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# Introduction: Changing Patterns of Authority

*Volker Rittberger, Martin Nettesheim, Carmen Huckel,  
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The capacity of states to fulfil basic governance functions has become strained in the era of globalization; their authority is under pressure from without and within. The global integration of markets and the increase and spread of direct investments by transnational corporations (TNCs) have limited state control over national societies and economies. The increasing interdependence of enterprises in global markets and the growing importance of new cross-border actors and identities undermine the power of the state. Interdependence and new transnational problems (most notably since the mid-1980s environmental problems such as 'acid rain', ozone depletion and climate change) are challenging the authority of the state and promote shifts of authority to new actors and institutions that are better enabled to deal with these issues. This implies that TNCs and other non-state actors are assuming a new role on the international stage.

Policy domains which have been regulated on a purely domestic level, such as environmental and consumer protection, are now increasingly dealt with by competing global, regional and national institutions. In the past, international institutions served as a forum in which national policy processes were coordinated. Today, however, substantive decision-making has emerged within supra-national fora within which decision-making is not dependent on a consensus among participating states. The practice of majority decision-making adds another element to the changing nature of authority in the international system (Nettesheim 2002).

Regardless of where governance powers are finally located, their effectiveness and stability depend on their bearer's ability to exercise authority. In the global political economy, this not only refers to the legal obligations, supranational decision-making, transnational public policy networks, and effective monitoring mechanisms, but also to the more subtle consensus-building procedures and incentive systems now exercised by new institutions for global governance. This book aims to bring together contributions that demonstrate the need for, and assist in the development of, a conceptualization of authority suitable for the globalized age.

The concept of authority requires considerably more attention in international relations and law than currently is devoted to it. In mainstream international relations centred on realist and liberal schools of thought,

authority is presumed to be a function of the formal position of an actor or agency. As a result, in the absence of any overarching government and in a consequent state of anarchy, authority is said to be generally absent in the global realm.

However, as demonstrated by the concept of complex interdependence in the 1970s (Keohane and Nye 2001), regime analysis of the 1980s and 1990s (Rittberger 1993, Hasenclever, Mayer et al. 1997) and several key texts on the role of non-state actors during the past ten years (Cutler, Haufler et al. 1999; Anheier, Glasius et al. 2002) it has become increasingly evident that authority must indeed exist on a global level. Furthermore, some authors have pressed for more attention for authority, not just because of new patterns of authority between states and outside of the state, but because the authority of the state over internal affairs is also coming under pressure (Strange 1996). In this book we uncover plentiful evidence of authority on the global level and conclude that a broader conceptualization of authority is required to understand various phenomena that can be observed in interactions between states, international organizations, civil society actors and business actors that exist today (Held and McGrew 2002). Authority is therefore found to be dispersed among many actors and exercised through means other than formal position.

Despite several streams of scholarly work progressively touching on the evidence for the existence of authority on the global level, for most the concept of authority remains peripheral rather than central to understanding the global political economy. Wendt notes 'that scholars are just beginning to grapple with how decentralized authority might be understood' (Wendt 1999: 308). For some, authority entails 'institutionalized forms or expressions of power' (Hall and Bierstecker 2002: 4) while others explicitly include the pull to compliance in accordance with beliefs and norms by defining political authority as 'a fusion of power with legitimate social purpose' (Ruggie 1982: 198). The chapters in this volume are aligned along these lines, but also recognize that with dispersing locations of authority new demands on the legitimacy of actors also arise.

In this volume, authority is defined as part of the relationship between the makers of rules and norms and those which are expected to follow them. One can be both an authority and in authority. Authority is then: the ability of an actor or an institution to induce relevant addressees to take note of, and comply with, their norms and rules.

Authority can be based on various grounds: on coercion, interest and legitimacy (Rieth 2004: 182). In *Economy and Society*, Weber already conceptualized different modes of authority, as rational-legal, but also traditional or charismatic. His suggestion that authority can rest on elements such as customs, habits, social structure or 'inspiration' implies that in all settings from familial to domestic to global, apart from coercion or interests, non-material factors can also provide a basis for exercising power that is taken as authoritative

(Weber 1968: 215). This implication has re-emerged in recent studies that explicate several modes of authoritative power based on 'soft factors' such as moral, knowledge-based, reputational, issue-specific and 'affiliative' authority (James Rosenau 2002: 267). Consequently, factors other than material power can underpin habitual patterns of compliance that define authoritative relationships allowing for a relocation of authority from public to quasi-public and to private actors and institutions to take place.

The existence of various locations and modes of authority in the global political economy has significant consequences for international relations and international public law. Two in particular should be noted:

First, recognizing new patterns, locations and modes of exercising authority on the global level has consequences for how the global system as a whole is to be conceptualized. A global system in which structured and well-ordered authoritative relationships exist between various actors on various levels cannot be classified as essentially anarchic. Hurd, for example, notes that '(a)n international system with authoritative institutions cannot be said to be "anarchic," and indeed it displays many of the traits that we usually associate with domestic government. If we accept that some authoritative international institutions exist, by virtue of their being accepted by states as legitimate, then the international system is not an anarchy' (Hurd 1999: 401). In this book, the authors consider this consequence further by addressing possible alternatives to anarchy that better describe the observed reality of the global system today. In chapter one, for instance, Rittberger et al. conclude that the notion of heterarchy better fits the observable realities in the global system than the concept of anarchy used by some observers to study the functioning of international relations in a variety of issue areas.

