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Reconsidering Governance:
An Interdisciplinary Approach

Record of an International Symposium
Tokyo, May 21, 2013

Edited by Mari Osawa
with Masako Suginohara

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Institute of Social Science
The University of Tokyo

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Preface

This volume is the record of an international symposium, "Reconsidering Governance", held on May 21, 2013 at the University of Tokyo. The symposium was a part of the latest institute-wide joint research project of the Institute of Social Science. In the four-year project, also titled "reconsidering governance", researchers from various fields of social science examine the significance of the cross-cutting concept "governance" based on a wide range of field research, and explore the appropriate form of governance in today's world.

The shorter version of the guest speakers' speeches delivered in the symposium appeared in *Social Science Japan Newsletter* No. 49. The overall results of the joint research project are planned for publication in 2014.

I would like to express our deepest gratitude to the speakers and participants in the symposium.

Project Leader
Mari Osawa

About Presenters, Discussants, and Moderators

ANDREW, Caroline is the Director of the Centre on Governance, School of Political Studies at the University of Ottawa. She studied Political Science at the University of British Columbia (BA 1964), Laval (Maîtrise 1966) and the University of Toronto (PhD 1975). She was Dean of the Faculty of Social Sciences at the University of Ottawa from 1997 to 2005 and is presently a Fellow of the Royal Society of Canada. Her research interests include gender and local governance, urban development, municipal immigration and immigrant integration policies, place-based policy and relations between community groups and municipal governments. Caroline Andrew is on the boards of the Lowertown Community Resource Centre, Women in Cities International, and the steering committee of the City for All women Initiative in Ottawa and of the Ottawa Local Immigration partnership. Recent publications include co-editing *Building Inclusive Cities: Women's Safety and the Right to the City* (2013, Earthscan from Routledge) and co-writing Chapter 6 with Crystal Legacy "The role of partnerships in creating inclusive cities".

BEVIR, Mark is a Professor in the Department of Political Science at the University of California, Berkeley, and also a Professor in the Graduate School of Governance, United Nations University (MERIT). Born in London, Mark was educated at the University of Exeter, where he got a BA (1st Class), and the University of Oxford, where he was awarded a D.Phil. Before moving to Berkeley, he worked at the University of Madras, India, and the University of Newcastle, UK. He has had visiting positions in Australia, Finland, France, Italy, the UK, and US. Mark is author or co-author of *The Logic of the History of Ideas* (Cambridge University Press 1999), *Interpreting British Governance* (2003), *New Labour: A Critique* (2005), *Governance Stories* (2006), *Key Concepts in Governance* (2009), *The State as Cultural Practice* (2010), *Democratic Governance* (2010), *The Making of British Socialism* (2011), and *Governance: A Very Short Introduction* (2012). His latest book is *A Theory of Governance* (2013), published by the University of California Press.

BUCHANAN, John has a degree in Oriental Studies and a PhD in Management Studies, both from the University of Cambridge. He is currently a research associate of the Centre for Business Research at the University of Cambridge. He worked as a commercial banker in Brazil, Japan, and Spain with Lloyds Bank group from 1974 until 1987, and as an investment banker in Britain and Japan with SG Warburg, Sumitomo Bank, and Daiwa SMBC from 1987 until 2002, specialising in advice on Japan-related mergers and acquisitions. He returned to academic work in 2002. His current main area of study is corporate governance, with particular emphasis on the impact of new governance structures in Japan and lessons from activist hedge fund interventions there. He has published papers and contributed to collected studies on various aspects of Japanese and other corporate governance. His research findings on recent hedge fund activism in Japan, written with Dominic Chai and Simon Deakin, were published by Cambridge University Press in May 2012 under the title *Hedge fund activism in Japan: the limits of shareholder primacy*.

NAKABAYASHI, Masaki PhD in History, the University of Tokyo, is an associate professor of economic history at Institute of Social Science, The University of Tokyo. He worked for Department of Economics, Chiba University, from 1999 to 2002, Graduate School of Economics, Osaka University, from 2002-2008, as an associate professor. Since 2008, he has worked for the institute. Primary works include Masaki Nakabayashi, *Kindaishihonshugi no Soshiki: Seishigyono Hatten ni okeru Torihiki no Tochi to Seisan no Kozo (An Organization in Modern Capitalism: the Governance of Trade and the System of Production in the Development of the Silk Reeling Industry)*, Tokyo: The University of Tokyo Press and Masaki Nakabayashi, ed., *Nihon Keizaino Nagai Kindaika: Tochi to Shijo, soshite Sochiki, 1600-1970 (Long Wave of Modernization in the Japanese Economy: Governance, Markets, and Organizations, 1600-1970)*, coauthored with Mayo Sakai (Morimoto), Yasuo Takatsuki, and Takenobu Yuki, Nagoya: University of Nagoya Press, 2013.

OSAWA, Mari is Doctor of Economics, Professor at the Institute of Social Science, the University of Tokyo. Leader of the ISS institute-wide Joint Research Project on "Reconsidering Governance." Council Member of the Science Council of Japan, Vice Chair of the Expert Committee for the Government Tax Commission, Chair of the Priority Issue Support Committee on Development and Gender, Japan International Cooperation Agency, Trustee of the Consumer Co-operative Institute of Japan. Trustee of the Economic Policy Institute for Quality of Life. She specializes in comparative gender analysis of social policies. She has worked as visiting professor at the Berlin Free University, Ruhr-University of Bochum and Gender and Development Studies Program of Asian Institute of Technology, as well as a Fellow of the Hanse-Wissenschaftskolleg, and a member of the Cabinet Secretariat Expert Committee for Social Security Reform. Her English publications include: Walby, S., H. Gottfried, K. Gottschall and Mari Osawa (eds.) *Gendering the Knowledge Economy, Comparative Perspectives,* Basingstoke and New York: Palgrave Macmillan, 2007; Tsujimura, Miyoko, and Mari Osawa (eds.) *Gender Equality in Multicultural Societies: Gender, Diversity, and Conviviality in the Age of Globalization*, Sendai: Tohoku University Press, 2010; *Social Security in Contemporary Japan*, *A comparative analysis*, London and New York: Routledge/the University of Tokyo Series, 2011.

SATO, Iwao is a Professor of sociology of law at the Institute of Social Science, the University of Tokyo. Sub-leader of the ISS institute-wide Joint Research Project on "Reconsidering Governance." He was Visiting Professor in Free University of Berlin (2002-2003) and Leiden University (2005); and was and is a member of the Working Group on the Reform of Disaster-related Acts in the Legislative Council of the Ministry of Justice (2012-2013) and of the Science Council of Japan (since 2010). He served also as expert for the survey research projects conducted by Japan Federation of Bar Associations (2009-2010) and by Japan Legal Support Center (since 2012). His research in recent years has been concerned with the legalization of modern society, comparative study of judicial reform, survey research on accesses to justice and comparative study of housing law and housing policy. He is the author of *Modern State and the General Clause: A Comparative Study of the Rent Acts and Housing Policy* (1999) and the coauthor of *Popular Base of the Justice System* (2009), *Judicial Statistics in Europe I &*

II (2010), *Evaluation of the Practice of Civil Litigation System from the Users Perspective* (2010), *Research on User Experience of the Labor Tribunal System in Japan* (2013).

TAKEDA, Hiroko is Project Associate Professor of the Organization for Global Japanese Studies, Graduate School of the Arts and Sciences, the University of Tokyo. She completed her PhD at the University of Sheffield, and taught at Cardiff University and the University of Sheffield in the UK prior to taking up the post in Tokyo. She specializes in political sociology and her research interests include gender and politics/political economy in Japan and East Asia, biopolitics and governance, and political discourse analysis. Her major publications are; *The Political Economy of Reproduction in Japan: Between Nation-State and Everyday Life* (RoutledgeCurzon, 2005); 'Structural Reform of the Family and the Neoliberalisation of Everyday Life in Japan', *New Political Economy*, Vol. 13 No. 2, 2008, pp. 153-72; 'Gender-Related Social Policy' in Alisa Gaunder (ed.) *The Handbook of Japanese Politics*, Abingdon, Oxon: Routledge, 2011, pp. 212-22.

TANAKA, Wataru is an Associate Professor of Institute of Social Science (ISS), the University of Tokyo. After graduating from the University of Tokyo, he became a research assistant at the Graduate School of Law and Politics, the University of Tokyo. Before joining in ISS in 2007, he taught as an Associate Professor at the Department of Law and the Law School of Seikei University. He served as a Visiting Associate Professor at University of Chicago Law School in 2010. His main areas of specialization are corporate law, commercial law and law and economics. His recent publications include "Corporate Takeovers and Defenses" (in Japanese) (*Shoji-homu*, 2012), "Corporate Law" (in Japanese) (co-authored with Yasushi Ito, Kenichi Osugi and Hideyuki Matsui, 2nd ed., Yuhikaku, 2011), and "Going-private and the Role of Courts: A Comparison of Delaware and Japan," *UT Soft Law Review*, No.3 (2011).

UNO, Shigeki is a Professor at the Institute of Social Science, the University of Tokyo. He is a group leader in the division of Local Governance of the ISS institute-wide Joint Research Project "Reconsidering Governance." He holds a B.A., M.A., and Ph.D. in Political Science from the University of Tokyo. He specializes in political philosophy and intellectual history of the 19th Century France, focusing especially on Alexis de Tocqueville. He has worked as visiting researcher at the Raymond Aron Center for Political Researches, Écoles des hautes études en sciences sociales (EHESS) in France between 2000-2002 and Mori-Hamada distinguished visitor at Cornell University Law School in the U.S. between 2010-2011. He received the Suntory Prize for Social Sciences and Humanities for his book, *Tocqueville: A Theorist of Equality and Inequality in 2007*. His current research subjects include comparative study of contemporary political philosophy of the U.S. and France, democracy and religion, and hope studies.

Institute-wide Joint Research Project of the Institute of Social Science (ISS)
International Symposium
Tuesday, May 21, 2013
Seihoku Gallery, Yayoi Auditorium Annex, The University of Tokyo

Reconsidering Governance

Program

10:00   **Opening remarks**

   Keisuke Nakamura (Senior Associate Director, Institute of Social Science)

   Mari Osawa (Institute of Social Science)

10:15-11:25   **Session I**

   Moderator: Iwao Sato (Institute of Social Science)

   Speaker: Mark Bevir (University of California, Berkeley)

      "A New Governance: Hierarchies, Markets, and Networks, c. 1979-2010"

   Discussant: Shigeki Uno (Institute of Social Science)

11:25-12:35   **Session 2**

   Moderator: Iwao Sato (Institute of Social Science)

   Speaker: Caroline Andrew (University of Ottawa)

      "Using Governance to create gender equitable, diverse and inclusive cities"

   Discussant: Hiroko Takeda (College of Arts and Sciences, The University of Tokyo)

12:35-13:40   **Lunch Break**

13:40-14:50   **Session 3**

   Moderator: Masaki Nakabayashi (Institute of Social Science)

   Speaker: John Buchanan (University of Cambridge)

      "Corporate governance as a local remedy for an unstable system:

       a demonstration from Japan"

   Discussant: Wataru Tanaka (Institute of Social Science)

14:50-15:00   **Break**

15:00-16:30   **Panel Discussion**

Introduction

OSAWA Mari

In this introduction, I will state the purposes of the symposium and introduce some of the issues that were raised during the talks and the discussions that followed. I will also discuss how these issues resonate with the insights accumulated through institute-wide projects of the Institute of Social Science (ISS) since the early-1980s.

The "Reconsidering Governance" symposium was part of the eponymous, interdisciplinary, and institute-wide research project that the ISS launched in 2010, led by myself and Iwao Sato. The project's mission statement, presented on the project's website (http://web.iss.u-tokyo.ac.jp/gov_e/), states:

> Debates on governance epitomize the issues facing Japan and the world today. Our research emphasizes the following two perspectives:
>
> 1) Analysis of various types and levels of governance and synthesis of governance study results: the governance of organizations and systems, such as livelihood security, local governance, and the market and corporations, needs to be analyzed according to the structure and context specific to the particular organization or system. At the same time, our research comprehensively re-examines the concerns shared by various governance studies and the complementarities among them.
>
> 2) Why is governance posed as an issue: what does the seemingly coincidental development of multiple theories of governance imply? Were the advocates of existing governance theories fully aware of the significance of the problems as presented by themselves? Our research re-examines the effectiveness of governance as well as the factors that problematize reasons for governance to be posed as an issue.
>
> Through these perspectives, it is our goal to 1) advance governance research with a cross-disciplinary approach involving law, political science, economics, sociology, and other academic disciplines, 2) offer an outlook for governance which can appropriately respond to the issues in contemporary society, and 3) contribute to the creative theorization of such governance.
>
> In addressing these objectives, we focus especially on three areas of study: the livelihood security system and the global economic crisis, local governance, and market/corporations. In reaction to the Great East Japan Earthquake of March 2011, we also examine the governance of the reconstruction process.

The "Reconsidering Governance" project includes three research groups covering livelihood security, local governance, and corporate governance, which are organized respectively by myself, Shigeki Uno and Kaoru Iokibe, Wataru Tanaka and Masaki Nakabayashi. Monthly seminars led by project members and guest speakers are a major part of the project activities, together with workshops conducted by the three

research groups. After the Great East Japan Earthquake and tsunami of March 11, 2011, which also triggered a radiation crisis at Tokyo Electric Company's (TEPCO's) Fukushima Daiichi nuclear power plant, the project posed the governance of disasters and reconstruction as a cross-cutting issue, and we have held three special seminars on this issue.

A compilation of project members' findings over the past three years is planned for publication in 2014. As one might expect, what we have learned from project activities covers a wide range of topics. The May 2013 symposium was designed with the forthcoming publication in mind to organize and synthesize the insights gained so far. The next task is to use these recent findings to re-evaluate and revise how we look at governance theoretically and empirically. We thus invited specialists in governance theory, governance and gender diversity, and corporate governance to offer their perspectives at the symposium. Project members served as commentators and a lively discussion ensued, including questions and comments from the audience.

What I would like to discuss in the following sections are the valuable insights I gleaned from our international symposium in regards to the original objectives of the "Reconsidering Governance" project.

Why is Governance Posed as an Issue?
First, all of our speakers emphasized that governance is a very local issue. The meaning of "governance" is contingent—it varies across societies, time, and even individuals. Mark Bevir raised important points on how diverse discourses of governance have developed since the late 1970s. He noted that the concept labeled "new governance" should be clearly distinguished from the general concept of governance. Bevir placed the development of new governance theories within the historical context of the development of "modernist social science."

New governance emerged in the late 1970s in response to the "crises" in the administrative state and welfare state and was touted by proponents of public sector reform. New governance theory became a facet of neoliberalism. It was used to justify policy change and to give weight to arguments for replacing existing hierarchies and bureaucracies by introducing markets or quasi-markets to public administration ("new public management") that would, according to their proponents, make government agencies either more efficient or unnecessary. The "second wave" of new governance incorporated the neo-institutionalism of sociology and was championed by New Labour leaders in the United Kingdom who advocated for "joined-up governance," in which closer ties between government agencies and partnerships with other actors would bring more benefits than markets alone. The discussant, Shigeki Uno, asked Bevir why new governance took hold around 1980. He responded that, although Hayek had been formulating theories of neoliberalism since the 1930s, it took several decades

for his ideas to reach the general public and become accepted folk theory.

Following a speech by Caroline Andrew, Hiroko Takeda's comments provoked a lively discussion with speaker and the audience regarding the argument that the calls for networking and partnerships may actually have expedited the exclusion of minorities. Andrew acknowledged that co-optation remains a risk because the state forms partnerships to serve its own interests. In reality, we can see how the neoliberal version of new governance tends to enable governments to cut spending, render gender issues invisible, and make gender issues instruments to pursue other objectives. Nevertheless, Andrew is interested in examining the conditions that would enable indigenous people, immigrants, women, and minorities acquire a sense of entitlement through partnerships and use them to achieve their own interests.

Effectiveness of Governance as a Framework of Analysis

During the second half of the panel discussion, all of the speakers and discussants participated in a question and answer session with the audience about the effectiveness of governance as a framework of analysis. In her comments to Andrew, Takeda asked, "Is 'governance' the best governing mechanism when an ideational change is necessary to bring about a political change?" This question actually challenged the significance of governance as an analytical framework, but in the panel discussion she referred to governance as a "model" for understanding society and political processes.

John Buchanan and his discussant, Wataru Tanaka, defended the use of corporate governance as a concept, arguing that it refers to a set of practices which actually exist and operate within firms and is therefore a highly convenient and practical term that will remain in use. The noun of corporate governance itself was "invented" in the United States in the wake of corporate scandals there. It was then taken up in the United Kingdom in the 1980s and in Japan in the 1990s. Although a relatively new concept, the phenomena or issues referred to by the noun "corporate governance" have existed since widely held joint stock companies became more or less enduring organizations, and we can expect such practices to continue.

Taking a different tack, Andrew noted that in North America and Europe (and presumably other places) citizens are launching a torrent of small-scale initiatives at the local level to connect their voices to both governance and government arrangements. It is important that this "local" is larger than the local used to be, and therefore questions of institutionalizing these local efforts are crucial. Governance is an apt tool for representing these phenomena and related issues. As the discussion proceeded, Uno continued to struggle with the use of the word governance, despite acknowledging the existence of the issues and phenomena to which the term is applied. Andrew led the other panelists in emphasizing that governance is a local matter and reaffirmed that the concept is a useful one. Uno responded that the discussion had deepened his understanding of the issues around governance.

Bevir noted that he is "pessimistic" in predicting that "new governance," that is, narrower governance meaning the shift from hierarchies to markets and networks, will continue. Even when many are calling for "collaborative governance", Bevir fears that this tends to end up as "yet another centralized initiative defined by modernist social science." On the other hand, he has high expectations for governance in a broader and more general sense to continue.

Governance is useful in three ways. As a theoretical concept it is useful for representing order in general. As an empirical concept it alerts us to the processes or activities in which order, coordination and rule are established through the complex interactions among various actors in the public and private sectors. Finally, governance has value as a normative concept because it prompts us to pay more attention to ideals about social exclusion, participation, and dialogue. In his closing remarks, Bevir stated that if we had no word other than "government" to use in our models, then social science would be normatively impoverished.

From Corporate-centered Society to Governance

According to Buchanan, Japanese corporate governance was a product of the "corporate hegemony" in Japanese society. Japanese corporate governance is known for aiming to do more than maximize shareholders' interests. Boards of directors of large, widely-held companies, whose members rise through the ranks of their firms, also take into account the long-term interests of a variety of stakeholders including employees, customers, and suppliers, which created a view of companies as communities of shared interest. The economic controls imposed during World War II and the fierce labor unrest of the late-1940s and early-1950s shaped contemporary corporate governance in Japan. This governance style remains prevalent despite widely publicized hostile takeovers attempted by hedge funds in the mid-2000s. Buchanan's understanding of "corporate hegemony" draws from labor historian Andrew Gordon. In fact, the role of corporations in Japanese society and governance within corporations including employment practices were major topics of the ISS's institute-wide research project in the late-1980s, titled "Contemporary Japanese Society." Before the "Contemporary Japanese Society" project, the ISS conducted an institute-wide project titled "Welfare State" in the early-1980s. The project examined the development and current status of welfare states in Europe and North America. It also considered Japan's social security system and economy, labor relations, aging population problem, and other matters. However, the project did not clearly identify characteristics of Japan's welfare state, except in examining how the social security schemes were developed relatively late, and that Japan had substituted economic growth for welfare.

In the course of the "Contemporary Japanese Society" project, the "corporate-centered" nature of Japanese society and the characteristics of corporations' internal governance were recognized without using the term governance, and this

recognition of the characteristics made characteristics of Japan's welfare regime more evident. Specifically, during the period of rapid economic growth, male employees of larger companies were provided employment security, seniority-based wages, family and housing allowances, and other benefits. Thanks to stable family wages that husbands could earn, wives stayed at home as full-time homemakers and care-givers. As a result, the government did not increase its spending on social programs—including various social services for the working-age population in particular—as much as it might otherwise have.

However, in the 1990s it became clear that the system relying on private companies and family (i.e., full-time housewives) to ensure employment and livelihood security was failing. The ISS took up the conditions of post-bubble Japan in the early-2000s as a research theme in an institute-wide project titled "A Lost Decade?" It grappled with Japan's economic stagnation and prolonged business slump as well as dysfunctional aspects of the social security system. The word "corporate governance" started to be used in post-bubble Japan to criticize the Japanese model as one of the causes of the bubble burst and subsequent stagnation, and there were proposals to transform the Japanese model into American model. In the "A Lost Decade?" project, the corporate governance of banks in particular was examined, and the conclusion was that it was not Japanese corporate governance per se, but corporate behaviors and management strategies that were problematic.

In the mid-2000s we launched a comprehensive area studies project on the efforts of a declined "company town" to recover from the loss of jobs and population. The focus of this project which was titled "Hopology"—short for the "social science of hope"—was Kamaishi City in Iwate Prefecture. Kamaishi was one of the places that suffered a great amount of damage due to the earthquake and tsunami of March 11, 2011. After the disaster, the ISS used its Hopology survey data and community ties to devise ways of helping Kamaishi to recover and rebuild.

The "Reconsidering Governance" project benefited from the achievements of these earlier ISS projects. At the May 2013 international symposium, Bevir stated that "new governance" theories were a response to a rising sense of crisis in regards to the administrative state and the welfare state. Buchanan underscored how Japan's corporate governance was predicated on its "corporate-centered society." Furthermore, Andrew emphasized that the actors working towards "gender equitable, diverse and inclusive cities" include researchers with strong community attachments participating in action research. Each of these important points resonates deeply with the ISS's own research efforts.

In closing, I would like to express my gratitude to our guest speakers and discussants and to note that I will continue to reflect on Bevir's statement that "social science can serve to change and create the world as well as describe it," while we work to synthesize and publish the results of the "Reconsidering Governance" project.

Session 1

A New Governance:

Hierarchies, Markets, and Networks, c. 1979-2010

A New Governance: Hierarchies, Markets, and Networks, c. 1979-2010

Mark Bevir

(University of California, Berkeley)

Introduction

When governance refers to public organization and action, it surely captures one of the major trends of recent times. Many social scientists, especially those who work on public administration and local government, argue that the leading forms of public organization and action have shifted from hierarchic bureaucracies to markets and networks. Debates rage about the extent of this shift: bureaucratic hierarchies clearly remain widespread and arguably the most common forms of government. Questions may remain about the nature of the shift: have governments become less capable of getting their way or merely altered the ways in which they act? Yet, despite these doubts and questions, there is a widespread consensus that "governance" captures a shift in theory and practice towards markets and networks.

It is clear at least that successive governments have introduced wave after wave of public sector reform in their attempt to promote markets, contracting-out, networks, and joined-up government in place of hierarchic bureaucracy. This paper focuses initially on the intellectual sources of the transformation of the state and its relation to civil society. It highlights the role played in this transformation by modernist social science, with its reliance on formal explanations based on economic models or sociological correlations. Modernist social science informed the main narratives of the crisis of the administrative and welfare state in the 1970s. Modernist social science also inspired the two waves of public sector reform that responded to this crisis. In Britain, the first wave of reform was most prominent under Thatcherism, at which time an economic modernism inspired marketization and the new public management. The second wave of reform was most prominent under New Labour, at which time a sociological modernism inspired joined-up governance and networks.

The second half of the paper shifts the focus from the sources of the reforms to their impact on practices. While modernist social science assumes that reform intentions lead to changes in governance practices, the real state of governance is constructed by activities of people involved in implementation. Civil servants at various levels, as well as citizens who were subject to reform, sometimes resisted the modernist attempts of reform, complicating the link between intentions and policy practices. This paper relies on a series of short ethnographic stories to illustrate some of the complex ways in which public servants now juggle the competing demands of bureaucracies, markets, and networks.

