States, Communities and Markets:
The Distributed Governance Scenario

Gilles Paquet
Faculty of Administration
University of Ottawa

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is gratefully acknowledged.

"...the creation of risks has outpaced the development of trust ..."


Introduction

Richard Cooper's paper is unambiguous in its conclusion: our era marks the "beginning of the end of the Westphalian state system". This conclusion echoes many recent diagnoses of the demise of the nation-state (Kaplan 1994; Drucker 1994; Ohmae 1995; Huntington 1996). What is particularly interesting in Cooper's analysis is his ruthless use of Ockham's razor. His analysis focuses on three rather simple factors which are sufficient, in his estimation, to explain the erosion of this dominant jurisdiction. The first two, population pressure and higher standards of living, explain the growing demand pressures put on the state as an echo of the expectations of this larger and richer population. The third factor, the greater mobility of the factors of production, underpins the considerably weaker capacity of the state to extract from footloose factors of production any additional resources at the very moment when the nation-state requires them to meet the growing demands for public goods.

This is not the first time that the nation-state has been pronounced dead or dying. Even, some twenty years ago, many observers had already declared that it had become too small to deal effectively with important transnational issues, and too large to deal effectively with smallish local issues (Bell 1976).

But this argument is persuasive only if one focuses on the state component of the nation-state.

It is easy to show that demographic movements and technology, financial and communication flows have transformed the borders of the national state into rather porous boundaries, and that the political territory of the national state is becoming less and less congruent with the meaningful contemporary economic realities. This is the case even if the borders of the national state would still appear to be significant and to matter (The Economist 1990; McCallum 1995). One may explain this residual meaningfulness by the fact that the socio-economic outcomes are still mediated to a certain extent by the national state context (i.e. by resilient modes of regulation that remain national in scope, and engender principles of cooperation and competition shaped by national regimes) (Ettlinger 1994).

But, this insistence on national state structures leaves too much out of the equation: the central concern is not structures but the process of governance (Paquet 1994). Consequently, even though one might go along with the thrust of Cooper's argument about the traditional state, there is much to be gained from developing a heuristically more robust alternative problématique based on
governance: it should be capable of providing not only an explanation for the faltering of the national state, but also some sense of what governance system is emerging in its place.

In the next sections, we first suggest an analytical framework to examine the process of governance. Then we show that governance has evolved away from state-centered, bureaucratic and hierarchical regimes toward a more distributed pattern of authority dispersed over economy, society, and polity. This leads, in section 3, to an exploration of the consequences of this de facto decoupling of nation and state on the emerging governance system. In conclusion, we suggest that the new distributed governance will generate not only a more diffused pattern of power, but that it will also tend to vest communities and meso innovation systems with a new and greater valence.

1. The Governance Problématique

Governance is about guiding: it is the process through which an organization is steered.

(a) From a Newtonian to a Quantum world

Fifty years ago, in Canada, governance was debated in the language of management science. It was presumed that public, private and social organizations were strongly directed by leaders who had a good understanding of their environment, of the future trends in the environment if nothing were done to modify it, of the inexorable rules of the game they had to put up with, and of the goals pursued by their own organization. Those were the days when social sciences were still Newtonian: a world of deterministic, well-behaved mechanical processes where causality was simple because the whole was the sum of the parts. The challenge was relatively simple: building on the well-defined goals of the organization to design the control mechanisms likely to get the organization where it wanted to be.

Many issues were clearly amenable to this approach, and many still are. But as the pace of change accelerated, and as the issues grew more complex, private, public and social organizations came to be confronted more and more with "wicked problems," that is, issues in which the goals either are not known or are very ambiguous, and in which the means-ends relationships are highly uncertain and poorly understood (Rittel and Webber 1973). In dealing with such problems, inquiry (in the Deweyan sense) can only mean "thinking and acting that originates in and aims at resolving a situation of uncertainty, doubt and puzzlement" (Schon 1995:82). This calls for a new way of thinking about governance. At best, one may hope for pattern causality: the gradual construction of a "causal" story on the basis of a background knowledge of the system that is often tacit and "working back", so to speak, as plumbers do when tracing a leak to its source. In this Quantum world, there is no objective reality, the uncertainty principle looms large, events are at best probable, and the whole is a network of synergies and interactions that is quite different from the sum of the parts (Becker 1991).

