



Good Governance: A New Public Managerialism

Coskun Can Aktan¹ - Hayrettin ÖZLER²

Abstract

This paper is an outcome of extensive reading and discussions on the subject of good governance between the authors. It is not a literature review alone but represents the understandings of the authors about the meaning of governance and good governance. The paper searches the background and current use of the concept and tries to give a complete picture as much as possible to comprehend how long it can be stretched to explain current problems of governing. It also discusses to what extent, the concept has a theoretical value and whether this is desirable or not. In the end, we suggest that the concept is a sign of an emerging political and administrative theory that relies on multiple sources of social sciences. That means this emerging theory has both normative and pragmatic characteristics, yet incomplete.

Keywords: *Governance, good governance, global governance, institutions and ethics*

INTRODUCTION

We believe in humanity and rationality of human beings, yet we can witness fellow beings engaging in horrible actions such as ethnic cleansing, murdering the innocent, and torturing other fellow beings. Today the human society is in a state of moral and administrative crisis. This crisis has many symptoms, the most dramatic being the remorseless increase in levels of criminal, delinquent, and terrorist behaviors and organizations, not unrelated to the practices of our states, laws and social institutions, all of which form our governance system.

¹ Coskun Can Aktan is a professor of Public Finance at Faculty of Economics and Management of the Dokuz Eylul University.

² Assistant professor at Dumlupınar University, Department of Public administration.

Then there is the decline of civility, the decline of public trust in corporations and the weakened public consensus on any sort of social and civic values which form our moral systems. We seek tranquility in a word which is in a transcending mode of state. It seems like the knowledge we acquire today and the wisdom we gain will turn into lies and delusions tomorrow. We see that much blame has been put on some trends such as globalization. One can even blame human creativity and increasing liberties which somehow make us indifferent to and not subservient to any fixed moral codes. We abstain ourselves from committing to any value that counters our private will. Is something wrong with the humanity? Are we evolving into technologically more advanced but morally more primitive men? The answer is no, only if we think and believe in the idea that people are not corrupt but the systems and values of government get corrupted. Only by accepting this premise one can develop a healthy framework for effective and moral governance. As Keohane puts we need not just effective governance but the right kind of governance³. By governance we do not mean the politics and public administration alone because governance systems include economy, state and society in one big more-or-less institutionalized whole.

The complexity and un-manageability of globalization with the sweeping power of economy and exchange between borders is worrying for governments, international institutions and NGOs. How can we govern these processes and the complexity of economic, cultural and political interactions without idealizing and exalting the nation state? In this age of unreason (borrowing from Charles Handy) almost everyone have come to believe that human institutions must follow the guidance of moral purpose(s) for a human way of living, for a general good or a common human well-being which is capable of being shared by everyone and which provides a standard for both good legislation and good governance. What are the basic principles for good governance? Despite emerging consensus among some international or supra-national institutions, to expect a total consensual answer for these questions are of course pointless. The ideal form of governance has been a lingering question for political thinkers. Since Socrates and his student Plato, philosophers and practitioners have been searching for the best way of governance, a morally mature community and the best form of state. Platon in his works, "the State", "Politics" and "the Law", contemplated on the ideal state

³ Robert O. Keohane, 'Governance in a Partially Globalized World', *American Political Science Review*, Vol. 95, No. 1, 2001, pp. 1-13

and ideal political governance. He also couldn't help to pose the question: "who guards the guardians?" Indeed, the states and governments in history usually based their power on coercion rather than persuasion in order to derive the consent of their subjects. Even policy sciences as a scientific branch of politics search for policies to have people conform to rather than searching for ways to increase public control over policies. Our conventional models of governance tried to develop institutional protection from the arbitrary exercise of coercion and increase communication and collective reflection on state policies and actions. Yet the more we strive to govern, the less we succeed. The institutions and policies the state creates can easily turn into tools of exploitation, manipulation and oppression.

Some managerial ideologies like Fascism and National Socialism at one extreme exalt the state (hierarchy) as a sacred entity prior to the individual and society; others like Marxism as a socialist ideology and liberalism as an individualist ideology are anti-state. Marxism considers the state as the steward of dominant classes and an institution to alleviate class struggle. Instead it adheres to a state which is a servant of the community of equals who are refrained from private property, social ranks, and so on. Liberalism on one hand believes in the minimum-state and demands the limitation of the state authority and obsolete legislations; and on the other it advises the expansion of individual freedoms that lead a flexible market society to meet the demands of the changes in circumstance. These theories and ideologies are not too distinct as they are either on one horn or the other of the governance dilemma, which Keohane defines as "the dilemma between the liberalism of progress and the liberalism of fear"⁴. Market liberalism calls for institutions to promote exchange; social liberalism calls for institutions to control human vices.

There have been some attempts to combine different interaction and coordination mechanisms under the auspices of the welfare state. However, the popularity of theories and discourses on the welfare state between 1960s and 1980s, now seem to be old-fashioned as the questions, like "can the ideal state be defined and formed?" and "what are the basic features of the ideal state?" have lost their prominence along with the de-idealization of the state, in the last decade of the 20th century. Scholars, Schmitter⁵ for example, can describe

⁴ *Ibid*, p. 9

⁵ Philippe C. Schmitter, 'Examining the Present Euro-Polity with the Help of Past Theories', Gary Marks, Fritz Scharpf, Philippe Schmitter, and Wolfgang Streeck (Eds), *Governance in the European Union* (London Thousand Oaks, CA: Sage, 1996), pp. 121-50.

possibilities of a non-state order in Europe. We now witness the decline of the state not necessarily as an entity but as a unit of analysis. Now even the scholars of international relations (IR) argue that states should not be the focus of analysis in IR and that more systemic and institutionalist perspectives are required to understand IR⁶. Besides, the state is an organization that will never be both all-inclusive and unitary at the same time. Therefore, seeing the nation-state as the main actor-player in global and domestic governance would not help in any way.

