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The Dynamics of Partnership and Governance Failure

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The 1970s saw growing assertions that state intervention was failing and that the state itself was in crisis. In the 1980s the dominant neo-liberal response in Britain to this alleged crisis largely involved turning to the market and, to a lesser extent, community or family self-help. Successive Thatcher and Major governments promoted privatization, liberalization, de-regulation, the use of market proxies in the residual state sector, cuts in direct taxes to enhance consumer choice, and internationalization to promote capital mobility and the transfer of technology and 'know-how'. They also advocated an enterprise culture and popular capitalism to make civil society more market-friendly. This project was intended to re-equip Britain with a liberal, night-watchman state with progressively smaller and more balanced budgets and thereby boost this slimmed-down state's capacity to perform its remaining core functions. However, while this neo-liberal programme was still being pursued and, indeed, intensified, it also became apparent that the turn to the market had not delivered all that had been promised. Market failures and inadequacies had not been eliminated yet an explicit return to the state was ideologically and politically unacceptable. Thus, as early as the 1980s, one could discern increasing government interest at all levels in how public-private partnerships and similar forms of governance might contribute to public policy and purposes. This alternative to marketization was steadily reinforced during the Conservative years and is likely to become yet stronger under 'New Labour' with its declared commitment to a 'stakeholding society'. The expansion of governance is not meant to return Britain to a discredited corporatism (let alone a tripartite corporatism with the active involvement of organized labour) but, rather, to address real limitations of the market, state, and mixed economy as means of dealing with various complex economic, political, and social issues. One area where a turn to governance has been popular is local economic and social development and it is this that provides the empirical focus of the following theoretical reflections on the various ways in which coordination mechanisms can fail and how tendencies to failure may themselves be governed.

1. Market Failure

Many economists tend to assume that the 'procedural rationality' of perfect markets guarantees market success. Failure occurs when economic exchanges do not produce what a perfect (hence 'imaginary') market would deliver. Since market rationality depends on free and equal exchange rather than on the purposes of economic transactions, success or failure cannot, on most accounts, be judged through substantive criteria such as market forces' uneven impact on wealth, income, lifechances, or regional imbalance. For, provided that inequalities derive from (or are consistent with) the operation of perfect markets, they must be judged as rational and fair. At best one could see such problems as market 'inadequacies' rather than genuine market failures. There is no shortage of claims about such inadequacies, however, nor about the need to remedy them as well as market failures through social and political action of various kinds.

In a market-rational framework, state and market are strictly demarcated. The state should stay at arms-length from market forces, merely establishing and defending the framework for market institutions. The latter can then allocate goods and services in the most efficient way. The market also functions as a learning mechanism. Thus Hayek argues that market failure is an essentially 'trial-and-error' discovery mechanism whereby markets prompt economic agents to learn and innovate. In the long run, on this view, the market provides the most flexible and least disastrous coordinating and adaptive mechanism in the face of complex interdependence and turbulent environments. Moreover, for neo-classical and Austrian theorists alike, the initial response to market failure is 'more market, not less' -- even if this often requires, in the short-term, yet further state intervention. But it is debateable, to say the least, whether even perfect markets could eliminate all forms of market failure. Even neo-classical economists recognize the extent to which markets may not 'suitably capture the full social benefits or levy the full social costs of market activity' (Wolf 1978: 138).

The critique of markets has been taken furthest by Marxists and political ecologists. Marxists argue that capitalism is distinctive not for markets as such but their extension to labour-power. It is market-mediated exploitation of wage-labour that drives 'economic growth' -- not the inherent efficiency of markets. Markets may mediate the search for added value but cannot produce it. The commodification of labour-power also generates basic contradictions which cannot be resolved through the market mechanism. Among other examples, the commodity is both an exchange-value and use-value; the wage is both a cost of production and source of demand; money is both national money and international currency; and productive capital is both abstract value in motion and a concrete stock of time- and place-specific assets in the process of valorization. Thus, for Marxists, phenomena attributed to market failures or inadequacies often express underlying contradictions of capitalism. It follows that state intervention may at best only modify the forms or sites of these contradictions -- introducing class struggles into the state and/or generating tendencies towards fiscal crisis, legitimacy crisis, rationality crisis, etc.. Political ecologists add to such criticisms the market-mediated despoliation of the environment and commitment to unsustainable development.