Three important forces have played a central role in generating this Quantum world: the rise of the international flexible production system (Morales 1994), the accelerating pace of technological change, and the new global financial structure. As a result, governments and state authorities have lost much of their dominium over national economies and societies, and there has been a decline
in state legitimacy (Strange 1996).

(b) The Boulding triangle

The erosion of the power and legitimacy of the state has shifted attention to the non-state authority in the governance of the nation-state, to the other loci or sources of power and authority. Recently, a number of important studies have explored these different sites of power and tracked down the ways in which much of the state authority has become diffused to non-state agents in both economy and society (Horsman and Marshall 1994; Held 1995; Strange 1996). Even in the old world of governance, the boundaries between the economic, political and social spheres were never either well-defined conceptually, or well-delineated statistically: they did not correspond to a rigid frontier, but rather to a wavering and evolving fracture zone between subsets of organizations and institutions integrated by different mechanisms. This has become even more true in the new world of governance.

Economists have explored this terrain for quite some time. François Perroux and Kenneth Boulding have proposed a simple conceptual scheme to map out this terrain (Perroux 1960; Boulding 1970). Both identified three generic ensembles of organizations more or less dominated by a different mechanism of integration: quid pro quo exchange (market economy), coercion (polity), and gift or solidarity (community and society). These mechanisms had been explored by Karl Polanyi (1957) as dominant features of the concrete socio-economies of the past. Perroux and Boulding fleshed out the idea and applied it to the modern context.

To map out this terrain, Boulding used a simple triangle, with each of these mechanisms of integration in its purest form at one of the apexes; all the inner territory represented organizations and institutions embodying different mixes of these integrative mechanisms. A lightly modified version of this sort of triangle is presented in Figure 1.
This approach provides a rough cartography of the organizational terrain into three domains where the rules, arrangements or mechanisms of coordination are based on different principles: the economic/market domain (B) where supply and demand forces and price mechanism are the norms; the state domain (C) where coercion and redistribution are the rules; and the civil society domain (A) where cooperation, reciprocity and solidarity are the integrating principles. This corresponds roughly to the standard partitioning of human organizations into economy, polity and society (Wolfe 1989).

A careful survey of the organizational terrain of many advanced socio-political economies would reveal that society (A), economy (B) and polity (C) each occupy roughly one third of the organizational territory, and that the central point is a rough approximation of the center of gravity of the organizational triangle. This does not correspond to the statistical portrait emerging from official agencies, mainly because zone A activities are under-reported, and little effort has been made to measure them better. Activities in the home, within not-for-profit associations, and in general beyond the market and the state, are poorly recorded and remain largely underground (Paquet 1989a).

These three sectors have not always had equal valence and need not have a similar weight. A century ago, the state portion was quite limited and the Canadian scene was dominated by the other two sets of organizations. From the late 19th century to the 1970s, government grew in importance to the point where probably half of the measured activities fell into the general ambit of state and state-related activities. The boundaries have been displaced accordingly over time. More recently, there has been a vigorous counter-movement of privatization and deregulation that has caused a reduction of the state sector, and a reverse shift of the boundaries (Paquet 1996a).

There has been, in parallel with these swings (giving more valence to one or another of the family of integration mechanisms) a tendency for the new socio-economy to trigger the development of an ever larger number of mixed institutions, blending these different mechanisms to some extent (market-based public regulation, public-private-social partnering, etc.) in order to provide the necessary signposts and orientation maps. This has translated in the recent past into a much denser filling in of the Boulding triangle. A variety of arrangements now exist that provide for compromises between the different pure principles of integration. Mixed institutions have been designed that are capable of providing the basis for cooperation, harmonization, concertation, and even co-decision mechanisms involving elements from the three sectors (Leroy 1990; Burelle 1995).

