

## The Political Economy of Global Neoliberal Governance

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### **Introduction**

Since the mid 1980s the word “governance” has become a central “buzz word” of political speech in official publications and research papers from the offices of national governments and international institutions. Consequently, social research and commentary has also shown an increasing interest for it.<sup>1</sup> A search in the British Library catalogue from the beginning of recorded time till 1975 returns 47 titles with the word “governance”, as compared to almost 1000 titles for the period between 1975 to today (May 2003).

The working hypothesis that I am trying to put to analytical test in the course of this investigation is that when we talk about governance we are talking about “global neoliberal governance”. The link between governance, neoliberal policies and the process of globalisation is of course not novel, and it has been highlighted by several authors.<sup>2</sup> My contribution in this paper is to explore what can be called the critical “political economy” of governance, which to me implies, broadly speaking, investigating three types of complementary linkages: the link between governance and capital's problematic of accumulation; the link between governance and social conflict, i.e. the problematic of social stability *for* accumulation; the link between governance and discourse, or governance as discourse to manage and promote that social stability which is fundamental for capital's accumulation. These three dimensions lead to two underpinning questions. First, how is governance located in relation to neoliberal policies that have emerged and developed in the last quarter of a century? Second, how is the problematic of governance related to the phenomenon of “globalisation”, i.e. of accumulation of capital in the neoliberal period?

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<sup>1</sup> See for example Aoki (2001), Giddens (2000), European Commission 2002, IMF (2001), UN (2000a) and UN (2000b), Sampson (2001) Woolcock (2001), Zahran (1999). A brief search in any government or international institution site (such as International Monetary Fund, World Bank or World Trade Organisation) would return several titles corresponding to different applications of the term. For its relation to “civil society” see Edwards and Gaventa (2001).

<sup>2</sup> With different emphases see for example Wiener (2001), Sinclair (1999), de Alcantara (1998). For de Senarclens (1998) governance is “the apologia for neo-liberalism”.

## ***Orientations***

The task of making sense of governance is a daunting one especially because of the extensive interdisciplinary nature of the debate in which there is no one accepted definition of governance and there are diverse disciplinary based entry points to it.<sup>3</sup> One major source of confusion is, I believe, the fact that the literature is referring to at least two different — yet as we will see interrelated — notions of governance. In my approach I will refer to these concepts as layer 1 and layer 2 governance, the first referring to the problematic of regulatory systems and the second one to “management of flows.” Finally, the confusion occurs because of the many spheres of application of the notion of governance, used with different nuances in diverse fields such as: macroeconomics, trade and finance, war, famine, environment, poverty, development and essentially any sphere of social life and interaction. In this sense, the term governance can refer to relations between individuals, at the family level, within local communities, at national level (i.e., the State), international level (i.e., between States and/or Multilateral organisations), and in a global sense (i.e., referring to TNCs and NGOs that cross many or all of the preceding categories).

To clarify the analytical distinction I introduced among two layers of governance, it is useful to have a look at the dictionary meaning of the term. The *Oxford's Dictionary of English Language* reports several meanings, for example as action or manner of governing; the fact that a person or institutions, governs; as office, function or power of governing; authority or permission to govern; the command (of a body of men, a ship). Perhaps the two definitions more suited to shed light to the political economy of governance are the following.

1. The manner in which something is governed or regulated; method of management, system of regulations . . . A rule of practice, a discipline . . . => . . . *layer I global governance*.
2. Conduct of life or business; mode of living, behaviour, demeanour. Also, *pl.* proceedings, doings. => . . . *layer II global governance*

Layer I governance thus can denote the first of these meaning and refers to the way something is (supposed to be) regulated, to a structure of government, a *system* of regulation. Layer II governance denotes instead the second of these dictionary meanings: rather than structures the term denotes processes, the doing of this “regulation”. Thus, while Layer I governance points at structure, as a system of regulations within which social practice occurs, Layer II governance point at the modality in which this social practice itself occurs, its goals, its organisational means. In this paper I am mostly concerned with the latter layer of governance.

### **BOX 1**

#### **Governance: Organisational Characteristics**

(Analysis from Commission on Global Governance, 1995)

- *Many actors* => “Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs.”
- *Continuous process/social stability* => “it is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken.”
- *Self-regulation* => “It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interests.”

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<sup>3</sup> For some guidance see for example Jessop (1999), Stoker (1998) and Sinclair (1999). For a survey of the etymology of the word, see European Commission (2002).

One way to approach the study of governance is to do it in terms of its organisational characteristics: actors, goals and processes. The definition of governance provided by the Commission on Global Governance (1995) is quite useful for this (see Box 1).

The first thing this definition tells us is that governance refers to a plurality of actors. Governance is also seen as a continuous process, in which social stability (“conflicting interests”) is the focus. Conflict and diversity of goals are the key pillar of governance, which governments attempt to address. But the management of conflict and of diversity is not defined by an authority from the top, rather it is supposed to be self-regulated. In governance, different actors are supposed to come together and define with certain restrictions their own priorities and agendas. We will critically discuss this notion of self-regulation in the last section on governance discourse.

Perhaps another useful way to understand the meaning of governance is to contrast it, along a variety of criteria, to the more intuitive concept of policy (Table 1). In both cases we have some kind of government action<sup>4</sup>. However, in terms of its purpose and rationale, in the case of policy we have a type of government action that has clearly defined objectives and clearly defined means. In the case of fiscal and monetary policies for example we have policy instruments (the “means” of interest rate, tax rate, government expenditures or monetary aggregates) that are used to reach certain objectives such as employment growth or a particular level of inflation targets. On the other hand, the purpose and rationale of governance is not so clear cut and “linear”. The main problematic of governance is the accommodation and articulation of conflicting interests, not the achievement of a goal, which is external to the process itself. Thus, the emphasis of policies is the casual relations and the correspondent transmission mechanisms. Underneath policies there are questions such as “what goals are important?”; “how do we reach these objectives?”. Different theoretical and policy approaches and paradigms help shed light on these different questions by identifying different casual relations. On the contrary, in the case of governance, the emphasis is on the organisational principles through which those articulations of conflicting interests arise.

Another important difference is the role of government institutions. In the case of policy the role is to formulate and implement, while in governance it is to promote and to a certain extent enforce compliance, but mostly set the framework and contribute to the definition of the process of selection of the actors involved in governance action. Another important difference among these two types of government actions is the role of non-governmental actors. In the case of policy, this role is to obey norms, which are given from the top. In governance, it is to participate in the definition of rules, again with certain limitations, depending whether these are games about rules of games under rules (Stoker 1998). The occurrence in time is the other important difference. Policies are discrete events, while governance is a continuous process.