A Genealogy of Governance

In the late nineteenth century, social science was dominated by a developmental historicism that inspired grand narratives centered on the nation, the state, and freedom. Developmental historicism appealed to narratives that situated events and

Table 1: The rise and varieties of modernism

	Developmental historicism	Modernism	
		Government	The new governance
Concept of rationality	Civilizational	Economic and sociological	New theories of governance - rational choice and new institutionalism
State formation	Nation and/or Imperial state	Corporate and/or welfare state	Neoliberal and/or network state
Public sector	Civil service	Bureaucracy	New worlds of governance – markets and networks
Mode of accountability	Responsible government	Procedural accountability	Performance accountability

institutions in a larger order of evolving continuity. Examples include Whig history, idealist philosophy, and evolutionary theorizing. The most significant feature of twentieth century social science was, in sharp contrast, the emergence of modernist modes of knowledge that atomize the flux of reality. Table 1 provides an overview.

The modernist break with developmental historicism had formal and substantive aspects.[1] In formal terms, modernists turned from historical narratives to formal models, correlations, and classifications that held across time and place. They explained outcomes by reference to psychological types, functional requirements of systems, a general human rationality, and ahistorical mechanisms and processes. In substantive terms, modernism overlapped with new emerging topics, including political parties, interest groups, and policy networks. The substantive and formal aspects of modernism often reinforced one another: the new techniques made it easier to study some of the new topics, and the new topics appeared to require new techniques for gathering and arranging data.

Modernist social science is dominated by two strands. Although the two strands of modernism contrast with developmental historicism, they instantiate different formal and ahistorical concepts of rationality associated with different forms of explanation and so different analyses of governance. On the one hand, the economic concept of rationality privileges utility maximization; it arose with neoclassical theory and spread to rational choice. On the other, the sociological

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[1] Compare Everdell 1997, Porter 1995, Ross 1991 chaps. 8-10, and Schabas 1990.

concept of rationality privileges appropriateness in relation to social norms; it arose with functionalism and spread to network theory and communitarianism.

The economic concept of rationality found in neoclassical theory has a distinctive history. For much of the nineteenth century, economists merged analyses pioneered by Adam Smith with organic and historical themes. Neoclassical economics established its dominance only as developmental historicism gave way to modernism. Even then it did not obliterate other traditions. Historical and institutional economics continued to thrive, especially on the European continent where economists remained divided about the relevance of utility theory as late as the 1930s.[2] Nonetheless, the spread of modernism saw diachronic narratives of the development of economies, states, and civilizations give way to synchronic models and somewhat later rational choice theory.[3]

Neoclassical economics instantiates a concept of rationality suited to modernist emphases on atomization, deduction, and synchronic analyses. Economic rationality is a property of individual decisions and actions; it is not tied to norms, practices, or societies save in so far as these are judged effective or ineffective ways of aggregating individual choices. In addition, economic rationality is postulated as an axiom on the basis of which to construct deductive models; it is not deployed as a principle by which to interpret facts discovered through inductive empirical research. Finally, the models derived from the axioms of economic rationality are applied to general patterns irrespective of time and space; they do not trace the particular evolution of individuals, practices, or societies. A modernist view of knowledge set the scene for the economic concept of rationality, but the concept acquired its content from utility-maximization. In neoclassical economics, individuals act in order to maximize their personal utility, where utility is defined as a measure of the satisfaction gained from a commodity or other outcome.

The most prominent alternatives to the economic concept of rationality are a cluster of sociological ones, all of which replace instrumentality with appropriateness. Sociological rationality is about acting in accord with appropriate social norms to fulfill established roles in systems, processes, institutions, or practices. Some sociologists, including Emile Durkheim and Pierre Bourdieu, argue that even modern individuals are best conceived not as instrumental actors but as followers of social norms and roles. Others, including Max Weber and Herbert Marcuse, express fears about the spread of selfish, acquisitive, and instrumental norms in modern societies. These two strands of modernist sociology can come together in broad condemnations

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[2] For a survey of the varied voices see the oft maligned but still useful Hutchison 1953. For an example of their debating public policy see *Royal Commission on the Depression of Trade and Industry, Final Report*, c. 4893/1886.

[3] On the history of neoclassical economics and rational choice theory see respectively Schabas 1990, and Amadae 2003.

of modernity, capitalism, or consumerism for spreading selfish and instrumental norms that wreck older forms of solidarity and community.

It is worth noting that these sociological traditions with their alternative concepts of rationality date, like neoclassical economics, from the broad intellectual shift away from developmental historicism toward modernism with its emphasis on synchronic analyses. The commonalities of the economic and sociological concepts of rationality are just as important as their differences. Modernist economists and modernist sociologists compartmentalize aspects of social life so as to manage and explain facts. They seek to make sense of the particular not by locating it in a temporal narrative but by reducing it to formal mid-level or universal generalizations that allegedly hold across time and space. Sociologists might eschew deductive models, but they too reject narratives, preferring formal classifications, correlations, functions, systems, and ideal types. Although we can find functionalist themes in nineteenth century thinkers, formal sociological forms of explanation flourished only with the rise of modernism; it was Durkheim and Bronislaw Malinowski, not Auguste Comte and Herbert Spencer, who distinguished functional explanations that refer to the synchronic role of an object in a system or social order (a type of explanation they considered to be scientific) from both the psychological question of motivation and the historical question of origins.

The shift from developmental historicism to modernism altered the concept and nature of the state.[4] As modernists rejected historical narratives, so they challenged the concept of the state as arising out of a nation bound together by a common language, culture, and past. Modernists turned instead to formal patterns, regularities, or models of action and institutions across space and time. Again, when modernists turned away from a substantive focus on the state toward topics such as political parties, interest groups, and policy networks, these sub-state institutions were then studied in terms of laws or regularities derived, for example, from their functions in abstract systems. Even when modernists continued to study the state, they increasingly portrayed it as fragmented into factional interests associated with different classes or parties.

Modernism challenged the idea that representative democracy was a way of electing and holding to account politicians who would act in accord with the common good of a pre-political nation. Representative democracy was thus in danger of losing much of its legitimacy. However, modernist modes of knowledge opened up new ways of making and legitimating public policy in representative democracies. Modernist social science inspired a new belief in formal expertise. Public policy could be legitimate if it were based on the formal knowledge of modernist social science. Elected representatives no longer need express a national character and common good. They could define policy goals and check the activity of experts. Social scientists,

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[4] The rise of pluralist views of the state was especially pronounced in the US, on which see Gunnell 2004. For the British case see Runciman 2005 and Stears 2006.

professionals, and generalist civil servants would use their expertise to devise rational scientific policies in accord with these goals. Modernist social science thus helped to create the conditions for the administrative state.

One important justification for the creation and expansion of increasingly insulated and centralized bureaucracies was that they cured the abuses and irrationalities in democratic processes. Modernist social scientists, such as Mosei Ostrogrorski, Graham Wallas, and W. F. Willoughby, wrote of the factionalism, propaganda, and financial extravagances to which democratic governments were prone. Many believed an insulated and centralized bureaucracy could preserve democracy while removing its worst features – instability, irrationality, and sectarianism – from the day-to-day activities of governing. Corporatism and the welfare state were meant to overcome factionalism and irrationality. Under corporatism, the bureaucracy reached out to organized interests (Schmitter and Lehmbruch 1982). The corporatist state gave particular associations a privileged status as the representatives of social and economic groups. The privileged associations were involved in the formulation of public policy, and in return those associations helped to ensure the effective implementation of the policies. The bureaucracy also reached out to individual citizens, assuming greater responsibility for their welfare.[5] The welfare state took control of the individual's health, education, pension, and unemployment insurance.

Governance arose out of a crisis in the modernist state. Over-simplifications will abound in any attempt to differentiate the plethora of ideas that fed into narratives about the crisis of the state in the late twentieth century. Nonetheless, one way of approaching these narratives is as the products of different modernist theories. Some narratives of the crisis of the state challenged bureaucracy, corporatism, and social welfare by drawing on the economic concept of rationality. Neoclassical micro-level assumptions informed, for example, narratives that tried to show fiscal crises were a pathology built into the welfare state. These narratives went as follows.[6] Citizens, being rational actors, try to maximize their short-term interests, privileging welfare policies that are of benefit to them as individuals over the long-term, cumulative, and shared effects of rising state expenditure. Similarly, politicians, being rational actors, try to maximize their short-term electoral interests, promoting policies that will gain the votes of these rational citizens rather than pursuing fiscal responsibility. Narrow political considerations thereby trump economic imperatives. Groups of voters demand more and more welfare benefits, and politicians constantly pass welfare legislation on behalf of these voters. A growing proportion of the national product goes on welfare, making fiscal crises inevitable. These narratives of state overload

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[5] For discussions of the growing role of expertise from the nineteenth century to the early spread of social welfare see MacLeod 1988.
[6] See, for example, King 1975.

and state crisis pointed to a clear solution – fiscal austerity, monetary control, and a rolling-back of the state.

Other narratives of the crisis of the state drew on more sociological analyses of changes in the world.[7] These narratives implied that the state had to change in response to international and domestic pressures. Internationally, the increased mobility of capital made it more difficult for states to direct economic activity. The state could not go it alone, but rather had to pursue coordination and regulation across borders. Industries that had operated in the domain of the state became increasingly transnational in their activities. The increasing number and prominence of transnational corporations raised problems of coordination and questions of jurisdiction. There was a gap between the national operation of regulatory structures and an increasingly international economy. Domestically, the state confronted the rising demands of its citizens. These demands arose from popular discontent with the state's handling of the economy and its apparent unresponsiveness. Many states were saddled with large debts. Globalization provoked anxieties about competitiveness and wages. Sections of the public worried that the state had lost control. Equally, state-actors often found they were subject to varied and even contradictory demands from the public. Voters wanted better services and lower taxes. They wanted a more effective state but also a more transparent and accountable one. They wanted decisive leaders and yet more popular participation.

The new governance consists of the interconnected theories and reforms by which people conceived of the crisis of the state and responded to it. These theories and reforms rejected the expertise associated with the post-War state. However, instead of challenging the idea of applying modernist expertise to social life, policy actors turned to alternative modernist modes of knowing to sustain new forms of expertise. Governance then rose in two analytically distinct waves of public sector reform. The first wave of reforms echoed an economic concept of rationality; neoliberalism promoted the new public management and contracting-out. The second wave echoed a sociological concept of rationality; the Third Way promoted joined-up governance, networks, and partnerships.

A first wave of reforms drew on public dissatisfaction with bureaucracy, and also on neoliberalism and rational choice theory, both of which explained and legitimated this dissatisfaction. Neoliberals compared the state's top-down, hierarchical mode of organization with the decentralized, competitive structure of the market. They argued that the market was superior. They concluded that when possible markets or quasi-markets should replace bureaucracy. A quest for efficiency led them to call on the state to transfer organizations and activities to the private sector. Organizations could be transferred by privatization, that is, the transfer of state assets to the private sector through flotations or management buy-outs. Activities could be

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[7] For discussion see Bevir 2005 and Finlayson 1999.

transferred by means of contracting-out, that is, the state could pay a private sector organization to undertake tasks on its behalf.

Most neoliberals combined their faith in markets with a faith that the discipline of the market must somehow validate the management practices of the private sector. They redefined public officials as managers or service-providers, and they redefined citizens as consumers or service-users. More specifically, neoliberal reforms of the public sector often reflected formal analyses. Neoclassical economists first developed principal-agent theory to analyze the problem of delegated discretion in the private sector (Stiglitz 1987). They argued that delegating decision-making from principals (shareholders) to agents (managers) is risky because the agents may act on their own interests. Economists proposed minimizing this risk by using incentives and market mechanisms to align the interests of the agents with those of the principals. In the public sector, the principals are the voters and their elected representatives while the agents are public officials. For rational choice theorists, therefore, as the basic problem of private sector corporations was to ensure managers acted on behalf of the shareholders, so the basic problem of public administration was to ensure public officials work on behalf of citizens. Neoliberals extended to the public sector the incentives and market mechanisms that economists had devised to bring the interests of agents into alignment with those of their principals. The result was the new public management (Barzelay 2001; Pollitt and Bouckaert 2000).

Popular and neoliberal narratives combined with more formal analyses to produce a paradigm shift within modernism. The new paradigm denounced bureaucracy and public officials, and championed markets and entrepreneurs. It turned away from what was now derided as big government, bloated bureaucracy, and uniform solutions, and toward a private sector that was now lauded as competitive, efficient, and flexible. This paradigm shift was also one from institutional definitions of good government, which emphasized clear-cut divisions of responsibility within hierarchical relationships, toward new definitions of efficient processes defined in terms of service-delivery and outputs with an attendant emphasis on transparency, user-friendliness, and incentive structures.

When social scientists inspired by sociological theories of rationality studied neoliberal reforms of the public sector, they were often highly critical. They argued that the reforms exasperated problems of coordination and steering; they promoted networks and joined-up government.[8] Advocates of networks distinguish them from hierarchies as well as markets. Old institutionalists believed that hierarchies made it easier to tackle many social problems by dividing them into smaller tasks each of which could then be performed by a specialized unit. New institutionalists argue that this hierarchic approach to problem-solving no longer suits today's world. They claim

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[8] See, for example, R. Rhodes 1997.

that policy makers confront "wicked problems" that are not amenable to division and specialization; to solve today's problems requires networks.

The concept of a "wicked problem" rose as part of an amorphous mid-range social science associated with institutionalism, organization theory, and functionalism (Rittel and Webber 1973). Social democratic governments then picked up and adopted it to counter the ideas and policies of neoliberals. Wicked problems are usually defined in terms such as: a problem of more or less unique nature; the lack of any definitive formulation of such a problem; the existence of multiple explanations for it; the absence of a test to decide the value of any response to it; all responses to it being better or worse rather than true or false; and each response to it has important consequences such that there is no real chance to learn by trial and error. Typically these features strongly imply that wicked problems are interrelated. For example, a particular wicked problem might be explained in terms of its relationship to others, or any response to it might impact others. Classic examples of wicked problems include pressing issues of governance such as security, environment, and urban blight.

Institutionalists usually accept neoliberal arguments about the inflexible and unresponsive nature of hierarchies, but instead of promoting markets, they appeal to networks as a suitably flexible and responsive alternative based on recognition that social actors operate in structured relationships. They argue that efficiency and effectiveness derive from stable relationships characterized by trust, social participation, and voluntary associations. In their view, while hierarchies can provide a context for trust and stability, the time for hierarchies has passed. Hierarchies do not suit the new knowledge-driven global economy. This new world increasingly throws up wicked problems that require networks and joined-up governance. A new institutionalism, with its sociological concept of rationality, thus inspired a second wave of reforms, including not only many of New Labour's policies but also Australia's whole-of-government agenda, international attempts to deal with failed states, and post-9/11 security policy in the US (Bevir 2010).

Public Servants – Theory and Practice

Whether or not the rise of governance has led to more efficient and responsive public services, it certainly transforms the identity and role of public servants. Public servants find themselves jugging the roles and identities typically associated with old-style bureaucracy, the new public management, and a new public service. Table 2 provides a summary.

The problem with most discussions of public servants under the new governance is that they rely on modernist assumptions to obscure the variety and contingency of governance. Modernist accounts of the new governance, and the role of public servants within it, typically imply that we can define the new governance by reference to one or more of its essential properties. They imply that these properties are general ones that characterise all cases of the new governance: we find governance in its contemporary guise if and only if we find a spread of networks. They also imply

Table 2: Competing visions of public administration

	Bureaucracy	New Public Management	New Public Service
Theoretical basis	Old institutionalism	Neoclassical economics	Sociological institutionalism and democratic theory
Public interest	Defined politically and expressed in law	Aggregation of individual preferences	Product of dialogues in networks
Citizens	Constituents (electoral citizens)	Consumers	Citizens (in policy networks)
The role of the state	Rowing	Steering	Facilitating
Organizational structure	Bureaucracy with top-down authority	Small core contracting out tasks to independent bodies	Collaborative links between public and private bodies
Mechanisms	Administration and law	Markets and incentive structures	Diplomatic negotiation
Discretion	Limited: administrative rules	High: managers are free to manage to meet entrepreneurial goals	Moderate: flexibility within networks
Accountability	Hierarchical	Market-driven	Multi-faceted

that these essential properties can explain at least the most significant other features of the new governance.

It is only modernist social science that makes these implications seem at all plausible. Really practices of governance are products of people's activity, and people's actions are not determined by institutional norms or a logic of modernisation but rather reflect their agency and intentionality. Really governance is constructed differently by numerous actors grappling with different issues in different contexts against the background of different traditions.

The new governance is not monolithic. On the contrary, part of the point of the term "governance" should be to provide a more diverse view of state authority and its exercise. From this perspective, public servants struggle – perhaps successfully but often not – to govern and steer other actors. Instead of looking for comprehensive accounts and explanations of the new governance, we might accept that it varies widely from case to case. The new governance is a complex policy environment in which an increasing range of actors forge various practices.

Again, public servants actively make their roles and identities by negotiating the often conflicting demands of hierarchic, market, and network approaches to organization. They make these roles in diverse and contingent ways. There is no better way to illustrate this point than with stories about particular public servants. The

following abbreviated stories are based on interviews and ethnographic fieldwork.[9] I offer them as examples of some of the contingent ways in which public servants at all levels balance the demands that have arisen out of successive waves of public sector reform.

The Permanent Secretary

Permanent secretaries sit at the top of a hierarchy where three main tasks come together: political advice to ministers, management of their departments and diplomacy or managing external relations. It is a singular combination. The job's ingredients define the generalist. Yet, since the late 1970s, civil servants have had to resolve the dilemmas that the new public management and the rise of networks pose for this tradition of the generalist. They had to adapt their traditions to the demand for greater efficiency and a reduced role for the state. The extracts that follow indicate how one permanent secretary navigated a career in an age of constant reform.

(i)   Career

You had this apprenticeship where you worked with a principal. There was a mentor as well: someone who looked after you because you were the elite. The personnel management was quite good. You were given tasks that were development tasks, which were highly supervised by senior people. So I suppose you learnt quite quickly. You were socialised into the idea of a profession, which had things it stood for, and what the job was about, and what you were there to do.

The codes were of three kinds. There was a code about personal behaviour, so you know you've got to turn up on time and you have to be sober and so on. You have to understand the nature of what you were there to do and the values of the thing. The values were transmitted to you, by a process I couldn't now describe, of watching what went on and getting an idea of what was what and what was not what. Thirdly, you learned the limits to how you were expected to handle issues. A lot of it was done on paper, you know, they'd alter a draft and they would patiently explain to you what they wanted, and you'd say, 'shall we say this', and they'd say, 'not quite, say this'. So you'd realise that what you were being taught was that you were always operating within the framework of the acceptable.

(In 1979) I moved to be private secretary to the permanent secretary - Frank Cooper - where I spent 2½ years. This was a classic career move for a civil servant. This was a top job. You were sitting next door to the great man. You saw how he worked. You underpinned what he did. You were on the inside and you could see how top people worked.

The post (Permanent Secretary, Ministry of Defence, 1995-8) fell vacant and I was offered it. It was a big department, a massive job. If you are in charge of a big department, you are trying to give a sense of leadership to the whole department. You don't tend to get involved in those bits that are going well. So in a department like defence, the policy bit is a very well run organisation. I used to leave them to get on with it. If it went wrong, or I thought it was going wrong, I would get involved. You spend a lot of time on broader civil service management, corporate issues across the whole service, and on people management, and financial management in the department. Your main role, in my view, is to say 'is what the department is doing coherent in a policy sense?' You think about the big picture and the coherence.

(ii)   The job

Ideally I think what you want is somebody who is very bright, by which I don't just mean high intellect, but a good thinking capacity because if you don't have that, you've had it really. The subject matter is just so difficult. You have got to have the capacity for logical thought, and for going from A to wherever you have to go in a structured way. Now, if you are going to lead a group of people like that, you've got to be clever because if not, you lack credibility with the best and it corrodes.

The second quality that you need is integrity in relation to ministers, parliament, the public, the way arguments are presented, the use of public money.

What is absolutely right, and of fundamental importance, is that if ministers say to you 'I don't actually like the advice I'm getting, I think it's too narrow or whatever', then you say, 'well fine, I'll organise so you get the advice you want'. If they want to go outside the civil service, as they do for quite a lot of their advice, fine by me. All I ever say is it would be jolly helpful to know where the alternative advice is coming from.

You've got the network across the whole of your department, and you've got the network across Whitehall, and, to an extent, you've also got an international network. So you have to establish these relationships, keep them lubricated, keep the show on the road.

When I was in defence we had long since discovered joined-up government. It's presented as such a revolutionary idea but I had worked for my whole career in defence on the basis that we joined up everything we did with the Foreign Office and with the Cabinet Office and with 10 Downing Street. It was just deep in our culture: that this was the way you worked and we got it off to a fine art.

(iii)   The changes

There is a certain sort of civil servant, who in the past did well, who over the last twenty years has been edged out from getting to the top. What stopped them getting to that level? It was that they were insufficiently able to

move things along and they didn't see that the purpose was actually to change things. Nor could they lead and manage people. But we should guard against stereotypes. There is criticism of the 'mandarins' from outside and within the civil service, but I have worked with some remarkably gifted people with more traditional characteristics. Michael Quinlan, for example, is clever, fabulously clever, in the best sense, and an inspirational leader in an unusual way because we all have the idea that leadership is strutting your stuff and all that. He doesn't do that. He inspires people to be loyal to him.

Has there has been any loss of institutional scepticism? There is a difficult balance to be drawn. You've got to give ministers advice that relates in some meaningful way to what they're after and what they are trying to do, and that must always be the case. You have an issue of 'is this person on message?' So I suppose people are very nervous about not being on message. I can't say it bothers me. I operate on the basis that I can say almost anything. All I ever think about is what is the best way of doing this in order to produce the right result. The right result isn't that I get my way, just that the points are registered and they're addressed. People that argue their corner and do it well, accept gracefully that they haven't won it, and get on with what was decided, these people were gold dust.

The Local Manager

This story is from an interview with the Chair of a Primary Care Trust (PCT). He has been in post for less than a year. His job is to provide strategic leadership for the primary care sector of the National Health Service (NHS). Primary care comprises the services provided in a specific geographic area by family or general practitioners and the community health services, such as midwifery, which look after people in their own homes.

Our major partner is the local authority as a whole, not just social services. One of the first people I met was the chief executive of a local authority. I rang him up and said I'd like to see him and he and the leader of the local authority came round to see me. One of the first things I talked to them about was developing a common planning capacity to support the community plan. We are a small organisation and I'm keen for us to play a part right across the community because the potential impact of what they do on us is great and vice versa.

I certainly see the director of the community services, who is the chief officer responsible for community safety, regularly. I see the guy who - he has chief officer status - is responsible for the local strategic partnership in the community plan. There's a lot of issues about mental health and crime and only this week I discovered a whole set of issues around prison health. We primarily meet in a partnership group. It is one of five task groups. It reports to the overall local strategic partnership. The local strategic partnership is the

over-arching liaison, strategic, planning mechanism that brings together all the elements of the community plan, but if we need to have a one-to-one, yes.

Apart from the local authority and the community plan, the other key actors are the provider trusts and in our case there is an acute trust, a mental health and learning disabilities trust. Then, in addition, there's the whole primary care sector. Obviously in some respects they are major providers but in the main they are still independent contractors and they are not on a contract with us, but they are our partners, they are part of the trust.

There are separate meetings of all the chief executives, and there are separate meetings of all the chairs, though as a result of a proposal I made at the last chairs' meeting, we're going to have some joint meetings. But most of the business is done through bilaterals. There are some exceptions that sort of prove the rule, like there was a review of acute services. There is the financial agreement each year, what's called the Service and Financial Framework, which is certainly the centre of the financial frameworks.

The health authority is also a major actor. We have to sign an annual accountability agreement with it. The essential element of it is that we will meet the targets laid down in the national NHS plan. We meet them on a quarterly basis. There's the regional office of the NHS executive, to which we are accountable via the health authority. Our provider trusts are directly accountable to the regional office.

Within the town, all the major players work in offices within 10 minutes walk of one another. Domestically and socially, everybody knows where you live and where you went. At the senior level, a number of people meet for lunch and have drinks during the day and things like that. There is, undoubtedly, a local network which is beginning to self-consciously think about organising itself, rationalising a lot of the activities.