DEVELOPMENT OF THE CONCEPT OF GOVERNANCE

The concept of governance owns its development mainly to developments in institutional/constitutional economics⁷, new institutionalism⁸, economic theory of politics⁹ and organizations¹⁰ and behavioral sciences which emphasize contract and choice with more emphasis on the former. These are not always compatible theories; however, they have common implications based on a criticism of classic market model which assumes that institutions will evolve spontaneously in the direction of structural efficiency through simple rational exchanges among numerous actors. Governance paradigm perceives politics as complex exchanges among political, economic and social actors with differing values and interests within an institutional environment. This complex body of literature is also critical of simple hierarchy model as many modern polities, according to Kohler-Koch and Eising, have multi-centered, multilevel, network character rather than a single center with lawful hierarchical authority¹¹.

Governance paradigm shares many assumptions with neo-institutionalism which sees institutions not as static and unchanging structures, instead they

⁶ Helen V. Milner, 'Rationalizing Politics: The Emerging Synthesis of International, American, and Comparative Politics', *International Organization*, Vol. 52, No. 4, 1998, pp. 759-786.

⁷ James M. Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, (Ann Arbor: University of Michigan Press, 1962).

⁸ James G. March and John P. Olsen, 'The New Institutionalism: Organizational Factors in Political Life', *The American Political Science Review*, Vol. 78, No. 3, 1984, pp. 734-749.

⁹ Ronald H. Coase, *The Firm, the Market, and the Law*, (Chicago: University of Chicago Press, 1988).

¹⁰ Oliver E. Williamson, 'The Economics of Organization: The Transaction Cost Approach', *American Journal of Sociology*, No. 87, November 1981, pp. 548-577.

¹¹ Beate Kohler-Koch and Rainer Eising, *The Transformation of Governance in the European Union*, (London: Routledge, 1999).

shape preferences and are shaped by the preferences voiced in collective volumes. Institutions enable individuals to secure collectively their own privately defined objectives that cannot be efficiently secured through simple market exchange or democratic voting although the both increase accountability. Williamson defines the concept of governance as a combined form of choice and contract. This reasoning means human behaviors are inclined towards not to maximizing but to satisfying, a continuum from the best to “good enough”¹². Instead of the logic of consequences alone, “the logic of appropriateness”¹³ is a preferred model of human and organizational action in both governance and new institutionalist literature. Actors behave in accordance with their interpretation of rules and practices that are socially constructed. Identities and rules are constitutive and constituted by social interaction and experience¹⁴.

Contracts are codified promises fixing the rules for a given transaction and collective action by establishing the rights and obligations for each contracting party. Contracts are therefore social institutions embedded in a rational-moral-cultural framework which includes language, symbols, roles, reputation, mutual expectations, commitments, rewards and punishment. Binding contracts are also public goods for participants who are usually willing to contribute to sanctioning others and punishing defectors in a face-to-face repeated game situation allowing the exchange of complete information¹⁵. Therefore, not every conflict in a transaction or collective action requires a third party intervention. As we know that only the trustworthy will survive in an evolutionary and repeated game of exchange and cooperative behaviors¹⁶. There are studies¹⁷ showing that a social norm can work in generating cooperative behavior as well as an externally imposed set of rules and that cooperation is likely to survive longer than that of imposed externally. The rules that have been

¹² Oliver E. Williamson, ‘The Theory of the Firm as Governance Structure: From Choice to Contract’, *The Journal of Economic Perspectives*, Vol. 16, No. 3, 2002, pp. 171-195.

¹³ James G. March, and Johan P. Olsen, ‘The Institutional Dynamics of International Political Orders’, *International Organization*, Vol. 52, No. 4, 1998, pp. 943-969.

¹⁴ James G. March, and Johan P. Olsen, ‘Garbage Cans, New Institutionalism, and the Study of Politics’, *The American Political Science Review*, Vol. 95, No. 1, 2001, pp. 191-198.

¹⁵ Elinor Ostrom, ‘Collective Action and the Evolution of Social Norms’, *Journal of Economic Perspectives*, Vol. 14, No. 3, 2000, pp. 137-158.

¹⁶ Werner Güth, and Hartmut Kliemt, ‘The Indirect Evolutionary Approach: Bridging the Gap between Rationality and Adaptation’, *Rationality and Society*, Vol. 10, No. 3, 1998, pp.377-399.

¹⁷ See, Ostrom, ‘Collective Action and the Evolution of Social Norms’,

crafted by internal agents, as contrasted to the elite or government, are more likely to be respected, observed, and complied with.

Despite the deficiency of an external rule-maker and enforcer, most contracts involve a social demand for third-party dispute resolution that is the law and courts to sustain social exchange and cooperation overtime¹⁸. The third party –be it courts, judges, legislatures or ombudsmen- adapt continuously the law governing exchange to the exigencies. But they do not necessarily impose their own rules without any concern to internal parties; instead the third party should accept and consolidate the legitimacy of internal rules. Not every dispute should be brought to a court except fraud, illegality or conflict of interests. Since all contracts are unavoidably incomplete due to unintended consequences of bounded rationality, opportunistic behaviors and so on, there emerge always needs to devise supportive governance structures (extensive rules, independent monitoring agents etc) and alternative modes of governance (like unanimity voting, referendum, veto power, etc) in discrete structures. These changes are simply adaptations to changes in conditions (such as expansion by new comers, entering into different domain of interests, changes in resources, etc) and availability of information and to the evolution of transactions. These adaptations can be coordinated as in hierarchies or spontaneous as in markets. But the adaptations of governance structures in addition to contracts, as argued by Keohane, do not take the form of *either* markets *or* hierarchies but markets *and* hierarchies¹⁹.

