**Article for submission to**

**Policy Studies Journal**

**TITLE:**The Dynamic Role of State and Non-state Actors: Governance after Global Financial Crisis

**Authors**

Nick H. K. Or

Ana C. Aranda

**ABSTRACT**

In this article, we review the dynamic role of state and non-state actors in governance. We first discuss the main arguments for and against the state being the main actor in governance in recent literature. Then, we review some of the literature about the changing role of state and non-state actors in response to the 2007/8 global financial crisis from 2011 to 2015. The two themes under examination are, firstly, more control over financial markets and secondly, austerity measures. They illustrate different trajectories of governance that go beyond the now well-established New Public Management (NPM) paradigm of public sector reforms. Our review shows that no single actor provides the best mode of governance for all circumstances. Instead, governance is hybrid and dynamic. The mode of governance is dependent on the circumstances under which an actor is more capable of interacting with other actors to provide public services.

**KEY WORDS:**

governance; delivery of public services; policy provision; financial crisis; austerity

**Introduction**

Who delivers better governance, state or non-state actors? What is the role of the state and other private and societal actors in the delivery of public services? These questions have always been at the center of scholarly debates. By definition governance is inherently hybrid and dynamic, meaning that it involves more than one actor at a time – state, markets and civil society – (Capano, Howlett, and Ramesh 2015a; Torfing et al. 2012; Colebatch 2014). This means governance is a function of the context in which it is located or situated. However, there is disagreement on the role of state and non-state actors in good governance. State-centric theorists argue that the state is indispensable in maintaining good governance (Peters and Pierre 1998; Peters 2014; Fukuyama 2013; Torfing et al. 2012; Lodge and Wegrich 2014). On the contrary, others conclude that good government is not a necessary condition for good governance (Rothstein 2015). Others even suggest the state is irrelevant in governance (Krasner and Risse 2014; Rhodes 1996; Lee, Walter-Drop, and Wiesel 2014). These scholars offer distinct perspectives on the state of governance deserving of reflection.

In an earlier issue of *Policy Studies Journal*, Robichau’s (2011) ‘mosaic of governance’ highlighted how the high volume of theorizing on governance has led to much contention over applicable concepts and definitions. These include questions such as how different schools of thought elaborate the meanings of governance, what the role of the state is and its responsibility in governance, whether governance is conceptually different from, or in fact equivalent to, government and networks, whether governance can be typologized, and how to integrate democracy and governance. In addition to these points of debate, Robichau also identifies the three most commonly discussed mechanisms of governance, namely, networks, hierarchy and markets, and outlines the research challenges in the study of governance such as how to develop measures of the concept of good governance and how to test tangible governance practices through empirical research.

Since Robichau has already provided an overview of the growth and diversity of the studies of governance, our discussion focuses on how recent literature on governance discusses the changing role of the state and non-state actors involved in governance and the delivery of public services after the 2007/08 global financial crisis. The bailout of big banks and the austerity measures in Europe provide important lessons about the changing dynamic role between state and non-state actors. To draw insights from that, this article first reviews recent theoretical developments in relation to governance and the actors involved in the delivery of public services. This article then illustrates different trajectories of governance informed by empirical evidence in two themes – financial sector regulation and austerity measures – that contradicts and goes beyond the now well-established New Public Management (NPM) paradigm of public sector reforms. Our review shows that no single actor provides the best mode of governance for all circumstances. Instead, governance is hybrid and dynamic. The mode of governance is dependent on the circumstances under which an actor is more capable of interacting with other actors to provide public services.

**Study of Governance**

In the last three decades, literatures on public management and public services have blossomed. Pollitt and Bouckaert identified at least two waves of public management reforms before the idea of governance became prevalent (Pollitt and Bouckaert 2011, 5–9). The first wave came with modernization and rapid scientific and technological advancement, and was spearheaded by the United Kingdom, the United States and France in the 1960s. These reforms later became popular in the late 1970s and early 1980s with an emphasis on rational and strategic policymaking, evaluation and institutional arrangement within the machinery of government. The second wave was driven by pressures on public finances amidst global economic shocks and crises in the 1970s (King 1975). This was particularly prominent in welfare states in western democracies. This latter global trend became known as NPM and was characterized by a call for market-like practices that aimed to raise efficiency, effectiveness, and accountability to public service users in the 1980s. This trend evolved into movements of public sector reform centering upon ‘governance’ and adopted various strategies like ‘partnerships’, ‘joined-up government’ and so forth from the 1990s and onwards.

*Favoring the Market*

The literature on governance has been characterized by a constant search for better forms of governmental and public management (Rotberg 2014; Andrews 2010). States have enthusiastically moved to include markets on governmental activities and public services either as the service providers or partners (e.g. privatization and fiscal austerity) since the implementation of economically liberal policies (Hacker & Pierson, 2010). Partnership with the business sector is now a popular instrument for the delivery of public services.

Pollitt and Bouckaert (2011) argue that it is not difficult to see the influence of economic liberalism behind public management reforms. Public sector reforms and governance have heavily favored market-based principles and ideas of organization. The contagion of business-like practices in public services was prominent, and is still deeply influential in public administration research and practice. Politicians and public managers around the world, either intentionally or unintentionally, support deregulation and marketization. For example, Rothstein criticizes *Worldwide Governance Indicators* for assuming that neoliberal policies and reforms are a better and normatively positive form of governance (2011). Similarly, Fukuyama calls for a better measurement of governance beyond the limits and constraints of neoliberalism (2013; also see Holt and Manning 2014). Such a narrow form of governance also limited its applicability in developing countries (Fukuyama 2013, 349).

