



On-Line Papers – Copyright

This online paper may be cited or briefly quoted in line with the usual academic conventions. You may also download them for your own personal use. This paper must not be published elsewhere (e.g. to mailing lists, bulletin boards etc.) without the author's explicit permission.

Please note that if you copy this paper you must:

- include this copyright note
- not use the paper for commercial purposes or gain in any way
- you should observe the conventions of academic citation in a version of the following form:

Bob Jessop, 'The Governance of Complexity and the Complexity of Governance: Preliminary Remarks on some Problems and Limits of Economic Guidance', published by the Department of Sociology, Lancaster University, Lancaster LA1 4YN, at <http://www.comp.lancs.ac.uk/sociology/papers/Jessop-Governance-of-Complexity.pdf>

Publication Details

This web page was last revised on 29th November 2003; the paper was previously published at <http://comp.lancs.ac.uk/sociology/soc024rj.html> in 1999

'The Governance of Complexity and the Complexity of Governance: Preliminary Remarks on some Problems and Limits of Economic Guidance'

Bob Jessop

This chapter addresses the recent discovery of 'governance' as the complex art of steering multiple agencies, institutions, and systems which are both operationally autonomous from one another and structurally coupled through various forms of reciprocal interdependence. This discovery could well reflect the dramatic intensification of societal complexity which flows from growing functional differentiation of institutional orders within an increasingly global society with all that this implies for the widening and deepening of systemic interdependencies across various social, spatial, and temporal horizons of action. Indeed, governance appears to have moved up the theoretical and practical agendas because high levels of (increasingly globalized) functional differentiation undermine the basis for hierarchical, top-down coordination under the aegis of a single centre at the peak of a given societal formation -- let alone at the peak of a global social system with its continuing territorial division into nation-states still jealous of their declining formal sovereignty (cf. Luhmann 1984; Willke 1987, 1990).

This differentiation process particularly affects the two core institutional orders traditionally studied in evolutionary political economy: the economy and polity. In particular, the world economy is being reshaped by a complex dialectic of globalization-regionalization under the dominance of capitalist relations. This process is alleged to make it more difficult for (national)



states to control their own domestic economies -- let alone the global dynamic of capital accumulation. At the same time capital accumulation is said to depend on an increasing range of extra-economic factors generated on various spatio-temporal scales through other institutional orders (see, for example, Boyer 1986; Castells 1989; Chesnais 1987; Nelson 1993; Porter 1990; Reich 1991). Major changes are also occurring in the (global) political system with equally paradoxical effects. Thus, on the one hand, there is a tendential denationalization of the state system through the movement of state power upwards, downwards, and sideways as attempts are made by state managers to regain operational autonomy (if not formal sovereignty as such) and thereby enhance the state's own strategic capacities. On the other hand, there is a tendential de-statization of politics (a shift from the primacy of top-down government towards more de-centred governance mechanisms) as political capacities are seen to depend on the effective coordination of interdependent forces within and beyond the state (for a review of these and related trends, see Jessop 1995a). It is in this context that governance (or 'partnership') strategies are strongly advocated as alternatives to market anarchy and organizational hierarchy in promoting economic development.

Whilst recognizing that a governance bandwagon now seems to be rolling, I am reluctant to leap onto it -- and certainly not in uncritical fashion. Instead I argue that governing complexity is far from simple and, indeed, that governance failure is routine. In developing this argument, some abstract claims are presented about 'contingent necessity' in order to problematize the notion of social complexity before considering problems of governance. This first set of remarks have two main purposes. They are intended to show how complexity risks becoming a 'chaotic conception' (Marx 1857; cf. Sayer 1990) which serves neither as a coherent research object nor as a coherent explanatory principle. And they are meant to correct an unfortunate celebratory tendency in some recent contributions to debates on governance (e.g., uncritical accounts of the potential of stakeholding, associational democracy, or learning regions). For, whilst many contributors allege that unstructured complexity somehow dooms market forces and/or bureaucratic planning to failure in realizing collective goals or goods, they also imply (even if they do not directly claim) that, with sufficient good will and skillful institutional design, other forms of governance could succeed in almost any circumstances. They could reduce and structure complexity to such an extent that the real world becomes collectively manageable and agencies charged with its governance can be rendered collectively accountable. There are powerful arguments, however, against strong versions of this presumption. These I seek to develop briefly on the basis of some general reflections on 'contingently necessary complexity'. But these remarks will also provide the basis for a more modest account of conditions which might contribute to more localized, provisional, and partial successes for attempts at governance.

I then attempt to reduce the risk of chaotic conceptions of complexity and its governance by distinguishing forms of complexity in interpersonal, inter-organizational, and inter-systemic relations; and by linking the resulting problems of complexity to issues of 'requisite variety', adaptability, and learning in possible governance mechanisms. This second set of ideas is drawn from recent work on social complexity, self-organization, and 'autopoietic' (self-referential, self-reproducing) systems. This work is important for its concern with complexity in social as opposed to natural systems. But it also risks neglecting the specific forms of complexity in different institutional orders and the contrasting problems these pose for governance. Accordingly, by combining these general ideas with principles drawn from institutional and evolutionary economics, a 'strategic-relational' approach (2) to social analysis, and the Marxist critique of capital as a social relation, I hope to cast new light on economic governance.

Institutional and evolutionary analyses emphasize that economic systems are socially embedded and socially regulated; (3) and that they evolve in a complex, uneven manner. Hence an adequate account of economic activity should explore how it is related to the wider social environment; how it is embedded in a wider nexus of social institutions; how its development is coupled to that of enviroing, embedding institutions; and how the latter assist in the 'reproduction-régulation' of the economy broadly interpreted. A strategic-relational approach is well suited to exploring such issues because of its concern with the complex interrelations of structure, agency, and strategy, its insistence that form problematizes rather



than guarantees function, and its emphasis on conjunctural analysis. And Marxist analyses highlight basic structural contradictions and strategic dilemmas of the capital relation -- features which governance mechanisms may well modify but can never fully escape. This last point is especially important because literature on economic governance often focuses on the modalities rather than objects of governance and thereby abstracts from the distinctive constraints imposed by the self-organizing dynamic and 'ecological dominance' (4) of capitalism. Work on economic governance thereby underestimates the obstacles confronting attempts to guide capital accumulation. Combining arguments from these three (interrelated) theoretical positions should provide a better account of the complexities confronting attempts to steer socially embedded, socially regularized economic processes in all their contradictory and dilemmatic nature and, a fortiori, of likely sources of governance failure.

I. Contingent Necessity

My approach to issues of complexity has been shaped by earlier work on the distinctive features of 'contingent necessity'. This term, with its seeming *contradictio in adjecto*, refers to the nature of 'real-concrete' phenomena. It rests on the assumption that everything that happens in the real world must happen, i.e., is in some sense 'necessary'. Rejecting this assumption would render much scientific enquiry pointless. It is the precise meaning of necessity, however, that is at stake in 'contingent necessity'. For it need not, does not, and cannot mean that whatever happens in the real world is due to a *single* causal mechanism. Instead the concrete actualization of events results from the *interaction* of diverse causal tendencies and counter-tendencies. Now, whilst it may be tempting to argue that this interaction itself can serve as the single causal mechanism which necessarily generates the necessary happening, this is invalid because such interactions cannot be attributed to the operation of any single causal mechanism. For they too result from interaction among diverse causal tendencies and counter-tendencies. This opens the route to an infinite explanatory regress into the path-dependent past. To avoid this, events are best studied 'genealogically' (cf. Foucault 1975) in terms of their provenance as *necessary* products of *contingent* interactions among different sets of causal mechanisms. Contingent necessity also implies an unbounded surplus of (unmanageable, often mutually exclusive) future possibilities, thereby ensuring that the world has an 'open' structure (cf. Luhmann 1979: 6, 13). Governance mechanisms are one way in and through which this surplus of future possibilities and its resulting social complexity is reduced (see below).

What do contingent necessity and complexity imply for analyses of the real world? Ontologically, complexity refers to the nature of events or phenomena in the real world. As Marx noted, the real-concrete is 'the complex synthesis of multiple determinations' (Marx 1857: 101). This excludes any simple algorithm to generate explanations of complex phenomena. Contingent necessity in the real world implies infinite complexity in the real world and this calls in turn for complexity reduction. Epistemologically, if 'contingent necessities' really exist, adequately to explain them requires one to combine concepts, assumptions, and principles of analysis from different theoretical domains and to link them to a given, theoretically defined explanandum. Since the real world is infinitely complex, however, it is inevitably analytically inexhaustible. Thus an explanation is only more or less satisfactory relative to a given explanandum that has been isolated (and thus 'constructed') by an observer out of that infinite complexity. Methodologically, this requires a 'method of articulation' that respects contingent necessity and complexity. One way to understand this is to see it as based on the dual movement from abstract to concrete along one plane of analysis and from simple to complex as more analytical planes are introduced in order to produce increasingly adequate explanations (Jessop 1982: 213-19).