The voluntary or the private sectors are not immensely significant for decision making in the arenas that I operate in. The voluntary sector is, however, a major player in service delivery although it is not a major player in terms of strategic development.

A very large part of my role is networking, ambassadorial. I was reflecting on this over the last couple of weeks, perhaps partly because we were gonna talk and you know partly because I was reflecting on the job because I've been doing it for a while. It's almost entirely self-managed. There's no requirement on me to make a lot of all my links.

We have a central government that is behaving proactively in relation to a whole range of issues. So people on the ground are suffering from initiative-itis. The benefits are (long pause).

The way I conceive of health, and the role of health organisations, means that it's impossible to achieve any goals without working with and through other organisations and other key actors regionally, and especially locally, and to

some extent nationally. It would not be possible to do the work that I do, it wouldn't fulfil the goals I have, unless I was approaching it in that way. I guess I am trying to turn this into more of a managed network. I'm hoping to talk to the chief executive of the local authority in the next week or so about how we can rationalise some of our activities and how we can get this common planning support capacity.

The Street-level Bureaucrat

Police officers have been besieged by efforts to promote new managerial practices and community policing. The following quotations come from two studies that looked at their responses to these reforms.[10]

(i)   On bureaucracy

There is still a command and control mentality within the service and [a sense] that the police have no ownership of what goes on."

They pay a lot of lip service to the notion that we have a corporate mentality – no rank distinction – everyone can say what they want, but believe you me when you step out of line, the military line comes right back and if you want to get on you are not going to be part of a frank discussion.

(ii)   On neoliberal reforms

When I arrived, in the order of 110 performance measures were being proposed! We got it down to 75 in the end but it was difficult. I couldn't believe it when I saw the rising crime figures and this ongoing preoccupation with things like how many forensic tests we might perform in any one year. There didn't seem to be a concern about crime at all at this point.

I think we shouldn't sort of minimize just how serious it is and I keep saying to officers, you know 'to actually arrest somebody and take somebody's liberty away is a very, very major event' and so to see them if you like, in consumerism terms, it sort of wears a little bit thin, probably for them more than us.

I think the thing is, for me, that the public actually as a rule have to take the service that they get, they can't actually go out and say, I don't actually like the way X Police do this so I'm going to see if I can phone through and get Y Police to come and do it, because on such and such scales they deal with my type of incident in a far better way.

(iii)   On community policing

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[10] The study by Jenny Fleming is based on interviews with senior officer and focus group meetings with officers of all ranks in Britain and Australia in 2003. For details see Fleming 2006. The study led by John Clarke and Janet Newman is based on interviews and other ethnographic techniques involving all kinds of public service providers and citizens in Britain. For details see Clarke et al 2006. I am grateful for permission to draw on these studies.

I think your biggest problem will be the culture. It's still isolated, a 'boy's own' club – community policing means beat policing to them [rank and file officers] and they don't do that well. They don't like all this touchy feely stuff.

(iv)   On continuous reform

[The force] is change weary. Since 1990, it has been one major upheaval after another. The [last Commissioner] had big ideas, and [so did] the Commissioner before him. They would go around telling it how it was but every time there was a change of management, there was another reorganization. Police are so fed up with this, that the [current] Commissioner has decreed that any further change must be incremental.

Citizens and Customers

The final story comes from the files of a local authority in North England. Social workers describe the history of one couple navigating their relationships, as citizens and customers, with various state agencies.

Mr and Mrs R live in a two-bedroom house in the suburbs of a town with a population of some 200,000. Mr R is 83 years old, and wheelchair bound following a stroke six months ago. Mrs R is 79 years old, still active mentally and physically but not strong enough to help with her husband's personal care without help from one other person.

For the past six months, they have had a care assistant from a private agency to help Mr R with getting up, toileting, washing and dressing every morning. A local authority Home Help calls at lunch to help with toileting, and personal care tasks if necessary. The Home Help also calls twice weekly to do shopping, as Mrs R can't leave Mr R, because he gets distressed when left on his own. Mr R has a catheter that is managed by his wife and checked by a Community Nurse twice weekly. Three nights a week (Friday, Saturday and Sunday) a private agency care assistant calls to help Mr R to go to bed. The local authority's Home Help service assists on the four remaining evenings a week. The evening call can take place any time from 7.00 pm to 9.00 pm depending on daily demand on staff. The local authority care manager arranged and purchased the private agency.

Mr and Mrs R moved their double bed into the lounge because the bathroom is downstairs at the back of the kitchen and Mr R cannot get upstairs. They live and entertain in their small kitchen. Mr R cannot get out without being lifted because there are three steep steps at the front and at the back of the house that make it difficult to install a ramp.

To make themselves more comfortable their care manager suggested moving to a new comfortable sheltered housing complex in the centre of town. They have an offer of a one-bedroom flat with a kitchen and living room on the first floor. There are lifts. There is a communal room with regular activities.

Mr R would be able to move freely around the flat and use the kitchen, as the units are wheelchair height. He would be able to use the lift and attend the activities at the communal room. He would need assistance at home for personal care. Mrs R would be able to get out to do some shopping while her husband is joining in the communal activities. She would not be so isolated as she would be able to join in the communal activities with her husband.

Mr R will not consider looking at the flat until he knows he can have the same carer from a private agency who calls every morning. This will not be possible because his care arrangements will be provided by different locally based staff. His wife needs help to explain this. The Home Care Manager responsible for the new area visits the couple to reassure Mr R that he and his wife will get all the help that they need. The couple visit the new flat and accept the offer.

Conclusion

The administrative and welfare state of the mid-twentieth century is starting to look as if it might have had a relatively short shelf-life. The initial turn to an ethic of welfare occurred within nineteenth century thought. Idealist philosophy, immanentist theology, and humanitarian positivism all helped sustain an concern with brotherhood, fellowship, and social duty. Arguably, however, this ethic had only limited impact on public policy. The administrative and welfare state depended not only on the persistence of this ethic but at least as much on the rise of new modernist expertise. It was modernist expertise that guided state bureaucracy as it expanded its range into ever wider areas of social life.

By the late twentieth century, however, modernist expertise itself had undermined faith in bureaucracy. Some policy makers may have rejected an ethic of welfare, others may have clung to one, but almost all of them rejected hierarchic organization. Whether they wanted to promote entrepreneurial individualism or civic spirit, they sought to do so through new forms of public organization and public action. They turned to markets and networks. Still, their policies have not worked as the policy makers intended. Instead, the world of hierarchies and bureaucratic norms has persisted even as it has been overlain by some features of markets and networks. Senior civil servants, agency managers, street-level bureaucrats, and citizens all confront a confusing and unmanageable set of demands reflecting an ever proliferating number of reforms and directives. Each of them muddles through. And it is their muddling through that then creates the practices of governance in which we now find ourselves.

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Comments and Questions for Session 1
  Moderator: Iwato Sato
  Discussant: Shigeki Uno

Moderator: Thank you very much for the very interesting presentation. We'd now like to ask Dr. Shigeki Uno for some comments. His area of expertise is history of political thought and he is the leader of the local governance team in our project.

Shigeki Uno: Good Morning and thank you for the introduction. My name is Shigeki Uno and I am studying political philosophy and history of political ideas in the 19th century France, especially Alexis de Tocqueville. It is my great honor to be here as a discussant of the presentation of Prof. Bevir, as Prof. Bevir is well known for his contribution to the theory of governance, especially in the field of political theory and public administration. Since we started the project on governance, we have owed so much to his books and articles including *Democratic Governance* published in 2010.

I share with Prof. Bevir a historical approach to the concept of governance, that is, genealogy of the concept and historical analysis of the production of knowledge. He proposes interpretative social science and I am feeling a great sympathy to his style. I myself have also made some researches on the concept of governance from the perspective of western political thought in the previous seminar. It is well known that the origin of the word governance was Latin "gubernare", which means steering. And the word governance appeared in the 13th century in medieval French and was imported to English in the 14th century. But the word ceased to be used after that and almost was forgotten until the end of the 20th century. However it is in the late 1980's that governance had suddenly come back into fashion. It was mainly Anglo-Saxon economists and political scientists and some international organizations including United Nations, World Bank and IMF.

So my research question is why and how the word governance has come back into fashion in the 1980's, especially in English speaking countries, and what is the theoretical and political motivation for the advocator of the concept of governance.

The presentation of Prof. Bevir most clearly responded to my questions. He dated the history of governance from 1979-2010. 1979 is of course the year the late Margaret Thatcher was elected to British Prime Minister. Prof. Bevir investigates the intellectual background of the revival of the governance by examining the transformation of social sciences from developmental historicism in the 19th century to modernist social science in the 20th century and relates two waves of modernist social sciences, the economic one to Thatcherism, and the second wave sociological one to New Labor.

The perspective of Prof. Bevir is very clear and convincing. I was especially impressed by his explanation of the transformation of social sciences. I, as a student of intellectual history

would like to agree with Prof. Bevir on the contrast between the historical narrative dominating the social science in the 19th century, for example, Whig history, Idealist philosophy and Evolutional theory and ahistorical and the mechanistic narratives in the 20th century. I was also impressed by his comparison of two waves of modernism, an economic one and a sociological one. An economic rationality privileges utility and is familiar with neoclassical theory and rationale choice theory. A sociological one privileges appropriateness in relation to the social norms and is familiar with functionalism and network theory.

In this project on governance I myself have been attaching greater importance to the aspect of legitimacy and democracy in the concept of governance rather than efficiency and now I have realized that I am much influenced by the second wave of the modernist social science, but I have to analyze it in the context of historical analysis and the presentation of Prof. Bevir is very helpful to situate myself in the history of social sciences.

With this matter stated I'd like to ask three questions to Prof. Bevir.

First, I'd like to know more about social background of the transformation. You have argued the transformation of social sciences as the background of the revival of governance in the 1980's. But my question is about the background of the transformation of the social sciences. It is evident that all the advanced countries, including United Kingdom, United States and Japan, share a crisis of the welfare state and the change of the relationship of the state to civil society. People have become more and more critical of bureaucrat and politician and they want better services and lower taxes. Voters have started to regards themselves more as consumers rather than citizens. There seems to be some great change of the perception of the people towards themselves, towards society, towards the state. So you clearly analyzed the transformation of social sciences but I would like to know more about what is in the background of this change of social sciences. And I would like to also know more about the reason why the change occurred in 1980's. This is my first question.

And second question, as I have already mentioned at the beginning of the comment, Prof. Bevir and his important collaborator Prof. Rhodes are the pioneers of the concept of governance in the field of political theory and public administration and it is to analyze critically the Westminister model of the United Kingdom, a unitary state with strong executive that you emphasize a concept of governance. So my question is about the relationship of the concept of governance and the politics in the UK. Why is it in the UK that the concept becomes the focus of the public attention for the first time in the fields of political theory and public administrations? And is this perspective applicable and valid to other countries? For example it seems to me that political scientists in the United States are less positive towards the usage of governance than British academics. If my impression is correct, I'd greatly appreciate if you could explain the difference of two countries.

The third question: the latter part of your paper contains plenty of interviews of British public servants, one Permanent Secretary and second local manager and third street level bureaucrat

and fourth citizens. You skipped local managers and added the fourth, citizens in today's presentation. It is quite rich sources of intellectual curiosity. I appreciate so much if you could offer us the context and the story of your analysis of each interview. You showed us three examples. But it seems to me that the Permanent Secretary was still keeping his traditional style -- it's my impression -- whereas the local manager had radical changed in the sense that he took quite seriously the existence of network and other relating actors and he even say that his role is networking and ambassadorial. But again the street level bureaucrat, policeman, was keeping his traditional command and controlled mentality. That is to say that the change is clearest in the case of local manager. If that impression is correct, I would like to know the reason. I ask this question because we have also made a field research in local government in Japan and quite interestingly I have the same impression. So I'd like to ask Prof. Bevir the reason why we can observe the change most clearly in the case of local manager rather than top level bureaucrats or street level bureaucrats. That's all of my questions. Thank you very much.

Mark Bevir: Thank you very much for those comments. I'll try to say a little bit on each of your three questions. They are all good questions.

The first question was about the social or historical background to the rise of these theories. Many of these theories have been being developed for a long time. The fact that they suddenly had a great impact on policy in the late 1970's should not lead us to think that they only appear in the late 1970's. The theories had been developed for many years. If you think about neoliberal theories, you've got people like Hayek quite consciously and deliberately formulating theories about the efficiency of markets in contrast to state planning right through the 30's, and 40's and 50's. So the theories have a longer background.

The other thing is that although I said that what I'm emphasizing is theories, that's always a slightly misleading way of putting it. I put it like that because most social scientists are very bad at thinking about the way in which social science creates the world. They tend to think that what they are doing is describing a world that is already out there, but of course that's not really the case. What they are actually doing is offering theories that if people accept will then change the way people act in a way that will change the world. So the reason I always say I am emphasizing theories is to try to get social scientists to see how their theories make the world as well as describe it.

But in putting it like that I'm drawing attention to what I actually think which is that what's important is theories embedded in action. So when I talk about theories it can be slightly misleading because I can't suggest I'm looking at very formal theories, whereas the theories that are informing actions are often folk theories, more loosely held and not as well formulated. So one key aspect of the story that's missing is the rise of folk versions of my economic theory or folk versions of my sociological theory in the post World War II era.

I always think here of the example of my father. My father was born in 1914. And he left school when he was 16 and went straight to work as a tea boy. Then, when I was growing up, my father thought that professionals knew best and he also thought that professionals had the interests of their clients at heart. He thought that doctors were interested in securing his health. He thought that my teacher's primary interest in life was me doing well at school. He really trusted them to pursue that interest. Now I don't think of myself as a neoclassical economist nor do I think of myself as a rational choice theorist. But when I go and meet my children's teachers I think they'd like my kids to do well but they'd also like more time off. Indeed, when I confront about debates over the organization of teaching in my children's school, I don't think the teachers are simply trying to work out how best to prepare my children for university, I think they are also trying to reduce their teaching hours. I hold a kind of folk or informal version of rational choice theory. I am suspicious and skeptical of the real motivations of the teachers. So, the main thing I want to say about the social and historical background is that we need to understand the way in which these more informal folk theories came to saturate everyday thinking.

Your second question was about how this relates to my work with Prof. Rhodes and the relationship of Britain to other countries. If I was being honest, I got into the study of governance accidently. I'm a political theorist by training. I was working on the philosophy of social science and Prof. Rhodes was working on governance. I was just a young post-doctoral student and he was president of the UK Political Studies Association. He said to me, let's apply your philosophy to British governance and I said "Ok! Yes, let's." Then I got more and more interested in governance until I found myself working on it by myself as well as with Rhodes.

When Rhodes was writing on his own without me, he used the term "governance" explicitly to attack the Westminister model of the British state. The Westminister model suggested that Britain was a unitary state, a very strong monolithic state. The idea of governance suggested that policy making was far more complicated than that. The idea of governance gave Rhodes a different model of the way in which Britain worked. Now, my work with Rhodes said something similar to that about British politics but it emphasized the role of ideas and traditions rather than formal systems.

Then, as I started to work on governance on my own, I approached it less as a model of British politics, and more as something that captures the global changes I described in my talk. I am more interested in telling the genealogy of these changes. And I more interested in highlighting what I call resistance to these changes.

There are here two different ways in which you might think about governance. In the Rhodes' way or the earlier way, governance was something like a model of a new way in which public policy worked. It emphasized networks and markets. The question was, Do you find that model? If you found that model, you had governance. As Rhodes would say, governance was

the hollowing out of the state. So if the state was being hollowed out, you had governance, and if it wasn't, then you didn't have governance.

I'm very skeptical of that approach to governance. You don't find it in my work with Rhodes. I think it's a bit meaningless. I think bureaucracy probably remains the principal form of public action even today. I'm skeptical of the idea of the hollow sate as a model. What I'm interested in is, instead, something like the historical process by which different types of policy instruments have come to the fore. I want to trace the story that explains why we have shifted from bureaucratic instruments to people constantly talking and writing as though markets and networks are some kind of panacea. So part of me wants to say you have the new governance, not if you have the hollow state, but when you find policy makers are explicitly promoting markets and networks, rather than relying on bureaucracy, or when they are dealing with the problems of trying to balance bureaucracy with the rise of markets and networks. But then I also want to say that governance so conceived contains many many forms. So whereas in the earlier model governance had to mean the hollowing out of the state, for me governance can take many forms. In my talk I thus emphasized "resistance." Even when policy makers promote markets and networks, you can still get very very different outcomes depending upon the local traditions by which people respond to those policies.

Your final question was on why local managers have changed most. That is a good question to which I don't know the answer. I will offer one thought. Resistance happens as people draw on their local traditions, which might be the traditions of a society as a whole or they may be the traditions of a specific class or group within a society. People draw on these traditions to try to understand the new policies and to react to the problems the new policies pose for them. That's what resistance consists of. The senior civil servant I mentioned, Sir Richard Mottram**,** is part of a British civil service dominated by a Whig culture that see change as evolutionary and not dramatic. He drew on that culture to resist the reforms of New Labour. Now, it seems possible to me that local managers have the least resources for such resistance and yet they face the most dramatic demands. Senior civil servants don't really have to implement the policies. They just have to re-describe the documents and try and think, how are we going to do this over here. Citizens may face a lot of problems but they are not beholden to the politicians; they can say, "I don't like what you're doing," "I think I am a citizen not a customer," or "I don't think choice is such a good idea." The local managers have to try to implement the language and agendas they are given. They are bound, in a sense, to adopt some of the language of markets and networks because they have to try and make sense of it. So, that is my best guess. Nonetheless, I also think there is more resistance than you are suggesting among local managers. I think a lot of them are very skeptical of the reforms. They don't like the reforms much and they find all kinds of ways of getting around them. For example, even when local managers are saying we have forged this network and it meets three times a week to talk, they will also say what a waste of time it is. Now, that's a form of resistance, and if they are saying that to you, the chances are they probably are not preparing properly for those meetings That too is resistance. They are choosing to underprepare.

Moderator: Thank you very much Dr. Bevir and Dr. Uno. Thank you very much for the wonderful presentation and comments. I would now like to open to the floor for questions.

Q: My question is about ethnography of political science. I am very interested in the interview section of your paper. I think that you saw many people -- top bureaucrats or local manager or citizens or customers or street people. My major is history but I am also interested in anthropology, sociology, and ethnography, particularly. How do you locate your ethnography, your research in your wider political thought of history of research. I read the book *Bicycle Citizens* by Robin LeBlanc, which is political science ethnography on the Japanese house wives. So to summarize my question, it is about ethnography in the political science research. Thank you very much.

Mark Bevir: Thank you. In answer to your question, I want to emphasize the importance of understanding actions in terms of the reasons the actors have for undertaking those actions. I want to look at the intellectual, ideational or meaningful content of actions to explain them. There are two moments to such explanations. The first moment of explanation is to take a belief that's found in an action and to make sense of it by putting it in a wider web of beliefs. So in the case of the senior civil servant Sir Richard Mottram, you might say he believes he's always been engaged in joined-up governance. Why does he believe that? He believes that because he thinks that policy evolves slowly over time and he always therefore looks for connections between new initiatives and old ways of doing things. That would be the first moment.

The second moment takes the web of beliefs as its object. The first moment locates one belief in the wider web of beliefs of the actors and the second moment takes that web of beliefs and locates it against the background of the relevant historical tradition. Instead of seeing a web of beliefs as something that people are bound to adopt because of their institutional location or because of their social interests, it asks what cultural traditions are informing their way of understanding the world. In the case of the senior civil servant, his whole web of beliefs owes a lot to the Whig tradition in British thought. Full social explanation needs both of those moments.

Ethnography is one - not the only but one of the most important - methodological tool we have for tackling the first moment of explanation. Ethnography is one of the ways in which we can see how people act and we can reconstruct their web of beliefs from their actions. Most of the limitations of ethnography are then to do with the scale it can reach. Ethnography is not such a good tool for tackling the second moment of explanation, the more historical moment, but it is crucial for understanding peoples actions in terms of a whole set of cultural beliefs.

Moderator: Thank you very much, and next comment or question?

Q: I am quite convinced by your account of the transmission of sociological and economic theories and the folk theories. I had a question on your count of resistance. So you detail in your paper the account of resistance by practitioners against these new initiatives of marketization and the importance of networks. I was wondering to what extent did you find that there was resistance against hierarchy and bureaucracy in, let's say, the previous generation and in that sense what do you think is the importance of resistance? And what does it do to new initiatives and changes because we see changes in institutions, changes in policies. But do these really matter when people resist? And if so, then to what extent?

Mark Bevir: Thank you. Your first question asked about resistance in the hierarchies? If that is posed as an empirical question, I would have to say I don't really know. It's not something I've worked on. In principle, however, I'm committed to the idea that there always is resistance. When you find hierarchies today, of course you find resistance within them and that resistance flows both up and down. The word "resistance" can seem to apply only to when the people at the top have power and the other people are resisting them - which is how I've told the story today. But in a way you could see resistance also occurring when the people at the top challenge the embedded traditions and cultures of the people lower down. Resistance is about a continuing and an ongoing contestation of meanings and practices. It's a contest over what should happen. Anyway, I suspect citizens have always resisted public policies.

Moderator: Thank you very much. I do understand that there may be many more questions. But we have reached the end of this session. So I would like to close for now. Thank you very much, Dr. Bevir and Dr. Uno.

Session 2

Using Governance to Create Gender Equitable,

Diverse and Inclusive Cities

Using Governance to Create Gender Equitable, Diverse and Inclusive Cities

Caroline Andrew
(University of Ottawa)

Introduction

Reconsidering Governance is an exceptional opportunity to reflect on the conceptual and empirical pertinence of governance as it is used in different sectors. The reflection is necessary as the notion of governance is rich, diffuse and ambiguous and therefore a cross-sectoral reflection is particularly fruitful.

For me, governance is a useful conceptual tool and this in two interrelated directions; as a theoretical framework to guide decisions about what should be studied in an empirical way and, secondly, as a process that can be developed with partners from different sectors and therefore lead to community-based research and/or action and therefore lead to interventions. Governance is therefore content and process; helping to think clearly and act effectively. The definition of governance that I prefer comes from the writings of Gilles Paquet (Hubbard and Paquet, 2007); governance is the effective mechanisms of coordination in situations where power, resources and information are widely distributed. It is a research question to analyze, in any particular situation, to what extent there is a wide distribution and, as well, how even or uneven is the distribution. The definition of governance does not in any way suggest that the distribution of power, resources and information is evenly distributed but simply that there is more than one actor holding all the power, resources and /or information.

I am therefore reflecting about the possibilities of using governance as a tool to bring about social change. My argument is that governance is a way of attempting to make local decisions about cities more in the interests of women in all their diversity and particularly for groups of women in danger of being doubly marginalized, not only because of their sex but also because of other markers of identity such as age, disability, sexual orientation and race. Local government has generally tended to be supportive of property owners and those who make money from urban processes. Making local government more receptive to the interest of citizens, much less female citizens, has been a complex process at the best of times and adding elements of participatory democracy to representative   government has proved to be extremely tricky. None the less, there have been some innovative examples and it is because of the importance of the project – creating gender equitable, diverse and inclusive cities – that it is worth taking up the challenge. Our first task is therefore to explore the challenges of governance as a tool for social change.

One of the defining traits of governance is the inclusion of non-state actors in decisions taken that are part of the collective direction taken by a society, a governmental unit, a community. The definition of the types of non-state actors is extremely wide and once again this becomes a research question to examine specific cases and also to reflect in each case, not only on who are the non-state actors but also on ways of categorizing the relative influence of the different non-state partners. The role of government in governance processes has been much debated, particularly in what one can call the first generation of governance scholars. Some authors felt that the idea of governance eliminates any role for government

whereas others argued that, with the inclusion of non-state actors, the role of the state is enhanced. However, with the second generation of governance scholarship, this dichotomist position around government and governance has evolved. Bozzini and Enjolras (2012) summarize this nicely in their title *Governing Ambiguities*, and they go on to state:

> Ambiguities arise because governance by definition is located at the interface of government and society. The shift from government to governance as a modus operandi of public authorities entails a paradigm shift in the understanding of how government influences and acts on society. It is a shift from a model of mechanical and hierarchical influence and action (where actors in society are subordinated to government and obey its injunctions) to an interactive model where citizens are viewed as independent agents and where the success of government policies is dependent on their active collaboration. (p.15)

A similar position is presented by Postigo (2011) in his discussion of the synergies between state and civil society in creating participatory urban governance. The creation of "new links of co-operation and synergy ….offers the possibility of realising a project of sustained democratic renewal , a dynamic and ongoing process of progressive inclusion and radical transformation that defines the essence of democracy"(p.1962). It is in the detailed investigation of specific examples of governance that we can understand the synergies, challenges and ambiguities of the roles of state and civil society and, in this way, better understand how to advance social change and social justice through the use of governance.

