Rethinking Governance: Treacherous Terrain, Shifting Agenda and the Possible Way Forward

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Abstract

Since the end of the Cold War, unnecessary, unprecedented and extensive level of deregulation has been become the catalyst for a rapid expansion of the private sector resulting in a dramatic diminution of the government’s capacity to control its own state of affairs and to deliver services to its citizens. The rationale for the existence of the government is, therefore, questioned. This paper deliberates on the importance of the rise of the government out of this apparently ‘hollow’ state and its need for reasserting its authority and power based on the principles of ‘social contract’ and democracy. It also outlines the importance of an effective global governance structure to tackle increasingly complex issues such as poverty, crimes and climate change. In line with the spirit and principles of the ‘social contract’ theory, negotiating a ‘global contract’ is also suggested to democratise global institutions and to make them more transparent, effective, and acceptable to the global community. It is argued that the failure to govern the world affairs with a shared vision and measurable outcomes could ultimately lead the world to disastrous consequences.

Key Words: governance, reregulation, ‘hollowing out’, social contract, global governance

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Introduction

The fall of the Berlin Wall signalled the ultimate triumph of capitalism that heightened competition among countries and businesses, expedited privatisation and promoted the private sector while undermining the state’s capacity of, and responsibility for, providing necessary services to its citizens (McClintock, 1999; Rudra, 2002; As-Saber, 2009). Together with the environmental degradation and natural calamities, rivalries among nations and threats of terrorism have made the situation even more complex and volatile. Intermittent economic turmoils such as the Asian currency crisis of the late 1990s and the recent episode of the global financial crisis have further exacerbated the problem. The role of the government in alleviating these problems remains controversial that prompted the re-emergence of the age-old question - “why do we need a government for”?

To respond to this question, we may need to go back to the origin of the state and its governance framework enshrined in the social contract theory and the Gettysburg Address. Thomas Hobbes originally coined the social contract theory in his famous book, the Leviathan, published in 1651. Two other European philosophers, John Locke and Jean-Jacques Rousseau, subsequently made further refinements to it. According to the theory, the idea of government was rooted in the consensual agreement among individuals living within a geographical boundary guided by a set of rules and procedures pertaining to individuals’ rights and responsibilities. Hobbes considered it necessary to form a legal entity by consensus to protect the society from anarchy and chaos and to maintain peace and order. The theory also addressed the relationship between the government and the governed where mutual consent of the both had been the quintessential premise of the governance framework. The use of authority through dialogues and conscience had been the cornerstone of such a framework. The theory also suggests that the actual seed of democracy was literally sown at the conclusion of the social contract. Later on, Abraham Lincoln, in his famous Gettysburg Address, defined the essential status and the role of a government by outlining that the government should belong to the people, be chosen by the people and should be working for the people. The idea of ‘social contract’ appears to be one of the foundations of the American political system as reflected in Lincoln’s address (Kelly, 2011).

Based on these two sets of theoretical underpinnings, this paper deliberates on the need for the government to reassert its authority and power. It also outlines the importance of an effective global governance structure to tackle increasingly intricate issues such as poverty, crimes and climate change.

Treacherous Terrain and Shifting Governance Agenda

Traditionally, the government has several key roles to play which are mandated by the will of the governed. According to Yencken and Henry (2010),

The government should be neither despotic nor over-bureaucratic. It should exist within a legal framework based on the rule of law and the protection of civil liberties. It should support civil society and its multiplicity of voices and activities. It should provide the economic framework and the essential infrastructure for public and private enterprise. It should be concerned with the wellbeing of all citizens. It should protect the physical environment. And it should act to alleviate the negative impacts of the market place on individuals, groups and the environment.
These important government roles are often not taken seriously. These roles, according to Yencken and Henry (2010), are not even well understood and are frequently questioned and underestimated. As a result, governance agendas are becoming more rhetorical and elusive and difficult to materialise and evaluate. In addition, given the intricate nature of the state of global as well as local governance structures and operations and the uncertainty and volatility of the global economic and political orders, it is time to rethink governance from holistic as well as eclectic perspectives.

