

HANDS ON THE BRIDGE

The challenge for the public sector is to think globally. Wolfgang Reinicke says now is the time to take steps to create global policy networks which can function as instruments of governance as well as create an international community



Learning to work in and cope with the pressures of a dynamic, hierarchy-free and increasingly borderless world has turned out to be a bigger challenge than many would have predicted in the immediate aftermath of the Cold War. As the global financial crisis has reminded us, the central challenge for public policy in the 21st century is to ensure that globalisation remains sustainable from all perspectives. Yet the events of last year highlighted the inadequacy of public policy structures and instruments that could be considered complements to the global economy.

Up to now, globalisation has been a phenomenon seen mostly at the corporate level. It has transformed the ways in which the private sector operates and individual choices are made. Most collective forms of social organisation have been left languishing, mired in territoriality and hierarchy. By inducing corporations to fuse national markets into a single whole, globalisation has created an economic geography that subsumes political geography.

It is of course true that some tension between the public and private sectors is useful to encourage innovation and renewal in each. Nonetheless it has been clear that this mismatch has reached a state of disequilibrium. It is not just that the current system has become unsustainable, it has been devastating for emerging markets, which have struggled to deal with the social and political repercussions of the crisis.

This is not to say that global private networks always and deliberately set out to undermine their national public counterparts. Markets follow a different organisational logic than states. States, by their very nature,

are boundary-maintaining systems, indeed much of their legitimacy derives from an ability to maintain and control boundaries. Markets, on the other hand, do not depend on the presence of territorial boundaries. Globalisation integrates markets, but it fragments politics.

This contrast between territorial public hierarchies and adaptive private networks has rendered the management of the global economy ineffective and inefficient. Even though information is readily available in the global marketplace, governments often lack the crucial information to make public policy decisions because they are trapped by territoriality. Given the technological and scientific complexity of many public policy issues, bureaucrats are now faced with a complex and turbulent environment. It is difficult to envision how they will be able to respond to the pressures of globalisation without suffocating its dynamism.

The challenge is one of realignment. One option would be to force global private networks back into the arms of national public hierarchies. This defensive and reactive response would jeopardise the achievements of international economic integration. Nonetheless, it can no longer simply be dismissed, if some of the reactions to the global financial crisis are any judge. Seeing their legitimacy challenged, governments will have no choice but to ensure that territoriality becomes an effective vehicle through which societies can again engage in collective decision-making.

An alternative that takes advantage of the benefits of globalisation would be to take public policy out of its territorial context. Global government is one answer, but it must be dismissed as unrealistic for reasons of a

WOLFGANG REINICKE

Reinicke is senior economist in the corporate strategy group at the World Bank, non-resident senior fellow at the Brookings Institution and a Forum Fellow. His book, Global Public Policy: Governing Without Government? was published by Brookings last year



lack of accountability and legitimacy. It could never provide a match for either the dynamism of global economic and social networks or the technical complexities of public policy. A more promising strategy challenges the credo that governance has to be equated with government. A global public policy separates aspects of governance from the territory of the nation state and the structure of government.

GOVERNANCE AS OPPOSED TO GOVERNMENT

To implement such a strategy, policymakers need to apply the principle of subsidiarity in innovative forms. Thus the “sub” in subsidiarity refers to any actor or institution that is well-positioned and committed to support the operation of public policy in the global context. We then distinguish between two forms of subsidiarity: vertical and horizontal.

Vertical subsidiarity delegates public policy-making to multilateral institutions. Now that they deal with corruption, financial regulation, environmental standards and dispute resolution, the World Trade Organisation, the World Bank and the International Monetary Fund are all becoming involved in matters of public policy. Nonetheless, international bureaucracies will continue to lack the agility and knowledge base of global economic and social networks, and their structure precludes the degree of accountability and legitimacy necessary to act as the sole source of global public policy, despite the emphasis on partnerships and participation by institutions such as the World Bank.