Questions of process are therefore fundamental to our developing a greater appreciation for using the tool of governance, either by phases of development (Ansell and Gash, 2009) or by crucial elements (Huxham, 2003). Ansell and Gash argue that the success of collaborative governance arrangements are shaped by four factors; starting conditions, institutional design, collaborative processes and facilitative leadership. Huxham addresses many of the same questions but organizes her argument around issues rather than phases of development. The issues are common aims, power, trust, membership structures and leadership. In several of these issues, she argues against the conventional wisdom that successful collaborative governance must start with the different partners agreeing on common aims and working from a position of trust. Huxham maintains that common aims and trust develop over time, and are not a necessary condition for beginning collaboration. She argues that power needs to be seen within the detailed context of the specific governance practice as at different moments different forms of power also come into play and rather than simply seeing power as a fixed relationship between the different partners, it must also be seen as something that shifts in terms of the particular activities taking place at any one time in the collaboration. The complexity of membership structures (is it individual or organizational, what happens when people change positions but stay in the collaboration, what happens when key people or key organizations leave?) adds to the importance of continually nurturing collaborations as they are extremely fragile. And finally Huxham argues that collaborative governance requires two forms of leadership; collaborative and decisive. This again is an illustration of Huxham's aim to rethink the conventional wisdom of collaboration which argues that

collaborative leadership is necessary for success whereas Huxham maintains that decisive action is sometimes more useful for long term success. Before pursuing these issues it is important to think about the kinds of players who need to be involved in the kinds of governance arrangements we are interested in, those that aim at transforming the ways we think about daily life in cities.

Categories of Actors

Having very briefly established the ways in which I think about governance I return to the applied dimension of my presentation; how to use governance to create gender equitable, diverse and sustainable cities. I begin with looking at the categories of actors that it would be important to have in governance arrangements aimed at creating these cities. To be very schematic one can think of four categories of actors; elected officials as "champions", public servants sometimes referred to in this context as "femocrats" or feminist bureaucrats, community-based groups and, finally, researchers. In order to develop my argument as to why this combination of actors has the potential to create social change in the direction of cities that would reflect and illustrate gender equity, diversity and inclusion, each category of actors will be analyzed for what they can bring to the governance arrangements in terms of power, information and resources. In this way one can examine the potential for governance arrangements based around these four groups of actors to be able to mobilize sufficient power, information and resources to be able to bring about the kinds of social change necessary to create the cities we want.

Elected officials

Starting with elected officials and thinking in terms of their power, their information and their resources, their power is based on their role in the political system and the power that position brings with it. Different political systems allocate power differently and so in this example I will be using the Canadian political system as my reference. Power is allocated differently across the levels of government. For example, municipal elected officials have considerably less power in the Canadian political system than do federal or provincial elected officials but this example illustrates another aspect of power; it is not absolute but rather contextually relevant power. A municipal elected official will have more power to approve the redrafting of a local by-law than will a federal Member of Parliament. If our vision of the city we want includes better access of adolescent girls to local sport facilities the local elected officials may have more power in moving that item along than would elected officials at other levels.

Another factor in thinking about the power of elected officials is the role they play within their level of government. There is clearly more power attached to being a Minister than being in one of the opposition parties although (once again in the Canadian system of government) party discipline may mean that the Minister can exert formal power less than a person that is a member of the opposition. In addition, Ministers rarely intervene in areas not related to their portfolio and therefore publically they may not be able to use the power of their position.

Another whole dimension of the power of elected officials in creating gender equitable, diverse and inclusive cities relates to the place of elected women within political systems around the world. It is important of course to be clear that sympathetic and supportive elected officials need not be women to want to exert their power to create gender equitable, diverse and inclusive cities. However, at the same time, the literature suggests that women elected officials are more likely to support and work for women-centered projects than are male elected officials. And this brings us back to the fact that women elected officials are much less numerous across this world than are male elected representatives and therefore this operates to reduce the power of this category of actors (Tremblay et al, 2006).

Moving on to the category of information, elected officials have access to specific forms of information stemming from their place in the political system. For example, they have good access to information about what voters are thinking about, either through their own political activities or through information generated by their party structures. This information could be highly relevant to one part of the objective but is unlikely to be on how to create cities that combine gender equity, diversity and inclusion. Elected officials also have extremely good sources of information about official policies, programs and practices in their jurisdiction and may also have staff resources that can find relevant information and make it available to the governance collaboration.

Indeed, moving to the resources available to the elected officials, their staff resources can certainly be an important category of resources, although this too varies enormously by level of government and by position occupied. Another form of resources can be the members of the team or the supporters of the elected official in that this can bring large numbers of people to support the initiative in a variety of ways. And finally many elected officials have some discretionary resources, either in kind or in actual financial contribution, which can be put to helping to build the city we want. In summary, elected officials bring power, information and resources but these vary considerably by the position occupied by the elected official in their own political system and , as well, by the level of government that they operate in.

Civil servants/femocrats

Civil servants also have power but power that comes from a very different source that that of the elected officials; it is the power of expert knowledge. This is particularly so in societies that place high value on expertise and particularly when their expertise is seen as objective and "neutral". The power of expertise held by civil servants was probably even greater when incarnated in male civil servants but the power of expertise has remained, even with the movement of women in to the civil service. We can also see examples where the civil servants exercise power in the very contextualized and specific sense that Huxham was talking about. Civil servants can sometimes move more easily between the inside and the outside, between the elected officials and the community groups because they can take on the role of a go-between without a position to defend and therefore in these situations they can exercise power but because the more formally powerful, the elected officials, are not able to step outside their formal position to engage with the community groups. Similarly the community groups can more easily accept the intermediary role of the civil servants because

it allows them to neither agree with, not disagree with, the elected officials. This can be seen as an example of contextualized power exercised by the civil servants in situations where they are acting as go-betweens. However, more important as a source of power is their power as holders of expert knowledge.

In terms of information there is one type of information that is extremely important for our analysis of the role of civil servants and that is the information about what is being planned as policy. Once again this relates to a go-between role in which, in some circumstances, civil servants can share information about policy directions that are emerging and they can either informally, or more formally, meet with civil society groups to sound out their views on the proposed policy directions. In some cases, this is done making a distinction between the broad policy lines that the government has decided upon and the details of implementation where they are more willing to hear community-based information about the problems that can be foreseen in the implementation stage. In other cases, information is given to the civil society groups so that they can express their satisfaction in public at the moment the policy is announced. This can occur because it is policy that the civil servants are very committed to and in this case the information to the community groups may or may not been being made with the approval of the elected officials.

The resources available to the civil servants are first and foremost the accumulated resources of a hierarchical structure, a bureaucracy. This structure is often criticized for its rigidity and for isolating itself from outside influences (for being government and not governance) but it has been a powerful model for accumulating a vast sum of resources, both of information, methodology and tools. In addition, and related to the examples of the go-between role played by civil servants, civil servants can have the resource of being acceptable both to the elected officials and to the community groups. This is certainly not true in all societies, at all levels of government and at all times but it does exist at certain points in time and when true is a very valuable resource. In summary, civil servants have power in terms of their association with expert knowledge and as well, in specific circumstances they also exercise power through their capacity to play a role of go-between and connector of elected officials to community groups. This inside-outside role can be a source of power and a transmitter of information.

Community groups

Without going into a long discussion on the definition of community groups it is at the same time clear that this is an extremely large and varied set of actors. We are interested in community-based equity -seeking groups and, even more specifically, in community-based women's groups and even this narrower definition includes a huge number of groups, from very institutionalized groups to very informal groupings. We do not want to limit this category to specifically community-based women's groups as there are other community-based equity-seeking groups that may have other definitions of membership but do work on issues that touch directly on the lives of women. Examples might include neighbourhood based groups, poverty groups, human rights groups and many others.

There are certain factors that can impact on the power of the groups. Numbers is one such factor and this relates both to a potential direct political impact through the capacity to

mobilize their membership at elections to a somewhat more indirect political impact through the networking capacity of large organizations to tell their story and have an influence on public opinion. Another factor which can influence the power of community groups is their reputation, either as being effective at influencing policy directions, as representing influential groups in the population, as effectively telling their story and/or as being seen as go-to organizations because of their wide ranging networks. At the same time it is important to recognize that many community-based groups have extremely little power.

The dimension of information is crucial for understanding the role of community-based groups as what they bring is the "voice" of lived experience and the richness that can emerge from different forms of knowledge in interaction with one another. Much has been written about tacit knowledge (Gertler, 2003; Amin and Cohender, 2004). Tacit knowledge is that built on practice and experience and can be shared through social learning where people learn to listen to the actual experiences of others and to appreciate the challenges faced. There have developed a whole series of tools that can bring forward this tacit knowledge; including street surveys, focus groups, women's safety audits (Viswanath, 2013).It is important to recognize that the tacit knowledge, the lived experience and the voices of women are only just beginning to be recognized and valued in allowing a building up of different forms of knowledge.

For community-based groups the major resource is people, people willing to tell their story in ways that can engage other people, people to knock on doors and distribute petitions, people to meet with elected officials and civil servants and people who can take on responsibilities within the organization.   There are also financial resources from donors, either private or public. An interesting new phenomenon particularly visible in the United States is that of very wealthy women philanthropists creating organizations to play a role in the donor world by specifically targeting their money to women's organizations and women's issues.   There is a whole literature on the role of the relationships between international donors and community-based groups. They have certainly raised the profile of such issues as violence against women but they have also had influence in increasing external influence on groups rather than allowing community-based needs to be the definers of support. In summary community-based groups achieve some power from their numbers and their reputation but many are without power. The information they bring is a different form of knowledge, the knowledge of lived experience, and the slowly growing recognition of the value of the interaction between different forms of knowledge.

Researchers

The position of researchers varies across different societies. I would argue that in the Canadian society researchers do not have power; they may have prestige and sometimes influence but they do not have power. There are, indeed, advantages to this position in that one can speak with a certain distance, one can "speak truth to power". However, there are also disadvantages in being disengaged from the terrain of policy formulation and also from the political arena. At the same time there are a growing number of researchers in Canada who are involved in action research and research in the context of practice and certainly

feminist scholars had been very present in this movement. This leads researchers into the field of practice, of shifting discourse and of policy influence.

It is in terms of information that researchers contribute importantly to governance arrangements. Researchers create information, they have access to information, they can evaluate information and they can disseminate information. Indeed, the whole field of knowledge dissemination is in a period of exciting development and exploration. How can knowledge be conveyed to those people who can use it – elected officials, civil servants, civil society group and the general public - in ways that they can not only understand the information but can see how it bears on action and on policy change. This is a governance question and bears on the kind of mechanisms of coordination that are used in different governance arrangements. For example, researchers are one of the gatekeepers, but also promoters, of the importance to be given to the community voices of lived experience.

The major resources brought by researchers are students and students are a very important element in building the city we want. This is particularly true in that students (and again I am perhaps being Canadian-centric) are particularly interested in community-based participatory research and in internships in practice-based organizations. Their interest is theoretical and practical; learning in the context of practice and creating networks for employment possibilities. Researchers can also bring other resources; they sometimes bring financial resources to partner organizations although for the most part researchers are more seekers of funds than providers of funds. In summary, researchers play a major role in information, from its creation, selection and dissemination and they also bring resources in the form of students.

What are the Models of Effective Governance?

We have now seen the actors that should be involved in the governance arrangements if these arrangements are going to create the gender-sensitive, diverse and inclusive cities that we want to have. So two questions remain; process and content. The first element of process is that the governance arrangements have to be place sensitive or, as Postigo states, "there are not institutional paradigms and that the possibility of reproducing participatory budgeting outcomes is contingent on cultural, political and historical contexts rather than on best-practice designs" (p.1961) . This does not mean that one cannot learn from other examples but these must be adapted to the local context. One of the elements that relates to place-based sensitivities is the degree of formality of the governance arrangements, some communities and some cultures are more attached to written documents that spell out responsibilities whereas others function on informal agreements that can serve equally well in societies where the informal is binding.

Going back to our brief literature references, it is possible to reflect on the question Huxham raises about the role of common aims in successful governance arrangements. The description of the four groups of actors suggests that it is not likely that common goals would exist at the beginning of a collaborative governance structure. The take-away lesson from this learning is that the development of common aims are part of what should be monitored over time and that it is to be expected that common aims will not exist at the beginning but should build over time. Another learning from the literature is the central importance of trust

and once again, that trust is not a condition of departure but a condition for successful development. In most societies at least some of the relationships suggested by the governance arrangements are not inherently collaborative or trusting. Community-based women's groups and elected officials do not necessarily see each other as allies, nor have community-based women's groups and researchers. The trust can grow from shared activities but shared activities do not necessarily build trust. Trust can be built when both sides to the partnership did what they had said they would do and trust can be built when the shared activities achieve results. This can be seen as a third learning, the importance of celebrating early victories, as working together and building trust also needs to be fun.

So finally what is the potential content of these governance mechanisms that is going to facilitate the creation of gender-equitable, diverse and inclusive cities? This is at the same time a crucial question and a secondary one. Secondary because if we go back to the importance of local context, history and culture we can only truthfully answer that specific activities and interventions must emerge from local discussions, local consultations and a strong local will to be inclusive in the consultations and to engage the potentially excluded and/or marginalized. However, we do need to say more than that if only to fire the imagination of what could be done with effective governance mechanisms of coordination. Elected officials could pass laws on pay equity, they could substantially increase budgets on child care, they could create a fund for research by community -based women's groups (and they would engage in serious outreach to work with groups with less ability to craft applications) and they could empower civil servants by making it clear that innovative ideas would be encouraged and supported. Civil servants could design the policies for child care in such a way that day care centres in poor areas would have larger budgets for buying art supplies, toys, books and healthy snacks; they could plan, finance and implement in cooperation with a group of young girls a public education program around the prevention of intimate partner violence. Community - based women's groups could be given resources to create and produce political theatre, they could pressure for decent gender sensitive public transportation, streets and public shares could be named after community-based women. Researchers could do longitudinal evaluations of the impact of the increased resources for child care facilities, they could co- create with the civil servants specific guidelines for gender sensitive accessibility for the disabled, they could join the community-based women's groups in mobilizing for decent gender sensitive public transportation and they would design score cards to define and measure criteria for a city that could be considered gender equitable, diverse and inclusive . These score cards would be reported on annually.

And this would only be a small beginning and small beginnings can then lead to transformational change.

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Comments and Questions for Session 2

Moderator: Iwao Sato
Discussant: Hiroko Takeda

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Moderator: Now let us invite Dr. Hiroko Takeda. She received her Ph.D from the University of Sheffield and currently is a Project Associate Professor at the Tokyo University. Her fields of research include gender and political economy in Japan and East Asia and biopolitics and governance.

Hiroko Takeda: First, I feel very honored to be here with so many distinguished speakers. I have to make an apology as usual. I submitted my Power Point yesterday afternoon. Since then I made quite a lot of changes. So you may have been given a photocopied version of my Power Pont slides but there may be some gaps between the slides on screen and the photocopies. Apologies.

My role here is to comment on a paper just given by Professor Andrew. I also read her recent co-authored article, which is included in a book entitled *Building Inclusive Cities*. Prof. Andrew listed her name as one of the core editors. I have found that the article was quite informative. It gives us a lot of detailed information of her case study in Canada. To start commenting on Professor Andrew's papers, I would like to list some key points and important contributions that we can learn from the article and book. First, Professor Andrew's papers aim to concretely demonstrate the way in which governance can be used to produce a particular policy outcome, and the targeted policy outcome is a creation of gender equitable, diverse and sustainable cities. Second, the papers also illustrate in a very concrete manner the ways in which different actors can play their roles in a process of collaborative governance to build the partnership based on Professor Andrew's Canadian case study, and the actors discussed in the papers include elected officials, civil servant femocrats, community groups and researchers. Now as the third point, in the attempts mentioned earlier, there's something I was very interested in. The papers suggest the concrete ways in which negative influence cast by neoliberal institutional reforms can be sort of circumvented. And this suggestion nicely works with Professor Bevir's discussion on joint-up government governance.

Fourth, Professor Andrew's discussion in the papers also underlines the importance of knowledge exchange as well as trust-building through partnerships. Fifth, it emphasizes the importance of local experiences and the bottom-up approach for us researchers. Finally, in so doing, I feel Professor Andrew invites us to think in terms of 'opportunities'. The phrase cited in the slide is actually taken from a different article included in *Building Inclusive Cities* book. We social scientists tend to think about the critical issues---the negative side of social phenomena. But Professor Andrew invites us to think in terms of opportunities. In so doing, she lets us to share lessons that she garnered from her case study. So I think she is here very generous scholarly.

In this way, I have learnt a lot from Professor Andrew's papers. Still, my role here is to expand my learning by asking some questions. Now I have prepared three sets of questions. The first set of questions concerns the technical side of the discussion. The other two address more theoretical issues.

My first question basically revolves around the definition of governance. Professor Andrew already introduced her definition of governance by making a reference to the work by Pasquet, which is 'Governance is the *effective* mechanisms of coordination in situations where power, resources and information are widely distributed'. Also, partnerships are here defined 'as a contemporary procedural approach to problem-solving, particularly when the solution requires co-ordination and co-operation across a range of organizations'. The targeted problem concerned in Professor Andrew's discussion is very clear: to build a gender equitable, diverse city. Considering these definitions, I feel it is necessary to develop our discussion with reference to the concept of 'wicked problem', which Professor Bevir introduced in the previous session and means 'a problem of more or less unique nature; the lack of any definitive formulation of such problem'. Following this definition, we come to understand that building a gender equitable city is a 'wicked problem'. Gender issues and the social security issues, or livelihood security issues, generally fall into the category of wicked problem.

As many scholars have already discussed, in order to tackle the wicked problem, governance-type, or joint-up governance-type approach is quite effective. At the same time, extant literature has already raised a question over democratic accountability, because in partnerships we have multiple actors, some are elected, some are not. Accordingly, this raises technical issues over democratic accountability. Perhaps, my question could be phrased in this way: how can we maintain the balance between effectiveness to tackle the wicked problem and democratic accountability. Also, related to this, I would like to ask one more technical question in order to link her discussion with extant literature. What, if any, is a role taken by corporations, because extant literature tends to talk about corporations.

Then, I would like to move onto more theoretical questions. To start with, reading her articles and listening to her presentation, I have started to feel that there are some very liberal assumptions included in the discussion. For example, Professor Andrew's discussion suggests that normative values such as gender equality, diversity, and inclusiveness are something to be achieved and secured. These ideas are basically embedded in the political ideas of participatory democracy and pluralism --- in other words, Canadian liberal principles. And on this point I find another article included in the *Building Inclusive Cities* book very suggestive because this particular article discusses a policy shift in Canada from gender mainstreaming to intersectionality.[1] As far as I understood from the article, therefore, gender mainstreaming

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[1] Lacey, A., R. Miller, D. Reeves and Y. Tankel (2013) "From Gender Mainstreaming to Intersectionality: Advances in Achieving Inclusive and Safe Cities" in *Building Inclusive Cities: Women's Safety and the*

policy has already been implemented in Canada. That suggests the liberal value of gender equality has been shared between some of actors. In this sense, to my mind, ideational negotiations, for example, those of building a common aim and trust, have been conducted on the basis of already-embedded normative principles such as Canadian liberal principles. Considering this, I would like to ask my second question by taking on board Professor Andrew's advice of being local specific---gender problems in Japan. Just listening to Japanese politicians, elected officials, in the last 10 days or so over the government proposal of 'women's notebook', for example, made me really wonder why it is so difficult for some of them to understand the idea of gender equality, and this forces me to ask the following question: when the liberal value of gender equality is not shared among the relevant actors and some actors refuse to take part in the process of partnership building, in what ways would the governance be able to function?

From here, I can develop the final set of theoretical questions by making a reference to Professor Bevir's book. In the book, Professor Bevir discusses an idea of 'dilemma' and as far as I understood, dilemma is a crucial factor to bring about a political change: in order to have a political change, dilemma needs to be acknowledged among actors. In thinking of my previous question, this acknowledgement of dilemma poses a very difficult issue because as Professor Andrew has already pointed out, partnerships are organized in an asymmetrical way: power is distributed unequally. Particularly here, local groups tend to face a difficult question. For local voices to be heard, they need to be acknowledged by other partners, but local groups need to work on this task while being positioned in a hierarchical relationship with other partners such as local officials and civil servants. I mean by 'hierarchical', in this relationship, local officials and civil servants hold more power. This means that the other partners in the partnership have the power to decide, first, whether or not to hear the local voices and, second, which voices are to be heard or ignored. This signals that there is a serious power problem existing in the partnership and this leads me to the final set of questions. Here, I would like to rephrase my previous question in the following way: in what ways would political change be achievable through 'governance' when the more-powerful refuses to acknowledge a dilemma raised by the less-powerful?

Or perhaps, I need to develop this question further. Is governance the best way to govern? Is it the best governing mechanism when an ideational change is necessary to realize a political change. To me, concerning this point, perhaps governance is a compromised political response to administrative problems raised through the neoliberal and third-way institutional reforms. Each endeavor has posed a series of ideational issues. That's why scholars like Matthew Flinders have pointed out the problem of constitutional anomie, observing the process of British constitutional reforms since 1990's. In other words, I wonder if we may need to come to terms with the fact that governance cannot deal with ideas. We need a

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Right to the City, eds. C. Whitzman, C. Andrew, F. Klodawsky, M. Shaw, K. Viswanath, and C. Legacy, Earthscan.

different set of measures and means to deal with ideational problems when discussing governance as a governing mechanism.

To conclude my comments from here, let me go back to the first part of my comments: something I have learnt from Professor Andrew's papers, a take-away lesson from her discussion. Professor Andrew's discussion clearly points out that for us, social science researchers, there is an acute need to engage in action research and learn from tacit knowledge. In so doing, perhaps we should be able to solve ideational issues by formulating new ideas. Thank you.

Caroline Andrew: Thank you very much for some very good and useful questions, which I will attempt to answer.

I will start not quite in order but start with the clear ones, which is to say that no, gender equality is not shared within Canadian society, to a meaningful extent. That's I think a very important point and so I will try and answer the question as to why the movement from gender mainstreaming to intersectionality. It is not because gender mainstreaming is accepted. It is certainly a public value in many parts of Canadian society. But it is not if you look at the practices of Canadian society. It is certainly not actualized in many ways. The reason for moving from gender mainstreaming to intersectionality in an important way in Canadian society is, I would say, the rise of certain other important issues. Most importantly, the growing ethnocultural diversity of Canadian society because of recent immigration patterns. Canadian society has always had at least one element of intersectional diversity, because of the relationship of French speaking Canadians and English speaking Canadians during the entire Canadian history. That has been another important division. Certainly I would think two increasingly important elements in Canadian society, the question of the place of aboriginal Canadians in Canadian society and very much the influence of recent immigration trends. When I say recent, I mean probably the last 20-30 years of hugely changed society. So intersectionality has become important to think about how we can simultaneously raise the question of gender equality and equality of different ethnoracial groups in Canadian society, including the place of aboriginal Canadians. It is not that gender equality has been solved but rather that gender equality as an important social question is now being seen as having to be dealt with at the same time as other issues. Obviously you have touched a very complex and not very clear question. I can talk a lot more about that. There are some examples in Ottawa, where it is not clear whether the gender dimension disappears when the intersectionality becomes primary. And how can you maintain both as important questions? I think your questions on this one are extremely important and not at all clear as to how you can both think of focusing on intersectionality and not losing some of the importance of gender mainstreaming.