For some, liberalization in the last few decades has led to weakened and dismantled government, and has also contradicted democratic values with the rise of depoliticization and technocracy (Jessop 2007; Roberts 2010). In response, others argue that facilitating democratic participation and citizens’ inclusion in policymaking can improve the delivery of public services (Fenwick, Miller, and McTavish 2012), and that governance and public services should be delivered by networks (Rhodes 1996; Rhodes 2012). As a result, these discussions have moved governance literature away from the NPM approach (Needham 2007; Osborne 2009; Levi-Faur 2012). As more governance literature takes back the state and adds civil society as one of the main actors, an understanding of governance beyond liberalism becomes evident.

*Meta-governance*

Liberalism and market triumphalism in public management reforms have been challenged by the rise of governmental intervention (Sandel 2012; Pollitt and Bouckaert 2011). This has signaled not just a reconsideration of the Weberian state, but also points to a new interactive relationship between the state and other private and societal actors in the delivery of public services. The concept of “meta-governance” and its study has been introduced to characterize this relationship and reconcile the theoretical tensions between state-centric theorists and network theorists (E. T. Sørensen and Torfing 2007; E. Sørensen 2006; Torfing et al. 2012).

Meta-governance can be defined as “governance of governance” or “regulated self-regulation”, and “involves deliberate attempts to facilitate, manage, and direct more or less self-regulating processes of interactive governance without reverting to traditional statist styles of government in terms of bureaucratic rule making and imperative command” (Torfing et al. 2012, 122–123). The idea asserts that the bureaucratic state remains a significant governing actor, but would also facilitate the collaboration of private and societal actors and provide policy solutions (Lodge and Wegrich 2014). In this sense, the state is not necessarily the sole actor in providing direct public services and can also be the regulator of service providers (Fenwick, Miller, and McTavish 2012). Meta-governance can be thought of as ruling sets of organizations clustered around government functions (Jessop 2007) or coordination of fragmented political systems with plural and highly autonomous self-governing networks and institutions (E. Sørensen 2006). Rhodes specifies meta-governance as the “use of negotiation, diplomacy, and more informal modes of steering” (2012, 37). All in all, both state-centric and network theorists recognize and reaffirm the role of the state in governance and delivery of public services.

*Hybrid Modes of Governance and Governing in the Shadows*

Recent literature has identified three modes of governance, namely, hierarchy, markets and networks as the mechanism of delivery of public services (for more discussion, see Torfing, 2012). It challenges the assertion that a certain form of governance is a better form of governance in all circumstances. For example, Peters argues that “governance is inherently a hybrid activity, with public and private sector actors involved in varying degrees and in different ways.” (2014, 303). Policy solutions and delivery of public services can either be provided through hierarchy, markets or networks, but which one is preferred depends on the circumstances or contexts. Governance, in reality and in practice, is hybrid. It involves the collaboration between different actors depending on political regimes and policy areas.

In addition to its hybridity, governance can also be seen as the overlapping of different actors, which represents the interaction and collaboration of different stakeholders in governance and the delivery of public service, whereas non-overlapping parts represent the presence of a single actor as the sole and independent service provider. Following the same logic, Lynn (2012) lists some possible forms of governance, such as Traditional Governance as Government, Governance as Government with Civil Society, and Governance Centered in Civil Society. This echoes Peters’s idea of ‘governing in the shadows’ (2011a), which suggests that hierarchy, markets and societies have direct or indirect effects on each of the three modes of governance.

**Methodology**

To examine literature that address how the role of state and non-state actors change after the global financial crisis, we surveyed articles from top-tier journals and books from 2011 to 2015 that are related to our point of interest. For journals, we used the search engine in the websites of a number of top-tier journals in the areas of governance, public management and public policy[[1]](#footnote-1) with keywords *governance, public management, crisis, financial regulation and austerity*. For books, we used the same set of keywords to search the books from the Web of Science and Google Scholar. The authors reviewed each of them and selected those that fit our two themes under examination, namely, more controls over the financial markets and austerity measures.

**Governance Beyond Liberalism: Two Different Trajectories**

This article addresses how governance has changed since the financial crisis, and also reviews empirical evidence from the relevant literature to understand the change in modes of governance. With this aim, we offer critical reflection on different trajectories in governance beyond liberalism after the financial crisis. In the following, we briefly outline the significant lessons of global financial crisis to states and governance. Then, we provide two distinct trajectories of governance to illustrate the changing and more dynamic role of state and non-state actors after global financial crisis. The mode of governance is diverse rather than solely pointing towards neoliberalism in the NPM era since the 1960s. To illustrate these ideas, firstly, we review how states imposed more stringent regulations and controls during the event of the financial crisis. This is a manifestation of greater state intervention in market affairs. Secondly, in contrast, we look at austerity measures on public services with public budget cuts that demonstrate the trajectories of reduced state involvement, more market-like practices and more self-governance in civil society. These two themes under examination outline very different trajectories of governing processes in different circumstances. It also highlights the diverse yet viable modes of public service reforms after the crisis across advanced democracies.

