

Governance and State Structures

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Introduction

‘Governance’ denotes the various ways in which economic and social coordination is secured to implement rules and to produce collective goods (Börzel and Risse 2010). As this involves actors engaging within institutional contexts, it has a structural as well as an actor-centred dimension. State structures matter for analysis of governance because government itself matters. The analysis of governance in this sense converges with core preoccupations of comparative political economy, involving engagement between organized interests in a specific domestic and international institutional context. This chapter takes a more selective approach and focuses specifically on the significance of state structures for explaining cross-national variations in processes of securing coordination and implementing rules within the domestic political context, where the underlying concern is with the provision of collective goods in the form of stable administrative systems and effective government.

During the three decades from the late 1970s until the onset of international financial crisis in 2008, state structures were reconfigured quite extensively in many of the advanced industrial societies. Postwar confidence in managed markets collapsed with the crisis of ‘embedded liberalism’ (Ruggie 1982). A general shift can be traced toward adopting a new paradigm associated with deregulation of domestic markets and the liberalization of international markets in goods and capital flows. This did not involve any simple rollback in the size of budgets or the scope of state powers, but rather a reconfiguration of how states were structured in order to support a new market-conforming approach to public policy (Levy 2006). States increasingly took on ‘the logic of discipline’, constraining the scope of elected politicians, allocating new ranges of tasks to technocratic control, and curtailing the responsiveness of policy implementation to democratic debate (Roberts 2010). These issues

were already contentious prior to the international financial crisis of 2008, but in view of the scale of the damage wrought to domestic economies and the speed with which the contagion spread internationally through interlinked financial systems, it was no longer possible to vest confidence in the belief that markets were self-correcting or that steady growth would continue uninterrupted. The crisis opened up new adaptive challenges to the governance capabilities of states which will mean further changes in the structured linkages between politics and markets, state and society.

Shifts in the design of state structures have been crucial to governance patterns in three ways. Firstly, changing conceptions of the proper role of the state resulted in organizational innovation within the state's administrative structures. 'New public management' was associated with adopting private sector management priorities into the public sector. The associated creation of new agencies and the diversification of organizational structures of the state changed the governance capabilities of the state itself. Secondly, states increasingly delegated powers to bodies beyond the direct control or oversight of democratically elected politicians, such as central banks and regulatory agencies. Market forces, it was argued, provided better growth performance and more efficient resource allocation than could any state, and keeping the institutional supports independent of political intervention would improve the technical quality of their administration. Thirdly, variations in state structures shape the capacity to govern the macro-economy (Hall 1986). Management of the public finances is one of the critical activities for modern states. The politics of fiscal consolidation, which has attracted much scholarly attention since the 1980s, once again occupies centre-state in contemporary political debate.

Devolved governance: New Public Management and its aftermath

The institutional configurations through which domestic public power is exercised take a variety of forms, and the boundaries between politics and administration have been subject to often extensive reorganization in recent decades. There is no single agreed definition of 'New Public Management', but it stems from a radical challenge to the capacity of the state to organize and deliver public goods in a manner that is both efficient and effective. The impetus to restructure public administration dates from the 1980s, in the wake of the increased public debt that most states had accumulated during the oil-price crisis. Countries displayed different degrees of tolerance for inflation and unemployment, depending on the

relative strength of their monetary authorities, and the partisan orientation of government, among other factors, but in many countries, the legacy of this period was a sharp rise in public spending commitments and therefore in budget deficits (Glyn et al. 1992; Scharpf 1991). The most radical break with previous practices originated in Britain under the Conservative government of Margaret Thatcher. New Zealand, Australia, and Canada followed suit, all countries featuring strong executive power and an ideological affinity with market-led solutions (Boston et al. 1996).