(c) Heterarchy and coevolution

A modification of the governance process entails some re-arrangement of the role of each sector, and therefore entails a shift of the boundaries between A, B and C. Any shift in boundaries corresponds to a new division of labour among the three sectors, but there is not necessarily a
hierarchy among those sectors.

Indeed, the great weaknesses of most analyses of the scope of government have been that they ascribe to the state (and in general to the public sphere) either a dependent and somewhat secondary role vis-à-vis the market, or a domineering role vis-à-vis economy and society: the state being required to attend to matters only when neither the market nor civil society were able to take care of it in the first case, and imposing hegemonic constraints on the other sectors in the second case. Both these positions are misleading ideological stands. In reality, the relationships among sectors are heterarchical: it is not a world with a pecking order. Heterarchy introduces "strange loops" of authority "under conditions of time and place" very much like the "game of paper, rock, and scissors where paper covers rock, rock crushes scissors, and scissors cut paper" (Ogilvy 1986-87). Any sector may at times have a dominium over the others: indeed, the three sectors co-evolve.

The ecological concept of coevolution provides an apt way to synthesize the links among these three universes. Coevolution in biology refers to an evolutionary process based on reciprocal responses of closely interacting species. Reference has been made to the coevolution of the beaks of hummingbirds and the shape of the flowers they feed on. The concept can be generalized to encompass feedback processes among interacting systems (social, economic, political) going through a reciprocal process of change. The process of coevolution becomes a form of organizational learning: that is, of joint learning and interadjustment of economy, society and state (Norgaard 1984).

The central characteristics of this jointly evolving process are resilience (the capacity for the economy-polity-society nexus to spring back undamaged from pressure or shock through some slight re-arrangements that do not modify the nature of the overall system), and learning (the capacity to improve present performance as a result of experience through a redefinition of the organization's objectives, and a modification of behaviour and structures as a result of new circumstances). These governing relations are in creative tension (resilience calls for preservation while learning means change) and must be balanced. This does not call for a rigid division of labour among the spheres, but rather, for a capacity to switch to a greater or lesser dependence on one family of integrative mechanisms or another as circumstances change.

One may identify a variety of mixes of political, social and economic mechanisms (and different modes of interaction among government, business and society) in different portions of the world. The Anglo-American system (Canada, U.S.A., U.K., Austrlia, New Zealand, and South Africa) is prone to giving a dominant valence to the market mechanism, to the point of belittling the scope of state and civil society. But this sort of system represents no more than 25% of world trade, and an even lesser percentage of socio-economic transactions. Other parts of the world (Western Europe, Japan, etc.) have chosen to assign a much greater role for the state in their national fabric (but also to community, culture, citizenship, social cohesion) (Dahrendorf 1995).

In this process of coevolution, adjustments are not the result of the workings of some invisible
hand. The state has an important role in maintaining healthy communication in the forum and workable competition in the market: it has an important intelligence function if it is to act as catalyst in an innovative learning process (Wilensky 1967; Lundvall 1992).

2. Toward a Distributed Governance

The governance system has evolved considerably over the past few decades as a result of the important shocks emanating from demographic, financial, and technological change. However, it is not always understood that it has also been transformed as the result of a number of rounds of adaptation to provide the requisite flexibility and suppleness of action. The ultimate result of these changes is a composite governance system, built on unreliable control mechanisms in pursuit of ill-defined goals, in a universe that is chronically in a state of flux. This composite governance process has emerged as the result of a process of complexification that has blended in a new way the different integrative mechanisms within organizations (Boisot 1987; Paquet 1994b).