This discussion leads me to propose a working definition of governance that acknowledges the network mode of its operationalisation, its organisational principles, especially for layer II, as opposed to definitions that are based on uncritical understanding of its role within the problematic of accumulation.<sup>5</sup> Neoliberal governance can be defined as *a purposive act, usually by state actors, aiming at providing stability in socio-economic flows, normally entailing more or less coercive systems of regulation, and*

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<sup>4</sup> This is true even in the case of “corporate governance”, as proposed for by the UN global compact (UN 2000a; UN 2000b) discussed in the last section on governance discourse, where the government acts by abstaining from regulating important areas such as human rights, issues linked to labour and environment and so on.

<sup>5</sup> For example, Stoker (1998: 28), within political science and international relations studies perspective, defines governance as “the establishment and operation of a set of rules of conduct that define practices, assign roles, and guide interaction so as to grapple with collective problems’. What are collective problems? Who define them? As it will be clearer in the section on “governance discourse”, the perspective from which to define “collective problems” in turn shapes “the set of rules of conduct” allowed in governance.

crucially relying on the networked active participation and self-management of non-state actors such as NGOs and other civil society groups as well as business.<sup>6</sup>

**Table 1 Governance vs. Policy**

	<b>Policy</b>	<b>Governance</b>
<b>Purpose and rationale</b>	Course of action with defined objectives and through clear means	Accommodation and articulation of conflicting and diverse interests; taking of co-operative action, social stability
<b>Emphasis</b>	Causal relations and transmission mechanisms	Organisational principles
<b>Criteria of evaluation</b>	Results met	Organisational stability
<b>Role of government institutions</b>	Formulate and implement	Promote & Enforce compliance; Set the framework Define the process of selection
<b>Role of non-government actors</b>	Obey given norms and regulations	Participate in the definition of rules and norms <i>given</i> the framework
<b>Occurrence in time</b>	Discrete events	Continuous process

### ***Governance as neoliberal strategy: a genealogy***

Now that we have identified some reference points and some coordinates of our terminology, we can proceed to investigate the link between governance and accumulation. In order to do so, we must review the evolution of the socio-economic events of the last 20 years and put the emergence of governance discourse in context.

The last quarter of a century corresponds to the emergence, consolidation and beginning of crisis of neoliberal policies. Governance discourse is located in this dynamic, broadly comprised by three phases:

Phase 1 *Emergence of neoliberal policies*: late 1970s-mid 1980s.

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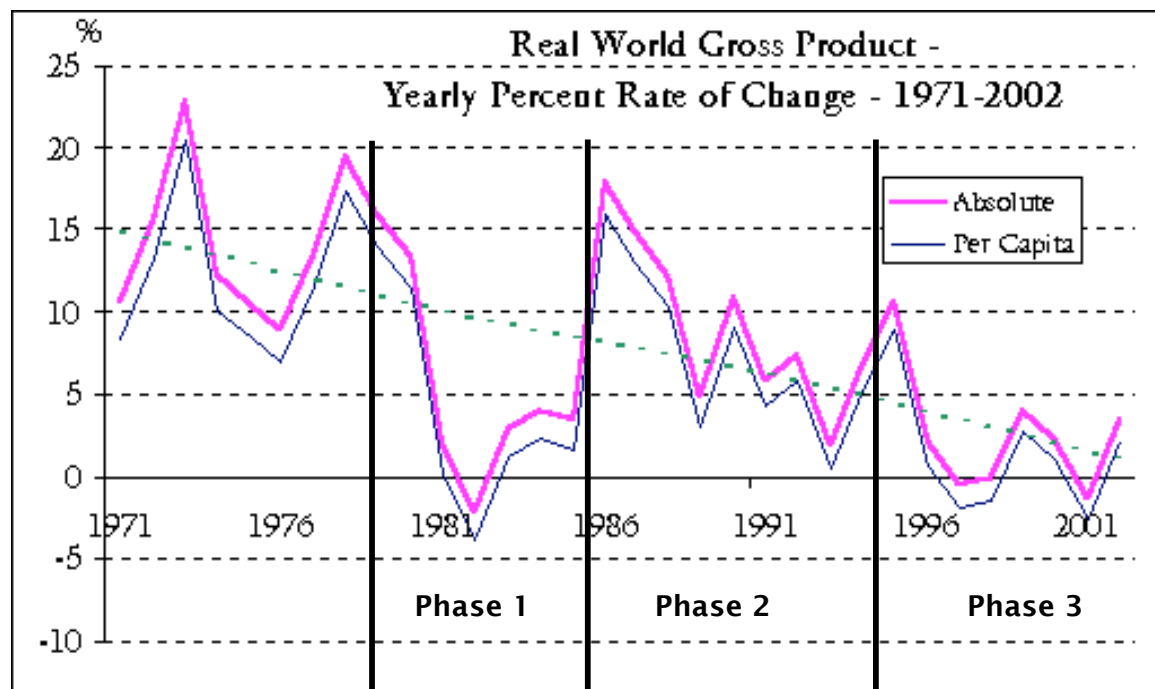
<sup>6</sup> "Governance,' as a purposive act of providing stability, normally entails more or less coercive systems of regulation" Wiener (2001: 473). Alan Hunt correctly emphasises that governance is not reducible to government, as the former also exercised by other social actors and institutions (Hunt 1996). Yet, it is generally the state, whether in the national form of the supranational form of global institutions, that is at the driving seat of the *promotion* of governance practices. See for example Richter (2002). It is for this reason that, as Hunt himself suggests, it is possible to speak of governance as a form of power, that is, following Foucault, as 'actions upon other actions' (Foucault 1982:220), in that it is aimed at creating a stable context of interaction.

Phase 2 *Washington consensus*: mid 1980s- mid 1990s.

Phase 3 *Development of a post-Washington consensus*: mid 1990s - now

These three phases correspond to a period of increasing difficulties for world accumulation once taken as a whole. Figure 1 shows the trend of the growth rate of the world (monetised) output of the last 25 years.<sup>7</sup> The three phases of neoliberalism that I am talking about corresponds to a period of declining trend in the growth rate of world output. Consequently, we might ask: is governance discourse part of the arsenal of capital to boost up the process of accumulation?