During the period of welfare state expansion prior to the 1980s, it was generally held to be appropriate that the public sector should be animated by different values from those obtaining in the private sector, prioritizing themes such as the common good, public service, and equality of access. The core idea behind New Public Management was that performance could be measured and optimized in the public sector, and outputs could be linked to budget allocations, just as in the private sector. But as state bodies lacked the profit-driven disciplines of private sector organizations, new ways of securing value for money would need to be introduced. The principal mechanisms for doing this involved the delegation of specific responsibilities to managers, and the decentralization of control to new organizations. ‘Agencification’ thus became a hallmark of New Public Management (Christensen and Laegreid 2006; Pollitt and Talbot 2004). Driving market conformity is not the only reason why agencies might be created – indeed, the evolution of the role of the state over time can be investigated by tracing the policy areas and the functional tasks for which state agencies have been created (Hardiman and Scott 2010).

New Public Management aimed to ensure not only that public sector managers would be enabled to manage effectively, but also that they would be required to manage, by establishing quantifiable performance targets that were subject to budget controls and financial disciplines. The assumption was that this would not only make the public sector more cost-effective, it would also bring it more closely into line with end-users’ needs and preferences and would therefore provide a more direct and market-led way of achieving democratic responsiveness of public services (Groot and Budding 2008; Pollitt and Bouckaert 2004). Inevitably, this was seen from the outset as creating new tensions between the organizational autonomy taken to be a prerequisite for achieving efficiency, and political responsibility for the quality of government and the equity of outcomes (Aucoin 1990).

No single classification system fully captures national variations in public administration, so it is difficult to track with certainty the degree to which countries adopted key tenets of New Public Management (Eymeri-Douzans and Pierre 2011, forthcoming; Hardiman and Scott 2009; Rolland and Roness 2009; Roness 2007). Nevertheless, we have learned a great deal about the ways in which states may selectively adopt institutional innovations. This often goes hand-in-hand with policy diffusion and policy learning which require alterations in domestic institutions (Dolowitz and Marsh 1996). The Netherlands and Denmark were early adopters of some of the central features of New Public Management. Germany was more cautious, France a late adopter, Ireland a notable laggard (Dingeldey 2007; Hardiman and MacCarthaigh 2011 forthcoming; Pollitt and Bouckaert 2004). But even in the more statist corporatist traditions of public administration, we see changes in the mode of recruitment to the public service and in the delivery of public services that are consistent with the priorities of New Public Management (Cole and Jones 2005; Gualmini 2008; OECD 2009; Parrado 2008; Weishaupt 2010).

Not all reforms to state structures and service delivery were driven by ideas about market efficiency though. For example, the expansion of the role of the private sector in education provision in Sweden was initially motivated by democratic decentralization and parental choice, though it seems to have somewhat mixed implications for equality of educational provision and participation (Jonsson and Rudolphi 2010; Lindvall and Rothstein 2006).

For some commentators, New Public Management was consistent with a wider trend toward the disaggregation of state power through devolution of decision-making and policy implementation to networks of organized interests. It seemed to betoken the fragmentation of the state, and to follow inexorably from an expanded role for the market and the encroachment of non-state governance mechanisms into what had previously been core political prerogatives. Hence the equation of these trends with a shift ‘from government to governance’, involving a ‘hollowing-out of the state’ (Kooiman 2003; Rhodes 1994). With time though, these claims came to appear over-stated. At a minimum, governments were required to set the meta-governance framework for devolved and decentralized bodies operating under the ‘shadow of hierarchy’. That is, the state retained the capacity to exercise direct executive authority in order to enforce performance standards or to reform accountability mechanisms (Bell and Hindmoor 2009; Goetz 2008; Rhodes 2006; Saward

1997; Scharpf 1994). Devolved and networked governance should therefore, in this view, be seen as part of a spectrum of possibilities through which states did not become weaker, but enhanced their capacity to solve problems and produce collective goods through engaging interactively and in sectorally differentiated ways with a variety of economic and social stakeholders (Weiss 1998).