For Keohane governance institutions are mainly the result of interdependency and information scarcity. Therefore institutions perform signaling function providing information and incentives to help actors define their strategies within the limits of a cooperative relationship. Governance structures, that are institutions, infuse order in transactions to mitigate conflict and realize mutual gain. The realization of interests occurs through persuasion based on *bargaining* and *signaling* as forms of information flows between parties. In this information flow, parties exchange credible promises and threats as well. Persuasion based on recalculation of choices and consequences does not necessarily involve changes in values. In good governance concept, however, persuasion means the appeal to norms,

¹⁸ Stone A. Sweet and Thomas L. Brunell, 'Constructing a Supranational Constitution: Dispute Resolution and Governance in the European Community', *The American Political Science Review*, Vol. 92, No. 1, 1998, pp. 63-81.

¹⁹ Keohane, pp. 1-29

principles, and values that are shared by participants in a conversation²⁰. Persuasion requires giving moral reasons for actions, reasons that go beyond assertions about power, interests, and resolve²¹.

Through governance structures contracts become credible. Williamson defines the regime of contract laws as an important dimension and asset of alternative governance forms. The regime of contract laws only provides a framework or occasional guidance in case of doubt and dispute but does not indicate a concrete form of relations among parties in order to maintain voluntary exchange. Each generic mode of governance is defined by an internally consistent syndrome of incentive intensity, administrative controls and contract law regime. That means a governance system is generic mode which includes a market structure or a price system, a hierarchical structure inferior to the law, and a contractual/communitarian consensus-based system of rules and law. Governance approach maintains that structure arises mainly in the service of economizing on transaction costs (costs of exchange, monitoring, dispute resolutions, etc.) rather than maximizing value.²²

Political decisions are ultimately moral choices²³ and talking of principles implies an ethical dimension. Furthermore, the legal order and legal principles, as socially embedded institutions, emphasized by good governance implies a formation of community morality and taking community values into consideration. Yet this process of taking into consideration of community values and allowing a community morality to be built by the state must be neutral or independent of any particular conception of good life and must support diversity and complexity²⁴; must not foster any conception of good life that some people must reject²⁵; all conceptions of the good must be considered equally worthy and should not be judged from a social standpoint²⁶; or as

²⁰ *Ibid.*, p. 10

²¹ John Elster, 'Deliberation and Constitution Making', *Deliberative Democracy*, John Elster (Eds.), (Cambridge: Cambridge University Press, 1998), pp. 97-122.

²² Williamson, pp. 176-178.

²³ George H. Sabine, *A History of Political Theory*, 3rd Edition, (London: Lowe & Brydone, 1961), p. 745

²⁴ Dworkin, Ronald, *A Matter of Principle*, (Cambridge, MA: Harvard University Press, 1985).

²⁵ Charles E. Larmore, *Patterns of Moral Complexity*, (New York: Cambridge University Press, 1987).

²⁶ John Rawls, 'Social Unity and Primary Goods', *Utilitarianism and Beyond*, Amartya Sen and Bernard Williams. ed., (New York: Cambridge University Press, 1982), pp. 159-185

Sinopoli²⁷ puts rightly, the state may support policies on non-neutral grounds providing that other citizens, who do not share or reject the value of those policies, are not treated as less valuable than others.

Harlow derives a distinction between “principles”, which form an essential building block of a legal system and “values”, which are largely formulated outside that system. There must be compatibility between these macro level principles of law and micro-level values of administration. The former implies a “bounded government”, a framework for administration and principles of governance, while the latter implies “values of governance”. Principles of law consist of a universally accepted typical mixture: fairness, legality, consistency, rationality and impartiality. Good governance on the other hand requires collective action and rights to participate in policy making. Therefore participation, transparency (openness and access to information), accountability and reasonableness become the values of good governance.²⁸

Good governance is an attempt to close the gap between policy development and implementation, democracy and efficiency, democracy and the rule of law (constitutions), and between political science and public administration. These gaps started to grow since the time Woodrow Wilson in 1887 attempted to separate public administration from politics with his essay “The Study of Administration”²⁹. At the 1939 meeting of the American Political Science Association (ASPA), public administration created its own professional organization contributing to the divergence between political science and public administration³⁰. Similar attempts took place in Europe as well at about close dates. Guy argues that “Scientization” of politics almost ignored the popular will, morality and social institutions by focusing on positivist behavioralism and empiricism on the side of political science in the 1950s and 60s, and efficiency and performance on the side of public administration. “The growth of scientism in the social sciences resulted from a desire to gain knowledge for prediction and control: knowledge that would rise

²⁷ Richard C. Sinopoli, ‘Liberalism and Contested Conceptions of the Good: The Limits of Neutrality’, *The Journal of Politics*, Vol. 55, No. 3, 1993, pp. 644-663.

²⁸ Carol Harlow, ‘Global Administrative Law: The Quest for Principles and Values’, *The European Journal of International Law*, Vol. 17, No. 1, 2006, pp. 187-214.

²⁹ Marcia L. Whicker, Ruth A. Strickland and Dorothy Olshfski, ‘The Troublesome Cleft: Public Administration and Political’, *Public Administration Review*, Vol. 53, No. 6, 1993, pp. 531-541.