**Figure 1. “Economic Context” of World Governance**



Source: minor modifications from Giussani (forthcoming).

<sup>7</sup> In this graph Giussani (forthcoming) has recalculated real gross world's output and its rate of change. The data of gross national product come from IMF while those of the world's population from the UN. The method employed does not use the standard currency conversion called Purchase Power Parity (PPP) that at the same time deflates and convert the currencies leading to overestimate the GDP of the so called developing countries. In any case, even using this method as calculated for example by the WTO, the decline in the rate of change of output is still in manifested, although to a lesser degree.

**Table 2**  
**Neoliberalism and the Emergence of Governance Discourse**

	<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>
<b>Features</b>	Emergence of neoliberal policies; North: Restructuring, anti-union laws, anti-inflationary policies, cuts in social spending, development of corporate welfare, capital market deregulation; South: beginning of debt crisis, SAP, cuts in social spending.	Consolidation/ Washington consensus (John Williamson 1990; 2000).  Growth of CSOs.	Emergence of a post-Washington consensus => Centrality of governance. Governance is central and is understood as diverse "stakeholders" management of networks (Layer II)
<b>Governance discourse</b>	NA	First talk of governance understood as "good governance" => as modality of government action. Layer I governance. => IMF, WB, government institutions	Governance is central and is understood as diverse "stakeholders" management of networks (Layer II) => +WB, IMF, OECD, EU initiatives + UN compact (2000) + Corporate citizenship/governance - Voluntary codes - Social and environmental management
<b>Social movements</b>	First signs of social resistance, especially in the South. E.g. against WB and IMF: Peru 1976; Egypt 1977; Ghana 1978; Jamaica, Liberia 1979; Philippines, Zaire, Turkey 1980; Morocco, Sierra Leone 1981; Sudan, Argentina, Ecuador, Chile 1982; Bolivia, Brazil, Panama 1983; Tunisia, Dominican Republic 1984;	Consolidation and acceleration of widespread resistance in the South => series of "IMF riots" (Walton and Seddon 1994): Jamaica, Bolivia, Zaire, Haiti, El Salvador, Costa Rica, Guatemala 1985; Mexico, Nigeria, Bolivia, Yugoslavia 1986; Zambia, Sierra Leone, Poland, Ghana, Ecuador, Algeria, Romania, Sudan 1987; Nigeria, Ghana, Hungary, Algeria 1988; Benin, Venezuela, Jordan, Argentina, Nigeria 1989; Ivory Coast, Niger, Nigeria, Zambia, Trinidad, Uganda, Morocco 1990; Nigeria, Iran 1991; Albania, Venezuela, India, Nepal, Zimbabwe, Nigeria 1992; India, Russia 1993; Uganda, Mexico, Gabon 1994.	Emergence of a global political <i>recomposition</i> of a variety of diverse movements. Ecuador, Kenya, Madrid (1995); First Encuentro (1996); South Africa, first victory of global movement: MAI shelved (1997); Emergence of worldwide coordination of protests, PGA, Jubilee 2000, etc.; Indonesia, Geneva, Rome, Birmingham (1998); Romania, Mexico, Argentina, Ecuador, Seattle (1999); Ecuador, Costa Rica, Bolivia, Argentina, Kenya, Zambia, South Africa, Turkey, India, Malawi, Russia, Nigeria, Paraguay, Columbia, Honduras, Bolivia, Davos (anti-WEF), Washington, Prague (anti -G8) (2000); Angola, Ecuador, Hawaii, India, Genoa (anti-G8), Argentina, World Social Forum (2001).

But let us leave this question in the background, and address the periodisation proposed summarised in table 2<sup>8</sup>. The first phase corresponding to the emergence of the neoliberal strategies between the late 1970s and mid-80s was characterised by heavy “pro-markets” policies both in the North and in the South. In the North, this meant a heavy process of restructuring, often accompanied by anti-union laws, anti-wage/inflation policies, cuts in social spending and development of corporate welfare. On the other hand, in the South the same process occurred but in the form of the management of the debt crisis which begins and intensifies in this period. Hence we have structural adjustment policies, cuts in food subsidies and other “unnecessary” expenditures from public budgets. In this period we also witness the beginning of massive social movements from the South, something that will become a serious problem to many governments in the second phase.

In the second phase we have the consolidation of neoliberal policies into what has been called the “Washington Consensus” (Williamson 1990; 2000), the elements of which are now familiar and embedded in many national policies and international agreements (Box 2).

**Box 2**  
**Washington Consensus**  
(from Williamson 1990; 2000)

- *Fiscal discipline*: strict criteria for limiting budgets;
- *Public expenditure priorities*: away from subsidies and administration towards ‘neglected fields with high economic returns...’;
- *Tax reform*: broadening the tax base and cutting marginal tax rates;
- *Financial liberalisation*: interest rates should be ideally market-determined;
- *Exchange rates*: should be managed to induce rapid growth in non-traditional exports;
- *Trade liberalisation*: tariffs not quotas, and declining tariffs to around 10 per cent within 10 years;
- *Foreign direct investment*: no barriers and ‘equality’ with domestic firms;
- *Privatisation*: state enterprises should be privatised;
- *Deregulation*: abolition of ‘regulations that impede the entry of new firms or restrict competition’...;
- *Property rights*: secure rights without excessive costs and available to the informal sector.

The Washington consensus gives more coherence to a policies that were initially implemented by means of a rough and often crude ideological battles (Phase 1 are after all the years of Margaret Thatcher and Ronald Reagan), but its implementation meet with increasing problems and resistance.

In the context of this consolidation, IMF, WB and governmental institutions briefing papers begun to refer to “good governance”, understood as a particular system of government countries had to be structured in or, in terms of our earlier discussion, of Layer I governance. Ultimately, “good governance” implied the configuration of government bodies in such a way as to facilitate the terms of the Washington consensus and make them irreversible. At the same time, a crucial aspect of this period is the beginning of a massive growth in a plurality of so called “civil society organizations” together with an acceleration of third world social unrest spreading now also in what will be called “transition economies” etc. The phenomenon, which is the truly birth place of what became later visible in Seattle, becomes so

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<sup>8</sup> See also Buckley (2003) for a broader contextualisation of the emergence of governance in relation to social conflict.

pervasive that academics have started now to take notice (Walton and Seddon 1994) and some campaigners — in their attempt to “persuade” the Northern public and governments of the irrationality of the debt — can wave the spectre of more “IMF riots” or “food riots” and social instability in general as a very likely cost if the debt crisis is not solved (George 1988).