2. State Failure

Whereas neo-classical economists' solution for market failure or inadequacy is to extend the market, welfare economists call for more state intervention. This is intended both to avoid or correct market failures and to subordinate market forces to specific public purposes. More generally, the rationale for state activity is not procedural (as with the market) but substantive. It is found in the definition and enforcement of collectively binding decisions in the name of the public interest or general will. This rationale is expressed through imperative coordination (or hierarchy) rather than the anarchy of market forces. State failure is judged in turn according to this substantive rationality: it refers to the failure to realize the state's own political project(s) within the terms of its own operating rules and procedures. In democratic regimes these rules and procedures include respect for legality and the regular renewal of popular mandates for action. In this context, the primary criterion for identifying state failures is not allocative efficiency (as this is defined in terms of the procedural rationality of the market). Instead, it is the effectiveness (as often symbolic as material) with which specific state projects are realized. It is certainly possible, however, for efficiency to count among criteria for the success of specific projects. Thus 'value-for-money' was one objective of the recent neo-liberal state project.

Moreover, just as market failure can be related to substantive factors that block the realization of its procedural rationality, so state failure can be linked to specific procedural factors that block effective policy-making and implementation. Thus various commentators suggest that planning, bureaucracy, participation, reliance on professional expertise, etc., may each fail in different ways to generate adequate policies and/or to secure their effective realization. Resulting tendencies towards implementation and fiscal crises can lead in turn to problems of political legitimacy where the state's public purposes are not seen to be achieved. One response to this within the state is a constant cycling through these different modes of policy-making and implementation in the attempt to compensate for their respective tendencies to failure.

Just as neo-classical economists make unrealistic assumptions about markets, welfare economists make implausible claims about states. They assume that states not only have all the information necessary to maximise social welfare but also have both the internal organizational capacities and the powers of external intervention needed to achieve their public objectives. Yet it is widely recognized that state managers (especially elected politicians) have short-term time horizons and are vulnerable to lobbying; that states are subject to bounded rationality (limited information, uncertainty, and time pressures) when acting; that they often pursue multiple, contrary, and even contradictory goals -- many of which are also inherently infeasible; that state capacities are limited both by 'internalities' (calculations of private costs and benefits which differ from public goals) and external resistance; that nonmarket outputs are usually hard to define in principle, ill-defined in practice, and difficult to measure; and that state intervention may prompt rent-seeking behaviour among policy-takers which merely redistributes rather than creates resources (Offe 1975; Wolf 1978).

There are different responses to state failure. Liberal critics see market forces as a self-correcting learning mechanism and the state as inherently incorrigible and ineducable. They do not ask whether state failure could be corrected in similar ways to market failure but seek to replace it with the market. But other critics allow both for self-correcting policy cycles and/or institutional re-design in the state. Relevant measures in the latter regard to improve policy coordination and implementation can include redefining the division of labour in the state and wider political system, increasing state autonomy so that it is less vulnerable to particularistic lobbying, boosting reflexivity (including through auditing and the contract culture), and reorienting time horizons in favour of longer-term policy-making and policy-taking.

3. Governance as a Response to Market and State Failure

Discussions of market and state failure often appear to rest on diametrically opposed theoretical and politico-ideological positions. Yet they share some core assumptions. Both presume a dichotomistic 'public-private' distinction and a zero-sum conception of the respective spheres of the market and state. Thus, on the one hand, critics of state failure see the economy as the site of mutually advantageous, voluntary exchange among formally free, equal, and autonomous economic agents; and, on the other hand, they regard the state as premised on organized coercion which intrudes on the private liberties of citizens (especially in their capacity as economic agents). Conversely, critics of market failure see the state as a sovereign authority empowered to pursue the public interest against the particularistic, egoistic short-term interests of citizens (especially those of property owners). In both cases, the more there is of the state, the less there is of the market; what varies is the positive or negative evaluation of this ratio.

Literature on governance rejects this rigid polarization between the anarchy of the market and the hierarchy of imperative coordination in favour of the concept of 'heterarchy', i.e., horizontal self-organization among mutually interdependent actors. It recognizes the equivalence of the twin tendencies to market and state failure and proposes to reconcile and transcend them by relying on procedures which cut across the market and state divides. These include interpersonal networking, interorganizational negotiation, and 'de-centred intersystemic context steering' (dezentrierte Kontextsteuerung). The first two of these forms of governance should be familiar; the last requires some initial comment. It comprises efforts to steer (guide) the development of different systems by taking account both of their own operating codes and rationalities and of their various substantive, social, and spatio-temporal interdependencies. This is facilitated by communication oriented to intersystemic 'noise reduction' (mutual understanding), negotiation, negative coordination, and cooperation in shared projects. And is reflected in the use of symbolic media of communication such as money, law, or knowledge to modify the structural and strategic contexts in which different systems function so that compliance with shared projects follows from their own operating codes rather than from imperative coordination (see Glagow and Willke 1987).