³⁰ Mary E. Guy, ‘Ties That Bind: The Link between Public Administration and Political Science’, *The Journal of Politics*, Vol. 65, No. 3, 2003, pp. 641-655.

above the human and be objective, neutral, value-free, and above ideological dispute. The promise of quantitative techniques was to lift political science from the untidiness of politics to a science of ‘apolitical’ politics”.³¹ In the height of 1960s and 70s a new interest began to grow in institutions, but also a growth of literature on new public management, new right politics, policy analysis and public choice. No matter how different they are, these approaches shared a reformist agenda for public administration to be more inclusive, innovative, responsive and anti-establishment. A market-supporting regulatory framework, minimum government, partnership between state and civil society, decentralized and participatory public administration, consensus-based political institutions, social equity and inclusiveness, accountability, integrity, and such more features are all included in a single concept called “good governance”³².

Good governance refers to the processes that bring and collate different interests and resources together in a functioning order to produce and achieve collective goods at global and national levels. These goods (goals) are shaped by political, economic and social values from which a particular form of governance derives its legitimacy by discovering and enforcing overarching values. These overarching values are not the properties of the state but of the polity. Too much dependence on laws, rules and regulations may also mean the value-basis of the community and society is in collapse, therefore more emphasis is put on procedures like dialog, discussions, participation and democracy to increase the legitimacy of governance structures and laws. Besides, this inclusion of conflicting interests and worldviews should occur not in terms of “inclusion in the state” but “inclusion in the polity”³³. In addition to the overgrowth of state apparatus and bureaucracy, inclusion in the state may result in less vital civil society, erosion of some existing democratic accomplishments, and a reduced likelihood of further democratization in the future. Dryzek prefers a passively exclusive state (which simply leaves civil society alone) to actively inclusive state (taking steps to mobilize latent groups and driving them into the state)³⁴. An actively inclusive state or governance

³¹ *Ibid.* p. 648

³² Derick W. Brinkerhoff and Jennifer M. Brinkerhoff, ‘Governance Reforms and Failed States: Challenges and Implications’, *International Review of Administrative Sciences*, Vol. 68, No. 4, 2002, pp. 511-531.

³³ John S. Dryzek, ‘Political Inclusion and the Dynamics of Democratization’, *The American Political Science Review*, Vol. 90, No. 3, 1996, pp. 475-487.

³⁴ *Ibid.*, p. 476

leaves the decision to select whom and how to participate in negotiations to established political institutions and therefore governance becomes a consultation not an active dialogue³⁵.

Good governance may relieve itself to us through its outcomes, functions and procedures³⁶. Good governance deliver outcomes which increase the set of human capability or freedom to achieve productive purposes³⁷ in a just way which benefits the least advantaged ones by making at least no one worse off³⁸. Most functions of governance, as being proposed by the advocates of good governance concept, should be performed at market and community level and less on hierarchical state level. The institutions designed for governance should be culturally and politically diverse so that most of the functions could be performed at local levels. Modern governance should be dispersed across multiple centers of authority³⁹. But the governance institutions should be able to limit the opportunities to externalize the cost of actions at one locality onto others. In other words, governance institutions are to provide focal points like in a collaboration game situation where no one has an incentive to defect. There are also procedural criteria which are accountability of elites for their actions, participation of people in making collectively binding decisions, and persuasion to make people abide by the rules rather than depending on force or sanctions⁴⁰. These procedural criteria are essential for voluntary cooperation based on honest communication, rational-moral persuasion, and thus, legitimate process.

GOOD GOVERNANCE IN GLOBAL ARENA

By good governance, most people mean democratic governance which attributes importance to agreement, dialogue, compromise, participation and communication within a complex network of actors and institutions rather than relying solely on free and timely elections, market economy etc. Some of the newly emerging forms of governance advocate for the dispersion of decision-making and implementation away from central state and bureaucracy and the

³⁵ Mark Bevir, 'Democratic Governance: Systems and Radical Perspectives', *Public Administration Review*, Vol. 66, No. 3, 2006, pp. 426-436.

³⁶ Keohane, pp. 1-29

³⁷ Amartya K. Sen, *Development as Freedom*, (New York: Knopf, 1999).

³⁸ John Rawls, *A Theory of Justice*, (Cambridge, MA: Harvard University Press, 1971).

³⁹ Liesbeth, Hoogh and Gary Marks, 'Unraveling the Central State, But How? Types of Multi-Level Governance', *American Political Science Review*, Vol. 97, No. 2, 2003, pp. 233-243.

⁴⁰ Keohane, pp. 1-19

inclusion of interests and actors as diverse as possible. These new forms use too numerous neologisms and catchwords such as network governance, democratic governance, pluralist-deliberative democracy, multilayered governance etc. In network governance, for example, decisions are made through processes of bargaining and negotiations among government, business and civil society actors in semi-formalized institutions⁴¹. In all these concepts there is an assumption to find an effective and good governance system that encompasses governments (or government offices) and citizens (or NGOs). The innovation of good governance is the idea that networks are more efficient than hierarchies and that dialogue and consensus can build political legitimacy and effectiveness⁴².

Good governance has been highly influenced by European structural models such as French administrative law, the English common law, the German principle of proportionality, and the Scandinavian ombudsmen institution⁴³. Since the concept is European, it can be perceived as a disguised form of cultural and economic imperialism or incompatible for the countries with state-centric traditions. Nevertheless, these concerns might be perceived excessive since the Asian and East European countries are voluntarily and readily willing to adopt it. What prevents them from a complete adaptation to this new system is that the system is too expensive for them to implement and it seems good only for the developed world. And only the wealthy and well-supported individuals and organizations may be able to suck in the values and benefits of the new good global governance system supported by international administrative and commercial law and the global institutions⁴⁴.