*The Global Financial Crisis and its Significance to States and Governance*

The global financial crisis posed tremendous challenges to the state and governance (Lodge and Wegrich 2012), and highlighted serious failures of governance in the regulation of financial markets in advanced democracies (Rothstein 2012). However, many national governments initiated dramatic and coordinated responses to enforce market stabilization policies (Mügge 2014) and subsequently prevented another Great Depression (Hardiman 2012). These measures included the implementation of the Troubled Asset Relief Program (TARP) in the US, the bailout of giant banks (e.g. Goldman Sachs, Citigroup HSBC and Royal Bank of Scotland), insurers (e.g. AIG), secondary mortgage agencies (e.g. Fannie Mae and Freddie Mac) and other non-financial institutions (e.g. General Motors and Chrysler) in the US and UK, as well as restrictions on remuneration in financial services. These interventions deviated from, and contradicted, several decades of public administration reforms. Since the Regan and Thatcher eras, these had seen a shift from the Weberian state to NPM which is inspired by and resulted from the affirmation of liberalism and market triumphalism (Sandel 2012; Pollitt and Bouckaert 2011). Governmental interventions in these eras restated and reaffirmed the importance of the state in the maintenance of good governance amidst crisis, and led for calls for academics and practitioners to reconsider the effectiveness of “neoliberal policies that had either failed to prevent or arguably caused the crisis” (Wilson and Grant 2012, vi), and to rethink ‘market fundamentalism’ since the *Washington Consensus*, a belief that “markets solve most, if not all, economic problems by themselves” (Serra and Stiglitz 2008, 3). Therefore, the global financial crisis was a watershed for the study of governance, as the financial market turmoil manifested the decline of the markets and the rise of the governments in the midst of crisis (e.g. see Mügge 2014). Under this dynamic, it is timely to assess how this critical event has reshaped or redirected the discussion and development of the modes of governance. Hence, we traced some distinct trajectories of governance in the following to see the more dynamic role of state and non-state actors that moved beyond neoliberalism.

*More Control over Markets*

Governments have hailed markets as a primary and favorable mechanism in public management reforms for years. However, in recent years, this argument has been subject to much criticism in the literature, and the role of state has become important again. Fukuyama (2013) criticizes the “architecture” of good governance as blindly based on the normative assumption of liberalism. In the context of finance, for example, deregulation is assumed to be more favorable for financial governance or related policies (Rothstein 2011; Holt and Manning 2014). However, markets do not always operate efficiently and rarely follow the underlying assumption of perfect competitive markets in classical economics. Therefore, Serra and Stiglitz (2008) contend that state involvement and intervention are legitimate and have important roles when the market fails to perform.

Finance, as a sector, is the perfect manifestation of ‘market fundamentalism’ that advocates the market as the best solution to economic problems. The *Washington Consensus,* initiated in the 1990s, marked a milestone of economic liberalism and popularizes privatization and deregulation in state and economic developments (Serra and Stiglitz 2008). Financial practitioners such as stock brokers and derivative traders tend to dislike regulation, as it hinders innovation and the speed of issuance of financial products, and consequently slows their business growth and profits (Morgan 2012). Overall, ‘market fundamentalism’ drove a number of market reforms in the direction of fewer regulations and lessened state involvement in the Post *Washington Consensus* years.

However, the global financial crisis served as a tipping point of reviving a state-led and non-liberal way of governance and problem-solving mentality in finance. The role of the state was magnified at both national and international levels. For example, multi-governments worked together to enforce market stabilization measures. These state-led measures proved to be effective, and avoided an even greater crisis like the Great Depression (Roberts 2010; Wilson and Grant 2012). Governance trajectories after the global financial crisis challenged the logic and tradition of decentralization for good governance, and at the same time revived and supported the significance of centralization in solving public issues and problems (Gerring and Thacker 2008).

After the global financial crisis, there was a sentiment that more control over the markets and more fine-grained financial regulations were essential. The global financial crisis introduced an impulse for more top-down regulation, and less self-regulation and collaborative regulation. For instance, there was a diffusion of international non-treaty-based “soft law”[[2]](#footnote-2) in the global financial governance framework in a time of hefty financial risk and uncertainty (Hennessy 2013). Moreover, more soft laws in accounting standards and over-the-counter derivatives in Europe became formalized as part of the national legislation (Newman and Bach 2014). At the macro level, the crisis prompted a series of new measures such as more stringent requirements to account for better safety in the international financial systems (Young 2014; Mügge 2011). These include tougher control over bank capital, liquidity ratios, and leverage activities. In monetary policy, there was also an expansion of Central Banks’ powers in pursuing financial stability in various parts of the world (Burnham 2014; Roberts 2010). Coordination among states after the financial crisis started to take a multilateral focus. For example, the International Monetary Fund (IMF) has moved to assess whether domestic policies can have implications beyond one country and have impacts on international stability (Gallagher 2014). Moschella (2015) also notes that the IMF has reversed the practice of voluntary compliance in global capital flow regulation back to a “command-and-control” mode of governance. On the other hand, in terms of micro level management, there were revamps in individual conduct and guidelines, as well as supervision and managerial oversight in hierarchy (Moschella 2011). Staff members “justified their proposal to make the [IMF] a systemic supervisor in light of past reforms, which had given the Fund the theoretical and organizational resources to carry out the new type of surveillance” (Moschella 2011, 124).