All three implications apply to 'observation' of the real world as well as that which is observed. For observation itself occurs in the real world and is therefore also open to (self-) observation. By applying these principles to their own observational practices, observers can reflect on the contingent necessity (situatedness) of their own concepts and categories. This sort of self-reflexiveness may also help secure the relative success of governance mechanisms in localized contexts and for limited periods. In both cases, of course, such (self-)observation and (self-)reflection generates the paradox that complexity reduction mechanisms and practices add to the complexity of the real world (cf. Poggi 1979; Luhmann 1983). (5)



The general links between contingent necessity, complexity, and governance can now be stated. Contingent necessity, as it concerns real world phenomena and events, indicates their *de facto* causal determination (necessity) and their *ex ante* indeterminability (contingency). As a feature of the real world, contingent necessity implies that world's ontological complexity. Indeed, if the development of the real world involves an infinite succession of contingently interdependent as well as contingently necessary 'contingent necessities', then it must also be infinitely complex. This poses a series of questions about how one can best grasp the 'complexity of complexity' in the real world and simplify it in dealing with that world.

Governance can be seen as one way self-reflexively to transform unstructured (because infinite) into structured (because simplified) complexity (cf. Marin 1990: 21) -- albeit without being able to control the (nth order) effects of such simplification and structuration.

For Hayek, the complexity of the social world rules out effective planning and implies that the only epistemologically sound mode of economic governance is the market mechanism (Hayek 1947, 1972). But, as recent recognition of the plurality of governance mechanisms implies, one's choice in this regard is not restricted to a rigid dichotomy based on market vs hierarchy. Hayek's arguments on contingent necessity and social complexity and his conclusion as to the inevitability of planning failure do not exclude alternative forms of governance additional to pure market forces. This is not just a matter of abstract logic but is also confirmed by the wide range of at least partially successful governance mechanisms in various institutional contexts.

Given these remarks on various aspects of contingent necessity and social complexity, any attempt to build effective governance mechanisms should include: (a) simplifying models and practices which reduce the complexity of the world and which are congruent with real world processes as well as relevant to the objectives of the actors concerned; (b) developing the capacity for dynamic social learning about various causal processes and forms of interdependence, attributions of responsibility and capacity for actions, and possibilities of coordination in a complex, turbulent environment; (c) building methods for coordinating actions across different social forces with different identities, interests, and meaning systems, over different spatio-temporal horizons, and over different domains of action; and (d) establishing both a common world view for individual action and a system of metagovernance to stabilize key players' orientations, expectations, and rules of conduct. The development of these complex conditions and practices is the only way, for example, many would argue, in which economic governance can be secured in a complex, globalizing world. The result would be a heterarchic rather than anarchic or hierarchic system of coordinated decision-making and policy implementation, i.e., a system based neither on the incremental logic of market forces nor on long-range top-down planning but on interactive learning among a plurality of operationally autonomous but interdependent agencies.

II. Governance as the Art of Complexity

I now review some basic issues in governing complexity in interpersonal, inter-organizational, and inter-systemic relations and link them to the requisite variety, adaptability, and learning capacities of governance mechanisms. So-called 'governance' mechanisms (as contrasted to markets or hierarchy) have long been widely used in coordinating complex organizations and systems. They are especially appropriate for systems that are resistant to top-down internal management and/or direct external control and that also co-evolve with other (complex) sets of social relations with which their various decisions, operations, and aims are reciprocally (6) interdependent. As Scharpf notes:

'... the advantages of hierarchical coordination are lost in a world that is characterized by increasingly dense, extended, and rapidly changing patterns of reciprocal interdependence, and by increasingly frequent, but ephemeral, interactions across all types of pre-established boundaries, intra- and interorganizational, intra- and intersectoral, intra- and international' (Scharpf 1994: 37).

Such patterns of reciprocal interdependence across multiple boundaries with their basic resistance to hierarchical co-ordination are usefully labelled 'heterarchic'. Not only do they resist top-down command, they are also ill-suited, contrary to Hayekian claims, to simple, blind co-evolution (the so-called 'invisible hand') with its mutual, post hoc adaptation. Such incrementalism is sub-optimal from a governance viewpoint because it is based on short-run,



localized, ad hoc responses which ignore the paradox of autonomy and interdependence characteristic of modern societies. This paradox is especially acute when what is at stake is the governance of relations among functionally differentiated subsystems which are stretched out over space and time (cf. Jessop 1990; Offe 1996; Willke 1987, 1990).

However, before examining functionally differentiated subsystems, I identify three levels of 'embedded' social organization relevant to governance. These are: a) the social embeddedness of interpersonal relations (cf. Granovetter 1985); b) the institutional embeddedness of inter-organizational relations (cf. Keohane 1984; Grabher, ed., 1993); and c) the 'societal' embeddedness of functionally differentiated institutional orders (especially those that can be interpreted as autopoietic subsystems) (7) in a complex, de-centred societal formation (cf. Polanyi 1957; Luhmann 1984; Glasgow and Willke, eds., 1987). Each type of embeddedness is linked to a corresponding type of heterarchy and its associated problems of negative and positive coordination. The latter in turn may be resolved, at least in a provisional and partial manner, in and through different patterns of governance.

Interpersonal interdependence is associated with an acute problem of trust due to the many-sided 'double contingencies' of social interaction (grounded in the fact that ego's behaviour depends on expectations about alter's conduct and vice versa) where many actors are involved. This problem is reinforced on an inter-organizational level by difficulties in securing the internal cohesion and adaptability of individual organizations; and in making compatible their respective operational unities and independence with their *de facto* material and social interdependence on other organizations. Finally, inter-systemic heterarchy poses the problem of the material and social interdependence of operationally autonomous (or closed) functional systems, each with its own autopoietic codes, programmes, institutional logics, and interests in self-reproduction.

The simplest heterarchic governance mechanisms emerge from formalization of interpersonal networking. Individual actors build on their past familiarity with others in the network, share an imagined community of interests and orientation to the future, and use selective memories to reinforce trust (cf. Elchedus 1990: 197-8; Luhmann 1979: 16-19; MacNeil 1974). These individuals represent themselves and/or their functional systems but are not mandated to commit specific agencies or organizations.

More complex is heterarchic governance through inter-organizational negotiation systems. The most general case for a shift from government hierarchy and pure market exchange in this regard can be made in terms of the evolutionary advantage (8) of the self-organizing logic of inter-organizational relations where a plurality of interdependent but autonomous organizations, each controlling important resources, need to coordinate their actions to produce a joint outcome which is deemed mutually beneficial. Thus Mayntz suggests that the typical logic of networks is negotiation directed to the realization of a joint product, such as 'a specific technical innovation, a city plan, a strategy of collective action, or a problem solution in public policy' (Mayntz 1993: 11). In this way common short-term objectives can be identified and their self-interested realization used to promote generalized compliance with inter-organizational expectations and rules (Marin 1990: 15; Scharpf 1994). Crucial to the success of such arrangements is the building of inter-organizational capacities that synergetically reinforce those of individual organizational members. These arguments can be illustrated from the emergence and dynamics of the so-called 'negotiated economy' (cf. Nielsen and Pedersen 1988, 1992, 1993; see also section V below).

The most complex form of governance emerges in attempts to facilitate the mutual understanding and co-evolution of different functional systems whose structural coupling and strategic coordination affect the attainment of societal objectives. There are two key mechanisms here: (a) noise reduction, i.e., reducing 'noise' in inter-systemic communication by enhancing mutual sensitivity to the autonomous logics or rationales of complex autonomous systems and thereby promoting mutual understanding; and (b) negative coordination, i.e., encouraging agents/agencies to take account of the possible adverse repercussions of their own actions on third parties or other systems and to exercise self-restraint as appropriate. Together these mechanisms may help to realize an inter-systemic consensus around visions or missions which provide, within a more general framework of 'decentralized context steering', a basis for more specific inter-organizational partnerships



oriented to the positive coordination (9) of relevant activities around specific objectives. These arguments can be illustrated from work on national systems of innovation (e.g., Lundvall 1992; Nelson 1993).

All three levels of governance have their own particular preconditions, which cannot be discussed here (but see, for example, Luhmann 1975; Gambetta 1988; Granovetter 1985, 1990; Marin 1990; Messner 1994; Scharpf 1994). They also display *tangled hierarchies* in so far as lower levels are constrained by higher levels yet simultaneously help to shape the latter. Different forms of governance can be mutually supportive in coping with reciprocal interdependence and, together, they can help in the governing of complexity. Thus interpersonal trust often helps to maintain markets and hierarchies (cf. Granovetter 1985). It may also ease inter-organizational negotiation and/or help build less personalized, more 'generalized trust' as collective actors are seen to sacrifice short-term interests and reject opportunism (cf. Luhmann 1975: 20-22; Marin 1990). In turn, inter-organizational dialogue eases inter-systemic communication and thereby permits 'systemic trust' (in the integrity of other systems' codes and operations) by promoting mutual understanding and stabilizing expectations as the basis of self-binding actions in the future. In negotiated economies, for example, a few formal organizations and forums are entrusted to formulate and represent the identities and interests of different subsystems at the same time as they contribute to the definition and promotion of a wider 'societal project'.