As the rational-choice institutionalism suggests, institutions come into being and sustain themselves as long as they offer selective incentives to politicians and leaders to invest in institutional innovations and as long as they provide distributive advantages to powerful interests and collusive groups for their sustenance⁴⁵. This is because institutions are collective goods and once they

⁴¹ Navdeep Mathur and Chris Skelcher, 'Evaluating Democratic Performance: Methodologies for Assessing the Relationship between Network Governance and Citizens', *Public Administration Review*, Vol. 67, No. 2, 2007, pp. 228-237.

⁴² Bevir, pp. 426-436.

⁴³ Harlow, pp. 187-214.

⁴⁴ *Ibid.*

⁴⁵ Douglas C. North, *Institutions, Institutional Change and Economic Performance*, (Cambridge: Cambridge University Press, 1990); Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups*, (Cambridge: Harvard University Press, 1965).

are produced (established), late comers or initial by-standers can free-ride on them. Therefore institutional investment requires collective action of an effective coalition of entrepreneurs who can diffuse the cost of institution-building on to others. These entrepreneurs on the other hand are the keeper of first-mover advantages just like in the case of the European Union⁴⁶. New members of the EU have no choice but to accept the rules already established by the six founding members who gain persistent and cumulative advantages. This first-mover advantage may change in the near future as the EU polity, the council and parliament are given more legislative power in relation to the superiority of the Commission and the Court of Justice.

Furthermore, in the context of global governance, Harlow suggests that the skeptics of legal globalization are concerned with the structure rather than the values and principles as power is diffused to networks of private and public actors⁴⁷. Moravcsik, for example, argues that the preferences of multinational firms as exporters for larger markets, pan-European regulation, and exchange-rate stability have been prime movers behind European integration, and thus governance⁴⁸. Therefore, suggesting that some principles and values govern the processes of European integration and enlargement seems not very true, but also has certain truth in it because of legitimacy concerns. If there are actors who are capable of escaping controls of democratic government and law, the institutional structure will lose legitimacy and stimulate free-riding. Without politics, society, a forum for citizens, power sharing, diversity and subsidiarity a universal form of good governance and administrative law is not democratic and legitimate. However, the institution building in the EU should aim for collaboration rather than coordination since coordination institutions combine coercion for late-joiners. Collaboration institutions provide fewer opportunities for initiators as late-comers can defect at lower cost⁴⁹. Rather than reflecting power as in coordination games, cooperative institutions provide focal points preventing powerful states to rely on ad-hoc cooperation and making them institutionalize cooperative patterns of actions⁵⁰.

⁴⁶ Keohane, pp. 1-13.

⁴⁷ Harlow, pp. 210-212

⁴⁸ Andrew Moravcsik, *The Choice for Europe*, (Ithaca, N. Y: Cornell University Press, 1998).

⁴⁹ Stephen D. Krasner, 'Global Communications and National Power: Life on the Pareto Frontier', *World Politics*, Vol. 43, No. 3, 1991, pp. 336-366; see also Keohane, 2001.

⁵⁰ Lisa L. Martin and Beth A. Simmons, 'Theories and Empirical Studies of International Institutions', *International Organization*, Vol. 52, No. 4, 1998, pp. 729-757.

With the reports published by international organizations such as the United Nations, World Bank, IMF and OECD good governance has become a subject matter for serious research and review in the academic field. Partnership with these bodies operates to legitimate good governance values in non-Western countries. Not all these international institutions have similar internal governance systems. For example, in the General Assembly of the UN member countries have an equal vote regardless of their size, while in the IMF and the WB; voting rights are proportional to the contributions of the countries in accordance with their GDP. These international institutions however are not directly accountable to the people but the ministries of relevant policy areas of the governments. The gap between internal functioning of these institutions and the ideas they promote appear to be an inconsistency. However, international institutions' main reason to exist, according to public choice perspective, is to provide a way for states to overcome problems of collective action, high transaction costs, and information deficits or asymmetries⁵¹. Confusing them with states or regimes may create perception problems and lead to misrepresentation of reality. These institutions have come to exist after successions of international agreements between nation states. It is therefore acceptable to suggest that they affect the state behaviors through self-enforcing agreements and because these institutions collect and provide policy-related information.

Global good governance advocated by international institutions primarily privilege neo-liberal faith in the protection of private property and basic market freedoms, it emphasizes not only economic constitution based on international free-trade and a global code of corporate responsibility, but also representative and responsible governments, protection of fundamental rights and the environment, and absence of corruption. For example a global economic constitution is emerging through intergovernmental organizations (e.g. the WTO, WB, IMF and OECD) which are entrusted with power by member nation-states to fill out the terms of contract. The contract as the rules of the game governs the transactions among members at local, national and global levels. The Bretton Woods organizations (the WB and IMF) are public institutions, designed to facilitate collective action and cooperation at the global level against market and state failures⁵². Through continuing globalization and

⁵¹ *Ibid.*, p. 746

⁵² Joseph E. Stiglitz, 'The World Bank at the Millennium', *The Economic Journal*, Vol. 109, No. 459, 1999, pp. 577-579.

integration efforts, at least a rather convergence has emerged on some universal principles towards good governance and human rights in the second half of the 1990s.