In sum, before the global financial crisis, there was a perception that market actors were well positioned to look after market affairs and maintain stable and efficient markets. Regulation compliance was voluntary and less stringent. Whereas after the crisis, financial governance moved to the premise that markets were unable to restore confidence without the backbone of effective and authoritative state regulation and support. The lesson of financial market failure and state intervention demonstrated the trajectory of a new mode of governance that moved beyond the liberalism and ‘market fundamentalism’. In the following, lessons of austerity measures will show a different trajectory of governance.

Austerity and fiscal crisis: Has there been an adaptation of modes of governance?

In austerity measures, we see very different trajectories compared to regulating the financial market after the crisis. Governmental tools of fiscal management such as spending cuts and increased taxation diffused after the global financial crisis. These policies challenged the governments to govern with fewer resources while pursuing or maintaining economic and democratic development. As a result, it triggered changes in government culture, altered the organization and politics of the states (Hood, Heald, and Himaz 2014), and of course, various modes of governance (Capano, Howlett, and Ramesh 2015b).

The change in modes of governance is not limited to the recent global financial crisis. Indeed, previous crises have always coerced governments to adapt less bureaucratic hierarchies and corporatist approaches to managerial and business-like forms of organization and management (Lodge and Hood 2012). However, after the financial crisis, empirical evidence shows that these acts of fiscal consolidation directed public management and governance to follow new trajectories that are different from NPM (Kickert and Randma-Liiv 2015). Governments are experimenting with innovative ways of delivering their services. New forms of bureaucratic collaboration, involvement from more community and voluntary organizations, and pluralist modes of organization are seen as responses to the problems generated by the global financial crisis. Governance sharing among different stakeholders will be characterized by the responses to the implementation of policies to constrain resources (Table 1).

[Table 1 about here]

One of the strategies to tackle the fiscal crisis was the delegation of decision-making by the state (Peters 2011b), while maintaining the financial control at the state level. The solution was to grant more decision-making powers to local bureaucratic actors but without more resource allocation or financial autonomy. At local bureaucratic levels, “authorities are facing pressure and demands on their service at a time when central government support is being scaled back” (Kennett et al. 2015, 640). In order to stabilize the budgets in the national accounts, central governments have reduced resources allocated to lower and local level governments. However, it limited the state capacity in solving policy problems and delivering services. The response becomes a new style of bureaucratic collaboration with the rise of partnerships between departments at local governments in the UK (Lowndes and Mccaughie 2013). Similarly, Germà Bel and Mildred E. Warner (2014) find evidence that the spending cuts resulted in more inter-municipality cooperation between local governments.

As a result, bureaucracies with limited resources addressed social needs through the redesigning of service delivery processes (Shaw 2012; Hastings et al. 2015; Kennett et al. 2015). Lowndes & McCaughie (2013) label it as “institutional bricolage” – governments that overcome the fiscal crisis with a creative approach of service redesign. To handle the fiscal challenge, some governments promote the idea of “resilient government”. Shaw (2012) argues that a resilient government should take the role of a risk manager by systematically assessing the uncertainty ahead and enabling the communities to develop their own resilience with greater degree of participation. He is optimistic that the promotion of these actions can extend the adaptive capabilities to respond and deliver policy under harsh environments. Similarly, Hastings et al. (2015) find that local governments in the UK use narratives to help the community to adapt and survive under austerity. However, they are more skeptical about these narratives. Local governments might change and adapt in the long run, but it requires the states to adapt under fiscal constraints and be more responsible for attending to problems and implementing policy than before.

Apart from restructuring this hierarchical relationship, another trajectory in the mode of governance is co-production in the delivery of public services. The provision of public services through a third sector distinctively demonstrates an interactive relationship between state and non-state actors in governance (Verschuere, Brandsen, and Pestoff 2012). Dalziel and Willis (2013) argue that under austerity measures, communities have to build capacities and partnerships to find creative solutions in public services. Greece’s solidarity movement is an example of co-production (Henley 2015). It was initiated by civil society organizations to respond to social problems that resulted from the Euro debt crisis and wider recession. Because of austerity measures as well as the high unemployment rate, many people were in poverty and could not afford medical services and a basic amount of food. Initially, the solidarity movements protested against austerity measures and later called for citizens to join by volunteering and addressing the social and livelihood problems. Food banks and soup kitchens were founded to serve those in need. There were even citizen-run clinics and legal aid hubs to fill the gap of these expensive but essential services.

However, not all academics are strong supporters of delivering public services through non-state actors. Some critics question the effectiveness of the collaboration among the community members and the government (Milbourne and Cushman 2013; Mythen, Walklate, and Kemshall 2013; Maguire 2012; Chapman et al. 2010). In this debate, the third sector’s involvement raises questions in relation to understanding the type of skills that are required by community members for delivering effective public services.