Another point I should make right away is the role of corporations, because in fact the major mission of local government in Canada traditionally has been to protect buildings and so in a sense the corporations that look after building. They have been the primary focus of local

government for most questions. Entering into social policies and I should have made it clear that the whole question of local social policy is trying to introduce that and make it more important in local government. There are particularities about the Ontario case where there is some role for social policy. But certainly in a sense what one is trying to do with these -- the kind of partnerships I am talking about -- is to try and start in what is a secondary emphasis of local government and try and start with what I would argue are the easier parts, the parts about social policy, and then trying to move from there to influence the main agenda which is about the importance of supporting the profitability of private land developments. I think my argument – and you have made it much clearer as to what I should have said -- is that one is starting with, in some sense, a secondary role in local government that trying to influence the easiest part, the sort of social development as to how you can bring these social policies into play in local government, and then hoping that the people who work on social policy in the local government will have some influence on the people who work on the economic policy. Because clearly the groups that I am talking about in the partnerships do not immediately have importance to the economic development actors. But they may have importance to the economic development actors through the question of the social, the bureaucrats who work on the social policies. So one is hoping that indirectly you will then -- that the economic development partners will begin realize that they have to take care of increasingly large number of stakeholders. But it is an indirect, a sort of set two stages into the partnership. The original partnership is easier with these social development actors.

And your very good question, if gender equality is not shared, then how do you have government partnerships that can work. And I think my optimistic answer -- and you are right in talking about me saying things in terms of possibilities, optimistic -- is that the combination of arguments is an argument that also brings other elements than simply gender equality. It brings arguments about using all the resources of a society and needing to use all the resources of a society, which may be both better understanding, the uses of recent immigrants as one part of the resources that need to be made better use of, using the resources of female immigrants can also be seen as part of the overall argument. So that, in a way, even if gender equality is not seen as the principal interest of some the partners, one is hoping in a sense and that's the dilemma of -- coming back to your very good point about gender mainstreaming to intersectionality. In a way one is hoping that the intersectional arguments can build a case where gender equality is one of the arguments but not the principal argument. I haven't answered all of your questions, because I don't have very good answers for some of them, so I will stop here. But thank you very much for those questions.

Moderator: Thank you very much, Dr. Andrew, as well as Dr. Takeda. So we still have about 10 minutes to facilitate questions of the floor.

Q: Thank you for the fascinating talk. I'm afraid my question is a little overlapping with Professor Takeda's question no 2. Anyway, you referred to power and resources but you didn't refer to obstacles, obstacles to gender equality. And I think, well I'm afraid a kind of cultural norm might be a huge obstacle to gender equality. For example in Japan there is a

strong norm that women should bring the children at home. So such a norm, cultural norm might be a huge obstacle to gender equality in Japan. And such cultural norms are so sticky that it's very difficult to remove them. So I would like to know your opinion on how to deal with such a problem of such sticky cultural norms.

Caroline Andrew: I agree, this is a good question. I think if I look at Canadian society, those cultural norms existed as they did in Japan that children should be brought up and mothers should be at home. And they shifted quite late in Canadian society. But they shifted in very clear reference to when it became clear that most households needed two salaries, in order to be able to exist. In order to be able to earn enough money, to be able to succeed to pay, to live well, and that was fairly late in Canadian society, compared to some other Western countries. When there began to be a very rapid increase in women with young children going out into the labor force, it was clear that that push was more of a push than a pull, if you want, that people, women wanted in some cases to go out and work. But it was more that they needed to go out and work, if that household was going to be able to maintain itself. And, to some extent the cultural norms shifted fairly rapidly.

Now the cultural norms have not disappeared in Canadian society and there are swings, up and down, when there will be a great media output onto the questions of the best way to bring up children, so I'm not saying those cultural norms have disappeared. But they certainly changed very radically when it became clear that most people were going to have to have two incomes, if they wanted to be able to live average Canadian lives. So I think that you are right that there are obviously societies where certain cultural norms remain more heavily than others, and in a very minor way the differences between United States and Canada are always interesting because there are different cultural norms, we are probably more of a conservative society than the American society. So there are differences in that. But I think also cultural norms are also related to economic necessities.

Moderaor: Thank you very much. Any other questions?

Q: In this country there are two sectors which are heavily protected by the government. One is agriculture. Farmers are heavily protected. And the other sector is the housewives. So basically our welfare system is to bring money from working people to farmers and housewives. And exactly because of that, maybe this is a point Professor Osawa would be much better at asking, but exactly because of that system, much younger generations, high teens or in their 20's, even younger girls who must be less gender biased, seriously thinking about becoming housewives. So our gender biased society strongly depends upon biased welfare systems. So my question is, did Canada have a similar system before and if it had, if Canada had, then how Canada could change that? If government tries to change that, maybe housewives would revolt against that. So it would be very difficult.

Caroline Andrew: Very interesting question. And the Canadian experience is in fact recently moving to support housewives. We have a government now who is very conservative and

would like to roll back. So I will give two examples. One, the government has fairly recently allowed people to spilt their pensions for tax benefits, which is basically is a support for housewives. Because generally it's the men who have the bigger pensions, and they can for tax purposes divide them and that is a great benefit for people who have a stay-home wife. That's been a fairly new policy by a government. The other big example in Canadian society has been on daycare, where we used to have basically a system which was fairly easy for daycare. Now Quebec is the only province in Canada that has kept a relatively easy access to daycare in terms of money. But in the rest -- I have two children who were eight years in difference. When my first child went to daycare, it was fairly easily accessible to a wide range of people. Eight years later, it was only accessible, if you were a welfare mother or very wealthy. So the middle has been pulled out and the support of the middle class for public daycare has gone down. There is much less support now than there was, political support. There is still some, but in a sense the middle class in Canada now cannot see a benefit to public daycare. They are less supportive of public daycare.

So my gloomy answer to you is that indeed you can reverse trends and our government is now busily trying to reverse trends, so there is less public support for some of the most important policies that would ensure greater gender equality. I think the answer to your very good question is, Yes, government policies are extremely important. And where governments are seeking electoral support from different groups of the society, they can then decide what policies would be more acceptable. I think of the one on daycare, there probably is a contested policy in Canada. But certainly on some of the measures, they are more supportive of helping that group of the society who may have stay-at-home mothers.

Moderator: So I believe there may be some comments by Dr. Osawa but unfortunately time is up. We appreciate both Dr. Andrew as well as Dr. Takeda and conclude this session.

Session 3

Corporate Governance as a Local Remedy

for an Unstable System: A Demonstration from Japan

Corporate Governance as a Local Remedy for an Unstable System:
A Demonstration from Japan

John Buchanan
(Centre for Business Research, University of Cambridge)

Introduction

Corporate governance can be seen as a set of practices that have developed to overcome the inherent instability of the widely-held joint stock company. In this kind of company, disparate interests are frequently in conflict, and mechanisms are needed to resolve differences and to maintain the company in an operable state. The practices that provide these mechanisms have evolved from societal and economic experience. They interact with formal regulation, both influencing its development and being influenced by its requirements, but they are distinct. They tend to be particular to individual countries because independent nation states have created their own national environments over many years of history, making their corporate governance models mostly local in nature. Large-scale convergence of different countries' societal and economic characteristics is possible, but rare; when it occurs it should generate similar corporate governance but, without this underlying convergence of environmental background factors, convergence in corporate governance practices alone seems unlikely. The experience of hedge fund activism in Japan in the period 2000-8[1] has provided an unusual demonstration of this situation: a logical application of methods whose efficacy was based on one particular style of corporate governance, derived from a local historical experience, failed to work in a market that adhered to a different model, derived from its own, different historical experience. This failure may be attributed simply to vested interests seeking to protect their perquisites but this paper proposes that the fundamental reason is because corporate governance in Japan is based robustly on quite different foundations that reflect the country's recent history, and that the same applies to any country's corporate governance practices, explaining why such variety persists throughout the world.

The Nature of Corporate Governance as a Local Phenomenon

'Corporate governance' is a deceptively simple label for a complicated set of practices. The British Cadbury Report offers a basic definition as 'the system by which companies are directed and controlled' (Cadbury, 1992: section 2.5). This is a logical starting point but a further stage of clarification is necessary to understand the mechanisms involved in the governance of joint stock companies with widely-held shareholdings, where governance issues often become contentious. Thus the OECD's revised Principles of Corporate Governance of 2004 state that 'corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders' (OECD, 2004: 2). These relationships are not always in harmony and Kester notes the need for adjustment

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[1] This period is selected because it covers the years when activist hedge funds were attracting widespread attention in Japan through their interventions in Japanese companies, often taking overtly aggressive positions against boards.

and control in his definition of corporate governance as 'the entire set of incentives, safeguards, and dispute-resolution processes used to order the activities of various corporate stakeholders, each seeking to improve its welfare through coordinated economic activity with others' (Kester, 1996: 109). These latter two definitions point to the complexity of corporate governance by identifying the key relationships involved and the need to manage them, but the crucial question of prioritisation among them is not easily addressed. Other definitions proceed to focus on specific aspects that the definers consider important, such as the division of residual income (Zingales, 1998) or returns for investors (Shleifer & Vishny, 1997: 737). It soon becomes clear that although corporate governance can be defined satisfactorily as a neutral concept, and although its principal mechanisms and relationships can be identified, attempts to go further soon begin to draw on tacit assumptions about what a company is, or should be, and the objectives that its governance should sustain. The outward familiarity of the expression often hides the fact that it means different things to different people.

Underlying this ambiguity is a fundamental problem implicit in Kester's definition above: the joint stock company is a grouping of sometimes contrary interests with no universally agreed set of priorities to balance them beyond the judgement of management. This raises few issues when the organisation and its objectives are simple and of limited duration. For example, the antecedents of the Dutch East India Company, the first large European organisation recognisable as a modern company, were single voyage expeditions financed by Dutch merchants to bring back spices from south-east Asia. After each voyage, the enterprise would be liquidated for the benefit of the investors (Vergne, 2008: 3). There was no ambiguity at this stage regarding the strength of the investors' property rights and no question as to their powers to dispose of their assets or terminate their crews' employment: corporate governance in this context was simply whatever the owners of capital chose to do and only their personal advantage was considered. Only later, when questions arose over whether to prolong the Dutch East India Company as an enduring organisation or to liquidate its assets for the benefit of its investors in line with earlier understandings, did disagreements between management and shareholders emerge (Kyriazis & Metaxas, 2011: 369). As the corporate form developed, companies became enduring legal persons where the division of ownership and control became accepted. Management decisions were no longer automatically aligned with the interests of shareholders, who might once have been the company's founders, and perhaps acted also as its directors. In theory, portfolio shareholders in listed companies with good liquidity are protected by their ability to sell into a market that prices their shares accurately, as predicted by efficient market theory, but in practice the market may prove less accommodating in the shorter term. Moreover, shareholders may seek higher payouts in the shorter term or believe that the market price of their shares is constrained by poor strategic decisions taken by management (see, for example, Bragues, 2012). Companies that survive and grow also acquire societal importance as continuing employers and contributors to the economy. A dichotomy has thus emerged between the property rights of shareholders, who are increasingly portfolio investors in search of regular income rather than venture capitalists, and the enduring

interests of other stakeholders such as employees, customers and suppliers, whose interests are not identical but tend to share common ground in that they focus on preservation and strengthening of the business. This creates a potential axis of disagreement between those in favour of extracting value from the company and those in favour of leaving that value in place, or otherwise diverting it from shareholders towards their particular interests. Where conflicts of interest arise, whether along this axis or otherwise, they are adjusted by the company's board of directors. But, apart from the fundamental need to keep the company operating in good financial health, there is no clear formula to determine how far the advantage of any single interest group should be prioritised. Consequently corporate governance is inevitably coloured by the tenor of the board's pragmatic decisions as it seeks to run the business while balancing the demands of the different groups.

Corporate law, which in most countries now establishes key aspects of companies' conduct, might be expected to resolve such ambiguities. But corporate law does not normally define companies in detail and tends only to demarcate legal from illegal behaviour on the part of the companies themselves, as legal persons, and those who operate them. The development of courts' positions on early, unincorporated firms regarding issues such as corporate liability, companies' rights as creditors, and disputes among partners in 19th century England shows a process not of active design but more of reaction to perceived problems that arose when interactions around new corporate structures caused situations that lacked accepted solutions (Lobban, 1996: 403-6). 'As the evolution of the economic system brings about the emergence of firms as organisational forms for networked cooperation, the legal system is subject to pressures to adapt legal rules to the new economic dynamics that arise' (Deakin & Carvalho, 2011: 125). Corporate law does not provide a comprehensive template for running a business. It leaves gaps that must be filled.

Corporate governance, in the hands of directors and other managers, therefore fills these gaps and acts as a control on the instability inherent in the nature of widely-held companies where property rights and the tacitly accepted rights of other stakeholders, whose contributions to the business are essential, can clash. In this sense it is a set of remedies for an unstable system, applied by management to maintain equilibrium within the organisation. It operates necessarily within the parameters of law and regulation but draws its greatest inspiration from generally accepted or 'institutionalised' ideas of how all the aspects of enterprise and its attendant relationships should be conducted. The institutions on which these ideas are based are business practices which are 'the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction' (North, 1990: 3). As North observes, these institutions develop over many years, by a process of trial and error, with all the historical baggage and path-dependency that such a process implies. They are capable of change, in response to endogenous or exogenous pressures, but only when those with sufficient bargaining power find it in their interest to support change or, as Aoki expresses it, in terms of game theory, when a critical mass of agents becomes dissatisfied with perceived disequilibrium in the current situation and is moved to seek a new one (Aoki, 2001: 240-2; North, 1990: 68). The basis of corporate governance is therefore an historically evolved collection of mostly tacit assumptions about how things

should be done, rather than a consciously perceived set of formal rules. It has to be sufficiently robust to provide continuity and predictability but ultimately it reacts to pressures and adapts itself to them as conditions demand. Above all, it is a localised phenomenon and the product of its own historical environment.

It therefore follows that corporate governance practices will change with their environments over time. This is demonstrated by the various historical experiences of Japan, the USA, and the UK over the past century. Japan has moved from a shareholder bias that prevailed until the 1930s to the marginalisation of shareholders by the authorities during the Second World War as they promoted the war effort, leading in 1940 to the statement by the Planning Board (*Kikaku-in*) in its Outline of the Establishment of a New Economic System (*Keizai Shintaisei Kakuritsu Yōkō*) that "the firm is an organic body composed of capital, management and labour". (Okazaki, 1996: 367, after Nakamura and Hara). These principles continued to influence Japanese governance after 1945 and the post-War Japanese model emerged as one of powerful management and weak portfolio shareholders. In the USA, the increasingly autonomous management observed by Berle and Means in the early 20th century (Berle & Means, 1932) evokes parallels with the autonomous executive boards of post-War Japan but, from the 1970s, shareholders exercised increasing power in the USA, more suggestive of pre-War Japan. In the UK, boards of listed companies in the 1950s still showed themselves to be insensitive to their share prices and shocked that shareholders might sell out to acquirers against the board's advice, as occurred with the British Aluminium takeover of 1958-9, where even the Bank of England tried to exert its influence to preserve the position of management (Chernow, 1993: 647-54). Thereafter, a gradual process of shareholder empowerment driven by the rise of British institutional investors resulted in a focus on 'shareholder value' (in the sense of residual value generated by the business that should rightly be distributed to shareholders) which was even more intense than in the USA: interviews in 2002-3 with senior British corporate directors and investor relations managers noted that 'the language of value was everywhere in our interviews...the authority of shareholder value, if not its precise terms, is simply assumed' (Roberts, Sanderson, Barker, & Hendry, 2006: 287). What stands out from these examples is not so much that the corporate governance models of the USA and the UK currently share common features but that they have varied over time, independently of each other, and share clear parallels with the Japanese experience at different historical moments. Also of interest is the way that the balance of power between shareholder and other stakeholder interests has fluctuated in all these markets.

Despite these unsynchronised similarities in wider historical context, the local nature of corporate governance means that variety of historical experience tends to produce different approaches in different countries at any given time. As Aguilera and Jackson observe in their study of the cross-national diversity of corporate governance: 'the diversity of practices around the world nearly defies a common definition' (Aguilera & Jackson, 2003: 447). But alongside the study of varied approaches to corporate governance, a normative viewpoint has emerged from the USA which has claimed superior efficiency for the US variety of shareholder value driven corporate governance at large companies and has

predicted international convergence on this model. During the 1990s, the prosperity of the US economy encouraged many people to see this style of governance as the mainstay of its success: 'U.S. investors were intoxicated by what the shareholder value model apparently had wrought', and they 'concluded that changes in corporate governance had produced the U.S. boom' (Jacoby, 2005: 80). It was further assumed that international convergence on this optimal system was only a matter of time: Hansmann and Kraakman observed that 'the triumph of the shareholder-oriented model of the corporation is now assured' (Hansmann & Kraakman, 2001: 468). Yet, over a decade later, widespread international convergence does not seem to have taken place and variety in corporate governance seems to be as strong as ever.

The American Solution, Convergence Theory, and the Rise of Hedge Fund Activism

Whether variety is the natural state of global corporate governance or merely a temporary delay caused by vested interests which will eventually have to give way in the face of the evident efficiency of American practices (Hansmann & Kraakman, 2001: 459) is usually difficult to prove. Because of the isolated nature of corporate governance practices within their own markets, it is rare for them to encounter each other directly. However a practical demonstration was provided during the first decade of the 21st century when activist hedge funds tried to implement their US-inspired investment model in Japan. From the early 1990s until around 2002 the US pension fund CalPERS had exerted pressure on Japanese companies to align their corporate governance practices more closely with those of the USA but, in spite of obtaining some local support, failed to persuade the bulk of the Japanese investment and business communities (Jacoby, 2009). Certain activist hedge funds subsequently conducted a more intense and public campaign between 2001 and 2008 which crystallised the views of all parties. Although their principal objective was to obtain returns for their investors, they often justified their interventions in the name of good corporate governance and financial efficiency, effectively creating a tournament of corporate governance ideas between the US and Japanese models, played out within the confines of the Japanese market. In doing so, they tested both the power of convergence and the resilience of corporate governance models derived from locally institutionalised practice.

The background to US hedge fund activism is the corporate governance environment of the USA, where the linked ideas of shareholder primacy and agency theory had taken hold by the 1980s. As we have seen, Berle and Means (1932) had examined the emergence of assertive management in America in the early 20th century, often uncontrolled by dispersed shareholders as formerly family-dominated companies became more widely held. This process gathered pace thereafter, to the point that executive management often expressed disdain for the knowledge and monitoring abilities of external board members (for example, see Mace, 1971) but from the 1970s there was a reaction, triggered by scandals such as the Penn Central bankruptcy in 1970, which led to a general call for closer scrutiny of executive behaviour, a Securities and Exchange Commission Enquiry, and ultimately New York Stock Exchange requirements for independent audit committees at listed companies (Cadbury, 2002: 7-8). At the same time, US institutional investors such as pension funds

and investment trusts were emerging as corporate shareholders with sufficient concentration of investment to exert pressure. From a low base in the 1940s they progressively increased their shareholdings in the largest 1,000 US companies to reach nearly 47% in 1987 and 73% by late 2009 (Conference Board, 2010). These were mostly pure portfolio investors, dominated by pension funds whose duty to maximise investment income was clarified by the 1978 Employment Retirement Income Security Act ('ERISA'). Complementing these practical trends towards closer monitoring of management by more powerful and professional shareholders came the idea of agency theory, propounded most famously in Jensen and Meckling's 1976 'Theory of the firm' paper which viewed the firm as a nexus of contracts where owners, in the form of shareholders, sought to reduce agency costs by controlling agents, in the form of managers, who would otherwise be predisposed to act selfishly (Jensen & Meckling, 1976). By the 1990s, the ideas of shareholder primacy and the need to control agents through financial targets and incentives had permeated the thinking of managers at large American companies. As Dore describes their situation: 'They operate under the close surveillance of a board of directors who represent exclusively the interests of shareholders and may frequently include a dominant shareholder. In the mixture of motivations that drive their work, notions of doing a socially useful job or building an organization which will last and will honour their memory are likely to be overshadowed by the carrots and sticks of stock options, bonus systems and the overhanging threat of instant dismissal – all carefully designed, and specific in hard-bargained employment contracts, to induce them to meet those shareholders' expectations. And those expectations are now much more likely to be a steadily rising, rather than a stable, return on equity' (Dore, 2008: 1103). This was the local environment of the USA for widely-held, listed companies by the end of the 1980s, when activist hedge funds emerged as a force in the market.

Typically these activist funds buy minority stakes in financially healthy but usually relatively small target companies where they perceive that shareholder value, especially in the form of withheld cash or squandered strategic opportunity, is being lost and press the board to implement changes to release this value to shareholders. Being minority shareholders, they normally rely on acceptance of their arguments by management and other shareholders, and they often publicise their campaigns to attract support. Unlike corporate raiders, they do not generally try to acquire companies but it has been noted that they achieve their best returns when third parties intervene to buy their targets (Greenwood & Schor, 2009: 370). There is ambiguity regarding the benefits they bring to their targets and even the profitability of many of their interventions (see, for example: Brav, Jiang, Partnoy, & Thomas, 2008; Klein & Zur, 2009; J. Xu & Li, 2010) but they are frequently seen by American commentators in a positive light for their contribution to the struggle to control agency costs and their ability to 'exert a disciplinary pressure on the management of public firms to make shareholder value a priority' (Brav, et al., 2008: 1774). Because they express their arguments in the language of agency theory and shareholder value, they often give the impression of being a pressure group for these ideas.

The Activist Hedge Fund Model in Japan

Activist funds were attracted to Japan by both financial and structural factors. Financial attraction was provided by the cash piles that many companies had accumulated, often with little indication of how these assets might be employed. For example, four of the first Japanese companies targeted by the American fund Steel Partners (operating through its Japanese joint venture with Liberty Square) in 2002-3 had proportions of cash or cash equivalents to total assets ranging from 25% to over 70%. At the same time, the depressed state of the Tokyo equity market meant that many companies were relatively undervalued: a study reported by Bloomberg several years later in 2007 found that 22% of the Tokyo Stock Exchange's TOPIX index, or some 380 companies, were all trading at a discount to net asset value (Bloomberg, 2007). Structural attraction came from the apparent enthusiasm for what the Japanese press called 'US-style corporate governance' after the collapse of the equity and real estate 'Bubble' in the early 1990s, leading to Sony's board reorganisation of 1997 and a debate on the need for reform led by bodies such as the Japan Corporate Governance Forum which emphasised the priority of shareholders' interests in an apparent endorsement of American practice and stated in October 1997 that 'The compatibility of corporate governance practices with global standards has also become an important part of corporate success' (JCGF, 1997): 'global' in this context was usually understood to mean 'American' (Ahmadjian, 2003: 222). On a practical level, the cross-shareholdings that had characterised Japanese business for the latter part of the 20th century were in decline and had been replaced to some extent by an influx of non-resident investment, mostly from North American or European institutional investors who might prove more amenable to arguments for higher distributions. NLI Research (*Nissei Kiso Kenkyūjo*) estimates that stable shareholdings linked to business interests, which include cross-shareholdings, fell from 45.29% of the market in 1993 to 24.3% in 2003 (NLI Research, 2004). Meanwhile, foreign shareholders had increased their holdings from less than 10% in 1993 to over 20% in 2003 (National Stock Exchanges, 2004). Underlying all these attractions was the fact that Japan was a country where the rule of law was observed, whose commercial code had evolved from a German-influenced structure and subsequently acquired a US gloss in 1950; shareholder rights were clearly stated in law and confirmed in companies' articles of association in a manner immediately intelligible to international investors.