The rationality of governance is neither procedural nor substantive: it is best described as 'reflexive'. The procedural rationality of the capitalist market is essentially formal in nature, prioritizing an endless 'economizing' pursuit of profit maximization; the substantive rationality of government is goal-oriented, prioritizing 'effective' pursuit of successive policy goals. Both approaches are particularly prone to problems of bounded rationality, opportunism, and asset specificity (Coulson 1997). Advocates of governance suggest that these problems can be avoided by instituting negotiation around a long-term consensual project as the basis for both negative and positive coordination among interdependent actors. The key to success is continued commitment to dialogue to generate and exchange more information (thereby reducing, without ever eliminating, the problem of bounded rationality); to weaken opportunism by locking partners into a range of interdependent decisions over short-, medium-, and long-term time horizons; and to build on the interdependencies and risks associated with 'asset specificity' by encouraging solidarity among those involved. The rationality of governance is dialogic rather than monologic, pluralistic rather than monolithic, heterarchic rather than either hierarchic or anarchic. In turn this suggests that there is no one best governance mechanism.

The conditions for such reflexive rationality are as complex as those for well-functioning markets or state planning. Interpersonal networking, interorganizational negotiation, and intersystemic steering are different modes of coordination and pose different problems in this regard. Specific objects of governance also affect the likelihood of success. For example, governing the global economy, human rights regimes, and transnational social movements clearly involve very different problems. Turbulent environments pose different governance problems from those that are relatively stable -- especially as time is required for self-organization to operate consensually. Governance mechanisms must provide a framework in which relevant actors can reach agreement over (albeit possibly differential) spatial and temporal horizons of action vis-…-vis their environment. They must also stabilize the cognitive and normative expectations of these actors by shaping and promoting a common 'worldview' as well as developing adequate solutions to sequencing problems, i.e., predictably ordering various actions, policies, or processes over time, especially where they have different temporal logics. At stake here is establishing secure bases of coordination with their own structurally-inscribed strategic selectivity.

4. Governance Failure?

The growing interest in governance mechanisms as a solution to market failure or state failure should not lead to neglect of governance failure. Governance need not prove more efficient procedurally than markets and states as means of economic or political coordination mechanism nor are they guaranteed to produce more adequate outcomes. A commitment to continuing deliberation and negotiation does not exclude eventual governance failure. The criterion for such failure is not, however, immediately obvious. There is no pre-given formal maximand or reference point to judge governance success, as there is with monetized profits in the economy and/or the (imaginary) perfect market outcome. Nor is there a contingent substantive criterion -- the realization of specific political objectives connected to the (imagined) public interest -- as there is with imperative coordination by the state. The primary point of governance is that goals will be modified in and through ongoing negotiation and reflection. This suggests that governance failure may comprise failure to redefine objectives in the face of continuing disagreement about whether they are still valid for the various partners.

But one can also apply procedural and substantive criteria to heterarchy and assess whether it produces more efficient long-term outcomes than the market and more effective long-term outcomes than imperative coordination by states. This involves adopting an evolutionary perspective and requires comparative evaluation of all three modes of coordination in terms of all three of their respective rationalities. This can be seen in the increasing interest in heterarchy as a mechanism to reduce transaction costs in the economy in cases of bounded rationality, complex interdependence, and asset specificity. It is also reflected in the state's increasing interest in heterarchy's potential for enhancing the former's capacity to secure political objectives by sharing power with forces beyond it and/or delegating responsibilities for specific objectives to partnerships (or other heterarchic arrangements). Likewise, of course, partnerships (or other heterarchic arrangements) may simplify the pursuit of their own goals by relying on the market and/or state to fulfil certain aspects of their jointly-agreed projects.

5. Potential Sources of Governance Failure

Rather than pursue these relatively abstract arguments about markets, states, and governance and their forms of failure, I will now try to relate them to local economic and social development. This analysis moves in three steps: an initial review of possible sources of governance failure, identification of some basic dilemmas of governance at the level of public-private partnerships (as derived from case studies in the North West and Thames Gateway regions), and some brief references to specific examples of governance arrangements and their tendencies to failure.