Market actors or influences are not inactive under fiscal challenge. Public services were increasingly handed over to business firms as a response to austerity measures (Lodge and Hood 2012). For example, Smith and O’Leary (2013) show evidence of an increase of managerial practices in education policies in England. Likewise, Whitworth and Carter (2014) identify trends towards NPM principles of marketization in welfare-to-work policy provision under the coalition government in the UK. In an analysis focused in central and eastern Europe, Dan and Pollitt (2015) examine the implementation of NPM reforms in these countries. They show that contracting out and privatization were not the only managerial practices. The policy solutions also included tightening expenditures in the public sector, the modernization of bureaucracies through private-style practices and the marketization of the bureaucracies (Pollitt and Bouckaert 2011). The direction of these reforms varied across countries (for south European countries see Di Mascio and Natalini 2015).

However, the implementation of NPM also shows its limitations in times of austerity in some occasions. Managerialism reduces the capacity of public actors to understand the social context as it involves collating “de-problematized and decontextualized data” and “the presentation of this in the form of the achievement of specific policy objectives that legitimizes further policy intervention” (Smith and O’Leary 2013, 254). The business-like management techniques (e.g. ‘performance management’ and ‘evidence-based policy’) make public actors look away from local or regional concerns and prioritize the operation of their organizations by meeting certain policy goals. This shows that bureaucracies do not straightforwardly modify policy solutions according to the changing contexts they operate in. In this sense, for example Hood and Dixon (2015) show evidence that reforms in the UK have been inefficient (more costly) and ineffective (reduced performance) particularly after the financial crisis. As a result, scholars and public managers are starting to promote governance movements that go beyond promoting efficiency and effectiveness of bureaucracies and that encourage the involvement of other actors as the solvers of public problems (Bryson and Crosby 2014).

All these illustrations show that governance under austerity is not converging to one dominant mode of governance – be it state, market or community. The fiscal crisis stimulated new dynamics of state-society relations, with more input from the community. From the literature, there are more emphasis on the interaction between the state and citizens. Discussions of the emerging role of the organized civil society in tackling social needs are found in a number of articles as well.

In sum, looking at the use of austerity to understand the trajectories of governance facilitated the discussion and deepened our understanding of the dynamics of governance. There are diverse forms of implementation in the modes of governance after the 2007/8 global financial crisis. The economic slowdown facilitated the emergence of new governance models (Nunes Silva and Buček 2014). Taking the impacts of austerity measures on governance as an example, we recognize that scholars have started to question whether and how governing structures can flexibly adapt to crises (Fitzgerald and Lupton 2015). Moreover, detached from a reformist discourse, we observe that governance trajectories tend to originate in one school of thought and find complementary solutions from the other schools. It does not simply follow the NPM style of public administration reform. In this sense, the empirical evidence presented in the literature demonstrates that the provision of public services is becoming a process that requires a higher level of cooperation and coordination between state and non-state actors.

**Conclusion**

There is no single mode of governance that dominated throughout after the 2007/8 global financial crisis. By reviewing the literature, this article seeks to understand what is happening to the interaction between government, market and society in governance after the crisis. Governance can be theorized through the understanding of centralization and decentralization (Christensen, Lie, and Lægreid 2008), through networks of different actors (Stoker 2006; Rhodes 1996), or through integration and coordination with the use of technology (Dunleavy et al. 2006). This article examines how the global financial crisis changed the modes of governance, and how the changes incorporate newer schools of governance, such as network governance and regulatory governance, without replacing traditional public administration models and NPM. This helps to enrich our understanding and appreciate the fuller picture of the hybrid nature of governance in practice.

From the literature, the role of governments in governance and the delivery of public services has not declined as dictated by neoliberalism, but has evolved and integrated into various modes of governance. As shown in various distinct trajectories of governance in this article, the emergence of a new crisis posed new challenges to governance, not just for the state, but also for various private and societal actors. The lessons from the global financial crisis highlighted the need and urgency to search for innovative policy solutions. Different modes of governance thus emerged after the global financial crisis. It showed that ‘market fundamentalism’ and other liberal reforms are not always the preferred mode of governance. In this article, we examined two themes after the global financial crisis – more control over financial markets and austerity measures. To restore market and public confidence, cases of more control over markets show how the state intervened with more stringent financial regulations and moved away from the neoliberal pathway of public management reforms in the last few decades. In our discussion of austerity measures, the rich varieties of policy instruments reveal how more diverse and hybrid modes of governance functioned. The pressure of austerity urged state and non-state actors to deal with problems with more interactive and creative solutions (Torfing et al. 2012). Governance can include very diverse modes of governing, be it ‘hierarchical’, ‘non-hierarchical’, ‘alternative’ or ‘market’ (Howlett and Ramesh 2014), or as Lynn (2012) theorized, it can possess many faces (possibilities) such as Governance as Government with Civil Society and Governance Centered in Civil Society. This article reaffirms these views and concludes that governance, in response to the global financial crisis, is changeable and dynamic rather than static and singular.

While the 2007/8 global financial crisis induced a decline in confidence in private actors, interestingly, Brexit in the United Kingdom and Trump’s presidential victory in the United States are recent examples that lowered people’s confidence in governments. The economic and social impact of these events are yet to be seen. But it is certain that state and non-state actors need to search for a new interactive relationship that could work better and restore confidence. Governance scholars could pay closer attention to this in the future.

**Acknowledgements**

The authors thank Will Jennings and Rod Rhodes for all the constructive and thoughtful advice. We appreciate Hank Jenkins-Smith, Julue Krutz, Nina Carlson, Dan Devine, Winston Or and two anonymous reviewers for their helpful comments. Any errors or weaknesses of course remain ours. This work was supported by the Economic and Social Research Council [grant number ES/J500161/1] and the CONACYT.