We need to indulge a bit more on this second phase, because it is here that we have the development of the context in which modern governance discourse emerge, especially layer II. It is useful to read the set of policies of the Washington Consensus by reading them as three normative *prescriptions* (Chandhoke 2002: 43).

First, the state, both in the North and in Third World countries *should* withdraw from the social sector. Second, the market *should* be given open access to all spheres in life and social reproduction and thus be free from all constraints. Third, people *should* organise their own socio-economic reproduction instead of depending on the state.

## **Figure 2. Neoliberal Policies and the Growth of the “Third Sector”.**

As we have seen, this trinity of normative prescriptions was often met with social opposition. Also, the implementation of neoliberal policies created a vacuum in social reproduction that has opened the space for new social and political actors. Figure 2 illustrates the likely casual chains. Neoliberal policies of enclosures, cut in social welfare and increase in corporate welfare have contributed to enormously increase income and wealth polarisation both within countries and among countries in the world. This, together with the reduction in entitlements, had devastating effects on the possibility of reproduction of

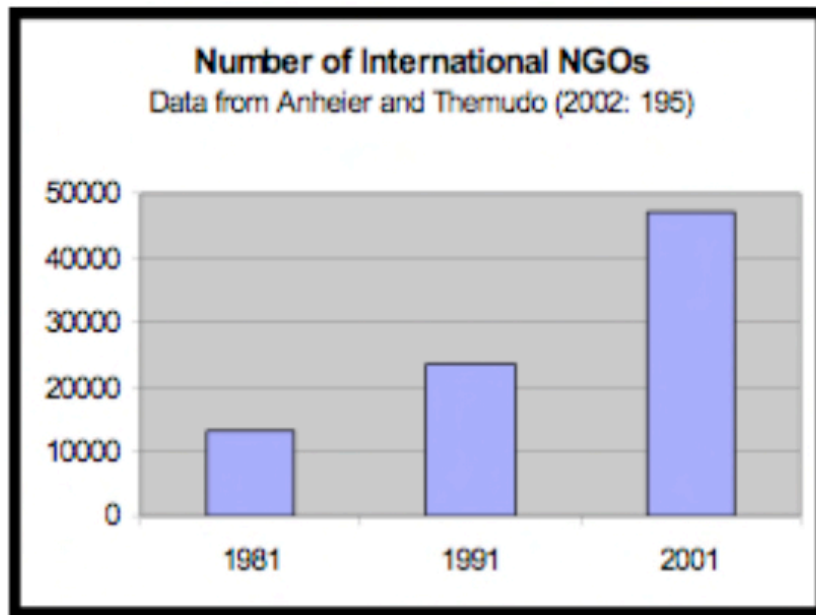
livelihoods and communities. The neoliberal solution was of course based

**Figure 2.**  
**Neoliberal Policies and the Growth of the “Third Sector”.**



on the conviction that the market could/should supplant the state in providing for the needs of social reproduction. We know this in fact was not the case, as the horror statistics regarding the state of global health, access to food, water, public services and so on show. As the market was not able to provide for peoples' needs of reproduction, we have a tremendous increase in the so-called “third sector”, that is that diverse and heterogeneous constellation of “civil society organisations” (CSOs), or Non Governmental Organisations (NGOs), of local, national, transnational and international relevance. The latter for example grew of about 400% in the last twenty years (Figure 3).

Figure 3



As noted, the constellation of NGOs is of course highly heterogeneous, not only in terms of their reach — local, national and transnational — but also in terms of their forms of organisation — networked or hierarchical — their goals — advocacy and campaign, education, mobilisation, meeting basic needs, intervention in emergencies, and so on — as well as their general attitude towards political processes. This implies that although in several instances many of these NGOs dangerously share economic discursive premises with their state and corporate counterparts<sup>9</sup>, while others even consciously and actively promote neoliberal state and business values and agendas<sup>10</sup>, it is unwise to lump them all as if they were all and in all circumstances a reactionary force (Hardt and Negri 2000).

This primarily because the growth of the presence of “Civil Society Organisations” as a modern phenomenon emerged through the same recent historical process that created the “globalised” market. The rationale of the vast majority of these organisations — which we must remember are diverse and heterogeneous — was thus to fill a vacuum in the need of social reproduction, a vacuum created by the restructuring of the state following neoliberal policies. Whether through charities, campaigns to raise awareness on critical issues, or direct intervention in reproduction in education, health, or replacing

<sup>9</sup> For example, in May 2002 the British NGO Oxfam launched a report in support of exports promotion for tackling Third World countries poverty (Oxfam 2002). The position was seen as too dangerously close to World Trade Organisation rhetoric and thus generated a lively debate from within the world of NGOs and CSOs. Contributions included Colin Hines, Vandana Shiva and Walter Bello among others. See the debate reported in Oxfam (2002) as well as in <http://www.theecologist.org>.

<sup>10</sup> See for example the American Enterprise Institute, the most powerful think tank in Washington, D.C., and with close connection with the Bush administration and large corporations such as Motorola, American Express and ExxonMobil in its board. On June 11, 2003, the institute — itself an NGO — has launched “NGO Watch” with the aim of monitoring NGOs activity, in the same way NGOs generally monitor corporate activities. “In fact, it is a McCarthyite blacklist, telling tales on any NGO that dares speak against Bush administration policies or in support of international treaties opposed by the White House.” Naomi Klein (2003). *Bush to NGOs: Watch Your Mouths*, appearing in the Global and Mail, June 20th 2003 (<http://www.globeandmail.com>).

welfare state through networks of churches or mosques, civil society organisations have sprang into public domains to fulfil human needs. In the eyes of the neoliberals, such an emergent activity of society self-defence against market colonisation, is seen as an opportunity to build “social capital”, i.e. to promote a form of social cohesion that is compatible with capital accumulation. But in the eyes of the millions of grassroots organisers, the opposite is true: their activities is seen, —amidst all the possible contradictions, doubts, and inadequacy of their actions and discourses — not as social capital but as “social solidarity”, i.e. a form of social cohesion that sets a *limit* to capital accumulation and the colonisation of life by capitalist markets. It is this contrast between two meanings attributed to the signifier “civil society” that defines governance layer II as a terrain of struggle. Their presence certainly becomes an important *condition* for layer II governance, which is based on the need of putting together different actors with conflicting interests and goals. However a condition is not yet the full process.