But the vogue for New Public Management encountered limits of both efficiency and of democratic acceptability. Myriad problems emerged in attempting to enforce performance targets and to quantify outputs. Not only was ‘gaming’ with the targets a rational response for many public sector employees, but the argument was made that quality of performance was itself undermined by the attempt at quantification, especially in areas such as education and health services. Securing adequate levels of accountability from privatized service providers, though entirely possible in principle, proved increasingly difficult in practice (Hood et al. 2005; Hood 2008).

During the 1990s and 2000s a shift was discernible toward ‘post-New Public Management’ in a quest for improved policy coordination and a ‘whole-of-government’ approach to public administration. The classic Weberian model of public administration, in the sense of a stable core apparatus that is both responsive to political direction but independent of political control, came in for positive reappraisal (Olsen 2006). For Rothstein and his colleagues, ‘quality of government’ may even be defined in terms of the impartiality of recruitment to public administration and the procedural neutrality of policy implementation (Rothstein and Teorell 2008). And yet the trend toward a post-New Public Management approach does not imply any direct reversal or return to the status quo ante. Privatized utilities and public service delivery systems are not easily dismantled and are expensive to renationalize. Segmented adaptation is more likely, with the reassertion of some powers at the centre and continuing delegation and decentralization of others (Bouckaert et al. 2010; Gregory 2003). This means that state capacity is not in any simple sense restored to where it was over the postwar decades, but involves new compromises with market actors and networked interests.

Delegated governance and non-majoritarian institutions

Removing political institutions from direct political control is a well-established and often constitutionally mandated principle in some areas. Judiciaries are perhaps an obvious

example, although there is a wide variety of practices in the degree of political involvement in making appointments to senior judicial office and in the extent of politicization of judicial review of executive decisions (Carrubba 2009; Shapiro et al. 2007).

But in recent decades there has been a marked increase in the number and scope of ‘non-majoritarian institutions’, that is, bodies permitted to exercise powers that are not subject to direction by or immediate accountability to democratically elected politicians. The most prominent examples include independent central banks to create stable monetary and exchange rate policies; regulatory bodies designed to manage prices, set standards, and otherwise compensate for the absence of markets; and competition authorities that are meant to ensure competition when there is concern about the dominant market power some actors might otherwise be able to exercise. We might also include here the increasing trend toward relying on private regulatory conventions as standard-setting instruments of public policy (Cashore 2002; Rudder 2008; Streeck 2003).

The principal rationale for delegating state power to independent institutions is their technical competence and the availability to them of specialist expertise. Yet we might well expect that elected politicians would resist divesting themselves of power if they can avoid it. Under what conditions might they do so? Transaction cost analysis proposes that it may be rational in order to establish credible commitment to policy objectives that are held to be desirable but which are politically contentious in some way. A stable exchange rate may be best supported by a low inflation regime, but pursuing these objectives may require distributing adjustment costs in ways that elected politicians find unpalatable because they believe they will lose electoral support. But binding state policy into a low-inflation regime may secure credibility among investors and improve growth prospects. The creation of new institutions binds decision-making beyond a single election cycle and therefore normally commits opposition parties to maintaining temporal consistency, which in turn enhances the credibility gains that may be obtained (Cukierman 1992; Majone 2001). Weak executives may also welcome the opportunity for blame-avoidance and the political displacement of responsibility for difficult choices.

The institutional design of regulatory bodies varies cross-nationally, but in sometimes rather unexpected ways, not least because regulation itself has a wide range of meaning (Levi-Faur 2006; Scott 2003, 2004). The choice of institutional design is not easily explicable in terms of

the political conditions of a society such as the degree of policy conflict in evidence. Historical-institutionalist explanations are more powerful, since the design of new institutions appears to be strongly conditioned by pre-existing administrative traditions (Yesilkagit and Christensen 2009). As Thatcher and Stone Sweet argue, ‘when making decisions about delegation to non-majoritarian institutions, politicians behave rationally, but select from a menu of choices that has emerged from wider social processes’ (Thatcher and Stone Sweet 2002, p.155). Thus, for example, regulatory bodies might prioritize public interest considerations as they argue was the case in Britain, or efficiency and market-enhancing considerations which they suggest was the case in Germany.

