisional business form, among which its decentralized structure and its attempt at solving the information overload problem. We can pursue the parallel further by pointing out that the top planning executives at the head office in the multidivisional firms sill have the final authority, via ownership,
just as the ultimate political authorities possess final authority in the public sphere, because of their special legitimacy and constitutional responsibilities.

In the latter paragraph, we mentioned the notion of “legitimacy”, coming from sociology-political science. In our next section, where we present in detail our proposed classification scheme, legitimacy considerations will be one of the two building blocks of our classification, along with, of course, information, and it will constitute our own attempt at integrating the more cultural-subjective elements of the dynamics of institutional choice as suggested by Christopher Hood (Hood, 2007: 137-141).

As we will advance, in the next section, in describing in detail our proposed classification scheme, we will come back to several elements outlined in the present section, notably to the notions coming from institutional economics.

**The proposed model**

Our main goal, in proposing a classification of policy instruments, is to better appreciate the different theoretical foundations of governance and government processes, through the policy instruments used in each case.

We wanted to better understand these different instrument choices through a more explicit conceptual base, by tying these choices to concepts of
Institutional Economics, and more specifically to concepts related to information.

At the same time, we wanted to draw from the dichotomy between governance and government the basis of classification which would go beyond this dichotomy, in order to propose a general classification of instruments which would “produce (a) parsimonious and comprehensive or generic classification(s) that allowed comparisons across time, area and policy domain” (Hood, 2007, p. 129).

In this spirit, we have tried to present our classification in causal language (Hood, 142), with the identification of independent and dependant variables (Hood, 136) which would, if not explain in an exhaustive manner the choices made, at least reduce “to manageable proportions the otherwise almost infinite [range of] possible specific instrument choice” (Howlett, 2009, p. 76).

Before proposing our general model, let us come back to our starting point, the different dynamics of governance and government process.

To sum up, we first wanted a classification of instruments which would clearly discriminate between the more traditional “government” instruments, and the presumably more recent and contemporary “governance” policy instruments. In addition, and to compare our findings with those of other studies on the same subject, we wanted a classification
that would describe government and governance instruments in a comparable, if not universal, language.

Although there is no agreement upon a classification of policy instrument in general (Vedung 1998; Hood 2007), there are many common elements as to what includes government, as opposed to governance, instruments. Indeed, government instruments, sometimes referred to as “regulation”, described as more “top down” and coercive, are contrasted with more participative, interactive and flexible instruments, particularly economic instruments. Our own classification, which we will outline shortly, is much in line with theses descriptions. In particular, our Proactive/Government category corresponds to Wurzel, Zito and Jordan’s category of “regulation”, while our Interactive/Governance category corresponds largely to their own Governance/New Environmental Policy instruments (Wurzel et al., 2013; Jordan et al., 2003) and, of course, to Salamon’s New Governance instruments (Salamon, 2002). When appropriate, as in the case here, we will draw some parallels between elements of known classification and elements of our own.

In designing our classification system, there is one other requirement we wanted to satisfy. We wanted to go beyond the grouping of similar instruments and wanted a classification which had a conceptual basis to it, as explained above.
We believe to have found such a conceptual starting point in Pierre and Peters’ (2000, p. 83) observation that “in modern society, government is still responsible, yet at the same time is less capable of acting alone”. Although public authorities must “seek contact with different stakeholders”, the state remains *primum inter pares* in these exchanges because “it is the only player in the (governance) policy process which can rightfully claim to have a political, legitimate mandate” (emphasis added).

Legitimacy can be defined as “a general perception or the assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574; see also Scott (2008); and on their application of legitimacy to instrument categorization: Halpern et al., 2014, p. 18; and Lascoumes and Le Galès, 2004, p. 351). While, as just suggested, public authorities have an advantage in legitimacy, the “different stakeholders” to which Pierre and Peters (2000) often refer to, can have a more or less temporary advantage in information which public authorities need to pursue its goals.

The whole of the classification which we propose is thus based on only two variables, information and legitimacy, seen as independent variables as the source of instruments and instrument choice (dependant variable), thus applying Christopher Hood’s notion that an analytical language can be composed of a limited number of elements, yet permutable almost infinitely (Hood, 1986, 1). It is not unusual to have a very limited number of variables
in this field, and several classifications have only one determining element, the degree of coercion being the most frequent case.