**Biography**

**Nick H. K. Or** is a PhD student in the Division of Politics and International Relations at the University of Southampton. His research interests include legislative politics, public policy, media and authoritarian institutions.

**Ana C. Aranda** is a PhD student in the Division of Politics and International Relations at the University of Southampton. Her research focuses on presidential politics and agenda-setting with interests in elite politics, presidential campaigns and political transitions.

|  |
| --- |
| Table 1. Various governing actors and responses in relations to austerity |
| Modes of governances | Causes of response |
| Bureaucratic collaboration | * Cuts in public sector staffing to achieve cost savings in the short term
* Problems with liquidity by privately financed projects
* Reduction in bank borrowing to finance operations by the private sector
 |
| Community and Voluntary Organizations Involvement | * Decline in the quality of public services.
* Service withdrawals because of the insupportable costs
 |
| Beyond traditional public administration | * Cuts in public spending
* Procurement of profits to private sector
* Bureaucratic openness
* Networked environments
 |

**References**

Andrews, Matt. 2010. “Good Government Means Different Things in Different Countries.” *Governance* 23 (1): 7–35.

Bel, Germà, and Mildred E. Warner. 2014. “Inter-Municipal Cooperation and Costs: Expectations and Evidence.” *Public Administration* 93 (1): 52–67.

Bryson, John M., and Barbara C. Crosby. 2014. “Public Value Governance: Moving beyond Traditional Public Administration and the New Public Management.” Public Administration Review 74: 445–56.

Burnham, Peter. 2014. “Depoliticisation: Economic Crisis and Political Management.” *Policy and Politics* 42 (2): 189–206.

Capano, Giliberto, Michael Howlett, and M. Ramesh. 2015a. “Re-Thinking Governance in Public Policy: Dynamics, Strategy and Capacities.” In Varieties of Governance: Dynamics, Strategies, Capacities, ed. Giliberto Capano, Michael Howlett, and M. Ramesh, 3–24. London: Palgrave Macmillan.

———. 2015b. *Varieties of Governance: Dynamics, Strategies, Capacities*. Studies in the Political Economy of Public Policy. London: Palgrave Macmillan.

Chapman, Tony, Judith Brown, Chris Ford, and Beth Baxter. 2010. “Trouble with Champions: Local Public Sector–third Sector Partnerships and the Future Prospects for Collaborative Governance in the UK.” *Policy Studies* 31 (6): 613–30.

Christensen, Tom, Amund Lie, and Per Lægreid. 2008. “Beyond New Public Management: Agencification and Regulatory Reform in Norway.” *Financial Accountability & Management* 24: 15–30.

Colebatch, H K. 2014. “Making Sense of Governance.” *Policy and Society* 33 (4): 307–16.

Dalziel, Robert, and Martin Willis. 2013. “Capacity Building with Older People through Local Authority and Third-Sector Partnerships.” *Ageing and Society* 35 (02): 428–49.

Dan, Sorin, and Christopher Pollitt. 2015. “NPM Can Work: An Optimistic Review of the Impact of New Public Management Reforms in Central and Eastern Europe.” *Public Management Review* 17 (9): 1305–32.

Di Mascio, Fabrizio, and Alessandro Natalini. 2015. “Fiscal Retrenchment in Southern Europe Changing Patterns of Public Management in Greece, Italy, Portugal and Spain.” *Public Management Review* 17 (1): 129–48.

Dunleavy, Patrick, Helen Margetts, Simon Bastow, and Jane Tinkler. 2006. “New Public Management Is Dead - Long Live Digital-Era Governance.” *Journal of Public Administration Research and Theory* 16 (3): 467–94.

Fenwick, John, Karen Johnston Miller, and Duncan McTavish. 2012. “Co-Governance or Meta-Bureaucracy? Perspectives of Local Governance ‘Partnership’ in England And Scotland.” *Policy and Politics* 40 (3): 405–22.

Fitzgerald, A., and R. Lupton. 2015. “The Limits to Resilience? The Impact of Local Government Spending Cuts in London.” *Local Government Studies* 41 (4): 582–600.

Fukuyama, Francis. 2013. “What Is Governance?” *Governance* 26 (3): 347–68.

Gallagher, Kevin P. 2014. “Contesting the Governance of Capital Flows at the IMF.” *Governance* 28 (2): 185–98.

Gerring, John, and Strom Cronan Thacker. 2008. *A Centripetal Theory of Democratic Governance*. Oxford: Oxford University Press.

Hacker, Jacob S., and Paul Pierson. 2010. *Winner-Take-All Politics: How Washington Made the Rich Richer--and Turned Its Back on the Middle Class*. New York: Simon and Schuster.

Hardiman, Niamh. 2012. “Governance and State Structures.” In Oxford Handbook of Governance, ed. David Levi-Faur. Oxford: Oxford University Press, 228–41.

Hastings, Annette, Nick Bailey, Maria Gannon, Kirsten Besemer, and Glen Bramley. 2015. “Coping with the Cuts? The Management of the Worst Financial Settlement in Living Memory.” *Local Government Studies* 41 (4): 601–21.

Henley, Jon. 2015. “Greece’s Solidarity Movement: ‘it’s a Whole New Model – and It’s Working’.” *The Guardian*, January 23.