Rather than going too far behind, let us start with the end of the Cold War. Despite the ongoing pain in the initial post-Cold War transition years, the world held its breath to see the dream of capitalism realised through the advent of the free market economy and greater collaboration across the state, business entities, international development agencies and the civil society. The desire to build an equitable, just, educated, poverty-free, sustainable and healthy global society became so overwhelming that in 2002, the United Nations for the first time in its history came up with a comprehensive set of goals, known as the Millennium Development Goals (MDGs) with a target to achieve them by 2015. It was a tough call and following the expiry of almost a decade since the announcement of these goals, the target to achieve them remains as elusive as it has always been. While it is almost certain that MDGs would not be achieved by 2015, the future development pathway and outcomes are becoming increasingly uncertain and volatile. Agendas are set to be shifted before the actual end of the MDG timeline with new issues added to the list. It also has generated debates concerning the lack of consistency, pragmatism and reliability across all agenda items and their estimated timeframes.

This is more than an ordinary situation that warrants a greater understanding of the problem through a closer examination. Rather than looking through the traditional economic and political models, a non-dogmatic soul-searching mechanism may be used to appraise the current state of global governance and its future prospects. The neo-liberal solution through the utilisation of the so-called private sector efficiency and the use of market as a panacea to end economic underdevelopment and alleviate poverty through ‘trickle-down’ process have utterly failed. The resultant ‘race to the bottom’ has further widened the economic disparity among nations and between the poor and the rich while the workers’ rights including wage rates and job security have been significantly compromised.

Despite its apparent early success, the global trade and financial governance structure prescribed by, and articulated in, the Bretton Woods conference and the Washington Consensus fell short of the expectations of the global community. The World Trade Organisation together with the IMF and the World Bank are following the legacy of the trend while attracting increasing level of criticism, scepticism and controversy with respect to their ability and performance to effectively address global problems.

In this context, the evolution of multinational corporations (MNCs) and their impact on global governance could generate some relevant discussion. The very first MNC, the British East India Company, was founded in 1600 that seized power through coercive means in India and was used as a precursor for the British monarch to expand its empire to the East. The state-sponsored commercial and territorial expansionism through the legitimisation of a coercive mode was a part of the modus operandi of the Company. The post Bretton Woods free economy campaign ushered in the consolidation and expansion of the private sector and resulted in a rapid growth of multinational corporations (MNCs). Although modern-day
MNCs are somewhat different from their early-day versions such as the East India Company, the greed for profit and power still remains as an unpleasant and blatant feature of their operations and existence. Given the enormous monetary as well as market power, they often undermine the capacity and authority of individual countries and their governments. Sometimes, they tend to manipulate government decisions using their excessive lobbying capacity. Unfortunately, governments often turn a blind eye on MNC activities as they apparently generate employment, make donations to the election campaign funds and contribute to national exchequers in the form of tax and levies. However, their poor track record in providing adequate social safety to their employees together with the lack of transparency with respect to operational issues including pollution, recruitments, remunerations and technology transfer have made them particularly controversial as global corporate citizens. They are also blamed for maintaining an extreme view in favour of free trade and devising and promoting a strong set of international standards and brand identities that could weaken the system of nation-state and its sovereignty. In this backdrop, Raymond Vernon (1998) has warned MNCs of their troubled prospects of becoming isolated from the society while brewing up a hostile relationship with the government and the wider community including customers and the civil society. Vernon has further warned that any complacency in this regard, from either the government or the MNC, could have disastrous consequences. He drew an analogy of the situation with the “hurricane’s eye” where an apparent peaceful atmosphere could be deceptive and dangerous.

Undoubtedly, the unyielding reliance by capitalist economies on the Ricardian doctrine of Laissez Faire has espoused the free trade of goods and services across countries allowing MNCs to flourish. It also has promoted the free flow of capital and currencies across borders. While the former may reach some sort of equilibrium, transfers of currency and capital can go feral as they have the ability to move from one part of the world to another in a lightning speed with a click of a computer mouse! As speculations and uncertainty are the two major building blocks of the global capital and currency markets, any natural disasters or human catastrophes could almost instantaneously impact on these markets affecting ordinary shareholders as well as the currency and capital traders. Even routine political changes or publications of economic surveys could add to the volatility of the market and create hysteria among the stakeholders. The role of hedge funds, in this regard, is considered less than helpful as these funds are used to literally gamble in the global currency market making it further uncertain and capricious. Many believe that within the current global financial and capital structure, it is difficult to control the extent of such volatility. As a consequence, frequent and lengthy financial crises will unfortunately remain as an unavoidable feature of the global economy.