In previous sections, we have presented some elements regarding the notion of information. Before we go further, we propose to do the same for the notion of legitimacy, just defined.

The presence of the notion of legitimacy is intended to respond to various invitations to take into account the subjective nature of instrument choice, the beliefs and world views (Hood, 2007, 137) and framings behind these, (Hood, 142) and thus contribute to merge “homo sociologicus” (legitimacy) to the “homo economicus” (information) which Ayres and Braithwaite (1992, p. 51) see as necessary for a more complete socio-economic explanation.

More specifically, legitimacy is seen here as existing in various degrees, more or less in other words, and not in a binary yes-no situation. Also, it is seen here not so much as a subjective element as an intersubjective one, in other words, as an element that is taken into consideration only if it is shared to a large degree by a set of individuals. Under the notion of legitimacy, we have tried to get at the general context of instrument choice. The element of these particular contexts can be referred to in different terms: instrument choice is “nested” following terminology used by Michael Howlett or “variations in terms of institutional and structural path dependencies”, as expressed by Torfing and Triantafillou (2013,p. 22). Sometimes “linking forms of instruments to different kinds of state”(Hood, 2007, 139) and leading sometimes to an understanding of “the appropriateness of tool use as
depending (on differences) between “compliance cultures” and cultures of resistance to government policy” (p. 136).

Now, let us present our four categories.

As figure 1 shows, “Government” instruments are represented by our third category, “Proactive/Government”, and “Governance” instruments are represented by our fourth category, “Interactive/Governance” category. The two remaining categories (“Self-regulative” and “Informative/Limited action”) include instruments which are important for the overall public intervention, but we have left them out of Proactive/Government and the Interactive/Governance categories for essentially two reasons. The first reason is that the existing literature on instrument classification does not, most often, include them in either government or governance instruments. The second reason is that, under our own classification, their application requires less governmental legitimacy, and thus, they tend to affect less directly stakeholders in the policy process.

In summing up the contemporary situation of policy challenges, let us recall that non-governmental actors can possess an advantage in information/knowledge, sometimes temporary, while governments have an advantage in legitimacy. In technical terms, these are called “asymmetries” and, hence we have an asymmetry of information sometimes favoring nongovernmental actors, where we have an asymmetry of legitimacy in favor of public authorities. The degree of theses asymmetries can vary, giving way to a four part matrix of policy instruments, as presented in figure 1: Self-
regulative, Informative/Limited action, Proactive/Government and, finally Interactive/Governance.

In the Self-regulative category, when both information and legitimacy or at a low point for public authorities, governments will leave much of the policies to be determined by outside forces, including market forces. However, Self-regulative instruments can also be deliberately chosen, when they are considered as superior or more efficient, as they were chosen in certain transport policies areas, such as the rail or the airline sectors or, more generally, when there is a conscious and deliberate movement to trust the spontaneous decision of market forces, where specific self-information will yield, presumably, better overall social outcomes.

This category of self-regulative instruments is often absent from other classifications, in part because most of them assume a certain degree of intervention from public authorities.

In the Informative/Limited action category (where the limited actions are essentially of an information seeking nature), public authorities are aware of a policy problem or challenge, and seek more information about its dynamics. The instruments used here can vary from information gathering, public consultations of an informative nature, and finally, with increases in information and legitimacy, information dissemination and advertisement. The public authorities are moving to close the gap between themselves and non-governmental actors, but they have not yet built sufficient legitimacy to intervene forcefully.
This category is comparable to Evert Verdung’s “sermons” and to Christopher Hood’s “nodality”.

Our third category, the Proactive/Government category is where public authorities have the strongest position. The public sector here intervenes forcefully, using the coercive tools in its repertoire: rule-making and legislation for example, constructing and operating (directly or through agents) sizeable public infrastructures. Of course, in this category of instruments, we are squarely within the “government” operating mode where both information and legitimacy are at high levels. These types of instruments have, of course, been described previously, and they correspond largely to Wurzel and colleagues’ “regulatory instruments” (2013, p. 29), to “regulation” (Jordan et al., 2003, pp. 201, 209), and to a combination of Hood’s 1983 categories of “authority”, and, partly, of “organization” and of “treasure” (Hood, 1983).