Adaptive and accountable public policy systems can only come about if societies make extensive use of hor-

izontal subsidiarity. They need to delegate some aspects of policy-making to organisations outside the public arena, for example businesses, NGOs and other interested parties. These non-state organisations have a direct stake not only in the outcome of global public policy, but also in the success of such policy networks. Equally important is that their activities not be trapped by political boundaries. Better understanding about complex, technology-driven and fast-changing public policy issues will not only generate greater acceptability and legitimacy of global public policy but these public-private partnerships will also produce a more efficient and effective policy process.

Finally, by building bridges across civil societies, global public policy networks create a real international community. They encourage mutual learning and openness to change. If you think of global financial regulation, environmental protection or the fight against transnational crime, to name just a few examples, global public policy networks would become core to sustainable globalisation.

Multilateral organisations remain crucial within such a framework. But rather than dominating the process, they should lead from behind, providing a

As the global financial crisis has reminded us, the central challenge for public policy in the 21st century is to ensure that globalisation remains sustainable from all perspectives



platform to convene global public policy networks, assuring access, transparency and top quality knowledge management. The World Conservation Union and the World Bank's partnership in establishing the World Commission on Dams has set a precedent.

To garner credibility and eventually success, global public policy networks must also be embedded in an international legal framework. Here too, change is underway. The international community has begun to opt increasingly for non-binding international legal agreements, which are not only more flexible, but also open to non-state parties, reflecting the mixed nature of those who participate in global public policy networks. Notwithstanding the fact that these agreements are characterised as soft international law, compliance is rather high.

Critics of global public policy networks will question the wisdom of placing private and public interests under the same institution. The public's interest will be neglected, they will argue. The experience of mixing public and private regulation at a national level supports these sceptics to some degree. Rather than abandoning global public policy, however, any shortcomings in a mixed regulation should be addressed.

First, greater transparency is necessary. Principles of disclosure-based regulation guaranteeing other groups sufficient access to ensure that their interests are adequately represented would raise confidence in such a structure. Second, corporations must facilitate public-private partnerships by improving their own internal control and management structures and encourage the dialogue with civil society. Independent audits and incentive and reward structures that discourage exces-

sive risk-taking are examples of measures readily available to them. The greater the focus on corporate governance, the lower the risk of market failure and the need for outside regulation. A growing number of corporations and business associations have begun to lead this agenda for change and have become pioneers on global public policy. These companies have understood that they are the principal stakeholders in sustaining globalisation and have – together with non-governmental actors – begun to share the responsibility in exercising public policy.

A second source of criticism is that global public policy networks will become autocratic. If you decouple public policy formulation and implementation from its territorial base you may provide a technical answer but not a political one to the challenge of sustaining globalisation. If you separate the public process from its territorial base, its legitimacy and democratic character are undermined even further. We make a concerted effort no longer to conceptualise democratic theory and the concept of pluralism solely in the context of the territorially defined polity. Given the difficulty of operating representative democracy in the global context, a greater emphasis on participatory forms of democracy – relying on the public-private partnerships outlined here – seems a promising step.

TIME TO ACT

Some will reject such an agenda as too ambitious. They may argue that the formation of global public policy networks undermines the sovereignty of nation states. However, nation states have already lost sovereignty, and the establishment of global public policy networks is a collective way to regain it.

This does not mean that local actors may not play an important role in enforcing and monitoring globally agreed rules and standards. By ensuring these networks are based on a public-private partnership, they provide practical meaning and guidance to the oft-cited line "think global, act local".

The time to start taking practical steps about global public policy is now. There is a tendency to perceive globalisation as something inevitable, as something that cannot be reversed or even as the end of history. But it is not. The world economy experienced similar levels of integration between 1870-1913, a period often referred to as the golden age of the international economy. It ended differently. As the global financial crisis has reminded us, interdependence risks becoming the victim of its own success.

The interventionist strategies outlined should not be dismissed as inapplicable. Their popularity is on the rise and they have entered the political debate in a number of countries. Political opportunists have taken advantage of the public's fear concerning the declining effectiveness of public policy by advocating economic nationalism and/or closed regionalism. Unless we act upon the alternative sketched out here, governments may be forced to rely on these interventions to conduct public policies and halt the further erosion of confidence in our democratic institutions. ■