The third phase in our periodisation reflects precisely this. In this phase we witness major world economic and non economic institutions discussing the problems of governance layer II, whether a post-Washington consensus ought to be developed<sup>11</sup>, of how to put together civil society and business, of how corporate governance should include issues that are important to civil society, and on the other hand, how civil society should meet the needs of business (table 2). At the same time, we have reached a phase of global social movements which not only make its force felt into the streets and fields of the world, but also are undergoing a process of recomposition (De Angelis 2000b). In this period, the movement is not simply and no longer a series of distinct and isolated protests against the IMF, the World Bank or neoliberal economic policies, but a meshing of different movements, the creation of new composite identities emerging from the mixing of political and social subjectivities. What the mass global media saw in Seattle in 1999, in which students and workers, environmentalists and gay and lesbians, third world farmers and anarchists, communists and greens, build bridges in a highly productive and creative swarm, was only the tip of an iceberg of a process that was underway from at least the mid 1990s<sup>12</sup>.

## **Governance and Governmentality**

Layer I and II of governance discourse seems thus to have emerged in the literature as a result of the dynamics of the last twenty years. International relations literature deals mostly on layer I governance, so discussions abound on issues such as reforms of international organisations and institutions (World Trade Organisation, World Bank, International Monetary Fund down to the United Nations).<sup>13</sup> Talking about global governance in this context means to address the organisational principles of a systems of rules inherited in a pre-neoliberal period. The second layer of governance is different and emphasises processes of management of flows and often of rule-shaping among different social actors. To talk about global governance here is to talk about keeping and making different interests, actors and goals function together. Business and NGO are here seen as key players. Even “corporate governance” is a type of layer II governance in which business and civil society organisations are supposed to enter in relation to each other to, say, “manage” the environment, greenhouse emissions, labour standards, and so on.

Governance layer II has three fundamental characteristics that need to be looked at. In the first place, it is constituted by a network of *diverse* social actors, which include (local, national or supranational) government institutions as well as business and civil society organisations. In terms of

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<sup>11</sup> See for example Martin (2000).

<sup>12</sup> It is perhaps worth mentioning the anti-Nafta campaigns in early 1990s, the first recent experiment in the Northern hemisphere of cross boarder and cross issue organising and of meshing of identities. Few years later, in 1996, during the Zapatistas promoted *Encuentro*, a diverse composition of participants experienced the first glimpses of a different type of politics, in which anarchist, feminists, communists, farmers, workers, indigenous and academics from a variety of languages and political backgrounds started learning to build on difference rather than ghettoising through difference. The more recent experience of the World Social Forum, begun in Porto Alegre in 2000, is the direct result of that experience spread throughout the political circuits of the world.

<sup>13</sup> On governance and international relations, see for example Smouts (1998).

table 2, governance layer II is said to be constituted “horizontally”. We should not forget however that this “horizontality” is defined through power positions and principle of selection that excludes critics of market norms, as discussed in the last section. In the second place, and consequently, it is an organising framework for action “within which relevant actors — with different stakes, interests and values — coordinate social action” (Stoker 1998). We will also critically discuss some of these organisational features in the next section. Here however we must pose few questions: what is the nature of social action thus constituted through the “governance framework”? On whose priorities, goals and interests this social action is pursued and what type of exercise of power does this social action reflect? More generally, the point in posing these questions is to think of governance as a form of discursive practice in fields of power relations.

Michael Foucault’s work can help us to shed some light on these types of questions, if we read modern governance as the contemporary form of what he calls “governmentality” and “biopolitics”. Dillon and Reid (2001) offer an exploration of global liberal governance as a form of global biopolitics.<sup>14</sup> They propose a definition of governance as “a varied and complex regime of power, whose founding principle lies in the administration and production of life, rather than in threatening death.”<sup>15</sup>

But the politics of the production of life in all articulations, is the politics of reproduction or more specifically, and in Marxian terms, of reproduction of labour power. Thus, Foucault’s work can be problematised and tapped on to gain insights on *how* the governance of reproduction — what he calls biopolitics — can occur as an articulation of capital’s accumulation. The starting point here is his distinction between the problem of sovereignty and the problem of governmentality. The problem of sovereignty for Foucault is essentially “constantly attempting to draw the line between the power of the prince and any other form of power”, impose the “law on men” (Foucault 2002). Sovereignty corresponds to the “prince” saying this is the law, this is the line I draw between my power, the power of the prince, and other forms of power. And the prince says “this is the law” through bombs or more generally through the coercive apparatus of the state or the threat to use such coercion. The war in Iraq is a form of establishing sovereignty, to draw a line, as it is the implementation of neoliberal policies of deregulation of financial markets.

According to Foucault in the 16<sup>th</sup> - 17<sup>th</sup> century a different form of power developed, that is what he calls governmentality. The function of this is “to establish a continuity . . . among powers”, to articulate them (Foucault 2002: 206), or “disposing things: that is . . . employing tactics rather than laws, or even of using laws themselves as tactics” (Foucault 2002: 211). This is not simply a top-down form of power, but a way to somehow articulate different forms of powers existing in society. With governmentality is a question of disposing things, and thus one employs tactics instead of laws.

The productivity deals of the post-WWII period was one of such a key institutional arrangements which was essential to articulate the class conflict of fordist capital and make it work for accumulation (De Angelis 2000a). In Foucault’s terms, we could read the productivity deals as a form of governmentality in that it was trying to establish a continuity among powers, the power of organised capital and the power of organised labour. But as we will see in the case of modern governance — as it was clear in the case of the productivity deals — any form of governmentality is constructed on discursive parameters that are bound to become unacceptable by those social forces representing excluded powers.

In Foucault’s terms therefore, governance layer II can be defined as management of networks and flows — “disposing things” — made of different actors (government, civil society and business institutions) — “continuity among powers” — who are encouraged to become “partners” of a continuum called governance.

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<sup>14</sup> See Dillon and Reid (2001).

<sup>15</sup> Global neoliberal governance thus is said to be substantially comprised of techniques of classification and knowledge production of the dynamics of populations so that they can be better managed in terms of needs and life chances. According to Dillon and Reid (2001) this marks a significant intensification and extension of the liberal forms of power, of what Foucault called the ‘great economy of power’ (Foucault 1982).