These intergovernmental and international organizations have pursued different goals and missions some of which have changed overtime. For example the WB was established to rebuild the war-torn Europe, and then began to promote the economic growth and the eradication of poverty in less developed countries. The instruments used to pursue those objectives have also changed over the years. The Bank first supported large scale growth oriented projects of governments, and later adopted projects to reduce poverty, focusing on individual projects. The Bank has noticed that as far as governments do not improve the way they govern and adopt policies supporting market economy these projects have little value in the long term to reduce poverty and facilitate sustainable development. The IMF's structural adjustment initiatives and their failure in many developed countries due to large scale corruption in governance also increased concerns about the developing the governance and policy making in the troubled countries which try to integrate into the global economy. They began to emphasize the administrative aspects of governance including civil services, privatization and downsizing in public sector, democratic governance, judicial reform, anti-corruption, and so on. Many of these attempts are noble yet many of them are doomed to fail as most of the developing countries are ruled by corrupt, incompetent, authoritarian class of elites who are reluctant to devolve their power and authority and legitimacy to societal elements. Moreover, the general public and intellectuals in developing countries are very likely to see this type of advice related to governance practices as interference in their internal affairs (e.g. the relations between the IMF and Turkish reformist governments have been criticized in a similar fashion). Representation and citizen voice is the most critical aspects of good governance but reformist governments as well as international agencies had thought of these matters as residuals as they preferred strong governments for quick implementation of reform packages.

There is no right sequencing since good governance requires interlocking reforms taken in with a messy but all-together approach in a specific historical and cultural context. It is the early failures of structural adjustment and reform programmes in the developing world stimulated the interest of the WB and other intergovernmental and international institutions in good governance⁵³. As

⁵³ Harlow, pp. 197-199

the governments in those countries were out of touch with the governed, WB-financed programmes faced local hostility, widespread corruption, disappearance of aid funds, and inadequate auditing arrangements especially in Africa. Consequently a WB report on Sub-Saharan Africa in 1989 promoted the idea that “democratization in the context of a free economy would compel governments to be more accountable, less corrupt and hence more efficient developmentally” thus, participation, accountability, and transparency formed the triad of good governance values⁵⁴. What is missing in the administrative law principles for good governance is the emphasis on diversity and pluralism. The norms and principles of governance should be able to operate in different value systems in a way to facilitate democracy; otherwise the system might impose so-called universal and global values which are mainly western in origin. There is also considerable evidence that international institutions like the World Trade Organization (WTO) have played a central role in moving the world towards a freer trade regime by reducing tariffs (more on manufacturing goods, yet less on agricultural goods) assisting the developed world rather than the underdeveloped. We need to further remind the cleavage within global governance arguments: hard-line economic liberals and their institutions (the WTO, WB and IMF) in one side and softer liberal economic theorists’ “good governance” agenda with a flavor cosmopolitan law and social democracy⁵⁵.

We find it useful here to summarize how the institutions that started using the term firstly define “good governance”. The World Bank, which uses the concept most frequently, defined “good governance” as the traditions and institutions by which authority in a country is exercised for the common good⁵⁶. This includes (1) the process by which those in authority are selected, monitored and replaced, (2) the capacity of the government to effectively manage its resources and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them. This means that governance is measured by looking at how authority representatives are selected, whether they are accountable to the public, whether they produce sound policies and have the capacity to implement them, and whether they can manage their own resources effectively. The WB has embraced decentralization as one of the major governance

⁵⁴ *Ibid*, p. 199

⁵⁵ *Ibid*, p. 199.

⁵⁶ The World Bank, *Entering the Twenty-First Century*, (Oxford and N.Y.: Oxford University Press, 2000).

reforms on its agenda. With the emphasis on decentralization the Bank aims at reducing the role of central government and administration; replacing command and control economy to market economy; increasing inter-governmental competition and thus learning by doing; providing additional checks and balances in political processes and increasing the responsiveness and efficiency of governments; defusing social and political tensions; and ensuring local and cultural autonomy. By this way, market failure would turn for their solution to the government at local level where the transaction costs are relatively low and the information problem that can contribute to central government failures are less acute. In this picture central government stands to intervene when the local governance is captured by local elites, when spillover effects and coordination problems across local governments increase⁵⁷.

The definition of the United Nations Development Program, as written down in the UNDP policy document 1994, has nine major characteristics. It is a strategic, participatory, consensus oriented (inclusive), accountable, transparent, responsive, effective/efficient, and equitable decision making and implementation which follows the rule of law⁵⁸. *Participation* means that all men and women have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively. *The Rule of Law* means that legal frameworks should be fair and enforced impartially, particularly the laws on human rights. *Transparency* is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. *Responsiveness* means that institutions and processes try to serve all stakeholders. *Consensus orientation* helps the mediation between differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures. *Equity* means all men and women have opportunities to improve or maintain their well-being.

⁵⁷ Pranab Bardhan, 'Decentralization of Governance and Development', *Journal of Economic Perspectives*, Vol. 16, No. 4, 2002, pp. 185-205.

⁵⁸ UNDP, *Governance for Sustainable Human Development*, A UNDP Policy Document, United Nations Development Programme, January 1997. (Available at <http://mirror.undp.org/magnet/policy/default.htm>)

Effectiveness and efficiency assures that the processes and institutions produce results that meet needs while making the best use of resources. *Accountability* is the property of decision-makers in government, the private sector and civil society organizations who are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization. Finally, *strategic vision* of leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

The view of the IMF on “good governance” is primarily concerned with macroeconomic stability of the monetary system and of the world economy, external viability, and orderly economic growth in member countries⁵⁹. Therefore, the IMF’s involvement in governance is understandably limited to economic aspects of governance. However like the World Bank, the IMF’s tools and missions have changed overtime as the fund started to provide assistance and advice to countries in transition in its Enhanced Structural Adjustment Facility (ESAF) Programme⁶⁰. The contribution that the IMF can make to good governance through its policy advice and, where relevant, technical assistance, arises principally in two spheres⁶¹:

- Improving the management of public resources through reforms covering public sector institutions (e.g., the treasury, central bank, public enterprises, civil service, and the official statistics function), including administrative procedures (e.g., expenditure control, budget management, and revenue collection); and
- Supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private sector activities (e.g., price systems, exchange and trade regimes, and banking systems and their related regulations).