III. Modalities and Objects of Governance

Much of the literature on governance assumes that the objects of governance pre-exist their coordination in and through specific governance mechanisms. However, as the preceding remarks indicate, at the very least, attempts at governance affect the conduct of agents and their conditions of action. In many cases governance mechanisms are also actively involved in constituting governing agents, identities, interests, and strategies. Hence some governance theorists now argue that 'objects of governance are only known through attempts to govern them' (Hunt and Wickham 1994: 78). (10) In other words, the very processes of governance co-constitute the objects which come to be governed in and through these same processes. Thus, while its objects may indeed pre-exist governance attempts as potential 'raw material', they only become real objects of governance to the extent they are subject to specific, more or less effective governance mechanisms. Pertinent examples include: Porterian industrial 'clusters'; flexible industrial districts; cross-border regions; and 'negotiated economies'. Such phenomena cannot be adequately understood without reference to their co-constitution through forms of governance which conform neither to pure market or pure hierarchy. In this sense, then, governance reduces the unstructured complexity of the 'raw material' (or elements) of governance and adds to structured complexity (by transforming these elements into 'moments' of the governed object). But the emergence of conflicting attempts at governance and/or of uncoordinated governance mechanisms produces in turn new forms of unstructured complexity. The latter could well become be constituted as a 'problem' for attempts at higher order governance (or meta-governance); and so on in an endless spiral of governance/meta-governance strategies. There is no point at which any final meta-governance instance can be established to coordinate myriad subordinate forms of governance -- this would re-introduce the principle of hierarchy which social complexity itself rules out.

One implication is that, to paraphrase Marx, just as there is neither production in general nor general production, there is no governance in general nor general governance. Rather, there is only particular governance and the totality of governance (cf. Marx 1857: 99; and Jessop 1990a: 186). There are only definite objects of governance that are shaped in and through definite modes of governance. It is important to note that this excludes any general theory which would apply to all forms of governance. Hence one should focus instead on the many and varied struggles over the constitution of governance objects, competing strategies and techniques of governance, and the contingently necessary incompleteness or failures of attempts to govern them. It is the failure fully to govern (and so stabilize) potential objects of governance that creates in turn space for competing governance strategies and ensures that the future remains pregnant with a surplus of possibilities.



A strategic-relational approach implies that governance is inherently spatio-temporal. This goes beyond the trite conclusion that, since time and space inevitably serve as external conditions and contexts of action, actions may need to be collocated and/or dislocated at particular points in time-space as well as coordinated over time and space to realize interdependent projects. For it is also important to recognize that time and space *qua* social relations are also key objects and stakes in the organization of governance. In short, governance constitutes its objects in spatio-temporal as well as other respects. The temporal and spatial are not separable here. The choice of time horizon will in part dictate the appropriate spatial scale at which governance is organized. In turn, the choice of spatial scale will in part determine the time horizon over which the object of governance will be constructed and governance objects pursued.

By way of illustration, the discursive constitution of the boundaries and nature of the (local) economy affects the temporal dimension of strategy-making as well as its spatial scale. This is quite explicit in many economic strategy documents -- with powerful players seeking to shape both the spatial and temporal horizons to which economic and political decisions are oriented so that the economic and political benefits are 'optimized' (on the case of the East Thames Corridor in Britain, see, e.g., Jessop 1996b). The match between spatial scale and time horizon may be a crucial factor shaping the success or failure of local economic development strategies associated with urban regimes. Stable modes of local economic growth typically involve building a structured complementarity (or coherence) between the local economy and one or more of its encompassing regional, national, and supranational accumulation regimes. This structured complementarity can only be secured in time and space. Since capitalism is always marked by uneven development and tendencies towards polarization, the success of some economic spaces (and the success of the spaces whose growth dynamic is complemented by their own) will inevitably be associated with the marginalization of other economic spaces. This is seen in the changing hierarchy of economic spaces as capitalist growth dynamics are affected by the relative exhaustion of some accumulation strategies and modes of growth and/or the dynamic potential of innovations in materials, processes, products, organization, or markets. Nonetheless, when space and time horizons are articulated more or less successfully, economic development will occur within relatively stable 'time-space envelopes' (cf. Massey 1994: 225; Sum 1995 and this volume).

All of this has major implications for the dynamic of governance mechanisms and their capacities to address challenges. For, in strategic-relational terms, social practices, organizations, institutions, and systems typically have specific structurally-inscribed temporal and spatial forms and are oriented to distinctive spatial and temporal horizons of action. Thus specific forms of economic and political system privilege some strategies over others, access by some forces over others, some interests over others, some spatial scales of action over others, some time horizons over others, some coalition possibilities over others. Structural constraints always operate selectively: they are not absolute and unconditional but are always temporally, spatially, agency-, and strategy-specific. Strategies can be oriented in turn to the transformation of these structurally-inscribed (or socially embedded) spatio-temporal selectivities. This also suggests that successful governance may depend on the self-reflexive monitoring and transformation of how these (and other) selectivities impinge on embedded social practices and socially stabilized expectations.

Thus governance mechanisms must provide a framework in which relevant actors can reach agreement over (albeit possibly differential) spatial and temporal horizons of action vis-à-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. (11) At stake here is establishing secure bases of coordination with their own structurally-inscribed strategic selectivity. This does not exclude (and, indeed, may well require) a certain ambivalence and real flexibility in governance mechanisms so that an adequate repertoire (requisite variety) of governance routines exists to ensure continued vitality in the face of a turbulent environment through the ability to alter strategies and select those that are successful (cf. Grabher 1994; Willke 1992).



Strategic selectivities frame more specific governance strategies in so far as they privilege some strategies and hinder others. Hence, from a more self-reflexive (or meta-governance) perspective, there are also strategic choices about redrawing borders, altering spatio-temporal horizons, and re-ordering temporalities. These choices may be linked to changes in time-space distantiating (the stretching out of governance capacities and horizons of action over space and the binding of 'future presents' into the present through path-shaping activities); (12) and/or to changes in time-space compression (the conquest of space by time and/or the domestication of time through enhanced capacities to discriminate events and so react appropriately within a given time period). Meta-strategies intended to entrench or modify strategic selectivities are analogous to a Gramscian 'war of position'. They allow those in privileged positions to capitalize acquired advantages, plan ahead, and win a certain independence in the face of a turbulent environment (cf. de Certeau 1985: 36-37; cf. Grabher 1994 on redundancy).

Metaphorically, in a war of position, space is used to govern time. De Certeau contrasts this strategy (which he equates with strategy in general) with the concept of 'tactics'. (13) This is pursued from outside entrenched positions, resorts to time to disrupt established structures of domination, and is especially effective in crises. For, as Debray notes, 'political time moves faster in periods of crisis ... In every decisive crisis there is an inevitable hiatus between the need to make a decision and the available information on which to base it rationally' (Debray 1971: 90, 107). Crises are also key moments of temporal compression, i.e., decisive moments when much is undecided and when decisive actions can therefore have unusually wide-ranging effects on future developments (cf. Debray 1971). Crises make it harder to govern and this enables forces of resistance to intensify the disorder, turbulence, and noise which is always already present in complexity. In de Certeau's words, whereas

'strategies pin their hopes on the resistance that the *establishment of a place* offers to the erosion of time; tactics on a clever *utilization of time*, of the opportunities it presents and also of the play that it introduces into the foundations of power. ... the two ways of acting can be distinguished according to whether they bet on place or on time' (de Certeau 1985: 38-39).

In short, structures do not exist outside of specific spatial and temporal horizons of action pursued by specific actors acting alone or together and in the face of opposition from others. Likewise, actors always act in specific action contexts which depend on the coupling between specific institutional materialities and the interaction of other social actors.

Strategic analysis can be taken further yet if we allow for self-reflection on the part of individual and collective actors about the identities and interests which orient their strategies. Individuals and organizations can be reflexive, can reformulate within limits their own identities, and can engage in strategic calculation about the 'objective' interests which flow from these identities in particular conjunctures. A further step in strategic-relational analysis (and sometimes in strategic self-reflection) occurs when one examines (and actors build) the capacity to switch among different modes of governance. Since any particular mode of policy-making, coordination, or crisis-resolution contains its own distinctive dilemmas, contradictions, and weaknesses, the capacity to switch among them facilitates more effective responses to internal and/or external turbulence (cf. Offe 1975). This requisite variety (with its informational, structural, and functional redundancies) plays an important role in the adaptability of intra- and inter-organizational networks (cf. Grabher 1994).