There are three main sets of factors which limit the success of governance in local economic and social development. The first set affects all forms of economic and social coordination and is inscribed in capitalism itself. The latter has always depended on a contradictory balance between marketized and non-marketized organizational forms. Although this was previously understood mainly in terms of the balance between market and state, governance does not introduce a neutral third term but adds another site upon which the balance can be contested. For new forms of governance provide a new meeting ground for the conflicting logics of accumulation and political mobilization.

The second set concerns the contingent insertion of partnerships into the more general state system -- especially in terms of the relative primacy of different modes of coordination and access to institutional support and material resources to pursue reflexively-arrived at governance objectives. Among crucial issues here are the flanking and supporting measures which are taken by the state; the provision of material and symbolic support; and the extent of any duplication or counteraction by other coordination mechanisms.

We can distinguish three aspects of this second set of constraints. First, as both governance and government mechanisms exist on different scales (indeed one of their functions is to bridge scales), success at one scale may well depend on what occurs on other scales. Second, coordination mechanisms may also have different temporal horizons. One function of governance (as of quangos and corporatist arrangements beforehand) is to enable decisions with long-term implications to be divorced from short-term political (especially electoral) calculations. But disjunctions may still arise between the temporalities of different governance and government mechanisms. Third, although various governance mechanisms may acquire specific techno-economic, political, and/or ideological functions, the state typically monitors their effects on its own capacity to secure social cohesion in divided societies. It reserves to itself the right to open, close, juggle, and re-articulate governance arrangements not only in terms of particular functions but also from the viewpoint of partisan and overall political advantage.

The third set of constraints is rooted in the nature of governance as self-organization. First, governance attempts may fail because of over-simplification of the conditions of action and/or deficient knowledge about causal connections affecting the object of governance. This is especially problematic when this object is an inherently unstructured but complex system, such as the insertion of the local into the global economy. Indeed, this leads to the more general 'governability' problem, i.e., the question of whether the object of governance could ever be manageable, even with adequate knowledge (Mayntz 1993; Malpas and Wickham 1996). Second, there may be co-ordination problems on one or more of the interpersonal, interorganizational, and intersystemic levels. These three levels are often related in complex ways. Thus interorganizational negotiation often depends on interpersonal trust; and de-centred intersystemic steering involves the representation of system logics through interorganizational and/or interpersonal communication. Third, linked to this is the problematic relationship between those engaged in communication (networking, negotiation, etc.) and those whose interests and identities are being represented. Gaps can open between these groups leading to representational and legitimacy crises and/or to problems in securing compliance. And, fourth, where there are various partnerships and other governance arrangements concerned with interdependent issues, there is a problem of coordination among them. I address this problem below in terms of metagovernance (section 7).

6. Partnership Dilemmas

These potential sources of governance failure assume different forms in different contexts. Based on interviews with those involved in partnerships in the North West and the Thames Gateway regions, we can specify four sets of strategic dilemmas that affect economic development partnerships as they seek to develop a consensual approach to the joint pursuit of a medium- to long-term strategy which advances both the individual and collective interests of their various members. These dilemmas comprise:

Cooperation vs Competition: capitalist economies operate through an unstable mix of cooperation and competition. One horn of the resulting dilemma is how to maintain interpersonal trust, secure generalized compliance with negotiated understandings, reduce noise through open communication, and engage in negative coordination in the face of the many and varied opportunities that exist for short-term self-interested competitive behaviour -- behaviour which could soon destroy the basis for continuing partnership. The other horn is that an excessive commitment to cooperation and consensus could block the emergence of creative tensions, conflicts, or efforts at crisis-resolution which could promote learning and/or learning capacities and thereby enhance adaptability. This horn is especially acute when the environment is turbulent, speedy action is required, incrementalism is inappropriate, and it would take time to build consensus. Such dilemmas have been widely discussed in recent analyses of flexible industrial districts, learning regions, innovative milieux, etc.. They also occur politically in the trade-off between partnership and partisanship. For partnerships are typically linked to differential advantages for political parties, tiers of government, and departmental interests as well as to differential economic interests of various kinds. This poses dilemmas both in relation to any given partnership and, even more acutely, in relation to the opportunities that may exist for juggling multiple partnerships to secure partisan advantage.