These instruments correspond to Evert Vedung’s “sticks” category, and to Lester Salamon’s category of “direct government”, which pre-existed the contemporary situation of New Governance instruments.

One could ask the question as to why, at high levels of information and legitimacy, a government would, more often than not, directly provide policy and provision of public goods and services, and the answer proposed here is that it does so because the more indirect way would entail unnecessary transaction costs. As Oliver Williamson asks: “why use a complex structure for governing simple transactions?” (Williamson, 1981, 562).
Finally, the Interactive/Governance category is particularly important because it refers to instruments that are flexible, interactive and participative, fitting the general pattern of what has been described as “governance” patterns.

The instruments used here, in the Interactive/Governance category, are essentially of two types. First, a political-institutional type of interaction and participation, where public authorities initiate negotiations with interested parties involved more or less directly with the implementation and the adoption of standards and norms. Second, there is the use of interactive economic instruments, incentives and disincentives and, ultimately, market instruments in the form of differential taxation, based on public policy goals, and the trading of rights.

In this Interactive/Governance category, the relative increase in nongovernmental actors’ knowledge can be the understanding they possess on their own reactions and behaviour in the face government stimuli. Our Interactive/Governance category correspond largely to Wurzel, Zito and Jordan’s category of New Environmental Policy Instruments (Jordan et al., 2003, p. 209) and to the user charges and interest group funding of Hood’s Treasure category and of voluntary organizations and of market creation of his Organization category (Hood, 1983). Our fourth category also shares some common characteristics with Evert Vedung’s “carrots” classification, and with Michael Howlett’s procedural instruments because, in this latter comparison, the Interactive/Governance instruments often put into place
procedures while leaving the ultimate result to the interplay and behaviour of the participants.

Of course, this interactive category is associated with Lester Salamon’s description of new governance and with New-Public Management and privatization. However, prudence is in order here, in amalgamating these different elements, if only because Lester Salamon’s previous work concerned a trend which he and his co-author referred as Beyond Privatization (Salamon and Lund, 1989, reported in Hood, 2007, p. 134).

A better description would be the image of a “balancing act” between the contradictory forces of high governmental legitimacy, on the one hand, and relative weakness in information, two asymmetries going in opposite directions.

Indeed, on the one hand, there are private firms who take it upon themselves to implement public policy provisions “because [they]have more expertise and are more flexible and speedy in adjusting to new and complex [...] challenges” (Héritier and Lehmkuhl, 2008, p. 3), going as far as “[adopting] the role of “inspector” in order to ensure the [supplier’s] compliance with [...]product safety standards” (Héritier et al., 2009, p. 1). On the other hand, these private initiatives are taken “under the shadow of hierarchy” (i.e. Government) which ensures their legitimacy. In addition the balancing act must include the consideration of the element of transaction costs, always increased when dealing outside one’s own hierarchy.
If all this looks complicated, it is because it is. But negating its dynamics is not really an option, because to “use a simple structure to govern a complex transaction invites strain (Williamson, 1981, p. 562). The structure to deal with these complexities, the Interactive/Governance format, is quite analogous to the passage from the unitary form to the multidivisional form of some business organizations: a more decentralized structure of information management due to a situation of information overload.

**Some examples and preliminary empirical results**

The goal of this paper is to better understand governance in its political science-public policy-public administration sense and to propose a classification of policy instruments which is based on a solid conceptual and theoretical foundation, which would lead us towards this goal. At this juncture, we must point out that our classification has been adapted to evaluate its preliminary usefulness on a specific policy field, the challenge of sustainable urban transport. In this spirit, five cities of the Americas were studied as to their patterns of instrument choice: Chicago, Seattle, Montreal, Toronto and Curitiba (Brazil). The results of the empirical studies are presented elsewhere (2 references will be given) and in a forthcoming book.

But, because of their theoretical implication, we will refer to two of our empirical findings, one that questions part of the model, the other that supports it.
Let us briefly deal with the first.