(a) The Boisot grid

In early times, when organizations were relatively small and under the direction of autocratic leaders, governance had a fiefdom quality: information flows were very informal, and they were strongly focused on a small group around the leader. But as problems grew more complex, this pattern of governance faltered. More elaborate structures and more formal rules had to evolve to meet the organization's changing needs. But these formal rules remained the preserve of those at the top of the hierarchies. From these emerged the more or less standardized bureaucratic forms of organization that played an important role during ``les trentes glorieuses années'' between the 1940s and the 1970s.

As the pace of change accelerated, problems became ever more complex, more ill-structured and ever-changing and the bureaucratic system, with its slow capacity to transform, began to show signs of dysfunction. This led to efforts to partition private, public and social bureaucracies into smaller, self-contained, and more flexible units that were likely to be more responsive to clients. This market-type governance, built on the price system, had the benefit of being more inclusive, for price information is widely shared. In the private sector, large companies went into a process of segmentation, creating a multiplicity of more or less independent profit-centred organizations likely to be more attentive to the changing needs of clients, and to be more adaptable to evolving circumstances. With a lag, public bureaucracies have gone the same route with, for instance, the creation of Executive Agencies in the United Kingdom, or Special Operating Agencies in Canada. Organizations came to be governed to a much greater extent than before by the ``invisible hand'' of the market.

But information flows in market-type organizations are anonymous and highly stylized. The price-driven steering mechanism within organizations often, therefore, proved to be less than perfect. For instance, it was insensitive to third-party effects and external economies, and was incapable of appreciating either the synergies within the organization, or the various forces at work in the
external environment. More importantly, the myopia of the market led to short-term opportunistic competitive behaviour that proved disastrous for organizations. As a result, an effort was made to establish or re-establish within their decentralized units the informal cooperative links (les liens moraux) that might give an organization a sense of shared values and commitments. Corporate culture acquired a new importance as the sort of social glue that enabled organizations to steer themselves better through a greater use of informal moral contracts based on shared values.

This shift in the centre of gravity of the governance system is captured well by Max Boisot's information space (Figure #2), in which he identifies the different types of governance schemes that correspond to more or less codified and more or less diffused information flows [Boisot 1987].

![Figure #2: Boisot's Information Space](image)

While earlier forms of governance continue to persist and endure, the whole organizational architecture has come to be dominated less and less by the sort of centralized formal decision-making and hierarchical control that characterize the governance of fiefdoms and bureaucracies, and more and more by informal and distributed governance systems such as those that characterize
markets and clans. Within a complex and multifaceted governance process, the center of gravity of Boisot’s information space has been shifting broadly from a bureaucratic focus to a market-cum-clan focus over the past few decades.

(b) Globalization and dispersion

Numerous forces have brought about this drift in the governance process of organizations from all three broad sectors. But the acceleration of technical change, the globalization of the finance, investment and production processes, and the information/communication revolution have been central. They have set the stage for globalization and the breaking down of borders (Horsman and Marshall 1994). As a result, the centralized and hierarchical governance structures have been under stress because of their poor capacity to respond quickly and effectively to fast changing circumstances.

In times of change, organizations can only govern themselves by becoming capable of learning both what their goals are, and the means to reach them as they proceed. This is done by tapping the knowledge and information that active citizens possess, and getting them to invent ways out of the predicaments they are in. That leads to a more distributed governance that deprives the leader of his or her monopoly on the governing of the organization: for the organization to learn quickly, everyone must take part in the conversation, and bring forward each bit of knowledge and wisdom that he or she has that has a bearing on the issue (Paquet 1992; Webber 1993; Piore 1995).

To cope with a turbulent environment, organizations must use the environment strategically, in the manner in which the surfer uses the wave, to learn faster, to adapt more quickly. This calls for non-centralization, for an expropriation of the power to steer held by the top managers of the organization: we have moved very far from a unilateral decentralization that can be rescinded. There must be a constant negotiation and bargaining with partners. Managers must exploit all the favorable environmental circumstances, and the full complement of imagination and resourcefulness in the heart and mind of each team player; they must become team leaders in task force-type projects, quasi-entrepreneurs capable of cautious sub-optimizing in the face of a turbulent environment (Leblond and Paquet 1988).

