

Governments, Governance, and Accountability

By Joseph Nye

Professor Joseph Nye spoke at an AO Forum held by IPD in February this year. An edited version of his lecture follows.

Executive Summary

Governments and the other institutions that govern societies are under challenge from a perceived lack of legitimacy. The forces of globalisation, marketisation and the information revolution mean that the centralised government model that dominated in the past is being displaced by an emerging paradigm of distributed governance. Decision-making is shifting from central government to local and international levels and is also being made in partnership with private firms and NGOs. This shift is manifest most keenly at the level of supranational governance. A more sophisticated theory of accountability, which recognises forms other than democratic accountability, is required to confront the complexity of governance in the 21st century.

Governments and the other institutions that govern societies are under challenge. One of their problems is a lack of legitimacy. Legitimacy implies that those subject to a governance process accept it as properly authoritative. The legitimacy of institutions can rest on tradition, symbols, or effectiveness. In democratic societies, legitimacy can also rest on procedures that are regarded as sufficiently fair and participatory.

Waning Confidence in Government

In the mid-1990s, my colleagues and I at the Kennedy School examined a long-term trend that was affecting the United States as well as other developed countries. Public confidence in government was falling, and had been for some time.

In the United States, there was no question that confidence in government had declined over a generation:

- In 1964, three-quarters of Americans said they trusted the federal government to do the right thing most of the time.
- Thirty years later, only a quarter of the American public expressed this trust.

This loss of confidence was not limited to the United States. A number of our allies also experienced declines in trust in government. But these indicators were symptoms of a condition that could be treated, not a terminal disease. The world was not on the brink of another 1968 or 1789.

Governance, Not Governments

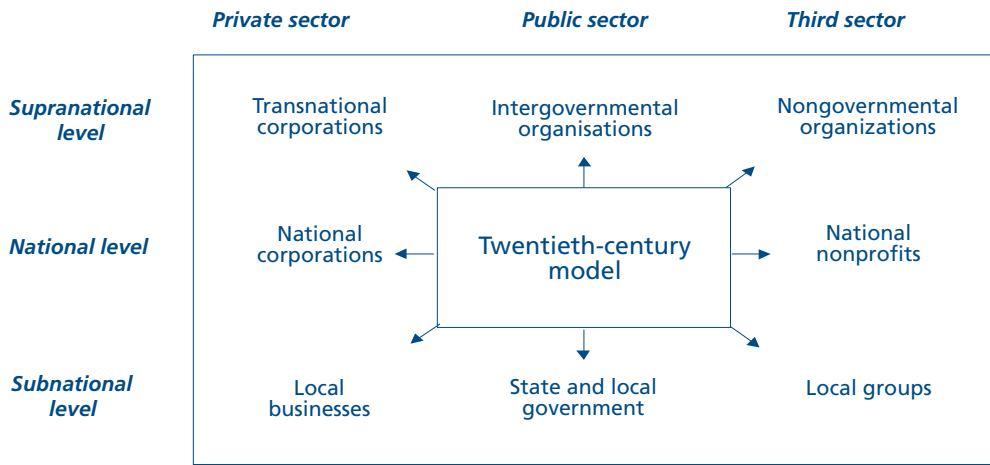
This led us to ask three questions that would help us understand where we were in the evolution of governance:

- What does government do? (Its scope)
- How is it doing? (Its performance)
- How is it seen by citizens? (Its perceived performance)

We knew that we had to look beyond America's borders, and that the emerging paradigm to consider was governance, not just government. All sectors of society were facing new governance issues posed by globalisation, marketisation, and the information revolution.

The emerging solutions pointed to distributed governance, rather than the centralised government model that had dominated in the past. In the new model, governance took place on the international, state, and local levels, and private firms and NGOs often had key roles in the governance process, as well as governments and IGOs.

The Diffusion of Governance in the Twenty-First Century



Governance.com: Democracy in the Information Age, Visions of Governance in the 21st Century, Elaine Ciulla Kamarck and Joseph S. Nye, Jr., eds. (Brookings Institution Press, Washington, D.C.: c2002), 4.

Governance sometimes took place without governmental authority, as was the case when the Landmines Treaty won passage despite the opposition of the United States government.

Globalisation

Globalisation refers to the increase in the scale and speed of flows of goods, people, and ideas across borders, with the effect of decreasing the effects of distance. It manifests itself differently in political, economic, and social contexts. Globalisation is not new—the hundred years from 1815 to 1914 represented a remarkable era of globalisation—but the current phase is—“quicker and thicker” than any that preceded it. Globalisation began before the information revolution, but it has been greatly enhanced by it.

Terrorism

“Catastrophic terrorism”—a series of large-scale terrorist attacks—could derail the seemingly inexorable forces of globalisation, marketisation and the information revolution and reverse the distribution of power.