The problem is that Foucault seems to believe that the problem of sovereignty and that of governmentality belong to different epochs, that there is a kind of historical split between the time of sovereignty and the time of governmentality. I think the challenge is to see how the two forms are actually articulated, how the power to coerce, to rule and to control is articulated with the power to seduce into agreement, and to establish continuity among powers in society.

Indeed, it may well be that the relation between the “rule of the prince”, sovereignty, and layer II governance may express a second line attempt to implement the policy of the “prince”.

In the case of Genetically Modified Food, Levidow (2003) showed for example that in the mid-1990s the EU was granting safety approval through lenient risk-assessment criteria similar to the USA, but soon mass protest undermined that framework. In response, EU and national authorities engaged in a governance process with civil society, even on a trans-Atlantic scale. Although the results are still ambiguous and indeterminate, the discursive parameters feature more stringent criteria as means to solve the problem of public confidence and legitimacy.

The issues that have been considered as an application of governance layer II in the last fifteen years are endless. The UN global compact for example lists nine principles on the areas environment, labour and human rights issues which extend to a wide range: social, environmental and biodiversity management, management of emergent environmental problems at every level of aggregation (local, regional and global); promotion of human rights; labour rights, child labour and forced labour; international financial management.

Another area of application worth mentioning is the production of war and the management of neoliberal peace (Duffield 2001). War here is not simply the product of an army in the war theatre, but is the co-regulation of different network of actors, the army, the media, the NGOs, the charities. Often these actors have different interests and goals, yet the way they are organised into a whole constrains their choices. The way these actors are articulated, their *governance*, allow them to claim they all “do their job”, without being able to question the rules of their functional integration in a broader mechanism.

Others make the example of regulatory functions that were once of national governments as the realm of governance networks. For example, the policing of “dirty money” flows across countries, in which international networks of bank’s clerks under pain of criminal sanction, supervise each other’s activities and standards across borders (Wiener 2001: 456).

The need for governance layer II is also evoked in the case of global financial regimes, with civil society organisations said to have a “positive” function to play in their role as educators of the public on the intricacy of financial issues, their role as monitors of financial transactions promoting accountability and “transparency”. Crucially, the role of civil society in governance of finance is said to enhance social cohesion<sup>16</sup> and legitimacy for the neoliberal International Economic institutions.<sup>17</sup>

Finally, after mass protests of the 1990s, governance talk is now a must in the design and implementation of controversial development projects: roads, dams, infrastructures in general. The neoliberal project is centred on massive infrastructure projects, especially those that promote the

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<sup>16</sup> “Civil society might through its various positive influences enhance social cohesion. Contributions to public education, stakeholder voice, policy debate, transparent and accountable governance, and material welfare can all help to counter arbitrary social hierarchies and exclusions that global finance might otherwise encourage. As a result, global finance would contribute less to social conflict and more to social integration, vigilance and monitoring” (Scholte with Schnabel 2002: 25).

<sup>17</sup> “Banks have recognized this general principle with their recent attention to issues of policy ‘ownership’. Civil society can offer a means for citizens to affirm that certain rules and institutions of global finance should guide - and where necessary constrain - their behaviour. Likewise, civil society can also provide a space for the expression of discontent and the pursuit of change when existing governance arrangements are regarded as illegitimate” (Scholte with Schnabel 2002: 25).

velocity of circulation of commodities (road, railways, new airports), or information for the sake of increasing productivity and competitiveness of the different regions. These projects often meet local and translocal resistance, for environmental reasons, displacement of communities, and so on. The answer that the governance discourse gives to that controversy is that the policy goes on anyway, however, different views are “taken on board” through the process of consultation on how to implement it.

## **Governance discourse**

I want here briefly analyse, dissect and problematise some pillars that I believe are at the basis of governance (layer II) discourse. These are

1. Self-regulation and co-regulation.
2. Partnership among social actors.
3. Principles of selection.
4. Polanyi’s inversion.

## **Self-regulation and co-regulation.**

As governmentality, also governance is supposed to be self-regulatory. For example, the UN Global Compact, a list of principles on environment, human right and labour standards that firms and NGOs are urged to subscribe, states:

The global compact is not a regulatory instrument-it does not ‘police’, enforce or measure the behavior or actions of companies. Rather, the Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based (UN 2000a).

The voluntary basis of governance has been heavily criticised as ineffective, in so far as the tackling of world’s problems such as environment, poverty, labour standards and so on (Richter 2002). It is one thing to force the oil industry to stop further explorations and invest in renewable sources of energy instead, it is another thing to invite the oil industry to embrace the principle of “sustainability” and act with “civil society”. But voluntary engagement in the governance process is not simply the reason at the basis of ineffectiveness on these fronts. If I am a polluting firm and I voluntarily subscribe to a principle of sustainability, I am showing that I am in the “right direction” for redeeming myself by putting my activities under heavier scrutiny from civil society organisations. My word will be held into account. The problem however is that in this logic the account is simply and uniquely through media exposure, which means that “tactics” and “strategies” can be always employed to offset bad PR. Voluntary regulation is precisely what provides the space to navigate the contradictions emerging when different goals are posed, to navigate the contradictions allowing to gain time for deploying diverse and more media friendly tactics, and thus help constitute a “continuity of powers”. Finally, it must not be forgotten that the voluntary co-regulation always within given parameters of co-regulation defined by existing framework of governance layer I.

## **Partnership among social actors**

Another important pillar of governance discursive practice is the idea of “partnership”. Partnerships is sponsored and promoted by UN agencies and UN global compact, national governments, global economic institutions and transnational corporations in a variety of instances. Its rationale is to establish that “continuity of powers” in such a way that different interests groups in partnerships (say firms and

CSOs) can draw mutual benefit and their respective goals are pursued efficiently. Areas of application range from drawing up codes of conduct, to social audit and particular micro projects on the territory.