On an inter-systemic level, requisite variety can be secured through the separation of different institutional orders so that it becomes possible to displace the dominant and/or hegemonic role across systems in response to different problems, challenges, or crises. It has often been noted that institutional separation of the economic and political orders in capitalist societies permits more flexibility in crisis-management than does their fusion in state socialism (cf. Kaminski 1991).(14) For this separation offers more possibilities both for a more effective self-regulation and for crisis-displacement. The latter could amount to nothing more than a purely negative displacement (i.e., buck-passing); but it could involve using the resources generated by one complex system to solve problems confronting another (e.g., transforming legal institutions or educational systems in response to institutional changes in the market economy). The latter response may well be explicitly pursued in the case of decentralized



context-steering. For noise reduction, negative coordination, and joint problem-solving based on horizontal as well as vertical subsidiarity (15) principles are well-suited to flexible control of inter-systemic resources (see below).

IV. Guidance as Heterarchic Governance

A generic mechanism serving these strategically self-reflexive purposes in both inter-organizational and inter-systemic contexts can be identified in *decentralized, cooperative context-steering* which is oriented to producing controlled structural change. This is often described simply as 'guidance' and will be so labelled below. From a strategic-relational viewpoint, such guidance involves both (a) modifying the structurally-inscribed strategic selectivities of different levels of socially embedded, socially regularized action; and (b) modifying the self-understanding of identities, strategic capacities, and interests of individual and collective actors in different strategic contexts and hence their implications for preferred strategies and tactics. Whereas modifying the former serves to alter pay-offs in different strategic contexts, modifying the latter provides both common orientations and a basis for the self-guidance of relevant actors and subsystems within the limits of their respective operational autonomies. A key aspect to this process is the transformation of cognitive expectancies within and across systems by generating new information about reciprocal interdependencies among actors, organizations, institutions, and systems. This information can then become the basis for self-transformation and self-regulation on the part of relevant actors in the light of their own codes or selection criteria (Willke 1987: 27-28). In this way guidance can create 'concerted', highly predictable environments and stabilize expectations (cf. Marin 1990: 15-16).

In functionally differentiated societies 'context steering' procedures work on an inter-systemic level by encouraging operationally closed systems to take account -- even as they try to maintain their operational autonomy -- of their resource dependence on their environment, functional interdependence with other such systems, and high levels of contextual interpenetration. This sort of learning and mutual understanding can occur in various ways: e.g., through developing convergent internal models of how other systems perceive their environments and operate within it; through self-reflexive calculation and concern about how a system's own operations will ultimately react back on its own future development through their mediated impact on other systems; through debates among representatives of various systems in a 'negotiated economy' type of social dialogue to promote self-reflection and strategically co-ordinated co-evolution; and so on. Such strategic linkages can arise through single agents (whether persons or organisations) with multiple roles; interpersonal networks; dialogue between organizations; or the interfaces which exist between subsystems (whether boundary roles, boundary structures, bi- or multivalent resources such as taxation, or explicit linking procedures) (cf. Luhmann 1977: 67-9, 73-4; Teubner 1989: 78, 104, 119; Jessop 1990; Théret 1992: passim).

Such co-ordination is most likely to occur where conditions are sufficiently stable and the options sufficiently restricted that reflexive monitoring and dynamic social learning can occur and individual systems can refine their own internal 'forecasting' models about the dynamic of other systems. This does not mean that subsystems must abandon their own distinctive codes or undergo de-differentiation -- merely that the individual programmes which they use to specify the operational implications of these codes must be modified at the margins to facilitate continued negative and/or positive coordination of their respective operations. Such reflexive monitoring, dynamic learning, and incremental change can be seen in evolutionary terms as sources of variation; relatively stable, non-turbulent environments will facilitate the selection of responses that stabilize governance mechanisms to the extent that joint goals are being achieved and/or non-achievement is attributed to temporary difficulties in those mechanisms or their environment. In all cases, however, what is crucial is the structural mediation of these procedures -- the self-reflexive use of self-organization (self-structured system complexity) linking limited sets of actors to reduce unstructured complexity (hence uncertainty) and thereby provide a basis for co-ordinated action. In this sense the retention (institutionalization, stabilization, regularization) of given governance mechanisms is closely linked to their structurally-inscribed strategic selectivities and the strategic capacities of their



agents to self-reflexively monitor how specific actions affect interdependent individual and collective goals.

Guidance need not exclude a state role but the latter would incline more towards meta-governance than government. Thus, in their account of sectoral governance in the US economy, Lindberg, Campbell and Hollingsworth note that 'the state ... is capable of influencing governance in many complex ways, most of which are not available to organizations in civil society. ... other actors cannot behave like the state because they cannot serve as gatekeepers, allocate resources and information, influence and structure property rights, or affect governance and governance transformations in other ways as does the state' (1991: 31). This argument can be rephrased in terms of the need for a meta-governance instance which 'organizes the self-organization of inter-organizational relations', i.e., provides the ground rules for governance, ensures the compatibility of different governance mechanisms and regimes, deploys a relative monopoly of organizational intelligence and information with which to shape cognitive expectations, acts as a 'court of appeal' for disputes arising within and over governance, serves to re-balance power differentials by strengthening weaker parties or systems in the interests of system integration and/or social cohesion, etc.. This emerging meta-governance role means that networking, negotiation, noise reduction, and negative coordination take place 'in the shadow of hierarchy' (cf. Scharpf 1994: 40; Hodgson 1988: 220-228). The need for such a role is especially acute in the light of the wide dispersion of governance mechanisms and the corresponding need to build appropriate macro-organizational capacities to address far-reaching inter-organizational changes without undermining the basic coherence and integrity of the (national) state. And this role tends to fall to the state because of its heightened paradoxical position as an institutional subsystem which is simultaneously merely part of a wider, more complex society (and thus unable to control the latter from above) and also a part normatively charged (notably in the last resort) with securing the institutional integration and social cohesion of that society (cf. Offe 1987; Jessop 1990).

I am not arguing here that such forms of strategic context steering rest on simple, unconstrained, democratic consensus on the 'common good' of various reciprocally interdependent sub-systems. On the contrary, social forces from different systems often compete to stabilize orientations and expectations through multilateral agreement around their own preferred 'joint project' -- with each project simplifying social relations, marginalizing some forces, regions, time horizons, etc., in their own system interests. A hegemonic project achieves this by resolving the abstract problem of conflicts between particular interests and the general interest. If successful, it stabilizes networks of social relations linking different social domains in real time and space as well as in 'functional' time and space -- networks that serve the reproduction interests of their own particular system as well as those of the (imagined) wider community or totality. The emergence of any hegemonic project is uncertain, however; and, even if present, it never rests on total unanimity or blind obedience. Instead it provides a conception of the common good and a framework within which different forces can cooperate and/or co-exist with a relative degree of harmony. Nonetheless, viable hegemonic projects (and, one might add even more forcefully, accumulation strategies) must have some organic connection to the dominant mode of growth. They cannot simply be 'arbitrary, rationalistic, and willed' but must have some prospects of forming and consolidating a specific historical bloc, i.e., some structural correspondence between the mode of economic growth and its modes of regulation and governance (Gramsci 1971: 376-377; for more detail, Jessop 1996). A key role in this regard is played by political parties (or similar forces) which link governance strategies with a broader, national hegemonic project and/or supply political privileges, resources, and policies which help to sustain a continuing commitment to inter-organizational negotiation and coordination.

V. From Corporatism to the 'Negotiated Economy'

Inter-systemic concertation is sometimes recommended in this context but it is subject to real, if paradoxical, limitations. On the one hand, entire subsystems (such as the economy, law, politics, education) can never be real acting subjects with capacities for conscious action. Thus, to avoid blind co-evolution based entirely on *post hoc* structural coupling, inter-systemic concertation must be mediated through subjects who can engage in *ex ante* self-regulatory



strategic coordination, monitor the effects of that coordination on goal attainment, and modify their strategies as appropriate. On the other hand, such bodies can never fully represent the operational logic (let alone fully comprehend the current conjuncture and future direction) of whole subsystems. Indeed, they could even promote their own private interests in maintaining inter-organizational exchanges (or simply their own survival as organizations) at the expense of effective inter-systemic concertation. In short, whereas the complexities of strategic interdependence among systems do require specific forms of inter-organizational concertation, the latter needs regularizing to limit the risks of self-serving 'privatization' and to guide strategic interaction so that it remains in line with the 'public interest'. This depends in turn on an hegemonic consensus or project which provides the various forces involved with common programmatic objectives despite differing codes, identities, etc..