The OECD (Organization of Economic Cooperation and Development) attributes to the concept the almost the same features which are respect for the

⁵⁹ IMF, *Good Governance: The IMF’s Role*, August 1997, (available at www.imf.org/external/pubs/ft/exrp/govern/govern.pdf)

⁶⁰ Stiglitz, p. 581

⁶¹ IMF, p. 3

rule of law; openness, transparency and accountability to democratic institutions; fairness and equity in dealings with citizens, including mechanisms for consultation and participation; efficient and effective (public) services; clear, transparent and applicable laws and regulations; consistency and coherence in policy formation; and high standards of ethical behavior.

Similarly a “White Paper on European Governance 2001” of European Commission mentions five good governance principles: openness, participation, accountability, effectiveness and coherence. Article 46 of the European Charter of Fundamental Rights instructs EU institutions to maintain an open, transparent and regular dialogue with representative associations and civil society. Probably this instruction to consult with NGOs is going to be constitutionalized concerning all matters of EC law. This emphasis aim at to counter arguments relate to the democratic deficit and legitimacy crisis in the EU in which representative institutions like a strong parliament may be contrary to a multi-level “governance system by the experts”. Plus, in a global world participation of ordinary citizens in global governance systems through representative or direct democracy seems getting harder and harder. Although the white paper mentions participation at all stages of the policy making, that can be possible only during agenda setting, preparation of legislative proposal by the commission and may be during the implementation stages. Legislation and policy-decisions remain in the hands of the Council and Parliament. Citizen involvement can be more visible in the governance of small localities.

Good governance is about debilitating the discretionary power of central bureaucratic power-holders by enlarging and strengthening the interrelations and transactions among effected parties within a decision area in order to attain the acceptability, efficacy, responsibility and therefore morality of rules and rights. Good governance is largely perceived as a political and economical order which includes representation, participation and audit, an effective civil society, superiority of law, de-centralized clean/transparent administration and liability to render account, quality and ethics, rules and limits, alternative representation methods in accordance with competition and market economy and finally consistency with the digital revolution (the new basic technological developments in the management of the state.

As can be seen from the definitions given above, the international organizations using the concept focus on a global administrative law that comprises an expanding set of requirements, which include: an efficient public

service; an independent judicial system and legal framework to enforce contracts, the accountable administration of public funds; an independent auditor responsible to a representative legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure and a free press⁶². According to Harlow the “global administrative law” based on economic rule of law ideology and the “cosmopolitan social democracy” unites around a rule of law agenda, impartial administrative law at the international level and greater democracy and participation, transparency, and accountability in global governance. Cosmopolitan social democracy however adds deeper commitment to social justice in pursuit of a more equitable distribution of the world’s resources and human security⁶³.

The international institutions which are shortly sketched above have several governance dilemmas as well: The agency problem and related other problems such as asymmetry of information, closure and lack of transparency etc⁶⁴. What if these institutions become interest groups themselves? This problem arise for instance when the power and prestige of an international organization is pitted against the weak position of a developing country. Another problem is accountability and asymmetry of information between these epistemic communities⁶⁵ and national interests. Incase the internationally supported polices are failed in a developing country, there is no clear guidance to point out those who are responsible for the failure. Actually, the accountability problem increases with the complexity of procedures within a network system of governance and remains a problem at both local and global level to be solved by the adherence of good governance⁶⁶. The Bretton Woods institutions are too strong for poor countries and yet their advices are ignorable for some wealth nations. The inability of the IMF, for instance, to take on its powerful members threatens the global public good of a stable international economy⁶⁷.

⁶² Harlow, pp. 184-214

⁶³ *Ibid.*

⁶⁴ For the case of the WB see, Stiglitz, 1999.

⁶⁵ Peter M. Haas, ‘Introduction: Epistemic Communities and International Policy Coordination’, *International Organization*, Vol. 46, No. 1, 1992, pp. 1-35.

⁶⁶ Mark Considine, ‘The End of the Line? Accountable Governance in the Age of Networks, Partnerships, and Joined-up Services’, *Governance*, Vol. 15, No. 1, 2002, pp. 21-40. See also Bevir, p. 428.

⁶⁷ Peter Chowla, Jeffrey Oatham and Claire Wren, *Bridging the democratic deficit: Double majority decision making and the IMF*; (One World Trust and Bretton Woods Project, February 2007), (Available at <http://www.brettonwoodsproject.org/doc/wbimfgov/>)

International institutions have faced many dilemmas such as these and now they are more willing to involve affected parties in their development policies. Therefore these institutions are not reluctant to solve these problems but actively develop governance structures and tools to improve their internal system of governance to meet the criteria of good governance such as participation, democratic accountability, and transparency⁶⁸.

FINAL DISCUSSION AND CONCLUSION

Competing theories have conflicting assumptions about men and society, like individualism versus collectivism. However, the fallacious division between individualism and collectivism and the scientific ignorance of identity and morality based in the relationship between the individual and society will not provide us a totally value and conflict free institutional environment. Morality cannot be produced by legal coercion nor is it an individual property, morality is the production of association and interaction among actors. The state or legislation alone cannot make a moral society. But the both can be made moral. Good governance explains what for institutions should be, and that is, to provoke a democratic society and active responsive governance system. The good governance means holding government up to the best that it might accomplish for the moral society (at global and local level) because the institutions (states, governments or international institutions) should not have any given policy framework or decision independently of societal interests. That means good governance perspective does not see political outcomes a function of three independent actors: state, society and market actors. It argues that governance will be more effective if the outcomes emerge from a broad set of overlapping institutions that incorporate diverse set of actors within state, society and markets⁶⁹. Bureaucracy, voluntary associations and corporations are endogenous, interdependent and embedded actors of a bigger institutional environment which are hold “together and apart” by the system and institutions of governance. Good governance advocates persuade governments to involve citizens in their own governance. Citizen participation beyond voting is to be valued not based solely on policy results and efficiency concerns, but for the mere process itself, since engaging in political activity is a creative, enlightening experience for individual and a source of legitimacy for governance process⁷⁰. We witness a widespread recognition of the limitations