Openness vs Closure: heterarchic governance arrangements operate in complex, often turbulent, environments. They face problems in remaining open to the environment at the same time as securing the closure needed for effective coordination among a limited number of partners. One horn of the resulting dilemma is that closure may lock in members whose exit would be beneficial (e.g., inefficient firms, underemployed workers, sunset sectors) or block recruitment of new social partners (e.g., new firms, marginalized workers, sunrise sectors). The other horn is that openness may discourage partners from entering into long-term commitments and sharing long-term time horizons. This may prompt opportunism in (the potentially self-fulfilling) case that partnerships dissolve or involve high turnover. It is reflected in the choice of maximizing the range of possible actions by expanding relevant bases of membership or favouring the 'small is beautiful' principle for the purpose of focused and timely action; and the choice of variable geometries of action versus fixed spatial boundaries for membership of a governance arrangement. An interesting variant of this latter version of the dilemma (especially given the increasing importance of interregional cooperation in Europe) is whether to permit transnational partnerships or to insist on the defense of national sovereignty.

Governability vs Flexibility: heterarchic arrangements are said to permit longer term strategic guidance (lacking in markets) whilst still retaining flexibility (lacking in hierarchies with their rule-governed procedures). But this is also the site of a dilemma: that between governability (the capacity for effective guidance) and flexibility (the capacity to adapt to changed circumstances). This assumes several forms. Reducing complexity through operational rules as a precondition for governing a complex world needs to be balanced against the recognition of complexity to mobilize the 'requisite variety' of actors and resources. Avoiding duplication to limit resource costs needs to be balanced against maintaining an adequate repertoire of actions and strategic capacities. A third variant is posed in the choice between exploiting past organizational and interorganizational learning to standardize around 'best practice' and maintaining adaptability in the face of a turbulent environment by avoiding 'lock-in' to outmoded routines. This last problem is particularly associated with efforts to impose 'best practice' from above rather than encourage diversity and allow for horizontal communication and learning among partnerships.

Accountability vs Efficiency: most public-private partnerships are expected to serve the public interest as well as to deliver private benefits. But this blurs the public-private distinction and poses a familiar dilemma in terms of accountability versus efficiency. On the one hand, there are problems about attributing responsibility for decisions and non-decisions (i.e., acts of commission or omission) in interdependent networks. These problems are more acute when partnerships are interorganizational rather than interpersonal. On the other hand, attempts to establish clear lines of accountability can interfere with the efficient, cooperative pursuit of joint goals. A related dilemma is that public-private arrangements run the risk of allowing the exploitative capture of public resources for private purposes and/or extending the state's reach into the market economy and civil society to serve the interests of the state or governing party. A third version of this dilemma concerns the relative primacy of economic performance and social inclusion -- how far the maximand in public-private partnerships is marketized economic performance as opposed to addressing problems of social cohesion.

7. Metagovernance

If markets, states, and governance are each prone to failure, how is economic and political coordination for economic and social development ever possible and why is it often judged to have succeeded? In part this can be explained through the multiplicity of satisficing criteria and the range of potential vested interests so that at least some aims are realized to a socially acceptable degree for at least some of those affected. A further explanation can be derived from the observation that 'governing and governance itself should be dynamic, complex and varied' (Kooiman 1993: 36). This highlights the role of the 'meta-structures' of interorganizational coordination (Alexander 1995: 52) or, more generally, of 'metagovernance', i.e., the governance of government and governance.

Metagovernance should not be confused with some superordinate level of government in control of all governance arrangements nor with the imposition of a single, all-purpose mode of governance. Rather, it involves managing the complexity, plurality, and tangled hierarchies characteristic of prevailing modes of coordination. It involves defining new boundary-spanning roles and functions, creating linkage devices, sponsoring new organizations, identifying appropriate lead organizations to coordinate other partners, designing institutions, and generating visions to facilitate self-organization in different fields. It also involves providing mechanisms for collective feedback and learning about the functional linkages and the material interdependencies among different sites and spheres of action, and encouraging a relative coherence among diverse objectives, spatial and temporal horizons, actions, and outcomes of governance arrangements. It involves the shaping of the context within which these arrangements can be forged rather than developing specific strategies and initiatives for them.

Governments play a major and increasing role in metagovernance. They provide the ground rules for governance and the regulatory order in and through which governance partners can pursue their aims; ensure the compatibility or coherence of different governance mechanisms and regimes; act as the primary organizer of the dialogue among policy communities; deploy a relative monopoly of organizational intelligence and information with which to shape cognitive expectations; serve as a 'court of appeal' for disputes arising within and over governance; seek to re-balance power differentials by strengthening weaker forces or systems in the interests of system integration and/or social cohesion; try to modify the self-understanding of identities, strategic capacities, and interests of individual and collective actors in different strategic contexts and hence alter their implications for preferred strategies and tactics; and also assume political responsibility in the event of governance failure. This emerging role means that networking, negotiation, noise reduction, and negative as well as positive coordination occur 'in the shadow of hierarchy' (Scharpf 1994: 40). It also suggests the need for almost permanent institutional and organisational innovation to maintain the very possibility (however remote) of sustained economic growth.