The commonalities may be stronger than this suggests, and in some policy sectors more than others. Policy internationalization, particularly the regulatory demands emanating from European integration, has been more likely to result in convergence on similar institutional models and to counter the influence of domestic veto players (Thatcher 2007, 2009). The diffusion of institutional design may take place through top-down policy innovation, or from bottom-up convergence pressures, or because of sectoral interdependencies (Levi-Faur 2005; Radaelli 2004; Way 2005).

Yet there does not seem to be any general trend toward adopting similar institutional solutions to the problems arising from globalization and liberalization of product and capital markets: these are mediated by existing institutional models (Thatcher 2002a, 2002b). Mark Thatcher argues that not all new challenges result in significant institutional reform. For example, in the case of securities trading, changes in technical and economic markets across European countries were met by a great deal of institutional inertia and resistance from coalitions with vested interest in existing arrangements. Economic diffusion was not sufficient to displace vested national institutional arrangements, yet national institutions were modified to meet the new requirements.

These findings are consistent with recent work on institutional change showing that path dependence does not necessarily imply that the institutions themselves do not change. As the recent work of Mahoney and Thelen argues, institutional change may come about in a variety of ways, including ‘displacement, layering, drift, conversion’, depending on many factors including the relative power of the policy-makers and those with vested interests in particular

ways of doing things, as well as contextual features of the institutional setting (Mahoney and Thelen 2010).

The vogue for regulation grew, as Levi-Faur has argues, ‘when we cease to trust’, but while delegated governance may bypass one set of problems it also generates new ones. Solving transaction costs is not, or not only, a technical matter, but a social and political decision with distributive consequences (Levi-Faur 2005, pp.19, 22). Institutions are designed in a particular political context and involve building coalitions of support behind them, which may involve the preferment of some interests and marginalization of others. Once in place, there is no further opportunity to challenge the inbuilt distributive biases or the prioritization of particular objectives or values over others. Creating delegated governance risks regulatory capture or insider influence by precisely those powerful interests whose behaviour they are intended to control (Thatcher and Stone Sweet 2002, 2004; Wilks and Bartle 2002).

Institutional design is therefore never politically neutral: depoliticizing issues and removing them from the purview of democratic deliberation is not a value-free choice. Delegated governance has raised problematic issues in two areas central to democratic discourse: problems of legitimacy and of accountability. Since delegated powers are designed to be beyond the reach of elected politicians, their activities must be justified in terms of the effectiveness or efficiency of their outcomes – ‘output legitimacy’ in Fritz Scharpf’s terms (Scharpf 1999). But if performance is the principal means of legitimating institutional design, its acceptability may more thinly rooted and more contingent than may be the case where there is the possibility of democratic representation and contestation, or ‘input legitimacy’. Performance standards in delegated governance are less likely to be attuned to democratic conceptions such as citizenship entitlements, public interest, and common good, and more likely to be framed in terms drawn from market participation, where citizens become consumers and efficiency may outweigh entitlement. There is a potential clash of values involved, and this was apparent even before the scale of mismanagement and indefensible risk-taking by financial institutions became apparent, which has undermined the public credibility of arm’s length regulatory governance.