⁶⁸ Stiglitz, pp. 583-584

⁶⁹ Bevir, p. 428

⁷⁰ Jan Leighley, ‘Participation as a Stimulus of Political Conceptualization’, *The Journal of Politics*, Vol. 53, No. 1, 1991, pp. 734-749.

within any single perspective which might be confined to one of systemic, institutionalist and individualist levels of analysis or which adheres to market, hierarchy or community oriented perspectives⁷¹. This recognition allowed us to expand our notion of government to that of governance, a broader construct that incorporates all the institutional or non-institutional sectors of society: The state, economy and civil society. This new concept attempts to cover rational and institutional interests, symbols and communication, democracy and administration, values and preferences, and selfish and altruist sides of human being.

If good governance is claimed to be a normative theory, it has to be of some use to contribute to our understanding at least in two areas. (1)It should describe, explain, integrate and interpret a wide range of reality more than being prescriptive. (2)It must be normative in a sense that helps us solve some moral and ethical dilemmas of policy making and adopt a clear position on these main issues. Good governance may not be perceived as a moral theory as it does not meet those criteria despite multiplicity of its principles and values. For instance, it does not mention why and how stake-holders are assured that others are also pre-committed to reasonableness, consensus and righteousness. Is it justified to force, bribe and compel them to do so? By including hierarchy, market and trust within the broad framework of good governance, we can answer this question with a “yes”. But this “yes” is conditional, providing that stake-holders are free to enter and exit the polity by free will. Overarching criterion for governance paradigm in terms of what is ethical is “inclusiveness” against “exclusiveness”. Other values and rules are questionable. Good governance as a moral theory avoids making any commitment towards what it should be, instead tries to picture how it should be done. It stands within the school of procedural justice and combine its outcomes with the idea of public good which is different from any single composition of good. What governments and international institutions should not do is simplifying the paradoxes of ethics, norms and interests by imposing an artificial unity on a diverse context. However we accept that good governance paradigm is still an embryonic theory for the resolution of the ancient conflict of ideas about ethics.

Any social and political theory may contain axioms such as: (1) Human beings have free will and the capacity to make choices based on reason,

⁷¹ Paul S. Adler, 'Market, Hierarchy, and Trust: The Knowledge Economy and the Future of Capitalism', *Organization Science*, Vol. 12, No. 2, 2001, pp. 215-234.

however, depending on social and legal situations that limit the range of choices. (2) Humans can be held accountable for their actions as they are moral creatures being able to make judgments of right and wrong in a mutual relationship between individual and society. (3) Humans have certain rights and freedoms which constitute a claim against other concrete fellow beings and state officials and institutions in a defined situation. And finally, (4) a single-minded violation of collectively defined rights and agreements is morally wrong for everyone of any status. In terms of these criteria, good governance is a theory but it has not got clear assumptions about human nature. It does not provide some guidelines, for example, about the nature and causes of human interaction in both public and private spheres. It lacks internal coherence as it is rather equivocal and show no deliberation of answering what, how and why questions. It envisages combining many assumptions of a wide range of theories in economics, sociology and politics in one single perspective. This is both a curse and blessing for the concept. It is a curse because of the difficulty to determine non-conflicting hypotheses to verify or falsify. It is a blessing as it provides us with a wider insight and richer tool-set to make and evaluate comprehensive policies. The theory justifies itself by relying on a newly discovered truth that both markets and states can fail. But it stands on a transcendent ground devoid of failure by defending the view that there is no best universal governance and every situation is unique and thus requires a unique combination of governance mechanisms and local values as long as they stand by the universal principles of good governance mentioned in the text.

It seems that good governance literature acknowledges that market (economy), hierarchy (state) and community (civil society) are competing but mutually dependent entities based on human will and choice whose ends are not always anticipated as they are networks with varying degrees of flexibility and change. "However dominant any one of these three may have been at a given moment and/or for a given set of actors, almost everyone would concede that modern societies/polities/economies can only be analyzed in terms of some mix of them"⁷². The concept of governance is widely used to explain theoretically, ideologically and contextually different modes of policy practices.

⁷² Wolfgang Streeck and Phillippe C. Schmitter, 'Community, Market, State - and Associations? The Prospective Contribution of Interest Governance to Social Order', *Private Interest Government. Beyond Market and State*, Wolfgang Streeck and Phillippe C. Schmitter. ed., (London: Sage, 1985), pp. 1-29

A fair reading on the subject would suggest that governance means a non-hierarchical, non-centrist, communitarian, market-oriented and morally pluralist democracy. This new and ambiguous concept has an implicit despise towards conventional political theories and ideologies which usually ignored plurality of human interactions and preferred one mode of governance to another.

Overall, governance is a process to establish fair rules of behavior (institutions) in a given context. The good governance concept includes dialogue and compromise. Undoubtedly, it is not enough to have communication (political participation) between the public and its agents for democracy. The people should also have the right to control whether the decisions and the actions of the agents comply with the law. Good governance paradigm urges for the development of public policies and institutions that enhance socially beneficial, cooperative behavior based mostly on societal norms. Furthermore policy initiatives are to be facilitating collective action aiming towards the formation of social norms that might enhance cooperative behavior in their own way.