The advocates of such partnerships are of course moving from the ideological standpoint that regards existing market mechanisms and configuration of property rights as *given*, and justified by the fact that, as in the case of Hi Tech industry for example, “only private sector firms can provide the research, technology and development capacity to address global health, environmental, and information challenges of the coming decade” (Richter 2002). They can indeed, but unfortunately, a part the fact that tax payers are subsidising private research and profits, private companies mostly provide research that pays off good financial returns, not the one that is most needed.<sup>18</sup>

But the key issue here is that the idea of “partnership” forces conflicting actors into discursive common ground (Duffield 2001). It is for this reason that critics suggests an alternative vocabulary to use when CSOs have to deal with TNCs.<sup>19</sup> It therefore implies the ideological belief that the goals of different actors are not mutually exclusive. Consequently, it closes debates on values. By closing the debate on values, partnership has interiorised the perspective of the “end of history” (Fukuyama 1992). We are thus told that the only viable way for us to deal with major problems of the world we are concerned about world’s problems them is *voluntary* participation in partnership with large business, their goals, their aspirations, their ways to do things and to relate to the “other” (the “human other” either as competitor or invisible, the “nature other” either as resource or invisible).

Once set up, the partnership process reproduces those norms through a system of mutual checks. Internalisation of norms is not given, but a strategic positing within the continuation of the systems. The mechanism of partnership is based on different actors sharing fundamental premises and the objective of mutual checks is the *deviation* from those premises. Partnership is constructed on the basis of such norms. Partners are partners because they *share* a discursive norm. Thus we have a process of domestication and diffusion of the market norms/priorities through the social field, the naturalisation of those norms and critical focussing only on the deviations from those norms. By helping highlighting deviations from a norm (labour, environmental, etc.), neoliberal governance does not question the social production and values of those norms. Within the partnership discourse, just as polemics and controversy are constructed around these norms, so is the space for corporate public relation point scoring. For example, Nike’s web site (<http://www.nike.com>, accessed June 2003) fences off its critics

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<sup>18</sup> For example, more than 11 million young children die every year, the risk of dying in childbirth is one in 48 in developing world and HIV/AIDS, malaria and other diseases are rampant. Yet, “from 1975 to 1996, 1,223 new genres of medicines were developed, but only 13 genres were intended to cure deprived people from major tropical diseases. In 1998, from the total budget of US\$70 billion allocated for research of the giant medicine corporations, only \$300 million (0.43 percent) was allocated for AIDS vaccine research and \$100 million (0.14 percent) for malaria medicine research.” Instead, the great bulk of research funding “was allocated to the research of cosmetics, obesity and other ‘vanity’ drugs” (Nugroho 2002). Surely, a “partnership” based on the priority of profit and market values will not change this trend.

<sup>19</sup> Richter (2000) for example proposes the following: “Instead of ‘dialogue’, for instance, words such as meeting, talks, discussion, debate or negotiation would be more exact. Using other terms would limit the impression that communications between industry and other actors aim at a free and open exchange of views between equal partners. Instead of ‘partnership’, the following terms could be used:

- corporate sponsorship or funding (for donations in cash and kind);
- tenders (for instance, for negotiations to achieve lower prices for industrially-manufactured products such as medicines);
- outsourcing or contracting out (of public services such as water supply and health care to for-profit entities);
- collaboration (such as on research into new pharmaceuticals and vaccines, which is often publicly subsidised);
- consultation (for example, on scientific standards which affect industry products or practices);
- co-regulation (for mutually-agreed arrangements governing corporate conduct);
- personnel secondment (for corporations placing and paying for their employees to work in international agencies such as those of the UN and the World Bank).”

by boasting that Nike's Vietnamese factories are paying above Vietnamese minimum wage (\$34 a month). Perfectly legal, perfectly moral, and commendable too: Nike can rescue its reputation by paying *above* minimum wage. It pays for corporations to invest in countries in which governments introduce minimum wages near starvation. All the same, Shell's can claim it is complying with environmental regulations in Durban, SA, yet respiratory illnesses of school children in South Durban are four times higher than elsewhere and there are sharp differences in air pollution levels and polluting incidents at Durban, SA and Frederica, Denmark Shell refineries (Foe 2003). Partnership does not recognise the universality of human needs, but the universality of the market norm. It is the yardstick against which deviations from the norm are measured and thought which the norm and the social production of these norms are internalised and left unchallenged.

Discursive common ground of this nature leaves out classic questions of political theory regarding, social justice, social contract, legitimacy, authority or power. Why have we abandoned this discussion? Is it correct for us not to talk about these issues? Is it a luxury not to talk about economic justice?

## Principles of selection

If "Partnership and participation imply the mutual acceptance of shared normative standards and frameworks", than "[d]egrees of agreement, or apparent agreement, within such normative framework' establish lines of inclusion and exclusion" (Duffield 2001). Indeed, once CSOs are confronted with the offer of partnership the key questions are for example the following: what are the principles of selection? Who are the agents/actors participating in the establishment of partnerships? Who do they represent? Will they accept the common ground necessary to play "games under rules", or will they want to play games about rules (Stoker 1998). And if there rules are not that of the market and profit, will they be labelled "rouges", "deviants", "terrorists" and criminalised accordingly? And if they are part of the game, to what extent are they under external pressure (such as budgetary constrains, limited access to resources) that limit their space and power to set desired rules?

The case of "corporate governance" can provide us with some general principles of selections.

Principle number 1, *discretion*. You are selected "partner" if you sign a confidentiality agreement. Your results of monitoring of environmental performance (or record on human or labour rights) will not be disclosed. See for example the case of Shell in Durban, (FOE 2002: 7).

Principle number 2: *Setting up hand picked groups* instead of working with existing ones (FOE, 2002: 9). There is of course a long corporate tradition in organising their opposition and turning them into "partners", in which companies have created unions to undermine less manageable workers' own. The same tradition is now extended to include environmental and other groups.

Principle number 3: *Enforced selection*. Working with local authorised groups in totalitarian countries. Shell again here is pointed out in its work in China (FOE 2002: 14). The UN is aware of this tactic that defines as "beneficial and silent complicity" (UN 2000a: 24).

Principle number 4: *Divide and rule*. Invite existing groups to closed door regular consultation, thus discouraging public debate.<sup>20</sup>

## Polanyi's inversion

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<sup>20</sup> As reported to me by an informer who has worked with an NGOs engaged in a brief partnership with the World Bank.

Another pillar of the governance discourse is what we may call “Polanyi’s inversion”. Karl Polanyi was the institutional economist whose seminal work *The Great Transformation* represented an important criticism of the myth of self-regulating markets and the neoclassical conception of the “economy” as a realm of human action that is independent and separated from society (Polanyi 1944). He argued that *the economy*, rather than being a distinct realm, *is embedded in society*. Governance discourse turns Polanyi’s criticism of neoclassical economics into its head as it is based on the need to *embed society and the environment into the economy*, into business priorities. Embedding society and environment into economy and business priorities is for example a landmark of the UN sponsored Global Compact 2000.