Second, new modes of exercising authority especially through non-state actors have consequences for legal-ethical issues such as the allocation of responsibilities, and accountability. Cutler, Haufler and Porter, for example, posit that 'in an era when the authority of the state appears to be challenged in so many ways, the existence of alternative sources of authority takes on great significance, especially when that authority is wielded internationally by profit seeking entities' (1999: 4). With various actors exercising authority, who, at first glance, are not subject to same the checks and balances as democratic governments, questions arise as to how their responsibilities are defined and how they are held accountable for their actions. In this book, further consequences of changing patterns of authority in relation to issues of legitimacy and accountability are addressed, for example by Cutler, who takes a critical view of the authority of TNCs, and by Themudo and Anheier, who examine the legitimacy and accountability of NGOs.

The chapters in this book recognize that the international system is characterized by a variety of authority relationships of varying degrees of hierarchy, but also heterarchical relationships, where actors or sets of actors may accept the authority of peers or those representing the wider community. In order

to break out of the state-centric lens, a differentiated approach towards examining authority relationships embodied in new institutions of global governance is required. To achieve this, core analytical aspects must be identified that can provide the basis for research. In *Authority in the Global Political Economy*, the chapters concentrate on four different dimensions of global governance analysis: *demand*, *supply*, *effect* and *design*. Each of these elements supplement each other and allow for a comprehensive analytical coverage of the most fundamental theoretical issues underlying empirical trends in the global political economy. The advantage of concentrating on these four elements is that it allows for analysis from both institutionalist and critical points of view as well as lends itself to interpretive or rationalist epistemologies.

By focusing on the *demand dimension*, authors have investigated what kinds of new institutional forms are needed at the global level and why. When looking at the *supply dimension*, authors considered actors that are willing and capable to create or sustain institutions that have the capacity to wield global authority. In studying the *effect dimension*, the expected consequences of these new institutions were sought out, as well as which externalities they produce, what tensions exist between some of them, and who their main addressees are. Finally, as many new institutions for global governance have already come into existence, by bringing in the *design dimension* authors also examined how the design of these institutions has influenced their effectiveness and legitimacy.

The interplay between these four themes of analysis deserves some closer attention, as they can provide a basis for future investigations into changing patterns of authority, not only in the realm of global political economy, but with reference to other issue-areas as well.

In terms of *demand*, market failures as well as a lack of legal clarity and societal security have generated a general need for new approaches toward regulating market processes including, where necessary, their reinvigoration. Therefore institutionalized authority is needed to both enable and restrict non-state actors' activities alike. Corporate claims as well as those of civil society actors for control and readjustments often conflict and vary according to the relevant business sector or the geographic place of activity. A *demand* for authority, however, does not necessarily mean a higher level of regulation. Instead, it may also imply a reliable commitment by public and private sector actors to implement a few guiding principles accompanied by institutionalized monitoring.

An inquiry into the *demand* for authority then naturally leads to questions concerning its *supply*. Thus far, neither states nor international organizations have demonstrated sufficient powers to remedy the deficits ('governance gaps') that have led to a demand for alternative forms of authority (Brühl and Rittberger 2001: 19ff; Rittberger/Huckel/Rieth/Zimmer, in this volume). Therefore, either the capacities of international organizations must

be enlarged or non-state actors must be legally and politically empowered to provide adequate governance arrangements for global markets.

Societal and environmental pressures have put the effects of global economic integration under public scrutiny. This also applies to the *effects* of new institutions for global governance. Decisions and actions taken in the economic realm often cause unintended consequences in other policy domains such as environmental protection or human rights. The externalities of institutions for global governance are, therefore, another important subject matter for social scientific inquiry. The effectiveness of these institutions varies depending on the actors addressed and the specific goals pursued. Both trade and non-trade issues must be dealt with in the global political economy but the question of how to deal with them without provoking legitimacy concerns among the various stakeholders is still to be resolved.

An examination of the *effects* of global political authority must also take into consideration the possible *design* of institutions for global governance. Even in a multi-layered system of global governance, the state still constitutes in many respects an indispensable participant in the policy-making cycle. Nevertheless, it is widely accepted that traditional patterns of governance must be further developed. The intellectual and political challenge is to devise institutions for global governance which combine effectiveness of policy-making and accountability toward their stakeholders.

While the different chapters in this book focus on each of these *analytical* aspects to varying degrees, this volume is further divided into important sub-themes representing key *substantive* aspects of changing patterns of authority: *first*, the nature and 'constitution' of institutions for governance in the global political economy; *second*, the definition of (global) public goods, their (under-)supply, and their transformation into private goods (and vice versa); *third*, the contribution of civil society organizations to global governance in general and to the provision of (global) public goods in particular; *fourth*, business actors' contributions to global governance and to the provision of (global) public goods; and *fifth*, the differences between various modes of regulation incorporated in new institutions for global governance.