**The Japanese Solution and its Reaction to Hedge Fund Activism**

Perhaps less evident to foreign activist funds were the forces that had shaped the practice of Japanese corporate governance since the 1940s. As proposed above, law and regulation establish parameters but do not determine the detail of how companies are governed. The post-War reconstruction of the Japanese economy had been directed in its early stages by an interventionalist bureaucracy and financed largely by banks, with minimal influence from portfolio shareholders, whose position had already been weakened during the war years (Okazaki, 1999: 138). By the 1980s, official involvement had declined and banks had little opportunity to influence financially strong companies, which took most of their major

funding requirements directly from the capital markets (Aoki, 1988: 258-97; Scher, 2001: 19); management was largely unsupervised by external agencies and became accustomed to autonomy. Lack of external supervision did not mean that managers were entirely uncontrolled but the mechanisms of control were internalised. The compromises between management and employees that brought an end to the fierce labour unrest of the late 1940s and early 1950s had created a view of large, widely-held companies as communities of shared interest, an idea reinforced by lack of labour mobility and the tendency of employees to remain with a single company, rising in its hierarchy to the limits of their ability, conceivably as far as the board of directors. This personal focus on the company by all employees is described by Gordon as the 'corporate hegemony' where companies offered security and advancement in return for loyalty: 'corporate hegemony has been stronger and more enduring in Japan since the early 1960s than anywhere in the world' (Gordon, 1998: 196). When activist funds confronted Japanese boards of directors they were dealing with groups of people who saw themselves as the custodians of their organisations rather than as the agents of shareholders. The scandals and collapses of the post-Bubble years had shaken public faith in this model but not to the extent of wishing to replace it with anything else.

Public data show many activist hedge fund interventions in Japan between 2000 and 2008. Murakami Yoshiaki and his partners, operating several funds popularly known as the 'Murakami Fund', effectively opened the market by making at least 44 interventions of over 5%[2] between 2000 and 2006, when Murakami himself pleaded guilty to insider trading and all outstanding investments were liquidated; other studies have identified as many as 135 companies in which the Murakami Fund was present (Kawakita & Miyano, 2007). Many other funds, both Japanese and foreign, were making investments at this time, although not all of them would describe themselves as activists. Two of the more aggressive funds, which attracted the greatest attention from the press, were Steel Partners from the USA, mentioned earlier, and TCI (The Children's Investment Fund) from Britain. When Steel Partners, who invested in at least 32 Japanese companies between 2002 and 2007, began their interventions in Japan they achieved good returns. The boards of the relatively small companies they confronted initially seemed unsure how to deal with assertive activists, were out of touch with the main body of their shareholders, and were prepared to buy off the fund with increased dividends, as at Yushiro and Sotoh, or to invite offers from friendly acquirers (thereby delivering a premium to their existing shareholders), as happened at Myōjō Foods. Subsequently, especially as they moved to confront larger and more sophisticated targets, Steel Partners met with obfuscation or outright refusal to consider their demands. After being repulsed at Bull-Dog Sauce in 2007, a process which extended to the courts when Bull-Dog Sauce's board responded to Steel Partners' tender offer with defensive measures to dilute their shareholding, they appeared to make little progress and in

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[2] The Japanese FSA's EDINET system gives details of shareholdings in listed companies of 5% or more and records variations of 1% or more thereafter. It is therefore more difficult to track shareholdings below the 5% level. However, the desire of these particular investors to obtain publicity and to have sufficiently large shareholdings to attract the notice of management means that the 5% level is sufficient to identify most of their interventions. EDINET data are withdrawn after approximately five years but can usually be accessed thereafter through commercial websites.

Figure 1. Estimated combined income accruing from 47 interventions initiated during the period 2001-8 from capital gains, payouts, and buybacks, as annual percentages
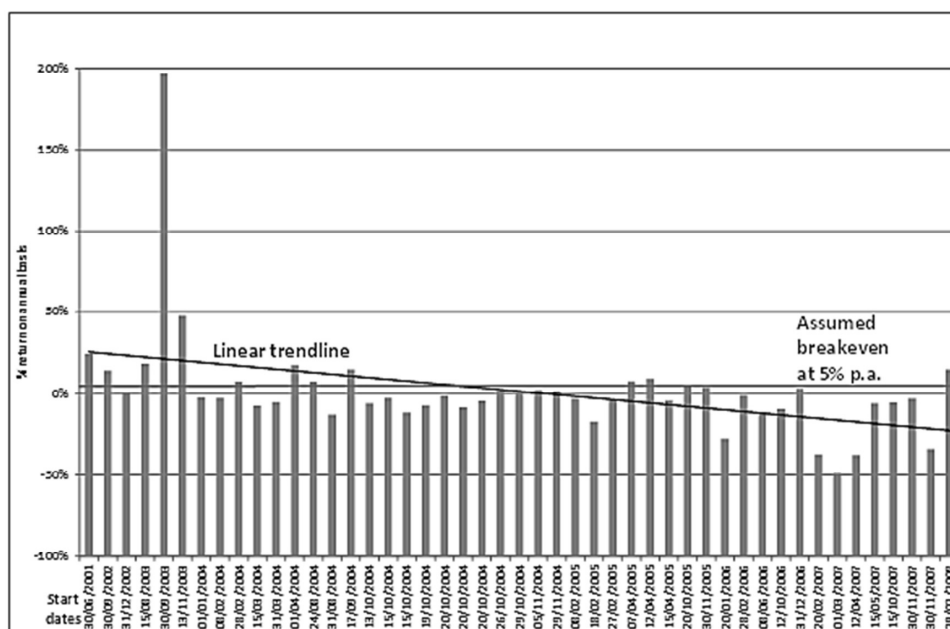
Source: EDINET, press reports, website information etc.

early 2009 it was reported that they had sharply reduced their shareholdings in 13 Japanese companies (Reuters, 2009). The only formally recorded investment for Steel Partners in Japan as of 14 March 2013 was their continuing shareholding of 37.46% in Aderans, the wig manufacturer, an intervention begun in late 2004 and still unresolved at time of writing. TCI, who entered the market later and specialised in larger-scale interventions where financial logic and strategic considerations were more crucial, invested in two electrical utilities: Chūbu Electric in 2005-7 and J-Power in 2006-8. Neither intervention was successful in generating profits for the fund or changing the policy of the board. In the case of J-Power, TCI's criticism of the board became increasingly aggressive but its calls for higher dividends were rejected at two successive AGMs and its attempts to increase its shareholding brought a clash with the Japanese bureaucracy. Ultimately it sold its shareholding at an apparent loss in October 2008 (FT, 2008b).

Not all hedge fund activism is successful, even in the USA. In their study of over 1,000 interventions between 2001 and 2006 Brav et al concluded that in 60-70 per cent of cases, the funds achieved their aims in whole or in part (Brav, et al., 2008: 1742). But in Japan, the trend was consistently negative after the first successes[3]. Excluding the Murakami Fund because it liquidated its positions in 2006 as a forced seller, a review of public data on 47

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[3] Data and interview material used hereafter are drawn extensively from *Hedge Fund Activism in Japan: The Limits of Shareholder Primacy* (Buchanan, Chai, and Deakin, published by Cambridge University Press, May 2012).

interventions initiated over the period 2001-8 by various foreign funds (not all of which would accept the description 'activist' but whose interventions attracted public attention because of the controversy they provoked), including Steel Partners and TCI, shows a steady decline in profitability (with success defined as an annualised return of 5% estimated from net capital gain or loss, dividends, and special payments[4]) with negative returns becoming more common for interventions begun after the middle of 2004. The funds were failing in their efforts to instigate changes in managerial policy and consequently failing to make good returns from their interventions.

The decisive element in this process was not the formal structure of law or regulation but the tacit understandings of all concerned with the conduct of corporate governance in Japan about the nature and purpose of the company and how the balance of interests that it comprised should be controlled. Whereas the board of a US company, influenced by the American enthusiasm for shareholder value, might to some extent be expected to accept the right of shareholders to involve themselves in strategy and demand higher payouts, this was not the case in Japan. As the president of a company targeted by Steel Partners said to the press in 2006: 'There's not a single employee in our company who thinks he is working for the shareholders. The attitude is that this is all hard work and that we're doing it for our customers. That's how it all pulls together' (Kōbe Shimbun, 2006). Even the boards of larger companies accustomed to dealing with international investors found the funds' total focus on maximising disposable income excessive. As a senior director of J-Power said to the Financial Times in 2006: 'We've exhausted the list of things we can talk about. The philosophy that we have as a company and TCI's philosophy [are] completely different'. (FT, 2008a).

This view of the company as primarily a business and only then as any kind of shareholders' property was reinforced by the courts. In the litigation that accompanied Steel Partners' intervention at Bull-Dog Sauce in 2007, the Tokyo High Court judgment stated: 'A joint-stock company is in theory a for-profit organisation that maximises its corporate value and pays it out as dividends to shareholders. But, at the same time, a company cannot earn its profit without associating with employees, suppliers and consumers. Thus, it can be said that a company is a social entity. Therefore, it must consider its relationships with stakeholders to enhance its corporate value. The idea that it is enough for a company exclusively to consider shareholder value is too limited' (Tokyo High Court, 2007). This judge proceeded to label Steel Partners an 'abusive acquirer' (*ranyōteki baishūsha*) developing phraseology first used in the Livedoor-Nippon Broadcasting judgements of 2005 (which prevented dilutive action by Nippon Broadcasting's board) to describe the kind of putative acquirer that should not be protected by that precedent because it sought to disrupt the target as a continuing business (Tokyo District Court, 2005); the expression is vague

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[4] This benchmark is an arbitrary figure suggested by the annualised return on US Treasury Bonds for 2000-8 of 4.59% and the average return of funds in the Dow Jones Credit Suisse Event Driven Hedge Fund Index for 2000-8 of 7.37%. Against these comparative returns, 5% p.a. appears to be a relatively low hurdle to define 'success'.

and provoked criticism in this instance from many commentators but it illustrates the way in which activist funds and their objectives were viewed.

As a logical extension of this viewpoint, an investment fund that sought only to make arbitrage profits on its investments was considered an inappropriate owner of any corporate shareholding large enough to bring a degree of control over the company's business. The Supreme Court, in its rejection of Steel Partners' appeal in 2007 noted that the fund was unsuitable as a shareholder because 'the plaintiff, although attempting to acquire all the issued shares, had no plans for the running of the business and had not made clear its intended management strategy subsequent to acquiring control, nor addressed aspects such as how it planned to recoup its investment' (Supreme Court, 2007). Steel Partners had emphasised that they had no plans to become involved in the management of Bull-Dog Sauce in the event that their takeover succeeded but, rather than being accepted positively, this declaration was taken as further proof of 'abusive' intentions.

Steel Partners' litigation brought this case before three separate courts: the Tokyo District Court, the Tokyo High Court, and the Supreme Court. All found against them, for slightly different reasons, but the common element is the judges' apparent determination to find justification to reject the concept of a fund imposing its will upon a business purely to generate investment returns (Tanaka, 2007a, 2007b). In a similar vein, when TCI sought to increase its shareholding in J-Power in 2008, it was required to obtain ministerial permission to exceed the 10% limit on non-resident shareholdings in companies of strategic importance. The committee charged with studying this case focused on TCI's short-term horizons as an investment fund, which made TCI unsuitable, in its view, as a dominant shareholder in a business of national interest (Nikkei, 2008).

Also relevant to these situations, although not directly aimed at them, was the underlying view of the company expressed in the guidelines issued by the Ministry of Economy, Trade and Industry and the Ministry of Justice in May 2005 (*Kigyō kachi – kabunushi kyōdō no rieki no kakuho matawa kōjō no tame no baishū bōeisaku ni kansuru shishin* or 'Guidelines regarding takeover defense for the purposes of protection and enhancement of corporate value and shareholders' common interests'). These guidelines were intended to clarify the position of boards faced with acquisitive investors. They define 'corporate value' as 'attributes of a corporation, such as assets, earnings power, financial soundness, effectiveness, and growth potential, etc., that contribute to the interests of shareholders' and 'shareholder interests' as 'the interests of shareholders as a whole' (METI & MOJ, 2005). This conception of 'corporate value' effectively moves the discussion from 'shareholder value' to the needs of the company as a business. Meanwhile the concept of 'shareholders as a whole', while ostensibly favourable to the position of shareholders, can be interpreted to mean that shareholders should not act selfishly in pursuit of individual profit but should align their interests with those of other shareholders to sustain corporate value. Against this background, it is not surprising that there was a rapid increase in corporate defence measures to impede acquisition attempts, initially following the domestic takeover attempt of the Livedoor-Nippon Broadcasting affair in early 2005 but gathering pace as foreign activist funds came to be seen as the real danger; in October 2006, the TSE

reported that 131 companies on its exchange, or 5.6% of the total, had defence measures in place. By August 2008 this had risen to 460 companies or 19.4% of the total, although there has been a gradual decline in numbers thereafter, falling to 441 companies in September 2012 (TSE, 2007, 2009, 2013).

This view of the company as a business rather than as an investment commodity appeared to extend to many shareholders, including the institutional investors who, at least in the US market, might have been considered to be the logical supporters of this kind of activism. Some hedge funds reported that institutional investors, such as life insurers, had refused even to meet them. In the post-War Japanese corporate governance model, there is a great divide between involved shareholders and pure portfolio investors. During research conducted in 1998-9, Learmount was told by all the institutional investors which he met that they booked and administered relationship and portfolio shares quite separately (Learmount, 2002: 56). Most insurance companies are involved in both kinds of investment, but their involvement in business generated through their relationship shareholdings has hitherto often overshadowed their portfolio interests. During interviews in 2003, the vice-chairman of one life insurance company strenuously denied that this was the case, while the chairman of another conceded that it was often an important factor. Most investment practitioners interviewed since then saw it as a continuing reality, although some observed that change may be coming. Nevertheless, when activist hedge funds sought support for their agendas in 2000-8, support from Japanese institutional investors does not appear to have been forthcoming.

Business investors which hold their shares to promote their own business interests, such as suppliers, customers and banks, have even stronger reasons to support the boards of the companies in which they invest. Even without the defence measures which provoked Steel Partners' litigation in 2007, Bull-Dog Sauce's board was able to muster support from over 80% of its shareholders to resist Steel Partners' bid and even obtain their permission to pay out most of the company's reserves to buy off the fund, mainly because of the commercial motives underpinning their involvement (P. Xu & Tanaka, 2009). As of the end of March 2013, business investors (including city and regional banks but excluding trust banks) held 25.5% of shares listed on Japanese stock exchanges (National Stock Exchanges, 2013).

Discussion: the Implications of this Process
Japan in this instance provided a demonstration that similarity of law and regulation, including specific shareholder protections, was no guarantee that corporate governance or the way that companies were viewed in society as a whole would follow the same path as in another market with outwardly similar formal rules, in this case the USA. The historical background in these two national markets was simply too diverse and the corporate governance patterns that each had developed to make the corporate form workable in practice diverged sharply in key areas such as the purpose of the firm, the duties of boards, and the standing of shareholders among the stakeholders. Moreover, none of these important differences was evident from the laws and regulations that controlled the formal structure and conduct of companies in Japan; they were the result of tacit understandings

that had become institutionalised in the course of Japan's economic development since 1945. In much the same way, the assumption that similarity of regulation would allow Japanese corporate governance to function in the USA would probably have been equally mistaken.

It is important to note that although the precise details of Japan's post-1945 history are perhaps unique, the situation whereby local corporate governance delivers distinct reactions to specific phenomena is widespread. Similar differences have appeared in other markets where activist hedge funds have tried to import the assumptions of the US market to other countries. In the UK, where similarities between company law and governance practices have encouraged commentators to speak of 'Anglo-American corporate governance', it is evident that hedge fund activism does not function in exactly the same way as in the USA. Although Britain is thought to be the second largest market for this sort of investment strategy, its activism is less confrontational and more concentrated among very small companies and investment funds quoted on the junior AIM market. British institutional investors tend to see activist hedge funds not as natural allies but as agitators who do not share their longer term point of view. As one observed at a meeting in 2009: 'We are very much longer term in our horizon and we do want a governance structure and a strategic direction which is going to generate sustainable long term earnings....Clearly the objectives of the hedge fund may be quite useful to move on a situation which is a bit stuck but they're not the same objectives as ours'. This contrasts with the attitude of many US institutional investors, who are seen to have common interests with activists. A director of a British activist hedge fund commented in 2009 that US investors involved in UK situations tended to take a more objective view than their British equivalents: '…most of the US institutions...will be supportive because they're much more numerate'. In continental Europe, although TCI achieved some large and profitable interventions at targets where concentrations of non-resident institutional shareholders were present in the period 2005-7, notably by precipitating the sale of ABN-AMRO in 2007, a study by Becht et al noted that there are many more private interventions, in the sense of interventions where conversations take place without publicity, in private meetings with boards, than had been suspected hitherto (Becht, Franks, & Grant, 2010), suggesting that company-specific discussion rather than just the evocation of shareholder value is the driving element. A similar phenomenon appears to be present also in Japan, where most of the activist funds who have continued to operate after 2008 tend to do so with minimal publicity, working with management rather than confronting them and challenging their autonomy.

The first implication from this Japanese experience of activist hedge funds, where a set of assumptions about corporate governance was imported to a market with a different historical background, is that the main drivers of corporate governance lie outside law and regulation. They are solutions to the vagueness of the structure of the joint stock company and the issues that it poses regarding prioritisation of the often disparate interests which the board needs to coordinate in order for the company to survive, and especially the conflict between property rights and a focus on the enduring business. These solutions are drawn from the accumulated experience of the players involved, which will necessarily be local.

The second implication is that the different solutions adopted in different markets to remedy failings in corporate structures need follow no common line of logic, undermining any idea of inevitable convergence for reasons of efficiency demonstrated by certain models elsewhere. The objective is to make the company work and some countries' solutions will simply obviate problems that become the focus of attention for others. One example is the potential clash of interests between the demand by shareholders for payouts, based on their property rights, and the desire of other stakeholders to reinvest cash in the business. This has been conceptualised in the USA, the UK and elsewhere as an agency problem but in Japan it was not an issue for many years because portfolio shareholders did not expect priority and, in any case, were outnumbered by shareholders who had commercial motives that outweighed their own portfolio interests. Another example is the concern that agency theory shows regarding possible diversion of corporate resources by management for private gain. In Japan this has not normally been an issue because internalised management is accustomed to focus on the benefit of the company and is, moreover, constrained by both an awareness of community and long-standing personal relationships with fellow-employees.

Conclusions: Convergence Possibilities, Pressures on Japanese Corporate Governance, and Possible Directions of Future Change

This does not mean that convergence is impossible, only that convergence purely for reasons of efficiency in the processes of corporate governance, as proposed by Hansmann and Kraakman, seems unlikely. The only kind of convergence that seems feasible is one that occurs because the economic and social drivers of corporate governance come to resemble one another sufficiently to generate the same kind of solutions to the continuing problem of making companies work. The corporate governance convergence debate hitherto has tended to focus on the wrong issues: the market environment over many years is the main determinant of corporate governance practices and only similarities in this area can bring convergence.

Japan's experience with aggressive hedge fund activism in 2000-8 showed the current robustness of its corporate governance model. However, the same logic, as presented here, that locates the roots of this robustness in Japan's recent historical and economic background also points to a longer-term fragility. Institutionalised practice will change with its environment. The current 'Japanese model' evolved during a period when portfolio shareholders were first officially sidelined by the authorities during the Second World War and then generally ignored in the post-War revival funded by banks. The corporate hegemony that underlies this model was the product of a widely-accepted understanding in the early post-War period that there was no alternative to cooperation if industrial collapse and great personal hardship for all concerned were to be avoided. Conditions are different now, which suggests that new forces may be growing in the Japanese environment which are likely to drive change in corporate governance over the coming years. Some of these pressures are already visible, notably with regard to the position of portfolio shareholders and expectations about their rights, the stability of the corporate hegemony, and the hitherto

Figure 2. Dividends expressed as percentages of sales and total assets for the combined Tokyo and Osaka markets 1999-2011
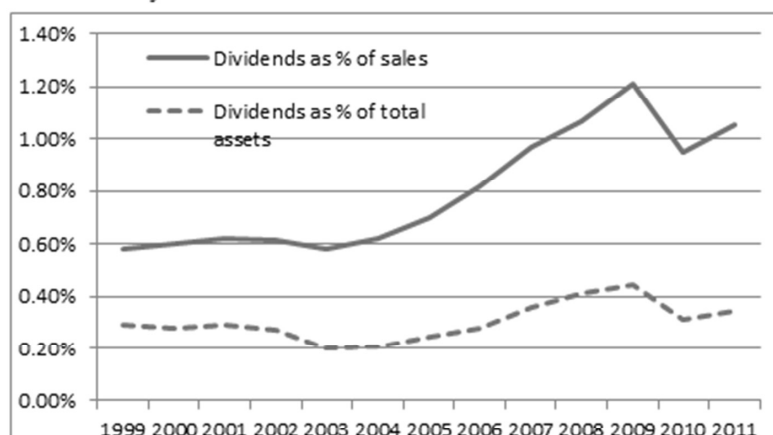
Source: Thomson Reuters

accepted autonomy of corporate boards and management in general. These three areas are considered further below.

Firstly, pure portfolio investors, their demands for transparency, and their search for returns are no longer easily ignored by Japanese boards. The increase in non-resident institutional shareholders, especially among large companies, has encouraged more active investor relations in order to satisfy their desire for information. The Japan Investor Relations Association, a non-profit body established to promote investor relations activities, had nearly 600 corporate members in early 2013 (JIRA, 2013). Local investors have been encouraged by this trend to become more demanding and seem unlikely to relax their positions. Meanwhile, the rapidly aging profile of Japan's population has increased the national need for higher pension fund returns; figures from the Statistics Bureau show that Japan's population over the age of 65 was more than 24% of the total in 2012 and is forecast to exceed 40% before the end of the century, if current trends continue (MIC, 2013b). Whereas the much younger population of the mid-20th century was more concerned with sustaining enterprise to provide wages, the balance is shifting towards a greater demand for investment income, which is driving a general increase in corporate dividends, as shown in Figure 2. This demand is likely to sustain pressure on Japanese boards to pay out more and invest less of their companies' profits.

Secondly, the identification with corporate interests by employees in return for security that Gordon calls the 'corporate hegemony' which underpins the communitarian nature of large Japanese companies through the loyalty and focus it engenders may be under threat because of shifting employment patterns. Although the stable conditions of mainstream employees in these companies continue much as before, the rise of contract labour since the 1970s has created a growing body of employees mostly outside the system of complementary loyalties: at the beginning of 2013, approximately 20% of the total male

labour force was employed on short term contracts of various kinds, compared to less than 8% in 1984 (MIC, 2013a). These figures will include many employees of smaller companies but they demonstrate the pressure on the 'regular employee' system, in that companies have found themselves increasingly unable to extend it to all their workforce, and also shows its strength, in that management has shown determination to preserve it, even at the cost of restricting its membership. However, it is possible that if this process continues unchecked, regular employees could become a minority among employees at some companies, undermining the legitimacy of the system (Sako, 2005: 591-2). The corporate hegemony has brought great benefits to the Japanese economy because of the loyalty and energy that it has encouraged but, at a fundamental level, it is questionable whether future Japanese employees, as individuals, will continue to feel the same need for security that they felt in the late 1940s, when conditions were harsher.

Thirdly, the autonomy of corporate boards of directors which served the Japanese post-War revival so well is still intact but may be forced to relax its sometimes total focus on the business at the expense of shareholders' interests as demand for payouts continues to grow. The internalised model of supervision, where the principal restraint on management up to the highest level is the opinion of their fellow employees, is itself a product of the corporate hegemony and depends on it for its foundations. Incidents such as the off-balance sheet *tobashi* scandals at Yamaichi Securities and elsewhere in the late 1990s, and at Olympus in 2011, have shown that even loyal boards can act inappropriately when a lifetime of focusing on the internal needs of the company causes them to prioritise their narrow view of the corporate good over legally and morally acceptable behaviour, and that internal safeguards can be inadequate to prevent this. There is already pressure to increase external monitoring of Japanese boards through the soft-law regulation of listing requirements or even formal legislation, though the efficacy of any measures taken is likely to depend on the degree to which the underlying concept of external monitoring is accepted and institutionalised into practice. One pernicious effect of pressure from activist hedge funds has been the increase in corporate defence measures. Some corporate directors justify their defences as protection for their companies against hostile acquirers who might run the business only for short-term financial gain. However, such defences can also be used to entrench management; as Culpepper expresses this issue in a European context, 'If protection against takeovers were costless, all managers would want it – takeover protection is tantamount to a job protection law for senior managers' (Culpepper, 2011: 51). The spread of such defences, while possibly beneficial in some cases, also implies that having despaired of being able to manage the conflicting interests within their companies using resources already available, boards have had recourse to formal defences against their own shareholders, in an effort to shut out the external world and preserve their companies as they were in the 1960s or 1970s. This is potentially a retrogressive and unhealthy development, although the recent slight decline in the number of companies listed on the TSE with formal defences is encouraging.