From a governance perspective, globalisation constrains states’ abilities to levy taxes and maintain extensive social benefits. It also opens opportunities for private transnational actors to establish standards and strategies that strongly affect public policies that were once the sole

domain of central governments. Today, issues related to globalisation elicit a broad range of governance solutions, ranging from:

- unilateral policies, such as the U.S. response to Y2K,
- to regional groupings such as the EU’s Environmental Agency,
- to multilateral co-operation through world bodies, such as the WTO.

Marketisation

Marketisation is related to but more than globalisation. It too has been enhanced by the information revolution, but it also has an independent domestic aspect and independent origins. Markets have become bigger and more powerful in recent decades, and they now share power with governments on a number of levels.

Some of the ways in which power has diffused from governments to markets include:

- the ability to maintain the value of the currency,
- choosing the form of an economy,
- and providing infrastructure.

Markets and governments have different strengths and weakness. Markets can do many things better than governments:

- They create wealth, which raises standards of living.
- They create liquidity, which can allow a wide

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range of people to borrow, invest, and seek opportunities.

- They impose fiscal discipline on their participants.

And they are far quicker than governments at rewarding innovation and creativity.

It's hard to deny that markets had a better half century than governments after World War II. In the U.S., as in most other Western economies, incomes rose, wealth grew, technology advanced, and corporations expanded and evolved. Over that same period, the centralised governments and economies of Communism proved to be utter failures. In the West, markets gained legitimacy in relative terms over time as trust in government decayed.

Having said that, the lessons of the last half-century are considerably more complex than "the more markets, the better." Governance plays an essential role in modern markets. It:

- Makes markets possible, by providing rules and institutions,
- Offers opportunities to improve the outcomes of market failures such as imperfect information, public goods, and externalities.

And it makes it possible to correct for macroeconomic disruptions, such as crashes, panics, or contagions. When we think about the governing bodies of markets, they are clearly not always governments, though governments certainly oversee and regulate certain markets.

The Information Revolution

The information revolution refers to the dramatic decrease in the costs of computers and communications, and the effects that has on both the economy and society. Computing power has doubled every eighteen months for the past 30 years, and it now costs

less than one percent of what it did in the early 1970s. If the price of automobiles had fallen as quickly as the price of semiconductors, a car today would cost \$5. As the actual costs of transmitting information have become negligible, flows of information have increased exponentially.

Earlier transnational flows of information were heavily controlled by large bureaucratic organisations, such as multinational corporations or the Catholic Church, which had the resources to establish a communications infrastructure. Today, anyone with a computer can communicate to all corners of the networked world. The barriers to entry in the information market have lowered dramatically.

The governance issues related to the information revolution range from the politics of bandwidth to establishing compatible international standards for different technologies, which tend to be heavily shaped by so-called "first movers" in a field.

These three trends—globalisation, marketisation, and the information revolution—are overlapping in many respects, though they all have unique features. They pose new questions in terms of governance, and there is not a one-size-fits-all model that can provide answers.

Global Governance and Accountability

These trends and the questions they raise require a wide-angle lens that captures the global picture. The concept of 'global governance' inspires controversy. Many political thinkers have written about the so-called 'democratic deficit' afflicting global governance. They say that democracy requires a 'demos', and that the activities of international organisations do not take place even in the shadow of elections.

These are important questions to raise, but a better way to think about closing the gap

between global reality and a democratic utopia is to ask about different types of accountability. Accountability does not necessarily imply democratic accountability—think about a private firm and its board of directors—but it does mean that leaders will face adverse consequences if their actions are inconsistent with the values and preferences of their audience, whether it is public or private. It's better to devise multiple forms of accountability than simply to bemoan the 'democratic deficit'.

The dictionary defines accountability as "liable to be called to account; responsible". Accountable actions are explainable and sanctionable. Principals can require agents to give reasons so that they can make judgements about agents' actions and can also directly or indirectly sanction their agents if displeased with their actions.

Five Types of Accountability

There are five types of accountability that have broad implications for global governance. Each of them has built-in strengths and limitations:

- *Electoral accountability* is the most familiar to citizens of democracies. Just focusing on electoral accountability is insufficient, though, because so many tasks are delegated to un-elected officials ranging from the heads of bureaucracies to judges.
- *Hierarchical accountability* is typical of domestic government systems. Leaders can remove their subordinates from office or constrict their room to manoeuvre.
- *Legal accountability* is also a common function in domestic systems. People can be fined, jailed, or sued if they break the law.
- *Reputational accountability* occurs through publicity. The media can sanction individuals or organisations through embarrassment and damage to reputation.
- *Market accountability* works through the information that markets provide through the rewards and punishments they give out. It's worth keeping in mind that "the market" is not an abstract force, but a collection of individuals who exercise their influence through the market.