When we presented our classification, there was the suggestion that the instrument types followed a certain sequence in time: self-regulation was a starting point, then, Informative/Limited action followed, giving way, after, to Proactive/Government instruments, and, finally to Interactive/Governance ones. An evolutionary process was suggested, and Lester Salamon’s work on New Governance suggested, similarly, that the more interactive-participatory instruments were at the end of this evolution.

However, in our first empirical test, the process did not seem as linear. In fact, although the implied sequence was partly confirmed, there also was an appreciable element of back and forth, circular movement between different categories of instruments. In particular, consultations in certain cities seem to be ongoing and not limited to the Informative/Limited action phase of the earlier sequence or the later phase of Interactive/Governance phase. Not counting that the differences between those two types of instruments, the first one trying to capture consultations before planning and the second one the implementation of existing plans, were not always clear for the respondents. Possibly, the respondent did not really think that there is a consultative phase where public authorities were really open about the appropriateness of different scenarios. In one city, consultations in general were even described by one respondent as “fake consultations”.

Turning now to the empirical finding which goes in the direction of this proposed model, we may recall that our legitimacy variable intended to capture the cultural/softer aspects of instrument choice. Under the same
conditions of information levels, certain cities made quite different instrument choices, suggesting that there are institutional/cultural elements at play, elements which were confirmed by the interviewers.

In particular, there were sharp differences between Seattle and Curitiba’s reliance on their fundamental instrument base, Seattle very much oriented towards Interactive/Governance instruments, while Curitiba relied in Proactive-Government ones. Seattle used both the political and the economic interactive instruments, while Curitiba used neither extensively.

The next question is: Do the political interactions and economic interactions of the Interactive-Governance phase always move together, either both present as in Seattle, either both absent as in Curitiba? And our short answer is: no.

However, to offer an element of explanation, we will have to go beyond the study of our own cases and give the example of a city which has the reputation of having used one Interactive/Governance instrument type (the economic) but not to the same degree the other (the political). The city-state of Singapore stands as one of the more spectacular examples of success in achieving sustainable transport. Its evolution in the choice of instruments seems to confirm our own model, although, at the end of the process, it has used economic interaction, as the model suggests, but less so the political interaction.

In the 1960’s, with little legitimacy or information, the island-state government started by, like most cases, doing nothing, in a self-regulated
mode. Then, in the informative phase, as the traffic congestion became more apparent, it looked at different options, including an important role construction program suggested by the World Bank, among others. It opted, however, for a strongly public transit orientation, which brought it into an extremely rich proactive phase, with land acquisition, coercive land planning and very substantial public transit construction. More recently, well within the interactive phase of policy instruments, Singapore has developed an exceptionally wide array of economic financial instruments aimed at reducing car use on the island, culminating with sophisticated and calibrated market based instruments, including very high cost of buying the right to own a car.

Based on public documents and public knowledge about the evolution of this public policy, we can conclude that its use of the Interactive/Governance instruments is different from both our own cases of Seattle and Curitiba. If Curitiba makes little use of either political or economic interactive instruments, while Seattle uses both, Singapore makes ample use of the economic Interactive/Governance instruments, while its use of the political Interactive/Governance is reputed to be limited, as the city-state is not considered as fully democratic according to international rating organizations. Although this last point is opened to debate, it suggests, at least in principle, that one can have one type of governance, but not the other.

The full use of both economic and political dimensions of governance in Seattle would suggest that both prosperity and democratic institutions are
needed to attain the full use of governance instruments. In Singapore, a very prosperous setting opens the door to the first, but not necessary to the second.