Thus metagovernance does not eliminate other modes of coordination. Markets, hierarchies, and heterarchies still exist; but they operate in a context of 'negotiated decision-making'. Thus, on the one hand, market competition will be balanced by cooperation, the invisible hand will be combined with a visible handshake. On the other hand, the state is no longer the sovereign authority. It becomes but one participant among others in the pluralistic guidance system and contributes its own distinctive resources to the negotiation process. As the range of networks, partnerships, and other models of economic and political governance expand, official apparatuses remain at best primus inter pares. For, although public money and law would still be important in underpinning their operation, other resources (such as private money, knowledge, or expertise) would also be critical to their success. The state's involvement would become less hierarchical, less centralized, and less dirigiste in character. The exchange of information and moral suasion become key sources of legitimation and the state's influence depends as much on its role as a prime source and mediator of collective intelligence as on its command over economic resources or legitimate coercion (Willke 1992).

8. Metagovernance Failure

Recognizing possible contributions of reflexive metagovernance to economic and social coordination is no guarantee of success. It is certainly not a purely technical matter which can be resolved by experts in organizational design or public administration. For all the technical activities of the state in whatever domain are conducted under the primacy of the political, i.e., the state's concern with managing the tension between economic and political advantages and its ultimate responsibility for social cohesion. This fact plagues the liberal prescription of an arms-length relationship between the market and the nightwatchman state -- since states are rarely strong enough to resist pressures to intervene when anticipated political advantage is at stake or it needs to respond to social unrest. This can be seen in the telling title of Michael Heseltine's report to Cabinet on the change of direction on policies for the inner city: It took a riot (1985).

To minimize the risks of metagovernance failure, a repertoire of responses is needed to retain the ability flexibly to alter strategies and select those that are more successful. This may well seem inefficient from an economizing viewpoint because it introduces slack or waste. But it also provides major sources of flexibility in the face of failure (cf. Grabher 1994). For, if every mode of economic and political coordination is failure-laden, relative success in coordination over time depends on the capacity to switch modes of coordination as the limits of any one mode become evident. This provides the basis for displacing or postponing failures and crises. It also suggests that the ideologically-motivated destruction of alternative modes of coordination could prove counter-productive: for they may well need to be re-invented in one or another form. There are further dilemmas here from an evolutionary viewpoint: (a) learning versus forgetting; and (b) removing particulars versus retaining the general. If one affirms the maxim that 'it is necessary to change society to preserve it', then there should be mechanisms for social forgetting as well as social learning. One should also recognize that, even if specific institutions and organizations are abolished, it may be necessary to safeguard the underlying modes of coordination which they embody.

These dilemmas are evident from the experience of the Thatcher and Major governments. The neo-liberal hostility to the interventionist state, trade unionism and corporatism, municipal socialism, and other features of the postwar settlement was reflected in continuing efforts to destroy, weaken, or marginalize them. But, whilst this was perhaps necessary to change attitudes in the attempted modernization of the British economy, state, and society, it also dissipated experience and knowledge that could still prove useful. And, whilst it removed specific institutional and organizational obstacles to the neo-liberal project, it also deprived the central state in the short-term of an adequate range of modes of coordination to deal with complex issues in an environment made more turbulent by the intended and unintended effects of its own radical policies. So the Thatcher and Major governments eventually found it necessary to re-learn lessons about the limits of the market mechanism and to re-invent alternative modes of coordination to supplement, complement, or compensate for the operation of market forces. This re-discovery was usually disguised behind changed names, innovative discourses, and institutional turnover. Nonetheless the usual policy cycle of market, governance, and state was repeated in central government policies for urban regeneration.