These are three examples of areas where current Japanese corporate governance seems at variance with its underlying environment, where change is already beginning to appear or where it is likely to appear soon: these are areas where the current model is fragile. If, for

example, Japanese institutional investors begin to hold most of their shareholdings purely for portfolio returns and to demand better short-term payouts, if the corporate hegemony weakens and staff become more mobile, beginning to be motivated more by salary than by loyalty, and if a majority of powerful stakeholders reject the internalised monitoring of the past in favour of externalised monitoring of boards through independent directors, at the expense of power currently held by executives, then Japanese corporate governance may become similar, though probably never identical, to that of the USA, where all these factors have influenced the background to corporate governance development during the past 40 years. The activist hedge fund experience in Japan suggests that this process cannot be forced, but it could still happen gradually over a period of many years.

In turn, this leads to the more difficult question of how Japanese corporate governance ought to develop for the sake of the Japanese economy and those who depend on it. Anyone who believes firmly in agency theory and the advantages of the US corporate governance system might argue that although selfish vested interests are still blocking change, there is only one positive way to proceed: towards the inevitable convergence with 'global standards'. However, it has been proposed here that there are no global standards, that corporate governance is a local phenomenon to create equilibrium for the essentially unbalanced structure of the joint stock company, and that it is driven not by financial theory but by a practical, historical process of trial and error that will usually be unique to every market and produce its own distinct solutions. The current and incipient changes described above suggest a move closer to the style of shareholder-focused models but not a complete disruption of the present system. Japanese corporate governance, despite its faults, has brought prosperity, stability, loyalty and an ability to look to the long term, which are all benefits that the shareholder-focused system has on occasions failed to deliver. An ideal result would be to see these benefits preserved, with the weaknesses – such as disdain of portfolio shareholders and their pursuit of investment returns, sometimes excessive introspection, and lack of any external monitoring for boards – neatly resolved. The end result is unlikely to be so tidy, simply because so many different interests are involved, but it is to be hoped that at least part of this can be achieved.

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Comments and Questions for Session 3

Moderator: Masaki Nakabayashi

Discussant: Wataru Tanaka

Moderator: Thank you Dr. Buchanan. The discussant for the presentation is our colleague Professor Tanaka.

Wataru Tanaka: Good afternoon. My name is Wataru Tanaka. I am a legal scholar, who specializes in corporate law and commercial law.

Dr. Buchanan's interesting, fascinating speech described how hedge fund activism rose and fell in Japan and, using it as an illustration, he analyzed how different countries – Japan on one hand and the US or UK on the other – made different corporate governance systems based on essentially the same legal structure: the joint stock company system. In this comment I, as a scholar of corporate law, would like to elaborate some of his main arguments and also try to illuminate the problem from a somewhat different perspective.

One of Dr. Buchanan's main theses is, "Drivers of corporate governance are outside law." While I, as a legal scholar, have somewhat mixed feelings about such a proposition that the role of the law is marginal, I still completely agree with him based on my own research experience. Similar legal systems can function quite differently according to the economic, political and social backgrounds. I would like to elaborate this point by some legal topics which I specialize in and also have something to do with Dr. Buchanan's speech. That is about law of defensive measures against hostile takeovers – the problem whether or to what extent the management or the board of directors of the target company can take any defensive measures against hostile acquisitions.

Interestingly, the US and the UK, the two countries where the idea of "shareholder supremacy" is believed to be most prominent, show fairly different attitudes toward this problem. In the US, a famous case decision, called the *Unocal* decision, made it clear that the board of directors of the target company can take some "reasonable" defensive measures against hostile takeovers. To the contrary, UK law, or more accurately the UK's self-regulation called "City Code" of takeovers, has adopted a quite rigorous policy: "let shareholders decide." It means that, once the takeover offer is made or imminent, the target's board is prohibited from taking any action which has an effect of frustrating the offer without approval of the shareholders' meeting.

How about Japanese law? Well, the law is somewhat unclear because in Japan the cases of hostile takeovers are sparse, but arguably it is more similar to UK law than US law, especially to the extent that the Japanese courts have emphasized the principle that it should be up to shareholders, not the board of directors, to decide who takes control of their company. This principle was declared in the famous case of Livedoor vs. Nippon

Broadcasting System in 2005. In this case the Tokyo High Court prohibited Nippon Broadcasting System from issuing stock options to Fuji Television in order to frustrate Livedoor's, -- the hostile acquirers' - attempt of acquisition, and in doing so, the court said, "who manages the company, on what business policy, should be determined by a majority vote of shareholders."

The "Let shareholders decide" principle was also confirmed by the Supreme Court of Japan in the case of Steel Partners Japan vs. Bull-Dog Sauce in 2007. In this case, the Supreme Court declared, "Whether the corporate value will be damaged and the corporation's interest, and its shareholders' common interest in its return, will be harmed if a particular shareholder acquires control of a corporation should be ultimately determined by the shareholders themselves, to whom the corporation's interests belong."

So we could say that two legal systems, UK law and Japanese law, are similar concerning the target's board's ability to employ defensive measures against hostile takeover. The consequences of these laws, however, are quite different. In the UK, the rule saying that "the target's board cannot take defensive measures without approval of the shareholders' meeting" effectively means that "you can never employ defensive measures," since institutional investors who own the vast majority of shares of UK listed companies hardly approve such defensive measures, because such defensive measures would restrict their ability to accept the takeover offers. In Japan, in contrast, the same rule would mean, at least for some companies, that "you can employ defensive measures by getting approval of the shareholders' meeting." In fact, this is precisely what happened in the case of Bull-Dog Sauce. As Dr. Buchanan explained, well-over ninety percent of Bull-Dog Sauce's shareholders except for Steel Partners approved the defensive measure.

Why did Bull-Dog's shareholders approve the defensive measure? One of the reasons was cross-shareholdings. Professor Xu Peng at Hosei University and I conducted some research on this case and found that, once Steel Partners had invested in Bull-Dog's shares, Bull-Dog had increased their amount of cross-shareholdings with financial institutions -- banks I mean -- and also business firms. But cross-shareholding cannot explain the whole story. The vast majority of individual shareholders, who collectively owned about one third of Bull-Dog's shares, also overwhelmingly approved the defensive measures. Probably their motivation was non-pecuniary: those individual shareholders were simply disgusted by the idea that an American hedge fund, for its own interest, should take control of a longstanding, household-name Japanese company. Thus, two similar rules have quite different effects according to the economic or social background.

In the rest part of my comment, I would like to focus on another main thesis of Dr. Buchanan. That is, "the widely-held joint stock company is unstable." I would argue that such instability, at least in part, comes from the paradoxical feature of the widely held joint stock company system itself. I characterize the system "paradoxical" since, in the system, shareholders, who

individually have a very short commitment in the company's business, jointly as a group have the longest commitment in the company among all stakeholders.

In contrast to the pre-modern era when companies were established for just a one-time voyage and then wound up to pay out their return, firms in modern times are expected to continue their business for an unlimited period of time. Such a "going-concern" requires a long-term -- ideally, perpetual -- commitment of capital, and the modern company system has met the need of such long-term commitment of capital by the principle of free transferability of shares. Unlike creditors, shareholders do not have any rights to demand that their company repay the funds they invested. Instead, shareholders can freely sell their shares to third parties. Besides such a legal right, various economic and social institutions such as stock exchanges, brokers and dealers of securities, and various rules of accounting and disclosures have emerged in order to assure transferability of shares. Thanks to free transferability of shares, each shareholder can enjoy the future profits of one company right now just by selling their shares at the market price which reflects the value of cash flows that the company is expected to earn in the future. The company, in its return, can retain the capital as long as it exists as a going concern.

Thus, we could say that the widely held joint stock company system is a truly innovative mechanism which can accumulate many small units of capital with very short commitment and converge them into a large amount of capital with permanent commitment. On the other hand, this system has generated a tension between shareholders on one hand and other stakeholders. While the joint commitment of shareholders as a group is permanent, any particular shareholders who actually meet the management and make various requests about the company's business and/or investment strategies, like activist hedge funds, have a very short-term commitment in the company. They can sell their shares at any time and often do so in a few years. So the management, and other stakeholders such as employees, cannot avoid feeling like this: "Gee, how can these guys having such a short-time commitment behave as 'owners' of our company and ask for various things?" Such antipathy against activist shareholders appears emotional, but it might be based on some serious concern about potential drawbacks of the widely-held joint stock company system.

In the terminology of financial economics, this concern is associated with the idea of market efficiency. If the stock market is efficient, that is, if the market price of the share of one company rationally reflects the value of future cash flows that the company is expected to earn, then the present shareholders' interests will converge into the company's long-term interest. In this case, shareholders can consider the company's interest from a longer perspective than any other stakeholders can. However, if the stock market is inefficient, the present shareholders' interests may diverge from the company's long-term interests, creating a danger of distorted decision. For example, if the market share price does not sufficiently reflect expected cash flows in the fairly distant future, then shareholders may demand that the management declare more dividends even though such dividends may sacrifice the opportunity for the company to make an investment that will be profitable in the long run.

So in my opinion, the antipathy against hedge fund activism comes, at least in part, from suspicion about market efficiency. Judging from my casual observation, many people in Japan are suspicious that the market share price really reflects the company's long-term interests when a large amount of shares is subject to trading by investors who are motivated to make profits in a relatively short period of time. So if possible, I'd like to ask Dr. Buchanan how people in the UK or people in the US think about this matter, that is, market efficiency. I also like to know whether the recent financial crisis has changed people's minds or people's evaluation on whether or to what extent the market is efficient.

After World War II, Japan developed a corporate governance system where substantial shares were held by stakeholders who had relatively long-term commitment. As Dr. Buchanan pointed out in the latter part of his speech, however, this system becomes fragile and is already changing. Perhaps Japan should try to explore more benefits of the widely-held joint stock company system converging many units of capital with short term commitment into the large amount of capital with permanent commitment. But since the widely-held joint stock company system is not perfect, to what extent the corporate governance system in Japan will and should converge into the system prevailing in the UK or in the US is a difficult question and still ongoing. Thank you very much.

Moderator: Thank you, Professor Tanaka. He made some questions and requests for advice to Dr. Buchanan. So please respond to his discussion.

John Buchanan: Thank you very much indeed, Professor Tananka. That was interesting for me as well, being a sort of an addition to what I said. It was more than an addition, I think, and it was definitely very interesting.

With regard to your specific questions I don't think people in the UK have changed their views about market efficiency to any great extent. The financial crisis created a shock, but the general effect among companies and institutional investors has been very much business as usual. They have reverted very much to doing what they did before. I don't think anything has really changed in a big way. Except that in one important respect, which may not last, and that is, that corporate treasurers have been building up reserves much more than they did before. This is not just the UK, I mean it's a phenomenon in the USA, but also in continental Europe. So you can say that the financial crisis frightened people. It showed people that a lean financial structure could be very dangerous, if you were suddenly short of money. And in a way it was a vindication for what the Japanese companies had been doing. In some cases to excess but nevertheless the idea of the Japanese companies in putting aside funds against future problems, was proved not to be so foolish after all. Although I think when you get to 70% of your balance sheet, it's pushing it a little bit. Have I answered both your questions? I mean, fundamentally I don't think much has changed and I suspect that the whole idea of holding more cash, will gradually disappear. Even now there are complaints about it.

I did have one point that I wanted to make, with regard to what you said, though: Whether Japan should be reducing its stable share holders. I think, yes, it would free up the market, it would create more liquidity. But the interesting thing is if you look to the UK, the UK is currently agonizing over the commitment of institutional shareholders to corporate governance. There are a lot of worries and there have been for some years that institutional shareholders are not interested in corporate governance. They hold the shares and if they are really frightened, they will start taking action. But until they get really frightened they just don't want to know. They simply want investments and they want investments with the minimum of trouble. The Kay Report came out last year basically looking at this problem and making so many intelligent suggestions that it's almost definite that none of them will be taken up, because there are too many of them. In other words this is a wicked problem, if you like, and Kay has given the answer to the wicked problem, in pages and pages of "do this, do that, do this, do that," and I don't think anything will happen. What this shows is that, yes, having too many stable shareholdings can be pernicious. But on the other hand simply having liquid shares out in the market and pure portfolio investors, doesn't necessarily help to get these investors interested in good corporate governance.

Moderator: Alright, so we still have some time to acquire some questions from the floor.

Q: Thank you for a really interesting presentation and an excellent paper. I found it very compellingly written and as a story of what's happened, it was really fun to read. I've actually done a tiny bit of work in this area myself, and it was very consistent with what I came up with as well. So I really enjoyed it.

I'd like to be devil's advocate, though, and perhaps a devil's advocate to each of you. A devil's advocate might say that you've slightly misplaced the focus by looking so narrowly at hedge funds. You're making an argument about the varieties of capitalism, if you will. But if you look more broadly at the search for value, the UK and the US wouldn't look very different, and Japan may be pulled into that pattern. It seemed to me one of the most interesting parts of your paper didn't get much attention -- that was the role of insurance companies. So how are the different actors searching for value? What's the balance between the values they get from ongoing employment relations in the case of employees or ongoing commercial transactions in the case of some of the financial companies as opposed to the returns they get as pure investors? I think that's a theme that could be worked out in more detail and I suspect if you did, the variety might start to narrow a little bit. And the pressures for higher returns, which you say are even greater in Britain than in the US, I think are becoming quite powerful in Japan too. As a political scientist, who likes path dependence, I'm very open to, and would like to believe, your argument. But the political economist in me wonders if there isn't more pressure under capitalism going back to Marx: the never-ending search for higher returns.

For Professor Tanaka, very quickly. You're making the case that individual investors, presuming markets work relatively efficiently, which we have reason to think most of the time they do, have to take into consideration the long term earning power of the company and,

therefore, although they are in some ways short-term oriented, they are actually representative of a longer term interest. That's a very important point. On the other hand, empirically we know that Boards of Directors are terrible. And -- this just came up with Dr. Buchanan's reply too -- investors as members of the annual stockholders' meetings suffer from such terrible problems of collective action and asymmetry of information that they're basically very bad monitors. So we know that there are real problems with both boards and with the stockholders' meetings. So at the sort of distant, invisible hand at the market level, your answer is very persuasive. But, if we look at the specific mechanisms, the kind of voice mechanisms of boards and in meetings, then it seems like that there may be more tension. And Dr. Buchanan's paper cites Culpepper's book, where he argues that basically most of the time incumbent managers win and stockholders don't.

I realize my two questions are going in two different directions but I'm trying to be a devil's advocate in both cases. So I guess if there were a little bit more attention to the *mechanisms* by which the search for value and the conflicts among the particular people who are searching for came out, rather than maybe a slightly excessively narrow focus just on hedge funds, then maybe we could get a better sense of where corporate governance more generally is moving in Japan. Thanks.

John Buchanan: Could I give you the first answer to that, please, dealing with the points you directed to me. First, why hedge funds? We chose hedge funds because they polarized the whole discussion. While we could have chosen anyone, what we liked about the hedge funds was not that they were hedge funds but simply that these were noisy people who came out there and brought all these quiet discussions out into the open. That's why we focused on them.

Now your point that insurance companies and people like that in the longer term are much more important is completely true. And I think I mentioned towards the end, that I see pressure coming from that direction. Since the 1950's, the insurers have got a lot of business from commercial contracts with the companies and private business. When I worked at a Japanese bank in their mergers and acquisitions department, we were invaded every lunch time by little old women, who used to come bursting into the office to sell us life insurance. And since we were in a secure area, of course we chased them out again, and they were very annoyed because they thought they had the run of the building and, needless to say, they came from a company related to the bank and they had the run of the building during the lunch hour. That happens or used to happen to every major company. I don't know what happens now. So you had this dichotomy within the insurers whereby they depended partly on income and don't forget of course many insurers, I don't know what the situation is at the moment, but they used to make quite large loans, generally fronted through banks, but they knew exactly where the loans were going. So they are players in the banking market in a way. You've got these interests balancing out with the portfolio investment interests, and I think the portfolio investment interests are going to become stronger. But at the moment then they

don't seem to be. These companies are still voting with management, again going back to the hedge fund example.

Wataru Tanaka: Thank you. I don't think our ideas are so much different. What I argued in my comment is that the widely held joint stock company system can, ideally, converge individual shareholders' interests into the companies' long term interests. It is an ideal solution which would happen only when market prices are really efficient in that all the price reflects a present body of all future cash flow the company is expected to earn. In reality it might be natural that shareholders suffer the problem of asymmetric information. They do not know the management of the company well, and also they suffer collective action problems. They do not want to get really involved in the company's business. So in many cases a company which has only investors with very short-term commitment investing very small amounts of cash are inclined to be inefficient because no one really monitors the management. So in reality there should be some committed investors, who take a relatively large interest in the company and have an intention to monitor the management. In Japan traditionally, banks took this role. The problem is that banks collect cash as a deposit. So it is a very risky financial strategy for banks to make an investment in shares with the funds collected as a deposit. It is somewhat irrational, so banks have already drastically decreased their shares in Japanese companies. So nowadays we need some alternative - alternative investors- who take a fairly large amount of interest in a company and monitor the management. This is what I am thinking.

Q: Just as Dr. Buchanan said, even in the UK, actually not very many investors want to play this role. So, where? Nowhere do investors want to play this role. So I didn't quite get your solution.

Moderator: We are running out of time for this session. Dr. Buchanan, is there anything you would like to add as we conclude this session?

John Buchanan: The only extra comments I was going to make were about the commitment of shareholders. In the UK, as I mentioned earlier, the big institutions are not particularly interested in corporate governance, and this has been perceived as a problem. The other aspect of the way that shareholders act in the UK, and this links with Professor Tanaka's comment about liquidity in the markets, is that there are no real barriers to liquidity for selling shares in the UK. And one of the results of this is that all shareholders take full advantage of this. There is certainly some loyalty to some companies but not a great deal, nothing in comparison to Japan. So the result in the UK is that virtually every listed company is for sale.

If you go and make an offer for a listed company, the management, the board will say to you initially, "Ridiculous. We're not for sale. This is a desultory offer." And translated, that means, "Yes, and how much more are you willing to pay?" And later if you're willing to put the money up, 20%, 30%, you will get the company. This isn't true in every single case. I'm

talking about big, listed companies with a wide shareholding. But it's true in the UK to such an extent that if you look at the big names in UK industry, say 30 years ago, I would say that more than half of them are owned by foreign shareholders now, controlled by foreign shareholders. Sometimes through the incompetence of the board but very often not. Very often simply because they were always up for sale and a buyer appeared and bought them.

I know of one fascinating example – I'm afraid I can't give you the names – where a big UK company decided it wanted a Japanese foothold. It made an approach to the Japanese company, which of course was genuinely not for sale. And the chief executive of this company asked his advisors, "What are these people up to?" And we said, "Well, in the UK, every company is up for sale." "Really," he said. So he went and arranged the finance with his bank and went back with an offer to the UK company. And two tries later, he got it. He bought them. He paid too much. But he got them. So the point I'm trying to make here is that you can go too far in being liquid. And it begins to harm the national economy. You run into other factors than simply financial factors, at least in my opinion you do.

Moderator: Thank you so much. Anything to add from Professor Tanaka?

Wataru Tanaka: To the last question from the floor. Simply stating, I don't know. But my answer is that maybe there is no perfect solution. In a global perspective, why do we have joint stock companies-- they are rather the minority. In most countries, except for the US, the UK, and Japan, the vast majority of listed companies are controlled by families. So it's one solution. The controlling family has a very long-term commitment to the company's business. But the existence of controlling shareholders poses different problems. It causes a danger for controlling shareholders to abuse their power and extract profits from the company at the expense of minority shareholders.

So there is no perfect solution. And in the case of widely-held joint stock companies, there are several mechanisms to monitor the management. Some shareholders have relatively long-term commitment. But hedge fund activism or the threat of hostile acquisition are other solutions. I'm not sure about the effectiveness of independent directors. But some people think that introduction of independent directors to the board of directors is another type of solution. I think there are mixed structures which deal with the problem of management abuse.

Moderator: Thank you very much.

Panel Discussion

Panel Discussion

Moderator: Mari Osawa
Speakers: Caroline Andrew
               Mark Bevir
               John Buchanan
               Hiroko Takeda
               Wataru Tanaka
               Shigeki Uno

Moderator: We'd like to start the last part, which is the panel discussion.

From the floor, we have questions from three people. One is a question to Professor Bevir. Governance and democracy seems to be a major theme. So in the governance process, how do you ensure democratic legitimacy? May I have your opinion on this point, please? So Professor Bevir, you have written a lot of books and one of them is entitled *Democratic Governance*. I think this question really focuses on that point.

And another question from the same person is a question to all the speakers and to the discussants. In analyzing governance, what do you see happening in 10 years' time? Do you see this analysis still being used or will the analysis change, the analytical framework change, in 10 years' time?

And the second question is to Professor Andrew, asking, "In a society like Japan, governance could be utilized to create an exclusive society that excludes women and equality. What is your opinion on that aspect of governance?"

And related to that, as Professor Takeda also mentioned in her comments, you wrote a paper entitled "the role of partnerships in creating inclusive cities." The paper argues that there are two aspects in partnership. Although you call it partnership, it could actually be control or co-optation by the government, based on the interest of the state, or the government. There the government tries to reduce its financial burden and uses the gender issue as a tool to solve other issues. Maybe that is the case. On the other hand, partnership can indeed promote interests of minorities and women. So, if you can promote actually the interest of minorities and women, what do you see as the conditions of making that possible? I believe that is what you talked about. So could you talk about this co-optation question, which was the first of the two aspects discussed in your paper? Could you focus a little bit more on that?

And lastly to Dr. Buchanan. It is a question concerning your last slide. In that slide, you compared the benefits and dangers of the community firm and management autonomy. Are the benefits true? In Japanese companies nowadays, management doesn't have capabilities in many ways. They may not have knowledge about accounting or finance. They just look at the past examples and precedence. And it seems that companies are not really making

appropriate decisions. That is the concern she has. So rather than talking about Japanese corporate governance, maybe we have to say there's this lack of corporate governance here.

The question about the analytical framework of governance, whether you see it being used in 10 years' time -- I think I'd like to ask everybody to talk about that later. But I would like to ask each speaker to first answer the specific questions raised to them, starting from Dr. Bevir.

Mark Bevir: The question was about the relationship of governance to democracy and more specifically whether governance was compatible with democracy. I'm quite pessimistic here, or at least my first answer is quite pessimistic. I think that the model of democracy that we have tends to be of representative and responsible government, so it's liberal democracy. And as a result, we tend to privilege the importance of electing politicians and then lines of accountability from those politicians down through the public sector. And if that's how we think about democracy, then I think that the move from government to governance erodes democracy.

Most obviously, the rise of markets and contracting out takes a range of public activities away from public or purely public agencies that can be held accountable and gives them over to private agencies that cannot be held accountable and moreover do not have the same culture of serving the public interest. In the case of networks, I think it's a bit more complicated. But I think that the main challenge there is that the more agencies or organizations that you involve in the delivery of a public good or a public service or in the formulation of the decision, the harder it is to maintain clear lines of accountability. So I think the rise of both markets and networks poses serious problems for our dominant, liberal model of democracy.

On the other hand, I should say that one of the reasons why there's a move from government to governance, and one of the reasons why we face those problems is because the liberal model of democracy was never very good in the first place. It wasn't ever clear that elections are a good way of people exercising control over policy outcomes. They're not. You get to elect your representatives. But that's not the same as having a direct role in the formulation of the policies by which you are governed. And moreover, accountability was often more of a form of fiction than something that was realized in practice. The lesson we should have taken from the problems that confronted old style government - representative and responsible government with a hierarchic bureaucracy - was that if we were to maintain our democratic ideals, we needed to turn to more participatory forms of politics and more dialogic approaches to public policy.