Moving to another type of policy, air pollution, there would seem to have been the eventual use of full Interactive/Governance instrument variety in the United States, in a policy instrument evolution which stretches out, like Singapore, over several decades. Of course, the challenges of clean air exists well before the 1950’s, and it was addressed through Self-Regulated instruments, with very limited or no government intervention, as our model suggests. Then, in 1955, *The air pollution control act*, essentially provided funds for research in atmosphere pollution, corresponding to our second instrument phase, the Informative/Limited action instrument phase. *The clean air act* of 1963 and the following one of 1967, while, advancing still more on information gathering, authorized surveillance and control methods for reducing pollution, sitting between our second phase and our third one, the Proactive/Government phase. With *The clean air act* of 1970, and the *The clean air act amendment* of 1977, the American federal government can be situated even more clearly within the Proactive/Government phase, in enacting coercive norms and rules for both stationary and mobile sources. Finally, the *The clean air act amendment* of 1990, “set in motion the distribution of emission rights and the sale of emission permit for certain sources”, thereby attaining our fourth and last phase of Interactive/Governance instruments. This move had been preceded by a 1986 EPA program of “Bubble area strategy” (Davidson and Noredeck, 2012, pp. 28-29) which permitted the exchange and sale of emission rights within
a region, with 29 states out of 50 having adopted their state implementation plan. “These interactive economic instruments were calibrated after political consultations with energy producers and other stakeholders, responding thus to the political interaction dimension of governance.

Up until now, we have limited our examples of governance to policies directed, ultimately, towards protection of the environment (for a new institutional perspective in this policy area: Ménard 2011). This leads to the question as to whether our proposed classification, and indeed governance type patterns themselves, are to be only found in certain policy areas, and not in others. In policy areas where there are substantial externalities, but not to others, for example?

Let us first attempt at identifying some preliminary characteristics of policy fields where governance patterns, such as those we described, are not to be found and, then, others where they are more probable.

Preliminary observations indicate that governance patterns are not to be found in highly conflictual and zero-sum situations, such as large redistributive policies (Héritier and Lhemkuhl, 2008, p. 12; Héritier and Eckert, 2009, pp. 14-15; Majone, 1997, pp. 152,162) (where) delegation to expert fora does not always turn out to be a success story (Héritier and Lhemkuhl, 2008, p. 9, referring to work by Smismans).

Recalling the role that information plays in institutional-organizational matters, and drawing from Joseph Stiglitz’ initial proposition as to their importance, let us underline that the presence of incomplete information
seems to play in governance patterns. These governance patterns will thus more probably appear in emerging and less mature policy domains where there is not yet wholly dependable and tested knowledge. In such cases the loosely structured configuration, the flexibility and learning format of governance can be conducive to effectiveness. The objects of governance are thus, more often than not, new and emerging preoccupations, involving a wide array of partners, where the interests of participants are not always clear, even to themselves, where values are strongly felt while their implementation appears uncertain, and where the limits and acceptability of policies are not fully tested: “post-industrial themes like environmental protection, consumer rights, equality between men and women, and civil rights” (Majone, 1997, pp. 158-159) and other fields such as child labor, the securing of landmines, the war against drug trafficking, international terrorism, sustainable urban transportation and, maybe in the future, the regulation of Internet (list partially drawn from Kjaer, 2004, pp. 16, 191-192). These policy areas can sometimes be quite technical, as is the case with environmental “wicked problems”, and “(it) is their social complexity, as much as their technical or scientific difficulties, that make them hard to manage” (Weber and Khadamian, 2008, p. 336). These last elements entail a substantial difference with the more standard application of the principal-agent model, since it goes even further along the path of bounded rationality, in that there is uncertainty about one’s goal and interests, and not only on the method to achieve them. The participants would like to be rational if only they could get clear on where their advantage really lies. Another element of difference with the more standard situation is the fact
there are typically in governance, as we have seen, multiple partners. Héritier and Lhemkuhl mention that in environmental self-regulation by industry, there are several and sometimes conflicting principals, and there are also “multiple agents or a complex agent structure” (2008, pp. 13-14).

In conclusion, we can state that our model may be more applicable and pertinent in certain policy fields than in others, as, indeed, governance patterns themselves.

**Concluding comments**

The goal of this paper was to combine institutional economics and political science in a new understanding and definition of political governance, which can be stated in the following manner: governance is the format to manage multilateral and reciprocal asymmetries of information, regarding partial, incomplete and evolving knowledge which is subject to learning.