Hennessy, Alexandra. 2013. “Redesigning Financial Supervision in the European Union (2009–2013).” *Journal of European Public Policy* 21 (2): 151–68.

Holt, Jordan, and Nick Manning. 2014. “Fukuyama Is Right about Measuring State Quality: Now What?” *Governance* 27 (4): 717–28.

Hood, Christopher, David Heald, and Rozana Himaz. 2014. *When the Party’s Over: The Politics of Fiscal Squeeze in Perspective*. Ed. Christopher Hood, David Heald, and Rozana Himaz. Oxford: Oxford University Press for the British Academy.

Hood, Christopher, and Ruth Dixon. 2015. *A Government That Worked Better and Cost Less?: Evaluating Three Decades of Reform and Change in UK Central Government*. Oxford: Oxford University Press.

Howlett, M., and M. Ramesh. 2014. “The Two Orders of Governance Failure: Design Mismatches and Policy Capacity Issues in Modern Governance.” *Policy and Society* 33 (4): 317–27.

Jessop, Bob. 2007. *State Power*. Cambridge: Polity Press.

Kennett, Patricia, Gerwyn Jones, Richard Meegan, and Jacqui Croft. 2015. “Recession, Austerity and the ‘Great Risk Shift’: Local Government and Household Impacts and Responses in Bristol and Liverpool.” *Local Government Studies* 41 (4): 622–44.

Kickert, Walter J. M., and Tiina. Randma-Liiv. 2015. *Europe Managing the Crisis the Politics of Fiscal Consolidation*. London: Routledge.

King, Anthony. 1975. “Overload: Problems of Governing in the 1970s.” *Political Studies* 23 (2-3): 284–96.

Krasner, Stephen D., and Thomas Risse. 2014. “External Actors, State-Building, and Service Provision in Areas of Limited Statehood: Introduction.” *Governance* 27 (4): 545–67.

Lee, Melissa M., Gregor Walter-Drop, and John Wiesel. 2014. “Taking the State (Back) Out? Statehood and the Delivery of Collective Goods.” *Governance* 27 (4): 635–54.

Levi-Faur, David. 2012. *The Oxford Handbook of Governance*. Oxford: Oxford University Press.

Lodge, Martin, and Christopher Hood. 2012. “Into an Age of Multiple Austerities? Public Management and Public Service Bargains across OECD Countries.” *Governance* 25 (1): 79–101.

Lodge, Martin, and Kai Wegrich. 2012. *Executive Politics in Times of Crisis*. Basingstoke: Palgrave Macmillan.

———. 2014. *The Problem-Solving Capacity of the Modern State: Governance Challenges and Administrative Capacities*. Oxford: Oxford University Press.

Lowndes, Vivien, and Kerry Mccaughie. 2013. “Weathering the Perfect Storm Austerity and Institutional Resilience in Local Government.” *Policy and Politics* 41 (4): 533–49.

Lynn, Laurence E. Jr. 2012. “The Many Faces of Governance: Adaptation? Transformation? Both? Neither?” In *The Oxford Handbook of Governance*, ed. David Levi-Faur. Oxford: Oxford University Press, 49-64.

Maguire, Mike. 2012. “Response 1: Big Society, the Voluntary Sector and the Marketization of Criminal Justice.” *Criminology and Criminal Justice* 12 (5): 482–94.

Milbourne, Linda, and Mike Cushman. 2013. “From the Third Sector to the Big Society: How Changing UK Government Policies Have Eroded Third Sector Trust.” *Voluntas* 24 (2): 485–508.

Morgan, Glenn. 2012. “Constructing Financial Markets: Reforming Over-the-Counter Derivatives Markets in the Aftermath of the Financial Crisis.” In *The Consequences of the Global Financial Crisis: The Rhetoric of Reform and Regulation*, ed. Graham K. Wilson and Wyn Grant. Oxford: Oxford University Press, 67-87.

Moschella, Manuela. 2011. “Lagged Learning and the Response to Equilibrium Shock: The Global Financial Crisis and IMF Surveillance.” *Journal of Public Policy* 31 (02): 121–41. doi:10.1017/S0143814X11000043.

———. 2015. “Governing Cross-Border Capital Flows: The Dynamics of Capital Account Policies.” In *Varieties of Governance: Dynamics, Strategies, Capacities*, ed. Giliberto Capano, Michael Howlett, and M. Ramesh, 27–50. London: Palgrave Macmillan.

Mügge, Daniel. 2011. “The European Presence in Global Financial Governance: A Principal–agent Perspective.” *Journal of European Public Policy* 18 (3): 383–402.

———. 2014. “Europe’s Regulatory Role in Post-Crisis Global Finance.” *Journal of European Public Policy* 21 (3): 316–26.

Mythen, Gabe, Sandra Walklate, and Hazel Kemshall. 2013. “Decentralizing Risk: The Role of the Voluntary and Community Sector in the Management of Offenders.” *Criminology and Criminal Justice* 13 (4): 363–79.

Needham, C. 2007. “Realising the Potential of Co-Production: Negotiating Improvements in Public Services.” *Social Policy and Society* 7 (2): 221-231.

Newman, Abraham, and David Bach. 2014. “The European Union as Hardening Agent: Soft Law and the Diffusion of Global Financial Regulation.” *Journal of European Public Policy* 21 (3): 430–52.