In the Fordist period, such concertation was often expressed in tripartite forms of corporatism involving business associations, trade unions, and the national state. In some Atlantic Fordist economies corporatism was a well-established and dominant feature of the social mode of economic regulation; in France, it played a secondary role under a strong, dirigiste state; and, in other cases, it had an intermittent role as an *ad hoc* economic crisis-management mechanism in more market-oriented, liberal economic regimes. In all cases corporatism acquired particular significance (if not notoriety) in economic crisis-management efforts in the 1960s and 1970s. Where successful, corporatism helped to stabilize Fordist societies by supporting already existing macro-economic measures with incomes, labour market, and industrial policies. In this context corporatism was not intended to replace the market economy or liberal parliamentary democracy (as had been the case with earlier waves of corporatist movements reacting against massifying nineteenth-century industrialization and urbanization and/or of corporatist practices emerging in response to the interwar crisis of 'organized capitalism' in Continental Europe). Instead it was meant to supplement and reinforce market forces and liberal parliamentary democracy by guiding and legitimating new forms of state intervention and private interest government -- in part by securing more effective representation for producer interests than would be possible through a generalized pluralism or catch-all electoral parties.

Corporatism did not prove effective always and everywhere, however, in helping to stabilize Fordism even during its heyday. For key organizational conditions for effective corporatism were sometimes weak or missing; and, in addition, Fordist crisis-tendencies were sometimes aggravated by other economic and political problems. In general the conditions most often cited as favouring corporatist stability during this period include: strong, centralized industrial unions; strong, centralized employers' unions; and a state which had the necessary capacities to intervene in economic management but still depended on cooperation from its social partners to realize them.

Even where the various conditions for effective corporatist representation and policy implementation did once exist, this model has become less stable and effective as the parameters of Fordist accumulation have been weakened. Of particular note here are the internationalization of economies, changed perceptions of competitiveness (which enhance the salience of supply-side conditions and supply-side concertation with extra-economic agents and systems at the expense of macro-economic demand management and concerns about redistribution between capital and labour), and the development of new core technologies which increase the pressure for permanent innovation, strategic alliances to share R&D costs, and technology transfer for rapid amortization of development costs (cf. Jessop 1993).

Small open economies already faced some of these problems even in the heyday of Fordism and made continuing efforts to resolve them. The Scandinavian economies, for example, tended to combine orthodox corporatism with a so-called 'negotiated economy' model of concertation (cf. Jessop et al., 1993; Nielsen and Pedersen 1993). To some extent this model is mis-named since the negotiated economy model always involved a wide range of extra-economic as well as economic forces. It was not confined to industrial capital, blue-collar workers, and the central state but extended to rural and urban petty bourgeois sectors, the local state, and functional domains such as health, education, welfare, and scientific research. Moreover, under the impact of the above-noted shifts in the mode of growth, there is now



even greater emphasis on inter-systemic noise reduction and negative coordination to supplement inter-organizational negotiation and inter-personal networking. In this sense one could say that the 'negotiated economy' operates in certain respects in a meta-governance manner by embedding corporatism in a wider strategic learning context. It provides a framework which encourages social partners to respect the operational codes and procedures of other systems and to engage in self-regulating conduct within their own operational spheres in the interests of a wider social project.

A key aspect of the negotiated economy model is its successful reduction of two types of complexity in constituting the economy as an object of economic *and extra-economic* heterarchic coordination. This is an essential feature of accumulation strategies, which define a specific economic 'growth model' for a given economic space, identify its various extra-economic preconditions, outline a general strategy appropriate to its realisation (cf. Jessop 1982). In this sense accumulation strategies are premised on two distinctions: the first is that between a given (imagined) economic space and its external economic environment; the second is that between the economy and its extra-economic environment (polity, education system, law, science system, family system, religious institutions, etc.).

The first distinction involves a 'spatial imaginary'. It rests on the idea that, however complex and unmanageable economic development might be on a global scale, it may prove possible to endogenize and control at least some conditions bearing on a smaller economic space over a reasonable spatio-temporal horizon. At stake here is how the boundaries of the economy are discursively constructed and materially instituted and the extent to which this 'spatial imaginary' corresponds in some significant sense to real economic, juridico-political, and social processes. It is worth noting here that each of the Nordic economies was deemed, despite their openness, to have a coherent national production system at its core (cf. Mjoset 1987, 1992). It is this structured coherence which provided the material basis for economic development strategies and these in turn helped to consolidate that material basis.

The second distinction refers to the several means-ends relations involved in attempts to develop economic strategies in the light of the material and social interdependence between the economy and extra-economic systems on various spatial scales. Thus it concerns the range of activities that should be heterarchically co-ordinated to realize a given economic development strategy. The distinctiveness and significance of the 'negotiated economy' model is particularly noticeable in this regard because the scope of negotiations extended beyond direct producer interests to include individual and collective representatives of other functional systems whose performance was judged relevant to and/or conditional on economic prosperity. This trait has become more marked since the crisis of Atlantic Fordism and its specific manifestations in those Nordic economies which combined a relatively strong base in flexible rather than mass production with a highly developed Fordist Keynesian welfare state at central and local levels. In this sense the Nordic economies now provide useful illustrations of an hypothesized neo-corporatist variant of 'Schumpeterian workfare regimes' oriented to permanent innovation and structural competitiveness and the subordination of social welfare to the demands of labour market flexibility and international competitiveness (cf. Jessop 1993; Jessop et al., 1993; also Andersen and Kjaer 1993; Amin and Thomas 1996; Torfing 1994).

In this context we should note that the 'negotiated economy' system has long rested on a distinctive set of strategically selective institutions which ease the strategic coordination of the various functional systems involved in decentralized economic context-steering. For complex forms of communication are required here to promote decentralized context steering. This is possible in so far as there is an 'interdiscursive' space for attempts to colonize or hegemonize different fields of activity by providing moral, intellectual, and political leadership. Drawing directly on Nielsen and Pedersen, one could say that this 'interdiscursive' space is secured through a distinctive complex of institutions. They describe this institutional ensemble as comprising: a) policy institutions and fora that identify joint problems and recommend solutions; b) campaign institutions set up by various private and public sector interests to promote particular interpretations of these problems and specific solutions; c) discourse institutions which test the consistency of dominant conceptions and refine them into analytically coherent discourses; d) negotiation institutions, such as roundtables, which outline frameworks, develop timetables, and concretize agreements; and f) private or semi-



public arbitration and sanction institutions which are available to resolve disputes and impose sanctions if agreements are broken. Through their interconnection and complementarity, these institutions mould an elite (and to some extent a popular) consensus about how best to reconcile particular interests with an (emergent) hegemonic concept of the 'universal' (national) interest (Nielsen and Pedersen 1993: 100-101; cf. Nielsen and Pedersen 1988).

The 'negotiated economy' supplements market exchange and pluralist democracy through the coordination of the behaviour of autonomous functional forces. It does so through institutionalized inter-organizational negotiations within a wider framework for mobilization of consensus and mutual understanding (noise reduction) and the largely self-binding and self-regulating implementation of resulting policies (cf. Pedersen and Nielsen 1991; Nielsen and Pedersen 1993). Negotiation brings all the major economic and political forces together in serial, iterative, and collective dialogues and learning processes. Economic forces exchange autonomy in economic decision-making for political influence; and political forces exchange formal sovereignty in political decision-making for enhanced strategic capacity (cf. Marin 1990). Markets and hierarchies still exist, of course; but both operate in a context of negotiated decision-making. Thus, on the one hand, market competition is balanced by cooperation, the invisible hand is combined with a visible handshake. (16) And, on the other hand, the state is no longer the sovereign authority for meta-governance. It becomes but one participant among others in the pluralistic guidance system and contributes its own distinctive resources to the negotiation process. In this context the exchange of information and moral suasion are 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 (cf. Willke 1990). It is for these reasons that the negotiated economy can be described as 'a third way, between market economics and central planning, capable of combining innovation and flexibility with social democracy and collective consensus' (Thomas and Amin 1996; cf. Amin and Thomas 1996).

VI. Thoughts on Governance Failure

The growing fascination (bordering on obsession) with governance mechanisms as a solution to market and/or state failure should not lead us to overlook the risks of governing complexity and the likelihood of governance failure. Given contingent necessity, social complexity, structural contradictions, (17) strategic dilemmas, (18) and multiple or, at least ambivalent, goals, failure is a contingently necessary outcome of attempts at governance (on the sociology of failure, see M***** and Wickham 1995). What is necessarily contingent about governance attempts are their modalities, sites, forms, temporalities, spatialities, effects, and capacities for recuperating or responding to failure. On the last point, indeed, Offe notes that, since each and every mode of state policy-making is prone to failure, one must either accept that a stable state apparatus is impossible or that it is possible only to the extent that it has the capacity to flexibly shift modes of policy-making as the failures and contradictions of the dominant mode (or the prevailing policy-making mix) become more evident and threaten the state's rationality and legitimacy. He concludes that the state's long-run survival depends on specific organizational qualities of the state, including what I have elsewhere termed the articulation of government and governance. This is a powerful argument and can be generalized to other forms of (self-reflexive) coordination besides the national state.