The second issue involves an associated concern about accountability. State structures that have delegated powers are not only permitted but required to operate at a remove from the normal fora of debate about what they are doing, how well they are doing it, and what the

consequences are. If their legitimacy principally rests upon the technical aspects of their operation and the performance outcomes they achieve, it becomes more not less important to have effective means of holding them to account for their performance (Bovens 2007b, 2007a). There is no optimal way to do this without undermining the procedural advantages of political independence. Weberian legitimating criteria such as transparency of rule implementation and procedural impartiality are often invoked (Crowe and Meade 2008; Hood and Heald 2006). But this pushes the question back recursively one point, because the question still arises as to who has the right to scrutinize the extent of impartiality, and to whom they are to be transparent. Besides, some of the greatest problems of political management are now cross-national in scope - reform of banking regulation, for example. There is no obvious international political forum within which these issues can be decided. The need to establish authority and maintain legitimacy must be negotiated repeatedly within structures as diverse as the G20, the International Monetary Fund, and the World Trade Organization on the one hand, and non-governmental bodies such as the Forest Stewardship Council and the International Organization for Standardization (ISO) on the other (Eichengreen 2009; Koppell 2010). Public policy decisions are increasingly embedded in structures that have overlapping jurisdictions and multiple stakeholders, with even greater scope for inequalities of influence and more problematic issues for democratic accountability.

State structures and economic governance

Fiscal governance is at the heart of government's responsibilities, that is, the profile of raising and disbursing public revenues. How states raise taxes shapes not just their capacity to secure order, maintain administrative structures, and provide public goods, but it also conditions the terms on which they are most likely to commit their spending (Goldscheid 1958; Skocpol 1985). For new growth theorists, funding state expenditures may require them to run fiscal deficits at times, either as a counter-cyclical measure in a downturn or as a means of increasing growth capacity through increased investments (Barro and Sala-I-Martin 1995). Most countries have learned to do this flexibly, but most have also found they could not long sustain fiscal deficits without incurring adverse consequences in the form of increased interest rates, although the USA, with its international reserve currency, is an exceptional case (Mosley 2003). Thus the politics of fiscal consolidation became a central and recurring political preoccupation since the 1980s when most countries had quite large accumulated

debt. The Maastricht conditions for Economic and Monetary Union by 1998 gave a fillip to fiscal consolidation in candidate countries, as it required a fiscal deficit of less than 3% and consolidated debt of no more than 60% for participating states. Once the Euro was established, members of the Eurozone were required by the conditions of the Stability and Growth Pact to adhere to ongoing fiscal disciplines, overseen by the European Central Bank. Domestic political responses to the international financial crisis between 2007 and 2009 resulted in many OECD member states incurring sizeable deficits once again, not only because of sudden recession, but because states were required to engage in unprecedented levels of intervention to restore stability to the financial sector. The fiscal stabilization problems were most severe in those countries that had accumulated large volumes of private as well as public debt (Britain, Ireland, Spain); and within the Eurozone, in countries where governments' capacity to manage large deficits and where sovereign debt default seemed a real possibility (particularly in Greece). Thus the politics of fiscal consolidation has been a recurring theme in the advanced industrial economies for some three decades.

This has given rise to a sizeable literature in political science on the structural and governance conditions underlying successful domestic fiscal stabilizations. Analysts during the 1990s largely agreed that this was most successfully achieved and sustained where governments were able to contain their spending commitments rather than increasing their tax take (Alesina and Perotti 1995; Alesina et al. 1998; Alesina and Ardagna 1998). Economic constraints may matter, such as the cyclical position of the domestic economy, the stance of monetary policy, the sustainability of the government's fiscal position. But among the arguments that gained most traction was that the fragmentation of political decision-making had a significant bearing on the capacity to achieve fiscal consolidation. Federal governments were more likely to have difficulties in imposing fiscal disciplines (Coram 2001). Coalition governments were said to be more likely to choose revenue-based adjustments, and these strategies were less likely to be sustainable or growth-friendly (Cheibub 2006; Fabrizio and Mody 2006; Gali and Perotti 2003; Milesi-Ferretti et al. 2002; Persson and Tabellini 2003, chapters 6 and 8; Poterba 1994; Poterba and von Hagen 1999).