In trying to study both policy elements and political structures, we have tried to respond to Giandomenico Majone’s critique of the fact that “changes in public policy and in governance structures have been treated, at best, as loosely connected processes to be analyzed by separate sub-disciplines...[which] has greatly impoverished both public policy analysis and the study of public administration”. And Majone saw the “[r]ecent advances in the positive theory of institutions and political economy of public policy [as leading]to general models capable of explaining both policy innovations and the corresponding structural changes” (Majone, 1997, p. 140). In trying to implement Majone’s suggestion, we have looked for inspiration in Joseph
Stiglitz’ invitation to propose “new applications showing the role that information considerations play in explaining a broader array of institutions and behaviour... some of it entail an integration of economics with other social science... in understanding how and how well organizations and societies absorb new information, learn, adapt their behaviour, and even their structures” (Stiglitz, 200, p. 1471).

Thus, there are rewards in combining institutional economics and policy studies, as there are also risks involved in any attempt at applying notions first developed for market and business institutions to non-market situations (Williamson, 1981, pp. 348, 568). This would be particularly challenging in the case of information as a variable, because information is fundamentally different from other commodities and that it possesses many properties of a public good, and “even if it is possible to exclude others from enjoying the benefits of some piece of knowledge, it is socially inefficient to do so” (Stiglitz, 2000, p. 1448), and because of these unique characteristics, “mechanism like reputation-which plays no role at all in traditional competitive theory- are central” (Stiglitz, 2000, p. 1449).

In our attempt at operationalizing the concept of governance, and its nemesis-government, we were led to the study of policy instruments, in the belief that instruments would constitute tracers-or withnesses-to these two policy configurations.

In elaborating a classification of policy instruments, we of course wanted categories which would distinguished between governance instruments and governance ones. But we also wanted to respond to some of the challenges
proposed by Christopher Hood in his 2007 reflective article on policy instruments: a classification which would be applicable across time, area and policy domain (Hood, 2007, p. 129), while satisfying the goal of dealing with the more rational dimension of instrument choice, while at the same time dealing with its more cultural, softer and constitutivist dimensions (pp. 137, 141).

In choosing information to represent the more rational dimension, and legitimacy to represent the more subjective-or intersubjective-dimension, we believe to have also responded to Ayres and Braithwaite’s suggestion to blend “homo economicus” and “homo politicus” in explaining instruments choice (1992, p. 51).

Information and legitimacy represent our independent variables bringing about instrument choice, setting the background for each other, and limiting each other’s full effects.

Between information and legitimacy, there is a certain tension, which in our view, only reflects the empirical, real life realities. Rational governments want to economize on transaction costs, but they also want to “economize on legitimacy”, explaining why they sometimes refrain from using more direct and coercive instruments in order to maintain their legitimacy status (Vedung, 1998, p. 41; Ayres and Braithwaite, 1992, p. 45). In other words, there is a “rebuttle presumption that organizational variety arises primarily in the service of transaction cost economizing” (Williamson, 1981, p. 387), and our model may constitute such a partial rebuttle.
The legitimacy factor is particularly helpful in explaining differences between governments facing similar information levels. In the preliminary study we have performed on sustainable transportation, cities face quite similar information challenges. Yet, their use of Interactive/Governance instruments is quite different. We propose the notion of legitimacy to explain part of these differences. Different concepts on legitimacy, particularly as to the proper role of the state, the civil society and private business are at the heart of these variations, leading to different kinds of states (Hood, p. 137), based on different institutional rules (Hodgson, 2006). More often than not, whether in the case of Seattle, Curitiba or Singapore (this later case being, however, outside our empirical sample), because of a well established institutional path dependency, there seems to be a holding pattern, a situation of “punctuated equilibrium” (Denzau and North, 1994, p. 23) or inertia (Williamson, 2000, p. 597). The move to another equilibrium point may take decades to develop (Carey and Low, 2012; Williamson, 2000, p. 598).

Moving outside our own cases of sustainable urban transport, and addressing the larger question of governance, in its wider sense, we are tempted to offer some larger conclusions.

Because so much of the governance process depends on actors outside governance, “effective modern governance can only emerge in societies that meet certain institutional and structural pre-conditions (and political) authorities must be powerful, but not omnipotent” (Mayntz, 2006, p.4). This in turn requires a strong civil society, extended specialization and “corporate
actors that represent different functional as well different socio-economic interests” (Mayntz, 2006, p. 5).

In these cases, both a strong state and a strong society co-exist (Pierre and Peters, 2000, p. 100).