For any attempt spatio-temporally to isolate a set of social relations from the complex and continuous web of causal connections and constitute them as an object of governance is inherently fragile and bound to produce unintended consequences. These will be harder to deal with and learn from, the more the environment is turbulent and/or the system more complex. For, although most actors routinely monitor the effects of their actions, turbulence and complexity obviously limit their ability to engage in strategic (including organizational) learning. At the same time different kinds of 'raw material' will be more susceptible to some kinds of governance mechanism than others (for the case of governance of different industrial sectors associated with different long waves of economic expansion, see Kitschelt 1991).

Governance is not always more efficient than markets or states in resolving problems of economic and/or political coordination. Much depends on the strategic capacities to sustain exchange, negotiation, hierarchy, or solidarity as well as the specific nature of the



coordination problems. Thus, whilst increasing functional differentiation makes hierarchical coordination increasingly problematic, it does not follow that the structural and strategic conditions for effective governance are sufficiently developed to outperform continued reliance on hierarchy or neo-liberal preferences for marketized solutions. We must examine the self-reflexive, self-diagnosing, and self-modifying capacities of governing agents and their institutional capacities to redesign themselves in response to failures. Indeed, second best solutions may be more effective and stable when the costs of best solutions are high.

Heterarchic governance mechanisms are prey to strategic dilemmas which may contribute towards failure. I will briefly comment on some of these:

Cooperation vs Competition: it is a commonplace that capitalist economies operate through an unstable and mutually implicated balance of cooperation and competition (cf. Piore and Sabel 1985; Hirst and Zeitlin 1991). This poses a series of dilemmas for heterarchic governance. One horn of these dilemmas concerns 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 such practices create for short-term self-interested competitive behaviour which could soon destroy the governance relationship. The other horn of the dilemma 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 (cf. Messner 1994: 589-93). This second dilemmatic horn is especially acute when the environment is turbulent, speedy action is required, incrementalism is inappropriate, and consensus would take time to build (and, perhaps, be irrelevant when it does emerge). Such dilemmas have been extensively discussed in recent economic analysis of flexible industrial districts, learning regions, innovative milieux, etc.. They also affect the political system in the form of the trade-off between partnership and partisanship (with multiple partnerships being linked with differential advantages for political parties, tiers of government, or departmental interests).

Openness vs Closure: heterarchic governance mechanisms operate in complex, tendentially 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 dilemma here 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); or, conversely, that openness may discourage long-term commitments and acceptance of long-term collective time horizons and encourage short-term opportunism in (the potentially self-fulfilling) case that partnerships dissolve or involve high turnover. This dilemma can be seen in networking, negotiation, noise reduction, and negative coordination. 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; the choice of variable geometries of action versus fixed spatial boundaries for membership of a governance arrangement (an interesting variant of this occurs in the form of the transnationalization vs sovereignty dilemma).

Governability vs Flexibility: heterarchic governance mechanisms are neither market-mediated nor hierarchically organized and can be describe in terms of the 'self-organization of inter-organizational relations'. One argument for the 'visible handshake' of heterarchy over the 'invisible hand' of the market and the 'visible hand' (if not 'iron fist') of the state is that it can provide longer term strategic guidance (lacking in markets) whilst retaining flexibility (lacking in bureaucratic organizations with their rule-governed procedures). This poses dilemmas of governability (capacity for guidance) vs flexibility (capacity to adapt to changed circumstances). This is reflected in the problematic balance between simplification as a precondition for governing a complex world and recognizing complexity as a precondition for mobilizing the 'requisite variety' of actors and resources; between avoiding duplication of effort to limit resource costs or maintaining an adequate repertoire of actions and organizational capacities; between exploiting past organizational and inter-organizational learning by standardizing around 'best practice' or 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: some public-private partnerships are expected to serve the public interest as well as deliver private benefits but in attempting to do so they blur the public-private distinction. This poses a familiar dilemma in terms of accountability versus efficiency. Not only are there problems about attributing responsibility in interdependent networks (especially where these are inter-organizational rather than interpersonal) but public-private arrangements run the risk of privatizing politics and/or promoting the statization of the private sphere. This refers to the risk of transforming the public sphere into a domain for the exploitative capture of public resources for private purposes and/or the inverse risk of extending the reach of the state into the market economy and civil society to serve the interests of the state or governing party. A related problem is shrinkage or expansion of the public sphere: this concerns the extent to which information about inter-organizational heterarchies and their operations are governed by issues of confidentiality, including commercial sensitivity, as opposed to becoming a means to open up private activities with public externalities to public scrutiny on behalf of, if not directly by, other stakeholders. Linked to this is 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.

This discussion of several (by no means exhaustive) dilemmas of governance has illustrated them by referring to the complex articulation of the economic and political in capitalist democracies. This is only partly a presentational strategem. It also reflects an important point that is often overlooked in general discussions of governance: that governance mechanisms cannot end the structural contradictions and strategic dilemmas of capitalism. However it is governed, capitalism involves the self-valorization of capital based on the exploitation of labour-power as well as the transformation of nature. What is more, as extra-economic functional domains tend to become more relevant to the dynamic of capital accumulation (reflected in ideas such as structural competitiveness), these too tend to be subsumed (or subordinated) to the logic of accumulation and this spreads its contradictions, dilemmas, and forms of competition into other domains. In this sense the rise of governance may serve to extend and intensify capitalist competition rather than substitute non-capitalist principles for those of the market. (19) A major limitation to claims that heterarchic governance can tame the anarchy of the market and render planning apparatuses more accountable. For capitalism has always always depended on a contradictory balance between the value-form and non-value forms of organization of the capital relation. Although this was previously understood primarily in terms of market vs hierarchy (rooted in the institutional separation and resulting operational autonomy of economics and politics), the rise of governance has not introduced a neutral third term into this conflict but added another site where it is contested. For new forms of governance provide a new meeting ground (as did tripartism before) for the logics of accumulation and political mobilization. They also introduce new logics related to other functional subsystems (such as education, science, health), and intensify the problems of inter-organizational negotiation, noise reduction, and negative coordination. The consequences of this are still being worked out as governance mechanism undergo their own evolution.

VII. Concluding Remarks

This chapter has ranged over many issues from abstract aspects of contingent necessity and complexity to quite specific (albeit illustrative) dilemmas in heterarchic governance mechanisms. No firm empirical evidence has been given for any of the arguments above and their plausibility here depends primarily on their consistency with well-established analyses by evolutionary political economists of the negotiated economy (for a recent critique and response, see respectively, Christiansen 1994; and Pedersen et al., 1996). Other supporting evidence could have been drawn from the governance of complexity in national innovation systems (e.g., Lundvall 1992; Nelson 1993; and Bowander and Miyake 1988); from recent work on the Fifth Generation computer project (Willke 1988); and from work on local economic governance (3-4 references to follow). But it remains the case that these ideas are best (and more prudently) described as items for an emerging research agenda on the



governance of complexity and the complexity of governance. It is in this spirit that I offer four rather simple conclusions with rather complex implications.

First, contingent necessity and complexity are inevitable features of the real world and face any agent with problems of how to reduce and structure that complexity. This is partly a question of cognition and partly a question of self-organization. To repeat an earlier argument, it involves: (a) simplifying models and practices which reduce the complexity of the world and which are congruent with real world processes as well as relevant to the objectives of the actors concerned; (b) developing the capacity for dynamic social learning about various causal processes and forms of interdependence, attributions of responsibility and capacity for actions, and possibilities of coordination in a complex, turbulent environment; (c) building methods for coordinating actions across different social forces with different identities, interests, and meaning systems, over different spatio-temporal horizons, and over different domains of action; and (d) establishing both a common world view for individual action and a system of metagovernance to stabilize key players' orientations, expectations, and rules of conduct.

Second, self-organization and its resulting operational autonomy cannot eliminate social, material, and spatio-temporal interdependence with the environment and its ecology of systems. It is the management of reciprocal interdependence that provides the basis for attempts at governance, i.e., the heterarchic coordination of operationally autonomous systems. Attempts to establish any particular institutional logic as the dominant principle of societalization (axial principle of social organization) are conditioned by functional linkages between different systems which work 'behind the backs' of those involved as well as by capacities for strategic coordination. Thus the role of governance mechanisms in securing the subordination of other institutional orders or functional subsystems to capital accumulation is necessarily constrained by the contradictory logic and strategic dilemmas with which the capital relation is associated. Crisis plays a key role in guiding this process but does so by providing turbulence (noise) which must then be interpreted in ways favourable to the re-imposition of the logic of capital rather than that of some other institutional order. It is in this context that particular attention needs paying to the strategic selectivity of different governance meta-governance mechanisms.