This sort of strategy calls for lighter, more horizontal and modular structures, networks and informal clan-like rapport (Bressand et al. 1990) in units freer from procedural morass, empowered to define their mission and their clienteles more precisely, and to invent different performance indicators. This is the case not only in the public sector: in the private sector, the "virtual corporation" and the "modular corporation" are now the new models of governance (Business Week and Tully in Fortune February 8, 1992).

These new modularized private, public and social organizations cannot impose their views on
clients or citizens in a Taylorian way. The firm, very much like the state, must consult. Deliberation and negotiation are everywhere: moving away from goals and controls and deeply into intelligence and innovation. A society based on participation, negotiation, and bargaining more and more replaces one based on universal rights. The strategic organization has to become a broker, a negotiator, an animateur: in this network a consultative and participative mode obtains among the socio-economy, the firm, the state, and communities (Paquet 1992, 1994; Cassells 1996).

All this triggers a paradoxical outcome that has been analyzed by Naisbitt (1994) and christened globalization by Courchene (1995). As globalization proceeds, economic integration increases, and the component parts of the system become more numerous. The central question is how to organize for faster learning. And it would appear, according to Naisbitt, that the game of learning is going to generate innovation and speed if those components confronted with different local realities are empowered to take decisions on the spot. This is why globalization has led to localization of decision-making, to empowerment, to the dispersion of power, and to a more distributed governance process.

(c) Triangle-wide governance system

Distributed governance does not entail only a process of dispersion of power toward localized decision-making within each sector: it entails a dispersion of power over a wide variety of actors and groups within the Boulding triangle, because of the fact that it has been established that the best learning experience in a context of rapid change can be effected through decentralized and flexible teams woven by moral contracts and reciprocal obligations negotiated in the context of evolving partnerships (Nohria and Eccles 1992; de la Mothe and Paquet 1994).

Distributed governance is embedded in a set of organizations and institutions built on market forces, the state and civil society. But it is most importantly nested in transversal links relating these three families of institutions and organizations, and allowing them to be integrated into a sort of neural net. These transversal links neither echo the traditional functional top-down organization, nor the matrix form of organizations, where vertical-functional and horizontal-process rapports are supposedly keeping one another in check. Rather, in a transversal world, processes are dominant, and the reaction to external challenges is for the different stakeholders to coalesce laterally to create informal links and multifunctional teams capable of promoting faster and more effective learning (Tarondeau and Wright 1995).

Under ideal circumstances, this multifunctional esprit de corps provides a most fertile ground for social learning. It is based on the existence of a social capital of trust, reasonableness and mutual understanding that facilitates the debates, and generates a sort of basic pragmatic ethic likely to promote interaction and synergies among the many potential partners from each of the three families of organizations. But this entails a mobilization of all participants through a wide array of coordination maps and institutions all over the Boulding triangle. And this may prove much more difficult to realize than is usually presumed. Indeed, not all social learning is feed-forward
social learning, and, consequently, the neural net-ty arrangements may encompass only a portion of the Boulding space, and may link the different components only very loosely.

In these forums that cut across bureaucratic hierarchies and vertical lines of power, fraught with overlapping memberships, personal ties, temporary coalitions and special-task organizations, "the organizational structure of the future is already being created by the most as well as the least powerful" within the new paradigm (Hine 1977). Indeed, to the extent that middle-range regional and transnational networks emerge that are cutting across usual structures, the interactions distill in an evolutionary way an always imperfectly bounded network (Strange 1996).

3. Decoupling nation and state

Our discussion of the governance process would appear to suggest that a decoupling of the nation from the state is indeed one of the central features of the recent evolution. The realignment between state and nation may well translate into a weakening of the state at the national level while the nation or the tribe may acquire a greater presence in the governance system and fuel a new prominence of national and subnational communities. In the world of glocalization, the community's culture and ethos, together with the sort of partnerships enterprise may construct with local government and third sector organizations, may hold the key to regional our subnational success (Saxenian 1994). So it may well be that the national state is losing power while the national communities' power and authority is growing.