9. Two Case Studies

This section briefly illustrates some of the above themes by considering two cases from our two regional research sites (the Thames Gateway and the North West). The first concerns an interorganizational partnership centred in Dartford in North West Kent and concerned with a particular property-led development project; the second concerns networks mobilized around the Manchester Olympic bids as a larger place-marketing exercise for Manchester and the North West. Both cases can be interpreted as instances of governance failure as well as governance success.

a) Kent Thames-side Agency and London Science Park at Dartford

When we conducted interviews in Dartford at the beginning of our research on the Thames Gateway region some four years ago, we were confidently informed by various politicans, local government officers, and spokesmen for Dartford Chamber of Commerce that one of the town's big successes was to have secured the London Science Park at Dartford (hereafter LSP). At the conclusion of our research, the science park project had been scaled down and was still far from being fully established. Exploring the reasons for this illustrates many of the constraints on local governance identified above (sections 5 and 6).

The first set of constraints has to do with the dynamic of capitalism which were far beyond the control of the local authority and its partners. Three major obstacles (among many) to the LSP's timely establishment can be noted: the uneven development of the South East economy, the problems of property-led development under a neo-liberal regime, and the conflicting temporal and spatial horizons of action of different public and private sector partners. The Thames Gateway initiative (initially flagged as the East Thames Corridor) was intended to redress the overheating of the South East economy (especially to the west of London) and to exploit the opening towards Europe by promoting growth in the east; this would have the additional advantage of exploiting brownfield and derelict land along the Thames and thus relieve pressure on the green belt. But the problems of industrial and urban decay affecting the east Thames region were not removed simply through declaration of the

Thames Gateway initiative (especially given the emphasis on private enterprise more than public funding) and continued to disfavour investment in the region for high tech projects. Moreover, as the property-led development approach needs continued economic expansion to justify investment, the collapse of Lawson's boom in the late 1980s and the resulting overhang of property investments in the City and South East proved a further disincentive. This in turn produced conflicting expectations about the various time horizons and priorities for profitable development of the proposed LSP site between private and public sector partners -- compounded by the greater spatial scope of action for the two partners whose activities extended well beyond the local to the regional, national, and international scales. This was reflected in conflicts around three issues: the most appropriate uses, the ideal sequencing, and the proper distribution of profits from bringing different parcels of land in different ownership into development. A merger between Glaxo and Wellcome also altered the interests of a key partner.

The second set of constraints has to do with the insertion of the London Science Park project into the wider set of local government and governance arrangements. Of particular significance here was the turbulent political environment for the partners in the Kent Thames-side agency concerned with the LSP. The rationale for the partnership was the pooled interdependence of Dartford Borough Council (a major local landholder and planning authority wishing to upgrade the town's image and economic prospects), the Wellcome Foundation (a leading international pharmaceutical company and major local employer), the local health authority (with a redundant hospital site and plans for expansion), Blue Circle Industries (a major landowner and property developer by virtue of its disused chalk pits in North West Kent), and the University of Greenwich (interested in developing a new campus, including student accommodation, and boosting research links with industry by locating at the LSP site). Three sources of uncertainty and turbulence (among others) which affected the project were: (a) central government-induced changes in the status, powers, and ownership rights of the health authority (in turn a regional health authority, a district authority, and NHS trust) and hence in its interests in the project; (b) politically-motivated delays in government commitments to infrastructural projects and spending essential to the overall growth dynamic of the sub-region -- notably around the Channel Tunnel Rail Link, the international rail terminal, and road links; and (c) changes in central government policy on higher education and training which affected the interests of the University of Greenwich regarding campus accommodation and research strategy.

Paradoxically, the partnership itself appears to have worked well. A clear recognition of pooled interdependence provided a continuing framework for negotiation around the need to balance conflicting property interests and the overall economic, political, and social benefits of cooperation; a flexible framework which avoided a once-and-for-all decision on the appropriate legal form and membership of the partnership encouraged a balance between openness and closure and between governability and flexibility; and the insertion of the LSP into a broader and largely consensual local and regional accumulation strategy developed by the borough council permitted balance between economic efficiency and political accountability. As delays in complementary economic projects (a major regional shopping centre, an international rail terminal, the high speed channel tunnel rail link) are overcome and the Thames Gateway role as the bridge between London and Europe becomes a reality, the prospects for a scaled-down version of the LSP feeding into a more general pattern of synergetic growth look better than they did at the end of our research.

b) The Manchester Olympic Bids

The Manchester Olympic bids illustrate the paradox of a successful failure, a project which could be successfully marketed despite failing in key respects (Bovaird 1994). If one regards them as place-marketing exercises linked to property-led development, they helped market Manchester, mobilized important grants for urban regeneration, and secured widespread recognition and support at home and abroad. Indeed, if one accepts that the actual staging of the Games could prove costly, the eventual failure to secure them could even be considered a success (contrast the Olympic experiences of Montreal and Barcelona or Sheffield and the World Student Games). The presentational politics of the bidding process required a united front among local partners and this, combined with the broadly positive-sum nature of the

Olympics-legitimated but state-aided and property-led development project, provided the context in which the various dilemmas of partnership were managed in the short-term.