Third, although there is no master-subject able to govern the intersection of all possible governance arrangements (which would reduce contingent to necessary necessity), there is scope for meta-governance attempts to conform and coordinate several sites and objects of governance. The strategic-relational approach adopted here implies that the very processes of governance help to constitute the objects which come to be governed: these objects do not fully pre-exist the process of governance. This highlights the need to study struggles over the constitution of such objects, the necessary failures or incompleteness of their governmentalization, and the conditions in which, against all odds, the improbable occurs and attempts at governance succeed. This improbability is nonetheless evident in the fact that successful governance is always provisional, localized, and partial and always has unintended consequences which operate to the detriment of other subjects, interests, and projects and may eventually prove counterproductive even for those who instituted the governance mechanisms and projects in question.

Finally, whilst Hayek is wrong to suggest that the free market based on the price mechanism provides the best long run solution to many problems of governance (subject to the meta-governance of the market through a liberal constitutional order), there is still a rational kernel to his argument. Since there can be no master meta-governance subject, the evolution of governance mechanisms is subject to an invisible hand. Certain governance mechanisms which emerge from chance discovery or random variation will prove more adaptable than others. But the incompleteness of governance and turbulence in the environment mean that no single governance mechanism can be perfectly adapted to its environment. It follows that a plurality of governance mechanisms is needed to ensure requisite variety and flexibility in managing the manifold forms of unstructured complexity. Such plurality cannot be guaranteed from above but depends on the scope for initiative from below.



Footnotes

- 1 This paper arises from a research project on local governance financed by the Economic and Social Research Council (grant L 311253032).
- 2 A 'strategic-relational' approach develops the dialectic of structure and agency in a critical realist manner: it regards 'structures' as strategically selective and regards strategies as being reflexively oriented to opportunities for action in specific strategically selective contexts (see Jessop 1990).
- 3 This certainly does not exclude more stylized analyses of economic dynamics that abstract from specific institutional contexts and conjunctures.
- 4 Ecological dominance exists to the extent that other systems are obliged to adapt more to a given system than the latter is to them: in this sense they assume a dominant role in shaping the co-evolution of the ecological system as a whole. It has been argued that the economy is the ecologically dominant system in the modern world.
- 5 Thus 'the reduction of complexity through the formation of ever more numerous, differentiated, and sophisticated systems [is] a phenomenon which necessarily generates ever new complexity, and thus feeds upon itself' (Poggi 1979: xii).
- 6 Reciprocal interdependence refers to situations where an overall outcome depends on combined choices of all participants among their interdependent options: when there are many such interdependent organizations, this generates an explosive complexity (Scharpf 1994: 36n).
- 7 Autopoiesis is a condition of radical autonomy secured through self-organization. It emerges when a system defines its own boundaries relative to its environment, develops its own operational code, implements its own programmes, reproduces its own elements in a closed circuit, and obeys its own laws of motion.
- 8 This advantage should be understood in Schumpeterian terms: the capacity to innovate and learn in a changing environment.
- 9 Positive coordination involves multilateral exploration and concerted strategic action towards a joint goal (cf. Scharpf 1994: 38-9, 48).
- 10 For example, Campbell et al., in their work on sectoral governance, note that 'sectors are socially constructed through self-organization and/or through public policy so they can be effectively administered' (1991: 9).
- 11 A good example comes from the speed and sequencing of reforms in and across different social domains in post-communist transition (cf. Hausner, Jessop, and Nielsen 1995).
- 12 Time-space distantiation can also anchor present action to the past through the 'politics of memory' and/or organizational techniques such as files, records, etc.. See Giddens 1984.
- 13 In this regard de Certeau's view is dualist in so far as it mechanically opposes strategy and tactics; Gramsci develops a dialectical approach to war of position and war of manoeuvre whereby a counter-hegemonic war of position can prepare the ground for revolutionary, military-political manoeuvres (see Gramsci 1971).
- 14 State-socialist fusion of economic and political systems tends to lead to more authoritarian and repressive attempts at tension- and crisis-management operating on the symptoms rather than causes of system failure.
- 15 Subsidiarity normally refers to the principle of devolving power to the lowest possible level in a hierarchical system compatible with effective solutions to defined problems; here I extend the idea, by analogy, to the principle that as few functional systems as possible should be strategically involved in solving a problem.
- 16 I owe this metaphor to Klaus Nielsen (personal communication).
- 17 A structural contradiction exists when a system is so constituted that its organization or operation tends to produce antagonistic relations or opposed tendencies (e.g., capital versus labour, socialization of forces of production versus private appropriation of profit).



18 A strategic dilemma (trilemma, etc.) exists when agents are faced with choices such that any action undermines key conditions of their existence and/or their capacities to realize some overall interest (e.g., treating labour power as a cost of production or source of demand).

19 This could occur in at least three ways: the ecological dominance of the capitalist economy in the structural coupling of different systems, an acknowledged primacy of the economy in (negative and/or positive) strategic coordination, or the secondary coding of autonomous institutional logics through economic values. Such secondary coding leads to questions such as whether it is profitable or unprofitable to apply the distinctions characteristic of other systems: e.g., legal-illegal, true-false, sacred-secular.

Bibliography

- Amin, A. and Thomas, D. (1996) 'The negotiated economy: state and civic institutions in Denmark', *Economy and Society*, 25 (2), 255-281.
- Amin, A. and Thrift, N. (1995) 'Globalisation, Institutional "Thickness" and the Local Economy', in P. Healey et al., eds., *Managing Cities: the new Urban Context*, London: Wiley.
- Andersen, N.A. and Kjaer, P. (1993) 'Private Industrial Policy in the Danish Negotiated Economy', in J. Hausner, B. Jessop, and K. Nielsen, eds., *Institutional Frameworks of Market Economies*, Aldershot: Avebury, 195-214.
- Andersen, N.A., Kjaer, P., and Pedersen, Ove K. (1996) 'On the Critique of Negotiated Economy', *Scandinavian Political Studies*, 19 (2), 167-178.
- Bowonder, B. and Miyake, T. (1992) 'Japanese technological innovation strategy: recent trends', *Technology Analysis and Strategic Management*, 4 (1), 51-70.
- Boyer, R. (1990) *The Regulation School: a critical introduction*, New York: Columbia University Press.
- Campbell, J.L. and Lindberg, L.N. (1991) 'The evolution of governance regimes', in J.L. Campbell, J.R. Hollingsworth, and L.N. Lindberg (eds.) *Governance of the American Economy*. Cambridge: Cambridge University Press, 319-355.
- Castells, M. (1989) *The Informational City: economic restructuring and urban development*, Oxford: Blackwell.
- de Certeau, M. (1985) *The Practice of Everyday Life*, Berkeley: University of California Press.
- Chesnais, F. (1987) 'Science, technology and competitiveness', *STI Review*, 1, 85-129.
- Christiansen, (1994) 'A negotiated economy? Public regulation of the manufacturing sector in Denmark', *Scandinavian Political Studies*, 17 (4), 305-319.
- Debray, R. (1971) 'Time and Politics', in idem, *Prison Writings*, London: Allen Lane, 87-160.
- Elchedus, M. (1990) 'The temporalities of exchange: the case of self-organization for societal guidance', in B. Marin, ed., *Generalized Political exchange: antagonistic cooperation and integrated policy circuits*, Boulder: Westview, 192-216.
- Foucault, M. (1975) *Discipline and Punish*, Harmondsworth: Penguin.
- Gambetta, D., ed. (1988) *Trust: making and breaking cooperative relations*, Oxford: Blackwell.
- Giddens, A. (1985) *The Nation-State and Violence*, Cambridge: Polity.
- Glagow, M. and Wilke, H., eds. (1987) *Dezentrale Gesellschaftssteuerung: Probleme der Integration polyzentristischer Gesellschaft*, Pfaffenweiler: Centaurus-Verlagsgesellschaft.
- Grabher, G., ed. (1993) *The embedded firm: on the socioeconomics of industrial networks*, London: Routledge.
- Grabher, G. (1994) *Lob der Verschwendung. Redundanz in der Regionalentwicklung: ein socioökonomisches Pl„doyer*, Berlin: Edition Sigma.
- Gramsci, A. (1971) *Selections from Prison Notebooks*, London: Lawrence and Wishart.