The policy implications of these analyses were far-reaching, as the arguments fitted well with an aversion to big-state spending commitments and generous social provision that arguably had ideological as much as technical origins. But these analyses were often cast in terms of

problems of common-pool resource management, and what was often missing was a sense of the time-bounded and path-dependent political constraints within which governments were obliged to make choices. They typically segmented periods of fiscal consolidation into discrete episodes, which underestimates continuities in the support bases for parties, and risks dismissing too lightly the distributive consequences of fiscal choices and therefore the electoral implications for governments of the left or right of choosing between alternative courses of action (Dellepiane and Hardiman 2010; Mulas-Granados 2004).

Among the most systematic and politically nuanced analyses of the structural determinants of stable fiscal governance during the 1990s are those of Mulas-Granados and of Hallerberg and his colleagues (Hallerberg et al. 2009; Illera and Mulas-Granados 2008; Mulas-Granados 2006). In these studies, the ideological distance between parties and the propensity toward coalition government are shown to condition the choices governments make, recognizing that these will have a bearing on their electoral bases of support. Hallerberg, Strauch and von Hagen also distinguish different kinds of fiscal rules which coalition and single-party governments might resort to in order to pre-commit themselves to fiscal disciplines. Pre-binding ‘contractual’ rules work best for coalitions, ‘delegation’ of discretionary powers to finance ministers works best for the single-party majority governments, and where these have been in place, fiscal disciplines have been most successfully maintained (Hallerberg et al. 2007).

These analyses of the structural conditions underlying stable fiscal governance in domestic politics throw light on the fiscal crises that emerged within the Eurozone during 2009 and 2010, centred on the sovereign debt problems of Greece and the ensuing bond market uncertainties that spread to other countries including Spain, Portugal, and Ireland. Fiscal consolidation had been accomplished across the Eurozone by 2000, with the exception of Greece, the extent of whose statistical misreporting was not yet fully apparent, and for whom some promissory leeway was permitted on the qualifying conditions for Economic and Monetary Union. But fiscal disciplines were not sustained during the decade that followed. A ‘one-size-fits-all’ monetary policy set interest rates too low for the boom resulting from access to cheap credit in the peripheral economies of Europe. The expectation that tight domestic fiscal disciplines would contain economic pressures proved unrealistic. Not only were the sanctioning powers of the European Central Bank too weak to be effective, but the

largest and most powerful member states, Germany and France, themselves breached the rules with impunity when domestic conditions dictated it (Blavoukos and Pagoulatos 2008; Dadush 2010; Debrun et al. 2008; Hallerberg and Bridwell 2008; Heipertz and Verdun 2010). The tensions inherent in having a cross-national monetary and exchange rate regime with few countervailing instruments to deal with crisis has impelled some to argue that the only way of saving the Euro would be to embrace the logic of federalism and move rapidly toward deeper political integration (Münchau 2010). The considerable political obstacles to doing this, and electoral resistance to new European treaties shifting more powers upwards, meant that such an outcome seemed very unlikely. But the problems of managing individual member-state disciplines meant that a new and tougher regime of designing and implementing fiscal rules, and intensified European oversight of domestic budget planning within the Eurozone, was all but inevitable (Van Rompuy 2010).

Conclusion

We have noted three areas in which research on state structures has contributed to our understanding of changing patterns of governance: shifts in the organization of public administration, the increase in delegated governance, and new issues in fiscal governance. In all three areas, we have seen that changes in state structures have been shaped since the 1980s by a sense that politics needs to accommodate to market forces, and that technical considerations require the removal of many areas of decision-making from direct political accountability.