The rationale is that a commitment to corporate citizenship should begin within the organization itself by *embedding universal principles and values* into the strategic business vision, organisational culture and daily operations. (UN 2000b: 3, my emphasis)

Why is there the need for embedding society and environment into economy and business priorities? Because of a “growing moral imperative to behave responsibly is allied to the recognition that a good human rights record can support improved business performance” (UN 2000a: 18). Human rights, environmental protection and “universal values” are thus good for business. But what about if they are not? What types of value come then first, “universal values” or shareholder values? And how are we then supposed to deal with the issue if the latter come first, since there are only *voluntary* codes?

An illustration of the bias of such an approach can be given by visiting the web site of one of the signatories of the global compact, Shell. After several public relation disasters concerning the allegation of the links between the oil company and the Nigerian regime in the repression of the movement of the Ogoni people and the execution of human right leader Ken Saro-Wiwa in 1995, Shell launched a huge public relation campaign and is now in the front line on the question of corporate governance and working with civil society in what we called governance layer II. In 1997 they made a “public commitment to contribute to Sustainable development.” In 1998, they published their first Shell report “documenting the actions we have taken to meet our responsibilities and creating value for the future.” In its website (<http://www.shell.com>, accessed June 2003) Shell boasts a commitment to sustainable development, a concept “developed under the auspices of the UN as a way for governments to solve some of the world’s most pressing problems.” Although “[b]usinesses alone cannot create a sustainable future” they have however “an important role to play”. The pledge is thus that “We [ie. Shell], as part of society, intend to play our part both as a company and an energy provider.” In 2002 they published another report in which “meeting the energy challenge” includes talks of collaboration with other parts of civil society and sustainable development projects. Sustainable development becomes a way to “integrate the economic, environmental and societal aspects of our business to achieve sustained financial success, safeguard our environment and develop our reputation as partner and provider of first choice for all of our stakeholders.” In this sense, “Sustainable development is not just about the environment and social concerns, it’s very much about economic performance too. For these reasons it makes good business sense.” Embedment and a continuity among powers is here a must: “Our biggest challenges now are consistent delivery across all our operations and weaving together the economic, environmental and social strands of sustainable development, rather than addressing each in isolation.”

However, as soon as one’s browser is pointed at the page listing Shell’s seven principles of sustainable development, one cannot fail to notice principle number 1, “Generating robust profitability,” or, to quote fully:

“Successful financial performance is essential to our sustainable future and contributes to the prosperity of society. We use recognised measures to judge our profitability. We seek to achieve robust profitability by, for example, reducing costs, improving margins, increasing revenue and managing working capital effectively.”

This is soon followed by principles number 2, “Delivering value to customers”. All the other principles more familiar to environmentalists are subordinated to the sustainability of markets and profitability.

We can thus wonder whether this Polanyi's inversion that acknowledges on one side the "values" of society — on grounds such as "human rights", "environment", "labour standards", and on the other subordinate them to the economic and business priorities of corporate capital, is just a type of public relations. Shell for example forecasts a yearly expenditure for renewable energies of about \$200m a year, 1.7 % of their capital expenditure. Yet at the same time current yearly expenditure for fossil fuel exploration and reproduction is \$8bn (FOE, The Other Shell Report 2002).

## **Conclusions**

In this analysis, governance, far from representing a paradigm shift away from neoliberal practices, has been shown to be central element of the neoliberal discourse in a particular phase of it, when neoliberalism and capital in general face particular stringent problems of accumulation, growing social conflict and a crisis of reproduction. Governance sets itself the task to tackle these problems for capital by relaying the disciplinary role of the market through the establishment of a "continuity of powers" based on normalised market values as the truly universal values. Governance thus seeks to embed these values in the many ways the vast arrays of social and environmental problems are addressed. It thus promotes active participation of society in the reproduction of life and of our species on the basis of this market normalisation. Neoliberal governance thus seeks co-optation of the struggles for reproduction and social justice and, ultimately, promotes the perspective of the "end of history" (Fukuyama 1992).

We have seen that layer II governance is a way to deal with the problem of "stability of social flows" that cannot be turned into systemic disciplinary flows by the market mechanism as in the original neoliberal project. There is also ground to believe that the level of recomposition of the movement in the third phase of the neoliberal period has made the task of this layer II governance quite difficult. In other words, layer II governance is in crisis at the very beginning of its implementation. Very few NGOs can sustain material or discursive close partnership relations with business and government without at the same time alienating the support of social movements and thus their legitimacy. Also, the growing social movements and high profile campaigns against international economic institutions are making increasingly difficult to preserve legitimacy for the institutions of layer I governance.

In this context, we could ask whether war — and especially the paradigm of permanent war that is emerging after 9/11 — can also be seen as an attempt to push through a reconfiguration of governance layer I — a redefinition of the system of rules and institutions that better — as well as an opportunity to push forward the project of layer II governance. In the last case, the recent U.S. administration bashing of NGOs (see note 9), coupled with the hike in the criminalisation of social movements and pervasive patriotism brought by the permanent "war on terror", might represent a desperate attempt to impose the principle of selection and the discursive common ground that we have seen is necessary for layer II governance to be operational. After all, it was the Second World War that facilitated the formation of a common discourse between unions, state and corporations, through the institutionalisation and bureaucratisation of trade unions in the United States facilitated by the state in exchange of the "no strike pledge" and acceptance of the rules of bargaining and of companies right to managerial control of production (De Angelis 2000a).

Finally, the implication of this analysis is also that governance discourse, together with the neoliberal project, can and must be problematised and opposed by reconnecting with the traditional problems of political theory, the question of what constitute social (and economic) justice. If governance is a strategy attempting to establish a "continuity of powers" geared to accumulation, and if this continuity of social powers subordinate any value to the market as value (McMurthy 1998), then governance and neoliberalism can and must be problematised by reopening the question of "values" and "power". This is not a question of outlying "universal values" and asking people to regroup beyond them. Rather, it is a question of finding organisational forms through which questions regarding the *values* governing our

planetary social interactions are raised in every corner of global society. We need to push forward the process of opening the debate over how we produce and reproduce our species and our ecosystems. Which in turn poses the question of the exercise of human *power*, of who control what, for what purpose, for what ends, in what manner. Ultimately, it is only a question of re-opening history through a political process grounded on the activity of asking fundamental questions.

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