Democracy is another important issue to look at from a governance perspective. Although democracy is considered to be the best form of government, many democracies do not function well enough to live up to the expectations of Lincoln’s Gettysburg Address. Many of these democracies are on their way to transition from authoritarian rules but yet to establish a democratic culture true to democratic ideals. It is not uncommon to see democratically elected leaders and their followers behaving like despots rather than acting judiciously and for the wellbeing of the people. Corruption is rife in many of these nations with apparently ‘grey’ system of governance literally undermining the basic principles of democracy. In this regard, the “Arab Spring” and its aftermath may require a careful examination where unconsolidated authoritarian rules could give way to dysfunctional democratic regimes.
resulting in the state of anarchy and dismay. Bangladesh and Ukraine represent two valid examples of dysfunctional democracies where corrupt and inefficient democratically elected leaders are driving these countries to lawlessness, political bankruptcy and economic mayhem. In both cases, apparently corrupt and authoritarian leaders kept coming to power through free and fair elections (Riabchuk, 2008; Monir et al, 2009). Thomas Carothers (2002) terms these regimes as the outcomes of “feckless pluralism” and “dominant power politics”. He further argues that once embraced, it becomes difficult for countries to get rid of this type of governance system. Power, in this case, is being passed back and forth between competing elites who are largely isolated from the citizenry but apt to use widely accepted democratic election process to their advantage (Carothers, 2004). It matches with Aristotle’s observation that an extreme form of democracy under law could lead to tyranny where the elected assembly of parliamentarians is led by demagogues who consider themselves above law and tend to rule the country by decree (Aristotle, cited in Martin, et al, 2003).

Terrorism is another alarming problem that could somehow be linked to many dysfunctional states and their despotic leadership. From Ireland to the Middle East and from South Asia to Africa, terrorism has many different faces when causes of, or motivations for, committing this heinous crime are often vague, mysterious, irrational and difficult to ascertain. Many consider individual terrorists as psychological patients with abnormal pathology while authoritarian and cult behaviours are blamed for terrorist activities by some (Bjørgo, 2005). Some believe that political oppression and poverty could lead people to terrorist activities (Schmid, 2011). This notion has similarity with the perception of communism in the Western world during the Cold War period that a nation with poverty could become the breeding ground for communist recruitment and activities! The religious terrorism could be the most extreme form of the act that could destabilise the system of governance both locally and internationally. However, given its asymmetric nature of the crime, it is difficult to ascertain the actual cause of the problem and contain it. Thus combating terrorism remains as one of the major challenges for governments around the world.

Despite ongoing global moves to create more transparent governments, the level of corruption across and within national boundaries has increased significantly over the last few decades. According to Global Corruption Barometer 2010, there was a considerable rise of corruption over a three-year period between 2007 and 2010 (Transparency International, 2010). However, the scenario may look even bleaker when new strains of corrupt practices are identified and the existing criminal activities become more sophisticated. Often they go beyond the traditional corrupt practices such as piracy, bribing and transfer pricing and may include illegal sports betting, illegal ship breaking, high-sea piracy, human trafficking and money laundering. It may also involve illegal trading of drugs, arms, endangered species, artefacts and even live animals. Some state-sponsored corrupt practices are also worrying to watch that include acts such as nuclear waste disposals, illegal trading of drugs and arms and illegal removal of vast amount of soil to reclaim land from the sea.

Is technology making the situation better? It is another difficult question to answer. Technology has definitely revolutionised the world in terms of communication and efficiency. However, it is not easy to choose the right technology and manage it. While new technologies often emerge as blessings in meeting critical human needs, these may also bring in a lot of unnecessary complexities and vices together with them. The information and communication technology (ICT), in particular, could be a good example to elaborate on this
issue. Despite the greater ease and efficiency contributed by the ICT with respect to our day-
to-day activities, it has, at the same time, created a range of problems in relation to global
governance. These include the exchange of illicit materials including porns, drugs, arms and
even babies. The list of such transactions could just go on! In addition the internet security and
control remain as key problem areas with difficulties in protecting the internet from hacking
and to safeguard the privacy of the information. The recent activities by the WikiLeaks and
the apparent vulnerability and helplessness of the various governments to take any effective
actions against WikiLeaks do epitomise the fact that maintaining security of information in a
relatively uncontrolled global information highway is an extremely difficult task.

The overall global scenario has further been complicated by the onslaught of the climate
change on the planet, rapid population growth and increasing shortage of food and water.
Unequitable access to food, shelter and water has been the source of chaos, riots and even wars across the world, which, in turn, is making it further difficult for nations to govern.
Often the blame for creating such problems is squarely pointed at political ideologies and
religious fanaticisms while the root-causes of such problems remain ignored. Therefore, the
terrible behaviour of tyrants and autocrats and their exploitation of such ideological and
religious eyewashes need to be understood and carefully dealt with appropriately in order to
remedy these problems.