While these shifts in the architecture of states had already been contested in various ways, the international financial crisis at the end of the 2000s threw them into sharp question. The dominant international discourse for almost three decades had been about the primacy of markets and the need to curtail the role of the state – in welfare spending, in labour markets, but also in the regulatory burden required of businesses and financial institutions. But within a short time after the onset of crisis, the boundaries between state and market shifted again with measures such as nationalization of banks and the channelling of massive volumes of funding into support for the financial sector. The ideological supremacy of the concept of the self-correcting market had been toppled, and it was no longer plausible to assume that technocratic decision-making would produce socially or economically optimal outcomes. Intensive debates about the relative merits of fiscal stimulus to avoid prolonged recession, as

opposed to fiscal retrenchment to reduce debt exposure, signalled a shift in the terms of debate not only about the most appropriate way of managing the macro-economy, but also about the distributive balance of power that underpinned the dominance of neo-liberal ideas (Palma 2009).

However, there are three reasons why it is not possible to go back to an earlier balance between politics and market, so the future design and functioning of states remains unclear. Firstly, the terms on which states might reimpose new domestic political solutions to the crisis of markets remain unclear. The 'logic of discipline' might be thrown in question. But many features of the market-liberalizing paradigm remain relatively untouched. There is no serious challenge to the continued reliance on delegating powers to technocratic bodies. Trade openness continues to be valued and indeed institutionalized within the rapidly expanded networks of bilateral, multilateral, and institutionalized trade agreements. Governments continue to need to prioritize the competitiveness of their domestic economies, not least within the Eurozone where devaluation is not a possibility. This has implications for their continued capacity to provide domestic protection through redistributive efforts, particularly since the constraining effects of globalization may have intensified during the 2000s (Bussemeyer 2009). The emphasis of state spending is likely to tilt even further toward promoting productive capacity, including human capital formation through education and skill development: this is a very different agenda from that of the welfare state as it developed throughout the twentieth century (Crouch et al. 2005; Streeck 2009a, 2009b). Furthermore, the basic fiscal contract on which the welfare state was constructed is thrown into question by the ongoing commitment of states to raise revenues in order to rescue the banking system from failure. There is evidence that the legitimacy of tax and spending will vary with the institutional design shaping who pays and who benefits (Kumlin and Rothstein 2005). Where citizens no longer see any real equivalence between tax compliance and collective benefits, the legitimacy of taxation itself is called into question (Levi 1988).

Secondly, the transnational dimensions of the crisis underscore the limits to solutions grounded in the politics of the nation-state. We can no longer speak of 'markets within states', but must recognize the reality of 'states within markets' (Amable et al. 2010, p. 13). Within the Eurozone, some have contended that managing the crisis will require new institution-building to redress the weaknesses involved in a monetary union with very little

fiscal capacity. But in light of the resistance on the part of European electorates to any new transfer of powers to the EU, more limited interventions seem more probable (Heipertz and Verdun 2010). What is emerging more generally is a complex network of transnational regulatory frameworks, some intergovernmental, some private. But the overlapping risk management and accountability frameworks these involve bear little resemblance to conventional structures of democratic representation and deliberation (Deeg and O'Sullivan 2009).

Thirdly, the capacity for democratic legitimation and accountability may be badly compromised in any case, even at the level of the nation-state. Democratic societies still rely on political parties to provide routes to compete for power and for the orderly alternation of power. But the distinction between parties and state structures has been eroded through the weakening capacity of parties to mobilize support through civil society networks, the growing diversity of electorates due to shifts in economic activity and often also in the ethnic composition of electorates, and the growing tensions in support for formerly inclusive policies of redistribution, between economic or social insiders and outsiders (Kymlicka and Banting 2006; Rueda 2007). Parties' increased reliance on state funding further removes them from dependence on the mobilization of interests, increasing the risk of disaffection by those left behind by market-driven priorities. While organized interests and social movements may provide an alternative route toward making state structures more responsive, the same solution may well be attractive to radical or extremist groups that are less readily amenable to integration within conventional political processes (Crouch 2004; Mair 2005, 2009). While it was quite plausible to identify domestic state structures as the core of governance capabilities during the postwar decades, this became more problematic over the three decades since 1980, and the patterns of governance through domestic and international structures is likely to become ever more complex in the future.

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