Against the backdrop of the four analytical dimensions of global governance analysis (demand, supply, effect and design) and the five substantive themes just identified, this book is divided into five parts: a) New Institutions for Global Governance: aiming to give an overview of future locations of authority; b) Providing and Managing Global Public Goods: introducing an approach towards global governance that focuses on the demand for and supply of authority; c) Civil Society and Global Governance: focusing on actors and their role in exercising and repositioning authority; d) Business in Global Governance: concentrating on a type of actor still neglected in analysis of critical aspects such as responsibilities and accountability in global governance; e) Regulation in Global Governance, bringing the book full circle by once again looking at concrete issues of compliance within new institutions.

In the following, a short introduction into the topics of each of these five parts of this volume will be given.

### **New institutions for global governance**

The first substantive theme analysed in this volume is the nature and ‘constitution’ of institutions for global governance. Non-state actors are increasingly present in global governance and are challenging the state as the central actor in international relations. The main questions addressed are: Is there a need for new governing institutions on the global level that give a more prominent role to non-state actors? And what ‘constitutional form’ should these new institutions take on? The chapters by Volker Rittberger et al. and Jeffrey Dunoff approach this issue from political, normative and legal viewpoints concentrating on the *demand* for, and *supply* of, new institutions on the global level.

### **Providing and managing global public goods**

The contributions by Inge Kaul and Peter-Tobias Stoll take a look at the *demand* for, and *supply* of, new institutions for global governance based on the (global) public goods approach. The mainstream definition of public goods is a good that is nonrival in consumption and nonexcludable. Private goods can be (made) exclusive in consumption, in other words the owner of the good determines how to use it. In general, public goods are those that are provided by the state because markets usually fail to produce them in sufficient quantity and quality, if at all (e.g. national defence, clean environment, public education, economic infrastructure). *Global* public goods are public goods, the benefits of which extend across countries and regions, across rich and poor population groups, and even across generations. In reality, however, certain global public goods such as human rights and free trade are provided neither by the state (or states alone) nor the market, creating a need for new governing institutions beyond the state and the market (e.g. the WTO and the Global Compact) that will contribute to the provision of these goods.

### **Civil society and global governance**

Civil society organizations (CSOs) have been increasingly participating in international affairs. The importance of this phenomenon is demonstrated by a more prominent international political role of CSOs in terms of service (e.g. humanitarian aid) and advocacy (e.g. the International Campaign to Ban Landmines) (see, e.g. Rittberger, Schrade et al. 1999; and Breitmeier and Rittberger 2000). This raises the question of how civil society actors can be integrated into institutions for global governance. The contributions

of Helmut Anheier and Nuno Themudo as well as of Wolfgang Benedek deliberate the role of CSOs (referred to by the authors as non-governmental organizations (NGOs)) in the *supply* and *design* of new institutions for global governance. In particular, they address the question of how NGOs can position themselves in order to influence new institutions for global governance most effectively, and which criteria NGOs would have to fulfil in order to play an increased role in global governance.

## **Business in global governance**

Thus far the role of business actors in global governance has received scant attention in academic research. Nonetheless, business actors have been recognized as being able to provide knowledge, expertise, material resources and strategic advantages to institutions for global governance. In practice, business actors are already expanding their scope of influence beyond the provision of marketable goods and services to the provision of public goods such as the protection of the environment, public health and human rights. Contributions in this part by Claire Cutler and Virginia Haufler scrutinize the role of business actors in global governance in terms of *effect* and *design*. Both authors ask to what extent business actors are willing and able to perform functions traditionally reserved for the state (*effect*) and whether they consciously do this via new governing institutions on the global level (*design*).

## **Regulation in global governance**

Regulation in global governance is an issue raised in several contributions in this volume and is a part of global governance, i.e. 'the collective identification of high-potential approaches for solving common problems and the process of transforming them into binding rules of behaviour, monitoring behaviour and, if necessary, adjusting the rules to changes in external conditions' (Rittberger 2003: 181f; Rittberger 2004: 249). Regulation as part of governance, more specifically, refers to 'the formal rules or standards that dictate what is acceptable and required behaviour, putting limits on what is permissible' (Haufler 2001: 8). As there is no world government, forms of regulation that differ from those at the disposal of states domestically must be sought. When discussing regulation, the main questions raised are: Which roles do different actors, and especially states, play in providing regulation? To what degree can and shall regulation take the form of self-regulation and/or to what extent can and shall regulation be monitored by states alone or in cooperation with other public or private sector actors? How can forms of co-regulation, i.e. inclusive decision-making processes and partnerships overcome problems of self- or state regulation?

With the chapters by Benjamin Cashore and Steven Bernstein as well as by Peter Utting on regulation the book comes full circle by means of this highly

critical topic in the current debates on changing patterns of authority and one which will surely gain increasing attention. All of the topics analysed – the constitution of institutions for global governance, the roles of civil society and private business, and the challenges of providing global public goods culminating in issues of regulation – raise critical questions of authority, effectiveness and legitimacy. These issues remain at the core of the current debate on changing patterns of authority in the global political economy.

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