This is a point that is likely to be lost entirely in Cooper's paper because of its fixation on the role of the state. Our sense is that, in the distributed governance scheme, non-state authorities are likely to have a heightened role.

(a) More nation and less state

Observers of the 1980s have forcefully made the point that `new realities' had been emerging which had created a dual crisis for the national state: a crisis of performance as the state proved more and more clearly that it could not perform adequately its traditional functions and a crisis of legitimacy as it became obvious that it could no longer count on mass loyalty to perform its duties (Horsman and Marshall 1994:219).

In Peter Drucker's `new realities' (1989), the questions, who has the authority? who has the power? to whom are the institutions accountable? have become more complex as the power and authority became dispersed in a mutiplicity of sites, and as a multiplicity of allegiances ensued. While it has been said that much of that dispersion was possible only because of the modern state, and its capacity to act as a container that shapes all these other allegiances (Walker 1991), the sheer diffraction that this dispersion of power generated led quickly to the modern state's becoming only one form of collective action among many, and one that could no longer claim to be the repository of sovereignty. Sovereignty had become distributed among many sites, and the new citizen had to develop multiple allegiances as bodies other than the nation-state came to be
the legitimate repository of much authority. The state was left with only limited brokerage power in this new setting.

The nature of this diffusion of power, and the consequent quantity and quality of authority exercised by the different sites, is a matter on which consensus is not yet established. But there is a broad agreement that non-state authorities exist not only all over the terrain covered by the Boulding triangle, but at all territorial levels (i.e., at all levels of governance - global, regional, continental, national, sub-national and local). Some have argued that the weakening of states' authority has led to their failure to discharge their former responsibilities, and that some ungovernance has ensued (Strange 1996:14).

This proposition is on the whole correct in the short-run. In the longer haul, however, the pattern of power changes but the lesser authority of the national states and polities leads to other actors in the economy and society taking on these new responsibilities.

This coevolutionary nature of the pattern of authority does not presume that there is a given quantity-cum-quality of authority that is always retained by someone. Rather, it suggests that any vacuum left by the weakening of the national state leads to some reaction in the other two sectors of the Boulding triangle, and to some reaction at the other levels of governance as well (global, continental, regional, sub-national and local) and that tends to generate other sites of authority to fill the vacuum.

This process may obviously be derailed by major changes in the fluidity of the system. Broad sweeping civilizational moves à la Huntington (1996) on the global scale, or the development of new corporatist single-issue `identity groups' defined by a total allegiance to a single club at the national or sub-national level (Piore 1995) may prevent the sort of on-going conversation that will lead to social learning and to the emergence of compensatory institutions in other sectors, or at other levels, when the state weakens. But these are unlikely to prevent the dispersion of power (outward, sideways and downward) toward new sites of authority.

One should not infer from these trends that the national state is about to disappear. At this time, there are still "no substitute structures that can perform all the functions traditionally associated with the nation-state"; one may only say that people "are prepared increasingly to divide their loyalties... and multiple loyalties will be the inevitable result" (Horsman and Marshall 1994:264; Strange 1996:86). The national state is simply losing its privileged position. What is less clear is the way in which the new pattern of loyalties and allegiances will crystallize.

(b) Transversal governance and meso-innovation systems

Our exploration of the evolution of the governance process suggests that this new pattern tend to evolve in two very well-defined directions: (1) its center of gravity shifting downward toward the sub-national level, with a pattern of power distributed more broadly along the supra-nation-state / infra-nation-state axis, and (2) its diffusion reducing the valence of the national government in
the governance process and spanning a broader terrain involving institutions and coordinating maps from the economic and social sectors.

This new, more devolved and more distributed governance process will be transversal, and built on a multifunctional esprit de corps that provides a most fertile ground for social learning, and underpins the sound functioning of economy, society and polity.

