Available online at www.sciencedirect.com

ScienceDirect

Policy and Society 33 (2014) 317–327

policy and society

www.elsevier.com/locate/polsoc

The two orders of governance failure: Design mismatches and policy capacity issues in modern governance

M. Howlett [a,b,*], M. Ramesh [a]

[a] Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore

[b] Department of Political Science, Simon Fraser University, Canada

Abstract

Perceptions of the pervasive and persistent failures of governments in many issue areas over the past several decades have led many commentators and policy makers to turn to non-governmental forms of governance in their efforts to address public problems. During the 1980s and 1990s, market-based governance techniques were the preferred alternate form to government hierarchy but this preference has tilted towards network governance in recent years. Support for these shifts from hierarchical to non-hierarchical governance modes centre on the argument that traditional government-based arrangements are unsuited for addressing contemporary problems, many of which have a cross-sectoral or multi-actor dimension which is difficult for hierarchies to handle. Many proponents claim that recent 'network governance' or 'collaborative governance' arrangements combine the best of both governmental and market-based alternatives by bringing together key public and private actors in a policy sector in a constructive and inexpensive way. This claim is no more than an article of faith, however, as there is little empirical evidence supporting it. Indeed both logic and evidence suggests that networks too suffer from failures, though the sources of these failure may be different from other modes. The challenge for policymakers is to understand the origin and nature of the ways in which different modes of governance fail so that appropriate policy responses may be devised. This article proposes a model of such failures and a two-order framework for understanding them which helps explain which mode is best, and worst, suited to which circumstance.

1. Introduction: understanding governance failures

Governance reforms have been at the centre of policy discussions in both developed and developing countries since the 1980s. Many of the ensuing reforms have featured waves of administrative re-structuring, privatizations, deregulation and decentralization and similar efforts, followed by varying degrees of reversals as the failures of those reforms became apparent (Ramesh & Howlett, 2006; Ramesh, Araral, & Wu, 2010).

Many of these reforms can be characterized as efforts to shift an existing governance mode to another mode involving a less direct role for government (Treib, Bahr, & Falkner, 2007). Initially, the sentiment behind many such reform efforts favoured transitions from direct provision or regulation by the government to allocation by markets or by private actors operating under minimal regulation in non-state market-driven efforts (Cashore, 2002; Cutler et al., 2000).

* Corresponding author.
E-mail addresses: howlett@sfu.ca (M. Howlett), mramesh@nus.edu.sg (M. Ramesh).

http://dx.doi.org/10.1016/j.polsoc.2014.10.002
1449-4035/

In more recent years, the tilt has shifted towards transitions from hierarchical, private and market forms of governance to more network-centred governance modes (Lange et al., 2013; Lowndes & Skelcher, 1998; Weber, Driessen, & Runhaar, 2011).

The underlying sentiment of the debate and actual measures taken in the initial set of reforms was typically ''anything but the government'' (Christensen & Lægreid, 2008). Much discussion on the subject, for example, suggested that shifts from hierarchical to non-hierarchical governance were both unavoidable and desirable for addressing complex multi-actor problems which more traditional government-based arrangements found difficult to 'steer' (Lange et al., 2013; Weber et al., 2011). Many proponents of alternative governance modes claimed other kinds of relationships involved in activities such as 'network governance' or 'collaborative governance' combined the best of both governmental and market-based arrangements by bringing together key public and private actors in a policy sector in a constructive and inexpensive way (Rhodes, 1997). This claim was no more than an article of faith, however, and there is little evidence supporting and much contradicting this thesis (see Adger & Jordan, 2009; Howlett, Rayner, & Tollefson, 2009; Hysing, 2009; Kjær, 2004; Van Kersbergen & Van Waarden, 2004). Network governance techniques could just as easily compound the ill-effects of governments and market forms rather than improve upon them. Further, because power is by design diffused in network governance arrangements, such arrangements can be much harder than traditional hierarchical forms to reform or dismantle when problems arise.

This is a subject area requiring further examination as more recent efforts at reform in many countries and sectors, for example, have sought to correct or reverse excesses in 'de-governmentalization' from this earlier period, often introducing hybrid elements into existing governance modes (Ramesh & Fritzen, 2009; Ramesh & Howlett, 2006; Ramesh et al., 2010). Many key sectors from health to education and others now have either returned to older modes or feature 'hybrid' forms of governance containing elements of hierarchical approaches – regulation, bureaucratic oversight and service delivery – as well as either or both market and network-based hierarchical and non-hierarchical approaches – such as markets, voluntary organizations, and increasingly co-production (Brandsen & Pestoff, 2006; Pestoff, 2006, 2012; Pestoff, Osborne, & Brandsen, 2006).

Which of these modes of governance best fits a given circumstance and which is likely to function effectively, however, remain under-examined. In order to shed light on the critical issues of appropriateness and significance of different governance arrangements, in this article we revisit the concept of governance, and derive a model of basic governance types. We then propose a model and a framework for understanding governance modes which highlights the role played in mode effectiveness by problem contexts, capacity and design issues. The framework suggests that two orders of failure linked to these issues affect governance arrangements and applies it to each principle mode of governance. The framework helps explain which mode is best suited to which circumstance and why.

2. Revisting the concept of government failures: understanding governance modes in theory and practice

Governing is what governments do: controlling the allocation of resources among social actors; providing a set of rules and operating a set of institutions setting out 'who gets what, where, when, and how' in society; and managing the symbolic resources that are the basis of legitimacy (Lasswell, 1958). In its broadest sense public, ''*governance*'' describes the mode of government coordination of societal actors exercised by state actors in their efforts to solve familiar problems of collective action inherent to government and governing (de Bruijn & ten Heuvelhof, 1995; Klijn & Koppenjan, 2000; Kooiman, 1993, 2000; Majone, 1997; Rhodes, 1997). That is, '*governance' is about establishing, promoting and supporting a specific type of relationship between governmental and non-governmental actors in the governing process.*

Governance thus involves the establishment of a basic set of relationships between governments and their citizens. Early models of governance types such as that developed by Pierre (2000), for example, distinguished between only two such modes – state-centric ''old governance'' and society-centric ''new governance''. Similarly, many economists also compared and contrasted only two types: ''market'' and 'hierarchical'' or legal relationships (Williamson, 1975). In modern capitalist societies, however, 'governance' is a three-way relationship and involves managing relations with both businesses and civil society organizations involved in the creation of public value and the delivery of goods and services to citizens (Hall & Soskice, 2001; Steurer, 2013).

Even with just these three basic sets of actors and relationships, however, governance arrangements can take many shapes (Treib et al., 2007). In addition to the 'market' and 'legal' modes discussed earlier, other significant modes have been proposed by authors such as Peters (1996), Considine and Lewis (1999), Newmann (2001), Kooiman (2003) and