From a governance viewpoint, three points need making. First, Manchester's Olympic strategy illustrates the complementarity and interdependence among different scales of economic and political action. Local governance is not confined to the local level. The bid strategy and outcome involved a complex interplay between (a) local economic and political capacities and priorities, (b) national and international systems of rule-setting (especially those of the Department of the Environment and the International Olympic Committee), and (c) European and central government political and economic strategies. Second, the broad-based grant-coalition which fronted the Olympic bids was firmly rooted not only in material interdependences but also in established informal interpersonal networking among business leaders, political figures, and other local elites. This was the basis of trust for interorganizational negotiations and the formation of a broad-based hegemonic project for the region. Although Sir Bob Scott (whose role was famously described as 'a man and his secretary sitting in an office and masquerading as an institution') achieved a high profile in the bid process as the public (and acceptable) face of private capital, a key meta-governance role was also performed by the local authorities under the leadership of Manchester City Council. This is clear not only in promotional activities but also in various project management activities. And, third, the Olympic bids provided a positive-sum game for developing a broadly consensual local accumulation strategy and hegemonic project. They provided the basis for levering European and central government funding, secured property-led regeneration, enhanced the image of Manchester (with some skilfully contrived confusion between Manchester City Council and Greater Manchester), promised benefits to the North West more generally, and attracted considerable local popular support. With the second failure to win the Olympics nomination, much of this unity and support has been dissipated. A pattern of fragmentation and duplication of partnerships has re-asserted itself. This illustrates the role of strategy and vision as well as structures in maintaining local governance (for further details on this case study, see Cochrane et al., 1996; and Jessop et al., 1997).

10. Concluding Remarks

In short, markets, states, and governance all fail. This is not surprising. For failure is a central feature of all social relations: 'governance is necessarily incomplete and as a necessary consequence must always fail' (Malpas and Wickham 1995: 40). Given the growing structural complexity and opacity of the social world, indeed, failure is the most likely outcome of most attempts to govern it in terms of multiple objectives over extended spatial and temporal horizons -- whatever coordination mechanism is adopted. This emphasis on the improbability of success serves to counter the rhetoric of partnership which leads commentators to highlight achievements rather than failures and, where they recognize failure, to see it as exceptional and corrigible in regard to their preferred mode of coordination even as they see coordination failure elsewhere as inevitable. This polarization is reflected both in the succession of governments and in policy cycles within governments in which different modes of policy-making succeed each other as the difficulties of each become more evident. Postwar British politics offers plenty of evidence of this through the increasingly hectic oscillation among liberal, dirigiste, and corporatist modes of economic intervention (witness, in particular, the successive U-turns in the Heath government of 1970-74 and the Wilson-Callaghan governments of 1974-79).

Once the incompleteness of attempts at coordination (whether through the market, the state, or heterarchy) is accepted as inevitable, it is necessary to adopt a satisficing approach which has at least three key dimensions:

- a reflexive orientation to what will prove satisfactory in the case of failure, to compare the effects of failure/inadequacies in the market, government, and governance, and regular re-assessment of the extent to which current actions are producing desired outcomes.
- deliberate cultivation of a flexible repertoire (requisite variety) of responses so that strategies and tactics can be combined to reduce the likelihood of failure and to alter their balance in the face of failure and turbulence in the policy environment. Moreover, as

different periods and conjunctures require different kinds of policy mix, the balance in the repertoire will need to be varied. And

- a self-reflexive 'irony' in the sense that participants must recognize the likelihood of failure but proceed as if success were possible. The supreme irony in this context is that the need for irony holds not only for individual governance mechanisms but also for metagovernance itself.

For reasons I have explored in more detail elsewhere (Jessop 1997b, 1997c), I suggest that public-private partnership in its various forms is especially appropriate for securing economic, social, and community development in the current period despite its inevitable tendencies towards governance failure. This suggests the need to put such governance arrangements at the core of the coordination repertoire with diverse flanking and supportive measures from other modes of coordination. But there must also be greater commitment to a participatory politics based on stakeholding and to sustainable economic and community development.7308

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Note: The principal publications from this research project to date are listed above. Further information on other publications and work in progress is available from the author

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