There have been attempts from governments, international development agencies (IDAs) and
the civil society groups including non-government organisations (NGOs) to improve
governance as a precondition of achieving the various development agendas as enshrined in
the UN Charter, MDGs and numerous government development policy frameworks.
However, while the volume of such problems is escalating and becoming increasingly
complex, governments around the world are aiming to become smaller with limited resources
and capacity to address this array of problems and to deliver essential services to their
citizens. This is, indeed, paradoxical! The World Bank, IMF and other multilateral agencies
have, so far, ignored this issue and contributed significantly to the expansion of the private
sector and the diminution of the role of governments in controlling the economy that, in
essence, have further promoted the ‘race to the bottom’ as outlined above. In the post-
Washington Consensus (PWC) scenario, these agencies have been advocating for the
proliferation of institutional innovation around the primary thematic framework of self-
governance through capacity building (Manor, 1999; UNDP, 2002). The role of the civil
society, in this regard, has been given significance. As a result, the importance of social as
well as economic empowerment initiatives such as micro credit and social awareness
programs have been acknowledged and supported by these agencies. Ironically, the
achievements of these initiatives remain sporadic, lukewarm and less than satisfactory with
little impact on escalating social, economic and political disparities.

In light of this unfortunate development, Rhodes (1994: 138) considers that the state is
‘hollowing out’ as a result of its diminishing power and authority. Subsequently Rhodes
(1996: 652) has termed this state of affairs as ‘governing without government’. Weaker
governments and stronger private sector with specific reliance on MNCs and community
initiatives have already been proven ineffective in achieving the objectives of enhancing
transparency and minimising the gap between the rich and the poor. Governments, with their
diminishing capacities, also seem to be vulnerable to the lobbying campaigns by big
businesses for greater freedom and privileges, affecting the sovereign authority of
governments to govern and to deliver essential services to their citizens.
The Possible Way Forward

The snapshot as portrayed above could be frustrating as it suggests that governments have somewhat been ignoring, or incapacitated to perform, its core responsibilities vested on them by the modern-day social contracts such as parliamentary elections and referendums. It also sheds doubts on the ability of the traditional governance framework (incorporating efficiency, transparency, accountability and responsiveness) to tackle these issues. These observations raise concerns with respect to the current state of key governance issues and their future direction.

First, as the global population is growing with mounting demand for commodities, food and water, a systematic and effective governance mechanism needs to be developed to source, distribute and redistribute them. Arguably, while the world produces enough food for its entire population, millions of people do not have access to adequate food and water. According to the World Hunger Education Service (2011), such scarcity is contributed by the non-availability of sufficient land to grow, or income to purchase adequate amount of food. In addition, distribution remains a problem resulting in a vast amount of food wasted or not consumed. The World Food Program (WFP) and many NGOs have been endeavouring to make the situation better through various means including the establishment of ‘food banks’. However, these attempts have been sporadic, reactive (addressing immediate needs of people affected by wars or natural disasters) and limited with painfully little impact on the global food production and its distribution. A concerted effort to devise a distribution mechanism is, therefore, needed to tackle this issue. Although it may sound idealistic, this could be the ultimate mechanism that governments, IDAs and the civil society groups should collaborate on to develop. Similar approach could be adopted in relation to the distribution of water including the management of water reserves including rivers and lakes. In this regard, any piecemeal solutions through provisional or short-term crisis management approach may not help the planet’s population in the longer term. The population redistribution should also be considered more seriously where people from densely populated or barren areas could be relocated to areas with less population and more resources including food and water.

Second, the government needs to rethink about the tax structure and salary equity. By reducing tax, governments are patronising corporate entities and high income earners while deliberately reducing their own capacity of offering assistance to the deserving poor (Gemmell and Morissey, 2005). In this context, it is important that the government raises the tax rates for individuals and businesses with relatively higher income. Special tax could be imposed on corporate entities that are earning profit beyond a specific threshold decided by the government. This would provide the government with improved ability to service its citizens and support better infrastructure. The government should also put a cap on the salary levels of senior corporate executives as the current level of salary disparity is fuelling anger and suspicion among the public about the actual role of the business and government in relation to social responsibility, salary determination and income disparity.

Third, given the advancement of ICT and the infiltration of the internet across all countries of the world, the concept of the ‘borderless world’ needs to be looked at objectively and carefully in light of both its promises and pitfalls (Goldsmith and Wu, 2006). A global ICT governance mechanism needs to be developed where governments and corporations should collaborate on devising a mechanism acceptable to all parties concerned. The UN is now
considering establishing an inter-governmental forum to come up with a harmonised set of internet regulations.