The fact that the national state loses its prominence does not mean that the governance process loses its integrity. What it means is that the governance system comes to be built on a different logic, and becomes coordinated much less by coercive and hierarchical top-down pressures than by associative networks of cooperation built on a quid pro quo exchange and on consensus and inducement-oriented systems. Moreover, it means that the center of gravity of the governance system is going to shift downward to the sub-national level from its former focal point on the nation-state. The transversal governance system will therefore blend components at the transnational, national and sub-national levels across the three zones of the Boulding triangle.

The addition of a major component of associative governance to the more traditional state and market governance mechanisms triggers a major qualitative change. It introduces the network paradigm within the governance process (Cooke and Morgan 1993). And this paradigm not only dominates the transactions of the social sector, but permeates the operations of both the state and market sectors (Amin and Thrift 1995). For the network is not, as is usually assumed, a mixed form of organization existing halfway on a continuum ranging from market to hierarchy. Rather, it is a generic name for a third type of arrangement, built on very different integrating mechanisms: networks are consensus/inducement-oriented organizations and institutions (Kumon 1992; Acs, de la Mothe, Paquet 1996).

Networks have two sets of characteristics: those derived from their dominant logic (consensus and inducement-oriented systems) and those derived from their structure.

The consensus dominant logic does not abolish power, but it means that power is distributed. A central and critical feature of networks is the emphasis on voluntary adherence to norms. While this voluntary adherence does not necessarily appear to generate constraints per se on the size of the organization, it is not always easy for a set of shared values to spread over massive disjointed transnational communities: free riding, high transaction costs, problems of accountability, etc. impose extra work. So the benefits in terms of leanness, agility and flexibility are such that many important multinationals have chosen not to manage their affairs as a global production engine, but as a multitude of smaller quasi-independent units coordinated by a loose confederated structure, because of the organizational diseconomies of scale in building a clan-type organization (O'Toole/Bennis 1992; Handy 1992).

As for the structural characteristics of the network, they complement nicely the distributed, decentralized, collaborative and adaptive network intelligence (Kelly 1994: 189). The network externalities and spillovers are not spreading in a frictionless world. Networking casts much more
of a local shadow than is usually presumed: "space becomes ever more variegated, heterogeneous and finely textured in part because the processes of spatial reorganization ... have the power to exploit relatively minute spatial differences to good effect (Harvey 1988). Consequently, a network does not extend boundlessly, but tends instead to crystallize around a unifying purpose, mobilizing independent members through voluntary links, around multiple leaders in integrated levels of overlapping and superimposed webs of solidarity. This underscores the enormous importance of "regional business cultures", and explains the relative importance of small and medium-sized enterprises networks in generating new ideas (Putnam 1993; Lipnack and Stamps 1994).

Reciprocity based on voluntary adherence generates lower costs of cooperation, and therefore stimulates more networking as social capital accumulates with trust.

Not only are the networks generating social capital and wealth, they have also been closely associated with a greater degree of progressivity in the economy: that is, with a higher degree of innovativeness and capacity to transform because networks cross boundaries. Indeed, boundary-crossing networks are likely to ignite much innovativeness because they provide an opportunity for reframing and recasting perspectives, and for questioning the assumptions that have been in good currency. One might suggest a parallel between boundary-crossing and migration into another world in which one's home experience serves as a useful contrast to the new realities. Much of the buoyant immigrant entrepreneurship is rooted in this dual capacity to see things differently, and to network within and across boundaries. In the face of placeless power in a globalized economy, seemingly powerless places, with their own communication code on a historically specific territory, are fitful terrains for local collaborative innovation networks (Acs, de la Mothe and Paquet 1996).

(c) Renaissance-style interdependency

In an earlier paper (Paquet 1995b), we have explained that co-evolution (i.e., organizational and institutional co-learning among society, polity and economy, but also among the different layers of networks, and among the different meso-forums) occurs in loci where there are overlapping jurisdictions or interests and where paramountcy may depend on circumstances. This is the locus for transversal integration.