Nunes Silva, Carlos, and Ján Buček. 2014. *Fiscal Austerity and Innovation in Local Governance in Europe*. London, Routledge.

Osborne, S. P. 2009. “Delivering Public Services: Are We Asking the Right Questions?” *Public Money and Management* 29 (1): 5–7.

Peters, Guy B. 2011a. “Governing in the Shadows.” *Asia Pacific Journal of Public Administration* 33 (1): 1–16.

———. 2011b. “Governance Responses to the Fiscal Crisis: Comparative Perspectives.” *Public Money & Management* 31 (1): 75–80.

———. 2014. “Is Governance for Everybody?” *Policy and Society* 33 (4). Policy and Society Associates Ltd Partnership: 301–6.

Peters, Guy B., and John Pierre. 1998. “Governance without Government? Rethinking Public Administration.” *Journal of Public Administration Research and Theory* 8 (2): 223–43.

Pollitt, Christopher, and Geert Bouckaert. 2011. *Public Management Reform*. 3rd ed. Oxford: Oxford University Press.

Rhodes, R. A. W. 1996. “The New Governance: Governing without Government.” *Political Studies* 44 (4): 652–67.

———. 2012. “Waves Of Governance.” In *Oxford Handbook of Governance*, ed. David Levi-Faur. Oxford: Oxford University Press.

Roberts, Alasdair S. 2010. *The Logic of Discipline: Global Capitalism and the Architecture of Government*. Oxford: Oxford University Press.

Robichau, Robbie Waters. 2011. “The Mosaic of Governance: Creating a Picture with Definitions, Theories, and Debates.” *Policy Studies Journal* 39 (S1): 113–31. doi:10.1111/j.1541-0072.2010.00389\_8.x.

Rotberg, Robert I. 2014. “Good Governance Means Performance and Results.” *Governance* 27 (3): 511–18.

Rothstein, Bo. 2011. *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective*. Chicago: University of Chicago Press.

———. 2012. “Good Governance.” In *Oxford Handbook of Governance*, ed. David Levi-Faur. Oxford: Oxford University Press, 143-154.

———. 2015. “The Chinese Paradox of High Growth and Low Quality of Government: The Cadre Organization Meets Max Weber.” *Governance* 28 (4): 533–48.

Sandel, Michael J. 2012. *What Money Can’t Buy: The Moral Limits of Markets*. London: Allen Lane.

Serra, Narcis, and Joseph E. Stiglitz. 2008. *The Washington Consensus Reconsidered. Towards a New Global Governance*. Oxford: Oxford University Press.

Shaw, Keith. 2012. “The Rise of the Resilient Local Authority?” *Local Government Studies* 38 (3): 281–300.

Smith, Rob, and Matt O’Leary. 2013. “New Public Management in an Age of Austerity: Knowledge and Experience in Further Education.” *Journal of Educational Administration and History* 45 (3): 244–66.

Sørensen, Eva. 2006. “Metagovernance: The Changing Role of Politicians in Processes of Democratic Governance.” *American Review of Public Administration* 36 (1): 98–114.

Sørensen, Eva T, and Jacob Torfing. 2007. *Theories of Democratic Network Governance*. Basingstoke: Palgrave Macmillan.

Stoker, Gerry. 2006. “Public Value Management.” *American Review of Public Administration* 36 (1): 41/57.

Torfing, Jacob. 2012. “Governance Networks.” In *Oxford Handbook of Governance*, ed. David Levi-Faur, 99–112. Oxford: Oxford University Press.

Torfing, Jacob, B. Guy Peters, Jon Pierre, and Eva Sørensen. 2012. *Interactive Governance: Advancing the Paradigm*. Oxford: Oxford University Press.

Verschuere, Bram, Taco Brandsen, and Victor Pestoff. 2012. “Co-Production: The State of the Art in Research and the Future Agenda.” *Voluntas* 23 (4): 1083–1101.

Whitworth, Adam, and Elle Carter. 2014. “Welfare-to-Work Reform, Power and Inequality: From Governance to Governmentalities.” *Journal of Contemporary European Studies* 22 (2): 104–17.

Wilson, Graham K., and Wyn Grant. 2012. *The Consequences of the Global Financial Crisis: The Rhetoric of Reform and Regulation*. Oxford: Oxford University Press.

Young, Kevin. 2014. “Losing Abroad but Winning at Home: European Financial Industry Groups in Global Financial Governance since the Crisis.” *Journal of European Public Policy* 21 (3): 367–88.

1. The lists of journals include Administration and Society, American Journal of Political Science, American Review of Public Administration, Governance, International Public Management Journal, Journal of Comparative Politics, Journal of European Public Policy, Journal of Policy Analysis and Management, Journal of Politics, Journal of Public Administration Research and Theory, Journal of Public Policy, Policy and Politics, Policy and Society, Policy Science, Policy Studies Journal, Political Research Quarterly, Public Administration, Public Administration Review, Public Management Review, Regulation & Governance. [↑](#footnote-ref-1)
2. Soft law can be defined as non-binding and open-ended guidelines that cannot be simply enforced to all violated issues. Each violation has to be judged on a case-by-case basis. In contrast, hard laws are precise and enforceable legal binding obligations. [↑](#footnote-ref-2)