Accountability involves trade-offs among values. In both domestic and international arenas, it is reasonable to construct a variety of instruments that can provide measures of accountability while limiting its costs, financial and otherwise. Tennyson's "parliament of man" was a great turn of phrase, but it is not the most feasible means of accomplishing accountability in the 21st century.

Accountability in the International Arena

Issues of accountability become more complex in the international arena. A potentially debilitating problem for international governance is lack of legitimacy. Critics of contemporary law and institutions on all sides of the political spectrum argue that international institutions suffer from accountability deficits.

These critics have a point, but their conception of accountability is too limited to hierarchical and especially electoral accountability. Legal accountability (as in administrative law), reputational accountability, and market accountability are also important in the policy networks in which the business of international governance is actually conducted.

Recognising the role of transnational networks makes it clear that the problem is more complex than one of a 'democratic deficit' with its implied domestic analogy. If we think clearly about other forms of accountability than traditional electoral accountability, we may be able to design institutions that meet our needs for effective co-operation without handing our fates over to unelected technocrats.

The international problem is structural. In a well-functioning constitutional democracy, the various aspects of political inputs—popular activity, media attention, pluralist interest-group lobbying, parties, elections and formal legislation—are articulated together. There is a clear pathway by which laws can be created; and when laws are enacted, regular procedures and organisations exist to implement, amend and change those laws. Actions can be taken, broadly consistent with the public will. Ideally, then, both the input-oriented and output-oriented requirements for legitimacy can be met.

In transnational and international relations, by contrast, groups or clubs accomplish tasks at the expense of direct accountability, which jeopardises some of their legitimacy. Some networks offer

transparency that allows outsiders awareness of what is happening, but by doing so they diffuse responsibility. They may enhance reputational and market accountability, but diminish delegated democratic accountability. This can produce deadlock, in which there is lack of focus and no effective decisions to hold policy-makers accountable for. When effective action can't be taken, legitimacy suffers.

International governance does not benefit from symbolic legitimacy—as in Max Weber's traditional or charismatic forms of legitimacy. Its legitimacy must rest principally on its apparent efficacy as an instrument.

Procedural legitimacy also matters, because of democratic values as well as for reasons of efficacy. If issues of democracy were left out, legitimacy based on efficacy could be destroyed. It is unlikely that most people in democracies would prefer such an outcome.

We need a more sophisticated theory of accountability. Democratic electoral accountability can be supplemented by other forms of accountability—hierarchical, legal, reputational, and market—which, while not democratic, can help to ensure some responsiveness to public concerns. International organisations as agents may be distant from the shadow of direct elections, but they should not be held to a higher standard of democratic accountability than domestic regulatory agencies or monetary authorities.

Politicians and Global Governance

Global governance today lacks a sufficient role for politicians, intermediating between policy and publics. Even leaders such as the United Nations Secretary General cannot effectively play this role, much less the executive heads of the International Monetary Fund or World Bank. They simply do not have sufficiently strong links with elites or broader publics in democracies, or sufficient credibility with those nationally-based audiences.

Governance of globalisation will depend in significant measure on national political leaders in democratic states. Political support for coherent governance will require that these leaders look beyond their borders as they devise their strategies. For example, rather than hide behind and blame international agencies such as the IMF for unpopular actions, they will have to help

shoulder the political burden. But national political leaders have incentives to do exactly the opposite: appeal to their own national publics and blame international organisations for failures. Global political leadership from domestic politicians is rare, and we can expect the governance of globalisation to remain unarticulated and disjointed.

Conclusion

In judging whether the problems of democratic accountability, both of organisations and networks, are justified by their results in terms of efficacy of global governance, we need to assess the trade-offs. How we evaluate governance processes depends both on their accomplishments and on the extent to which their procedures approximate ideals of accountability. A greater understanding of the dimensions of accountability will help us make relevant judgements as we confront the complexity of governance in the 21st century. ■

NGOs and Accountability

How NGOs can be held accountable and to whom? NGOs are increasingly influential, sometimes politically motivated, and are able to exert pressure on governments. With offices located all over the world, they do not seem to be accountable to anyone, not to governments or even to the individuals on whose behalf they are purportedly acting.

Prof Nye noted that the number of NGOs had increased dramatically. In 1990 there were about 6000 international NGOs. By the end of the decade the number had risen to 26,000. He added that they were here to stay and that they would become more important. The real question then is what role they should play. He argued that NGOs, such as *Transparency International*, report on and document government programmes and might therefore assist in holding governments accountable through reputational accountability.

However, he acknowledged was no neat solution to the issue of accountability of the NGOs themselves other than to rely on their pluralism. One possibility is to increase pressure on NGOs to make public their sources of financing and membership.