Coevolution thrives on the symbiosis among the political, social and economic spheres, on alliances and partnerships across borders and boundaries. Consequently, the emerging consensus or compromise may take root in any portion of the terrain, and importantly constrain other portions of the institutional order. Any tight compartmentalization of the three families of institutions is bound to be counterproductive, for they are in a process of co-evolution (Norgaard 1994). Coevolution entails a focus on transversal relations as the relevant unit of analysis, and a forging of coordination built on trespassing (Paquet 1993).

In the transition period from the present nation-state dominated era to the emergent new era of
distributed governance and transversal coordination, there will be a tendency for much devolution and decentralization of decision-making, for the meso-level units in polity, society and economy to become prominent, and for the rules of the game of the emergent order to be couched in informal terms. Moreover, the emergent properties of the new order (be it a public philosophy of subsidiarity or another set of workable guiding principles) are likely to remain relatively unpredictable as one might expect in a neural net type model (Ziman 1991).

For the multi-layered structure is something very like a neural net of the kind found in a living brain. Such a layered system of many signal-processing units interacting in parallel within and between layers has remarkable properties. It can learn and transform in reaction to external stimuli and develop a capacity for pattern recognition and for adaptation through experience. Indeed, if the metaphor can be used, the resiliency of the neural net (in the brain or in an organization) is due to the redundancy of connections which allow the information flow to circumvent a hole or a lesion.

It is our view that the new form of transversal coordination now in the making may not suffer as much as some fear from the loss of central control and the weakening of the national state imperium. One may indeed expect the emergence of a different sort of imperium, better adapted to the network age: an `imperial' age reminiscent of the Roman empire under Hadrian where the institutional order did not aspire to be more than a loose web of agreements to ensure compatibility among open networks (Guéhenno 1993).

Conclusion

The whole difference between the perspectives of the optimist and of the pessimist in the face of this new emerging institutional order hinges on the extent to which one believes in the effectiveness of the self-regulation of neural net-type networks. A large number of observers have developed a `centralized mindset' in the discussions about issues of governance. They assume that any effective organization requires a central authority. They focus on "centralized solutions even when decentralized approaches might be more appropriate, robust and reliable" (Resnick 1994:36). For them, decentralization is a sign of ungovernance. It is clear that for such observers the demise of the national state is perceived as a catastrophe. But there are others, for whom this very centralized mindset is the source of much misapprehension and the new emerging distributed governance system is likely to be more resilient for the very reason that it is distributed. For this second group, the new distributed governance is likely to generate a much more effective guidance system and a much more progressive socio-economy than the old national state.

If indeed, there is a danger looming large on the horizon, it is that the conservative forces at work in defense of the refurbishment of the nation-state may find it convenient, as a second- best solution designed to allay their basic fear of devolution, to set their sights on the region-state, instead of focusing on a much more massive devolution in line with the philosophy of subsidiarity that suggests that no authority should be allowed to flow to a higher level of governance if it can be exercised economically, efficiently and effectively at a lower level. Such a second-best strategy
might prevent the highest and best use of networking by freezing whole regions deprived of the requisite common culture, governance nimbleness, and economic development block into a role for which they are unsuited (Ohmae 1995). There may be meaningful ‘learning regions’ (Florida 1995), but these will probably be much smaller than the units generally associated with such labels. For instance, it is unlikely that Ontario as a region-state can do more than replicate at somewhat less undesirable levels many of the traits of the Canadian nation state.

GP/

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The e-Governance (digital government or online government) refers to government's use of information technology to exchange information and services with citizens, businesses, and other arms of government. E-Governance may be applied by the legislature, judiciary, or administration, in order to improve internal functioning of the system. E-Governance is a process of reform in the way Governments work, share information, engage citizens and deliver services to external and internal clients for the benefit of both government and the clients that they serve.