Fourth, in order to prevent cross-border crimes including terrorism, governments should collaborate with each other in a planned and objective manner, rather than taking any action without realising its actual outcome and implications. It is better to use peaceful means and negotiated solutions and avoid using coercive power as much as practicable.

Fifth, a space with scope for shared government needs to be created beyond rhetoric. In line with the true spirit of Gettysburg Address and the social contract theory, government needs to deliver its responsibility in a transparent and collaborative manner. A consultative approach, in this regard is essential to follow where the government, the business community (including MNCs) and the civil society can collaborate on devising and implementing policy frameworks pertaining to key governance issues as discussed above. The foundation of such arrangements is already enshrined in documents such as Magna Carta, the Gettysburg Address and constitutions of individual democratic nations. Traditional concepts of ‘natural right’ and ‘tacit contract’ could also be useful to understand this approach better. It is, however, not ideal to create a ‘consociational state’ where elites from the various fractions of the society get involved in the governance of a nation with possibilities of creating “feckless pluralism” or “dominant power politics”.

Sixth, the national governments should rise from its apparently ‘hollow’ condition and reassert its authority in controlling the state of affairs. In this context, it is argued that certain government capacities that were once deliberately compromised through deregulation may be revived through reregulation. Reregulation, in this regard, could be aimed at providing or ensuring people’s access to basic needs and services while transforming businesses into better corporate citizens. Imposition of higher corporate tax and making the private sector embracing greater responsibilities for certain social services could be instrumental in achieving these goals. There are supports for such explicit government requirements in the extant literature (Weaver et al., 1999). The other option could be to bolster the existing public service facilities including housing, livelihood, education, health and aged care. There is also a call for ‘articulated regulation’ where an interface and collaboration between the government and other stakeholders are likely to generate positive outcomes (Utting, 2005). Environmental regulation could form a part of such frameworks.

Seventh, as national governments are increasingly becoming helpless and baffled in the face of emerging global problems and their complex nature beyond their control, the role and structure of an effective global government is becoming ever more critical to tackle these predicaments. This is, however, a tricky area to deal with and the state of global governance appears to be in a flux as it lacks appropriate structure, focus, capacity and reliability. Historically, the idea of ‘global governance’ has been fraught with skepticism, national interests and economic, ideological, religious and political rivalries resulting in weak global institutional as well as governance structure. The failure of the League of Nations and the emergence of the United Nations (UN) hardly represent any dynamism and positive dimension in this regard. Given the presence of elitism in its governance structure, the UN may not be considered a democratic organisation and it does not treat each of its member states on the basis of equity and fairness. The UN agendas are often manipulated by the interests of relatively more powerful member states, especially by permanent Security Council members, when the voices of smaller and poorer countries are barely heard. From
this perspective, the UN governance structure could somehow be compared with “feckless pluralism” or “dominant power politics”. The UN also lacks the capacity to enforce its decisions. Yet it is the prime organisation with responsibilities to oversee global legal, political, environmental and socio-economic problems. The failure of achieving MDGs is just one example of UN’s organisational incapacity to drive an agenda home. On the other hand, the World Bank, IMF and the WTO are given significant power to get the global capitalist economic order steaming ahead. These are the organisations that endeavour to primarily ensure the smooth functioning of the market economy, safeguard the rights and privileges of multinational corporations and facilitate free movements of commodities and capital across national boundaries. Governance structures of these three organisations are also criticised because of the alleged undue influence by dominant economic powers on their policies, processes and structures.

In line with the ideals of the “social contract”, negotiating a “global contract” is, therefore, necessary to democratise and strengthen these institutions. Necessary agreements need to be reached by all governments, IDAs, NGOs, MNCs and multilateral as well as regional fora in creating an inclusive governance framework based on universal principles and acceptable by all nation states. It could be the first step in establishing a shared and equitable global space where it would be possible to address issues from a global perspective without losing the sight of the local context. Failing to govern the world with a shared vision and measurable outcomes could ultimately lead the world to disastrous consequences as outlined by Vernon (1998).

Hence, in order to avoid such consequences, the current era of capitalism must shift its gear and embrace a much more collaborative approach where all global actors should jointly tackle multi-pronged governance challenges of the 21st century. This will usher in the new era of ‘alliance capitalism’ (Dunning, 1997) and help promote a caring, shared, efficient and inclusive governance framework in order to build an equitable, prosperous, just and peaceful global community.

**References:**