At the end of these concluding comments, let us try to situate our journey into some larger perspectives. Let us start with history which is closer to us.

For several decades now, while there “has been an impressive growth of regulatory policy making” (Majone, 1997, p. 139), regulation-in its larger meaning-has been characterized by “pluralism, diffusion of power, and extensive delegation of tasks to non-majoritarian institutions like the independent agencies and commissions” (p.159). Other now familiar governance characteristics include administrative decentralization, regionalization, ”the breakdown of formerly monolithic entities into single-purpose units...delegation of responsibility for service delivery to private, for profit or non-profit organizations, and to non-departmental bodies operating outside the normal executive branch framework” (p. 146).

Adrienne Héritier, in her own studies, observes much the same patterns (Héritier, Mueller-Debus and Thauer, 2009, p.1; Héritier and Eckert, 2009; Héritier and Lehmkuhl, 2008, p. 7)

Looking at the larger historic picture, organizational and economic specialization was first observed for private business organizations and even, at the very outset, for industrial and mass produced goods. But the
specialization described in the present article relates to services, and
government services at that.

The intensification of the division of labor in areas which are quite new is
main plot, and the central story line. The growing number of participants,
their variety, the fact that they are tied to networks, the light tools
governments now use when they are involved in these situations, all these
elements, including privatization and private regulation, are but subplots and
secondary storylines, intimately tied together however by the main element,
the increased division of labor in novel and emerging areas of human activity.

The division of labor in public policy can thus be described as a chapter in the
history of the division of labor, with its effects on the respective roles of
government and governance.

Once this central explanation has taken its proper, pivotal place, previously
intense debates can find their place true place, usually a secondary one. For
instance, the intense debates surrounding privatization can be explained and
de-dramatized. When the division of labor intensifies, there is indeed a
specialization and parceling out of functions. The essential part is the
specialization dimension, and the fact that this specialization is entrusted to
the private sector in certain or even several instances is a relatively
secondary point, at least theoretically, because the specialization can also be
entrusted to elements of civil society and other levels of governments.

Neither is the specialization pursued as an end in itself. Ultimately, extreme
specialization can become a problem, in so much as a policy question is very
rarely unrelated to other questions, creating eventually a special kind of
transaction cost, the cost related to its re-integration to a larger whole
(North, 2005, p. 73).

Moreover, governance modes-as opposed to government ones-, in all
probability, do not constitute the end of history, and “there is no guarantee
that the flexible, adaptively efficient institutional structure, will persist in the
ever more complex novel world that we are creating” (North, 2005, p. 169).
It is entirely possible to imagine a pattern of events where governance
modes would be, in a given sector, a temporary phenomenon. The
responsibilities between what is entrusted to the private sector, to
governments and to civil society are shifting, especially through time, and, although patterns seem stable for specific periods of time, they are changing
over longer historical periods, for example when informal sectoral co-
operation is transformed into a more formal structure through governmental
intervention (Héritier and Lhemkuhl, 2008, p.8)

The term “governance” will continue to be used in the loose sense of
“organizing an area where there is some necessary accountability involved”,
and that does not cause a big terminology problem. When “governance” is
used in its more specific political science-public policy-public administration
sense of an “an alternative to government hierarchy” and “networking”, it
has sometimes been oversold, and it has taken on some normative and
prescriptive dimensions which have steered us away from proper analytical
treatment. In this article, we have tried to use some analytical elements of
institutional economics to better understand political governance for what it
is, a useful and sometimes essential mode of organizing, which can however have its limits, like all organizational modes. The more useful question is thus to determine under what circumstances is the governance mode more appropriate, and we have tried to advance that question here.
Asymmetries of Legitimacy and Information & Instrument Choice

Information asymmetry in favour of private & non-profit

Self-regulative

- Self-regulation
- Government-supervised self-regulation

Interactive/Governance

- Political interaction and consultation/Norms and standards
- Economic interaction through differential taxation and market mechanisms

Voluntary Agreements

Informative/Limited action

- Information (collection and dissemination)
- Research
- "Detection"

Proactive/Government

- Negotiated regulation
- Unilateral regulation
- Direct government action

Legitimacy asymmetry in favour of government

Figure 1
Bibliography