- Granovetter, M. (1985) 'Economic action and social structure: the problem of embeddedness, *American Journal of Sociology*, 91 (3), 481-510.
- Granovetter, M. (1992) 'The old and the new economic sociology', in R. Friedland and A.F. Robertson, eds., *Beyond the marketplace: rethinking economy and society*, New York: Aldine de Gruyter, 89-112.
- Harvey, D. (1989) 'From managerialism to entrepreneurialism.: the Transformation in Urban Governance in Late Capitalism', *Geografisker Annaler, Series B (Human Geography)*, 71, 3-17.
- Hausner, J., Jessop, B., and Nielsen, K. (1995) 'Institutinal change in post-socialism', in idem, eds., *Strategic Choice and Path-Dependency in Post-Socialism*, Aldershot: Edward Elgar, 3-45.
- Hayek, F. (1948) *Individualism and Economic Order*, Chicago: University of Chicago Press.
- Hayek, F. (1972) 'The theory of complex phenomena', in idem, *Studies in Philosophy, Politics and Economics*, London: Routledge and Kegan Paul.
- Hirst, P.Q. and Zeitlin, J. (1991) 'Flexible specialisation vs. post-Fordism: theory, evidence and policy implications', *Economy and Society*, 20 (1), 1-56.
- Hodgson, G. (1988) *Economics and Institutions*, Cambridge: Polity.
- Hunt, A. and Wickham, G. (1994) *Foucault and law: towards a sociology of governance*, London: Pluto Press.
- Jessop, B. (1982) *The Capitalist State: Marxist theories and methods*, Oxford: Blackwell.
- Jessop, B. (1990a) Regulation theories in retrospect and prospect, *Economy and Society*, 19 (2), 153-216.
- Jessop, B. (1990b) *State Theory: Putting Capitalist States in their Place*, Cambridge: Polity.
- Jessop, B. (1993) 'Towards a Schumpeterian Workfare State? Preliminary Remarks on Post-Fordist Political Economy', *Studies in Political Economy*, 40, 7-39.
- Jessop, B. (1995) 'Die Zukunft des Nationalstaats: Erosion oder Reorganization? Grundsätzliche Überlegungen zu Westeuropa', in F. Deppe and W. Burkhardt, eds., *Europäische Integration und politische Regulierung --Aspekte, Dimensionen, Perspektiven*, Marburg an der Lahn: FEG Studie Nr. 5, pp 9-48.
- Jessop, B. (1996a) 'A neo-Gramscian approach to the Regulation of Urban Regimes: accumulation strategies, hegemonic projects, and governance', in M. Lauria, ed., *Reconstructing Urban Regime Theory*, New York: SAGE (in press).
- Jessop, B. (1996b) 'Managing Uneven Development: Government and Governance in the Thames Gateway', Lancaster Regionalism Group Working Paper.
- Jessop, B., Nielsen, K., and Pedersen, Ove K. (1993) 'Structural Competitiveness and Strategic Capacities: the cases of Britain, Denmark, and Sweden', in S.E. Sjöstrand, ed., *Institutional Change: Theory and Empirical Findings*, New York: M.E. Sharpe, 227-262.
- Kaminski, B. (1991) *The Collapse of State Socialism: the case of Poland*, Princeton: Princeton University Press.
- Keohane, R. and J.S. Nye (1977) *Power and Interdependence: world politics in transition*, Boston: Little, Brown.
- Kitschelt, H. (1991) 'Industrial governance structures, innovation strategies, and the case of Japan: sectoral or cross-national comparative analysis?', *International Organization*, 45 (4), 453-493.
- Lindberg, L.N., Campbell, J.C., and Hollingsworth, R. (1991) 'Economic Governance and the analysis of structural change in the American economy', in J.L. Campbell, L.N. Lindberg, and R. Hollingsworth, eds., *Governance of the US Economy*, Cambridge: Cambridge University Press, 3-34.



Luhmann, N. (1977) 'Politics as a Social System', in idem, *The Differentiation of Society*, New York: Columbia University Press, 122-165.

Luhmann, N. (1979) *Trust and Power: two essays*, Chichester: John Wiley.

Luhmann, N. (1984) *Soziale Systeme. Grundriss einer allgemeinen Theorie*, Frankfurt: Suhrkamp.

Lundvall, B.-A., ed., (1992) *National systems of innovation: towards a theory of innovation and interactive learning*, London: Pinter.Hausn

Malpas, J. and Wickham, G. (1995) 'Governance and failure: on the limits of sociology', *Australian and New Zealand Journal of Sociology*, 31 (3), 37-50.

Marin, B. (1990) pp 21 in idem, ed., *Generalized Political exchange: antagonistic cooperation and integrated policy circuits*, Boulder: Westview, 192-216

Marin, B. ed. (1990) *Governance and generalized exchange: self-organizing policy networks*, Boulder: Westview.

Marx, K. (1857) 'Introduction to the Contribution to the Critique of Political Economy', in idem, *Grundrisse*, Harmondsworth: Penguin,

Mayntz, R. (1993) 'Modernization and the logic of interorganizational networks', in J. Child, M. Crozier, R. Mayntz et al., *Societal Change between Market and Organization*, Aldershot: Avebury, 3-18.

Messner, D. (1994) 'Fallstricke und Grenzen der Netzwerksteuerung', *Prokla*, 97, 549-561.

Massey, D. (1994) *Space, Place, and Gender*, Cambridge: Polity.

Mayer, M. (1994) 'Post-Fordist City Politics', in A. Amin, ed., *Post-Fordism: A Reader*, Oxford: Blackwell, 316-337.

Mjøset, L. (1987) 'Nordic economic policies in the 1970s and 1980s', *International Organization*, 41 (3), 403-456.

Mjøset, L. (1992) 'The Nordic model never existed, but does it have a future?', *Scandinavian Political Studies*, 64 (4), 652-671.

Nelson, R., ed. (1993) *National Systems of Innovation*, Oxford: Oxford University Press.

Nielsen, K. and Pedersen, Ove K. (1988) 'The negotiated economy: ideal and history', *Scandinavian Political Studies*, 11 (2), 79-101.

Nielsen, K. and Pedersen, O.K. (1993) 'The negotiated economy: general features and theoretical perspectives', in J. Hausner, B. Jessop, and K. Nielsen, eds., *Institutional Frameworks of Market Economies*, Aldershot: Avebury, 89-112.

Offe, C. (1975) 'The Theory of the Capitalist State and the Problem of Policy Formation', in L.N. Lindberg et al., eds., *Stress and Contradiction in Modern Capitalism*, Lexington: D.C. Heath, 125-144.

Offe, C. (1987) 'Die Staatstheorie auf der Suche nach ihrem Gegenstand. Beobachtungen zur aktuellen Diskussion', in T. Ellwein et al., eds., *Jahrbuch zur Staats- und Verwaltungswissenschaft, Band 1*, Baden-Baden: Nomos Verlag, 309-320.

Offe, C. (1996) *Modernity and the State: East, West*, Cambridge: Polity.

Peck, J. and Tickell, A. (1994) 'Too Many Partners ... the Future for Regeneration Partnerships', *Local Economy*, 9 (3), 251-265.

Piore, M. and Sabel, C.F. (1985) *The Second Industrial Divide*, New York: Basic Books.

Poggi, G. (1979) 'Introduction', in N. Luhmann, *Trust and Power: two essays*, Chichester: John Wiley, vii-xix.

Polanyi, K. (1957) 'The economy as instituted process', in K. Polanyi et al., eds., *Trade and Market in the early empires. Economies in history and theory*, New York: Free Press, 243-270.



- Porter, M. (1990) *The Competitive Advantage of Nations*, Basingstoke: Macmillan.
- Powell, W.W. and diMaggio, P.J., eds., (1991) *The New Institutionalism in Organizational Analysis*, Chicago: Chicago University Press.
- Reich, R. (1991) *The Work of Nations: a blueprint for the future*, New York: Simon and Schuster.
- Scharpf, F.W. (1994) Games real actors could play: positive and negative coordination in embedded negotiations, *Journal of Theoretical Politics*, 6 (1), 27-53.
- Sum, N.-L. (1996) 'Modified Human Rights and Unmodified Liberal Feminism: the "hegemonic force" of Hilary Clinton in Beijing', *New Political Economy*, 2 (2) (in press).
- Teubner, G. (1989) *Recht als Autopoietisches System*, Frankfurt: Suhrkamp.
- Théret, B. (1992) *Régimes économiques de l'ordre politique. Esquisse d'une théorie régulationniste des limites de l'État*, Paris: Presses Universitaires de France.
- Thomas, D. and Amin, A. (1996) "'Negotiated" strategies for economic renewal in Denmark', Newcastle upon Tyne: Centre for Urban and Regional Development Studies, Working Paper.
- Torring, J. (1994) 'A hegemony approach to capitalist regulation', Paper presented to EAEPE Annual Conference, Copenhagen, 27-29 October.
- Willke, H. (1987) 'Observation, diagnosis, guidance. A systems theoretical view on intervention', in K. Hurrelmann et al., eds., *Social intervention: potential and constraints*, Berlin: W. de Gruyter, 21-35.
- Willke, H. (1988) 'Staatliche Intervention als Kontextsteuerung. Am Beispiel EUREKA', *Kritische Vierteljahresschrift für Gesetzgebung und Rechtswissenschaft*, 1 (3), 214-229.
- Willke, H. (1992) *Ironie des Staates: Grundlinien einer Staatstheorie polyzentrischer Gesellschaft*, Frankfurt: Suhrkamp.