So, my main pessimistic answer is that governance is bad for democracy. But there's a little bit of me that holds out a hope that at some point people will realize that the underlying problem is that liberal representative democracy was a bit of a fiction, that the fiction was shown up by a belief in the kind of expertise that social scientists seemed to offer, that social

scientists can't really offer such expertise, and therefore we should try and develop far more participatory and dialogic approaches to public policy.

Caroline Andrew: Thank you for the questions. I want to continue by building on what was just said. Though I accept most of what Professor Bevir said, I think that governance – mechanisms of governance can in some cases enhance representative and responsible government in a couple of ways. One is I think that it can provide mechanisms for increasing the sense of entitlement of some groups who have not felt the sense of entitlement and have not pushed their presence to be equal members of the electorate in representative and responsible governments. And I would argue this is the sense for women.

I think that women, and not only women, have often had less sense of entitlement about what government policies should be done for them. And there's a huge amount of empirical research that suggests women have traditionally put their children's interest in front of their own, their husband's interest in front of their own, their neighbor's interest in front of their own. And in a sense it seems to me that you would produce a better representative government democracy if every category of people had the same sense of entitlement about what normal government policies should do for them.

I also accept some of the problems of governance relating to government. But I think that in some sense, the use of voice and many of the techniques of governance in terms of some of these more marginalized constituencies does increase people's sense of what a liberal democracy ought to give them. And I would think that not only is that true of women, it would certainly be true of people suffering from some form of handicap who tend to have had very low sense of entitlement about what liberal democracy should bring to them. And I think to some extent in giving them voice, you are increasing their sense of entitlement.

Obviously a sense of entitlement can have problems for reconciling it with a responsible and representative government. But I think that the argument that governance necessarily eroded standard democratic government perhaps relates to what was said about the nature and the quality of democratic government, which is a more complex question in terms of the relationship of certain groups in the society to their sense of what they should expect from democratic government.

The other question, could governance be used to exclude women from government or from a role in the direction of the society? Of course, it could. And one could argue that a variety of forms of governance coalitions in the past had been very effective at eliminating women and other marginalized groups. This may be my optimistic view, but what I'm thinking about partnerships or governance is to focus on trying to bring about changes in the actual state of people's inclusion into the direction of their society.

And I suppose my answer there would be that this is one of those things that has to be continually monitored. If the result of a partnership is to find yourself less part of the conversation in two years' time, then you've got to readjust your strategy. I think that what I see the use of partnerships or trying to seek alliances to push for change in a political system has to be clearly monitored, and monitored not only by yourself because you tend to have a position in the question, but monitored by looking at other examinations of the situation in a year, in two years, to see whether you are moving towards what would be seen as the kind of positive social change you were trying to bring about. So, yes, of course I think that partnerships and indeed most local government, certainly in Canada, has all kinds of informal partnerships that have in fact kept the dominant common interests in the dominant position. So of course I do think that the kind of partnerships one's talking about are partnerships that have to have a sense of the kind of change they want to bring about and the kind of sense of increased voices of those groups that are considered to be marginalized.

As I said this morning, I think it is an empirical question as to whether intersectionality is a problem for the representation of gender or it is a way for the representation of gender to increase. But I think that's something that can be measured and looked at. And one can discover whether gender is being lost by being included in a whole group of marginalized categories or whether one is achieving some change in the aspect of gender within those partnerships.

So again, my answer would be yes. Partnerships can work all kinds of ways different from what one hoped when one set them up. But I think the question of monitoring them and trying to – monitoring them in a way that is not only your own personal monitoring but other kinds of monitoring so that one can actually try and really have a view of what has happened over even a short time, a medium term, and a longer term. Thank you.

John Buchanan: Just to revisit the question given to me, my final slide suggested various benefits from the Japanese system. But the comment was that surely a lot of Japanese companies are not showing dynamism. They're not showing exciting results. Isn't it more a lack of governance than anything else? I would reply to that by saying that my slide was meant to show the structural side of governance.

So if you look at the various bits, the community firm does indeed instill loyalty, stability, and focus on the business. Management autonomy does give you strong leaders, executive leadership, collegiate controls. Lack of fixation with shareholder primacy does let you invest in the business. And these fundamentally in moderation are all good things. I still believe that. The point that many Japanese companies are not performing very well, that their boards are not showing much energy, is probably true. It's not unique to Japan either, I assure you. But I think of this as something separate from governance. Obviously everything the board does in the company is part of governance in one sense. But I'm looking here really at the structures of governance, how they make their governance work.

I would say that the reason why some companies are not performing well and seem a bit lethargic is basically that they lack energy. If you compare their condition to the condition of Japanese companies in the late '40s or early '50s when times were tough and you had to work very hard indeed to survive, a lot of new companies were set up then. A lot of energy was shown. And a lot of these companies literally took the world by storm. They produced products to a degree of quality that no one else could ever match. They were very, very impressive. These were the sort of people who never said, "We Japanese work very hard." They just worked very hard. But they never looked at themselves and said, "Aren't we clever?"

Now, the situation has changed. Before came the "catch-up" – people have christened this the catch-up years when a lot of Japanese companies were obsessed with catching up with European and American companies. They've overtaken most of them now. They've got nothing to catch up with. They really need a new inspiration. And I think that is the key here. There has to be more energy shown in a lot of companies. There has to be more encouragement of new ideas. A lot of the boards of Japanese companies, like all too many boards in the UK and the USA, are entrenched and very set in their ways. They've got to be a bit more outward looking. But I wouldn't say that it means that the corporate governance model that they have is necessarily wrong. Going back to my slide, if you add energy and openness to new ideas, to loyalty, stability, and business focus, you've got a very powerful mixture.

Moderator: Thank you very much. Those of you who have asked the questions, do you have any further response to the answers given back? Or do you have any comments that you would like to make? If not, we have been keeping the audience waiting for quite some time. So now we would like to facilitate any kind of questions from the floor. Just raise your hand, use the microphone and speak, please.

Q: I would like to ask a question to Professor Buchanan. Going back to your last slide, never mind the details of the last slide, but one could look at that and reach the conclusion that keeping the benefits and avoiding the dangers means somehow incorporating greater monitoring of management into the traditional company system. I don't think anyone would disagree with that. Perhaps that's the Holy Grail currently of corporate governance in Japan. And as you're well aware, some people propose some kind of mixed system, marrying outside directors to the traditional system. Even though I do not expect any proof, I was just wondering what your thoughts were and what Japan could do going forward to address what arguably might be the biggest problem they're facing in governance today.

Moderator: Any other related questions from the floor to what was just asked? If not, then we would like to ask Dr. Buchanan to respond.

John Buchanan: Outside directors, this is a very deep subject. I mean, I could talk for hours on this. But I won't. The whole question of outside directors is anathema to many Japanese

boards. They hate it. The number of comments at interviews that I've heard, they basically...well, I'll give you two examples. One man said, "An outside director is someone who finds things under lamp-posts." And the meaning of that, what he meant was, that when in the dark you can't see things. But when the lamp-post is on, you can find things within a radius of 10 feet. And any idiot can find things there when the real object is to find things outside the radius of 10 feet. So that was his description of an outside director.

Another man said to me - this is the executive chairman of a very big company - he said, "Of course we pay a lot of attention to our outside directors, we on the board." Now, that says it all. For him the board was the executive board. "We on the board." The fact that the outside directors were also board members had escaped him because he thought they were advisors. He thought they were outsiders. Until that changes, the outside directors are going to be decoration. At a few companies apparently it's getting a little bit different. I'm told that at some companies there are four or five outside directors. They get together. They have separate meetings. They even dare to have opinions. But at most companies in Japan, and a lot of them do have outside directors, these outside directors are essentially advisors. And they give advice on things that they're good at when they are asked. And until then, they keep quiet.

Now, I think things are changing. But they are changing at a very slow pace. And the pressure that was on from the last government to force companies to have more outside directors was relaxed long before the government fell. They lost interest. They had other things on their mind. And I don't know what's going to happen with the present regime. It was being done before through what's called soft regulation by getting the Tokyo Stock Exchange to put pressure through listing regulations. I believe that is continuing. But I don't know what sort of enthusiasm there is behind it.

But I take the point that this is the one thing that should happen in Japan, not to the extent that boards become majority external, majority outside. I think this would be a complete disaster. It would be an attempt to import a system that doesn't work very well in the USA or the UK and certainly wouldn't work very well in Japan. But people talk about this as though it was what should be done. I don't agree. But I think that you do need informed people who are willing to stand up and say, "No, that's wrong," when they see something happening on the board that they don't like. And at the moment, Japan hasn't got them.

Moderator: Any other questions or comments from the floor?

Q: I immensely enjoyed your presentations and remarks. I think one of the main common features of our sessions this morning is that there was not much reference to the notion of responsibilities. And that absence may count especially when you regard network as the main feature of governance. So my question is addressed to Professor Bevir.

As a citizen of Japan, I somehow feel that the notion of network is rather old or even dangerous because one of our recent prime ministers was an outstanding advocate of network. Hatoyama Yukio was the president of the Democratic Party of Japan and once succeeded in replacing the long reign of the Liberal Democratic Party of post-War Japan. And I think his genuine hope was to run the government in a more networked style. He encouraged or at least accepted every sector of the government and the party to claim their own initiatives whether they are entitled to do that or not. And through invisible hands or visible hands, if those individual initiatives joined well, the output should be good. I think that was his belief.

And what one recent research suggests to us is that Hatoyama inherits one intellectual tradition of post-War Japan represented by scholars like Kayama Ken'ichi or Sato Seizaburo, very influential political scientists, advisers of the Liberal Democratic Party and also quite keen on sociology. And they argued that the conservative party should take a more networked style organization to cope with the increasing social diversity promoted by urbanization. So you get your own story in this country. So Japan is worth visiting for you. But Hatoyama's scheme turned out to be a disaster. It only created a miscommunication between the bureaucracy and the ministers and miscommunication among ministers. And the next prime minister, Kan Naoto, was a tough guy and showed some efforts to rebuild the hierarchies but did more to destabilize the network. And in the middle of that chaos what we faced was the March 11. So this was more than a natural disaster.

So I think what we need is a responsible, effective government. But that government should be open and encouraging to the networks with a social society and with those within a social society. And how shall we call that kind of government? I'm not saying that this should be hierarchy. But maybe there's a term more appropriate than "network." And how can we make that kind of alliance between the government and civil society? This is my question. Thank you.

Mark Bevir: Thank you. I certainly don't want to advocate networks. I'm perhaps on different grounds from you. I'm slightly unhappy about the very idea that it makes sense to say something like networks work or, as you said, networks don't work. I'm unhappy about either claim for fairly complex reasons. The first is it seems to me that each of these things - hierarchy, market, and network - is just an ideal type. We never actually encounter any of them in practice. For example, when you are in a shop, you might know the storekeeper, and if you ask him to let you have something on credit this time and pay him back in a week, he might agree because he trusts you. So suddenly you've got features of networks, like trust, present in a market situation. I don't think we ever encounter any of these ideal types.

What that means is that the alleged features or outcomes of these ideal types are actually rather contingent. It is not as though you have an organizational type that has an essence such that when you have that organizational type, you are bound to get certain outcomes. That is a mistaken view. The correct view is that the outcomes of things that people are willing to call networks are highly contingent. Sometimes networks might work in ways we like and

sometimes they might work in ways we don't like. Networks are sometimes good and sometimes bad.

The key point here is that all these organizational forms – hierarchy, market, and network – are just ideal types. So, what I think is really bad is when social scientist or those influenced by social scientists treat these ideal types as akin to natural kinds like, such as, water. They imagine that a market or network has an essence. They claim that if you introduce that type of organization, it will have certain outcomes. They claim, for example, that introducing a market will make for greater efficiency, or introducing a network will make for greater flexibility. I think those kinds of claims are spurious. What I think is really wrong is not the promotion of markets or the promotion of hierarchies or the promotion of networks. The problem is not with a particular type of organization.

The problem lies, instead, in the idea that modernist social science can offer a kind of expertise. The problem is the idea that social science can tell us, "Introduce this form of organization, pursue this policy, and you will get those outcomes." So, what I want to overturn is not a regime - not bureaucracy, not markets, not networks. What I want to get rid of is instead modernist social science. When you talked at the end about a kind of representative democracy, what I want is something like old style liberal representative democracy but without the modern expertise and instead with a more interpretive and dialogic approach to social knowledge and therefore a more participatory and discursive approach to the formation of public policy.

Q: I wanted to follow up on the previous question – more a comment than a question. But I think it might shed a little bit of light on some of these discussions.

In a way, it's also following up on what you have just said. But specifically, if you look at the bureaucracy, there's a tendency to say, "Oh, Japan has an elite bureaucracy." But that actually doesn't particularly differentiate Japan from most other advanced industrial democracies. And in fact the Weberian model of a competitive examination system and largely internal promotion procedures for at least the first 15 or 20 years of a bureaucrat's career—though that's actually not quite universal, it's close to it. The difference comes in the latter part of people's careers. And in particular, as is well-known in Japan, there's a so-called silo phenomenon, *tatewari gyōsei*. There's a silo phenomenon where bureaucrats' careers are determined by their agencies, not just for the first 10 or 15 years, but for their whole lives, including secondary placements.

Certainly in Australia, and I believe in Britain--but I certainly will listen to your expertise on Britain--certainly in Australia there's been a significant move to allow people to move from department to department so the careers are more market oriented, in a sense. That has weakened the silo phenomenon. And I think that makes it easier to create, for better or for worse, network approaches to problems. So in line with your comments, I think one of the things that would be useful to do is to take the organization of bureaucracies a little bit more

seriously. Yes, they're all hierarchic. But they are not all hierarchic in the same way or to the same degree. There are actually quite important differences, particularly in the way the top parts of the bureaucracy work.

Arguably in Japan's case, the silo phenomenon is too strong. Maybe some other countries have gone too far in the other direction. That's perhaps worth debating. But I think rather than reifying things, as you've suggested, looking at the actual details of how these things work might be helpful and might get back partly to the question just raised: why didn't an initial attempt at a more network-oriented approach work very well in Japan? Well, obviously there are many reasons. But maybe the fact that the bureaucracy is not well structured to do that is one part of the problems.

Mark Bevir: Yes, I agree with most of that. Some comments first on the British case and then more general comments. In the British case there always has been great mobility across departments. It has always been the case that high-level administrators are expected to serve in multiple departments. The nearest there is to an iron rule of career success in the British bureaucracy is make sure you spend time at some point in your career in the treasury. That's the nearest there is to an iron law of career success. But there's always been movement.

The main change in the career trajectory of higher level bureaucrats in Britain has been the attempt to create movement back and forth with the private sector. But those changes have had limited impact. There have been a couple of high profile cases of people from the private sector getting senior jobs in the public sector. But it's very rare that happens partly because of the salary differentials. Where there has been more success is in giving civil servants one or two year secondments to private sector companies.

The general comment I have is that some of the features that you rightly say are almost universal across civil services - a strong career structure, internal promotion, strong degree of job security – many of these features are not just common; they're also very valuable. There are reasons why they are there. Most of those reasons have to do with some of the questions we had earlier about democracy. Most of these features are important for creating and sustaining a public sector that will work under different governments. So bureaucrats can't be partisan. They can't think you are going to be kicked out once the government of a different political persuasion comes in. You therefore need to give them security and you need the kind of structures that give them security. So there's a good reason why those features are there. There's a good reason therefore why bureaucracy remains the dominant pattern of organization within the public sector, even after 30-40 years of reform. What is really at stake is how you try to link those bureaucratic structures to other agencies in order to gain the benefits of that in particular cases.

Moderator: Any other questions/comments from the floor? Well, then, let me pose some questions.

First to Dr. Bevir. You gave three comments, which were not included in your paper, concerning corporate governance, crisis or disaster governance, and unintended policy outcomes, which sometimes would come out of the policies. And I was especially interested in disaster governance. You said that this concept itself is new. It probably came out after September 11th or Hurricane Katrina. But you said that it is affected by sociological rationalism. And you said that you still need to check on it and consider it. I think that was what you said in your comments.

Crisis or disaster governance – before this came out, I believe we were talking about crisis management or disaster management or even disaster assessment. We had experts doing this top-down assessment or top-down management. But after Hurricane Katrina, probably because of the lessons learned, people started to think that there needs to be governance, that there needs to be participation, we need to have this inclusive approach, or else we won't be able to minimize disasters. The disaster will just spread and become bigger. And that is the context that I look at this in. But still I think you see some issues here. I would like to ask you to explain a little bit further on that point.

And my question to Dr. Andrew is that toward the end of your paper, you talk about partnership and also about governance, process, and content. At the very end of your paper, you say that content may be unimportant. I was wondering what this would mean. In your presentation, because of time concerns, I don't think you touched upon this point. Can you explain what you mean by this?

And lastly my question to Dr. Buchanan is: corporate governance Japanese style is under pressure and one factor is the aging society, and institutional investors may change because of that. Secondly, because we have more non-regular employees, corporate hegemony is now collapsing. And thirdly you said that for the board, outside monitoring is becoming stronger toward the board of directors. Though I have questions for each point, I think I'd like to choose just one, which is about non-regular employment allowing the corporate hegemony to collapse.

Thirty-five percent are now non-regular workers, you said. Yes, indeed it is so. But if you look at the ratio of male and female irregular workers, 54% of women workers are non-regular workers. Among men it's just 20%. And if you look at the age group from 25 years old to 55 years old men, 90% are still regular employees. So by age and by gender, there are such vastly different patterns. In such a context, corporate hegemony could be what promotes the loyalty of the regular male workers to the companies. And will this really become a driver for change? I'm really skeptical about that.

And I used my privilege as a moderator to raise these three questions to the three speakers, and I'm looking forward to the response.

Mark Bevir: I'll try and say a bit more about what I will call "crisis governance" looks like and also why I think it is best understood as drawing heavily on sociological forms of modernism. To begin, let me remind you what I was saying about sociological modernism. Sociological modernism does not argue typically that bureaucracy's inherently inefficient. What it argues is that we live in new times, and bureaucracy is ill-suited to those new times.

The emphasis here falls on the way in which things like globalization and new information technology have created a social world that is increasingly complex, in which actors and organizations are increasingly interdependent, and in which there is increasing uncertainty about outcomes. This world can seem to be one that is not very suited to bureaucratic control; it seems better suited to the more flexible and responsive forms of organization associated with networks. The idea of much sociological writing on governance is that increased complexity, interdependence, and uncertainty requires greater flexibility and responsiveness, all of which are found in networks rather than in hierarchy or markets.

When we turn to crisis governance, we find in much of the literature a description of crisis governance as being about not just how you govern a crisis, but rather particular types of crises. These crises are ones that are liable to affect systems or other things that are seen as being complex, involving interdependent units, having uncertain outcomes, and involving a high level of risk.

So, crisis governance characterizes the systems in which you're likely to have crises - whether these are modern economies, interactions with terrorists, or the possibilities of earthquakes on the Pacific Rim - it characterizes these natural and social systems in exactly the same way that sociological modernism characterizes our new times. As a result, crisis governance ends up arguing - again, just like sociological modernism - that what we need is more flexible and responsive ways of responding to crisis within these systems, and that these flexible and responsive ways of responding to crises are networks, partnerships, and joined-up governance rather than bureaucracies or markets.

Let me give you a couple of examples. One example is after 9/11 when a great fuss was made about the fact that bits of the American intelligence system world knew virtually everything that needed to be known but that they didn't communicate with one another. As a result, the intelligence agencies were meant to form new networks in order to ensure that they communicated more effectively with each other. One response to 9/11 was therefore to try and promote networked forms of governance within the intelligence agencies.

The second example is Hurricane Katrina, and you've got very similar rhetoric after Storm Sandy more recently. Here the argument was that the ability of public agencies to respond to the crisis was seriously hampered by lack of communication among firefighters, police, central government, local government, and other disaster agencies from the public, voluntary, and private sectors. So again, there was a call for "whole of government" approaches – and that was the phrase that was used.

So the very notion of a crisis is conceived in terms that come from sociological modernism. The appropriate response is also conceived therefore in terms that come from sociological modernism. So the way in which states now are increasingly trying to prepare themselves for crises is to set up systems of joined-up or network governance in readiness to respond to later disasters.

Caroline Andrew: Thank you. And thank you for the question about process and content. And I think I was exaggerating to make the point that process seems to me more common across systems than content, which is very locally determined. I think that content – so I can actually talk for hours and hours about what content I think should be applied in the case of Ottawa. But I would be much more hesitant to say what would be applicable in the case of Tokyo.

For instance, I think that putting into the obligations of managers in the local government to say what they're going to do about equity and inclusion and then make that part of their performance measurement is probably a good idea, even though it has all kinds of faults and that I think that having a program where you decided that daycares in poor areas were given way more budgets to provide art supplies, lots of material, good food, would be a concrete measurement of making cities more gender equitable, inclusive, and diverse.

But why I hesitated to say that was because I thought the more important point was to say that these have to be locally determined in terms of the questions of how that government is structured, how that society is structured, what are the norms of that society, and how can you move on those norms. I'm in no place to even imagine what those would be in the context of Tokyo. I have very firm views on what I think they would be in the context of Ottawa, and I could be wrong there. I was over-pushing – I think that there's more in common about processes that we can talk across societies. But in terms of specific content, I think that those are so locally determined that I was hesitant to include them. Thank you.

John Buchanan: On the question regarding the sort of forces for change on Japanese corporate governance, I was really just going on this point for the atypical labor. I was quoting a nice headline figure, and your point is very valid. I mean, it is biased in favor of the female population. However, the fact that even if 90% of male workers are among the regular contracts, 10% is not extraordinarily high, but it's high and it's going up. And one wonders what will happen eventually. It's an irritant. It's not a major factor yet.

The real factors that I see are the aging population and the need for pension income and the linked attitude of institutional investors towards asking for more payouts from companies. And I think this is gaining momentum already. And what I mentioned on the possible problems through labor situation on the current community firm, the corporate hegemony, I think is a minor issue. It could become a major issue. But it's still a minor one. If I may make

a feminist comment here, one could question why, with 54% on atypical contracts, if the birthrate in Japan is as low as it is, why aren't these women out there running companies?

Moderator: Thank you. I think you returned the question to me. And we're starting to run out of time. I think we would like to take the last question about the long-term viability of the concept of governance. Here what we have to be careful about is that, although the question was about the term "governance" as a framework for analysis or a conceptual framework, today's presenters are all not using the term governance as a fixed framework. Dr. Bevir, Dr. Buchanan and Dr. Andrew all stress that the definition of governance is very local and it changes from time to time, society to society, and place to place. With this as an assumption, I think it's probably Professor Tanaka who uses governance as a framework for analysis. Correct me if I am wrong. Dr. Andrew called the word a tool for governance.

Now, I would like to ask whether governance will remain as an effective concept for a long period of time. Please start with Dr. Tanaka, then Dr. Takeda and Dr. Uno, then Dr. Buchanan, Dr. Andrew, and Dr. Bevir in that order.

Wataru Tanaka: I don't think I have proposed the use of governance as an analytical framework. One thing I would like to mention is that I am not qualified to talk about governance in general. If I may narrow myself to corporate governance, I would say that corporate governance is no longer a method for analyzing something. It's a phenomenon or the issue itself. For instance, as Dr. Buchanan defined in his second slide, corporate governance is about "how to balance various conflicting interests surrounding a company." Corporate governance can also be described as a mechanism providing incentives to various stakeholders.

Now, that is a matter of course. The question is how researchers approach such issues, where each researcher has to prove his or her position or capability. To the question asking whether the term "governance" is still in use after 10 years, obviously if a company is still existing, corporate governance will be remaining in place. As long as civilization continues, there is governance. What is important is whether corporate governance will be improved from today's level or not - hopefully it will - and from an academic perspective, whether we will have a new way or a new academic breakthrough in the analysis of corporate governance. That is not something I can answer. But in terms of corporate governance, it is taken almost as a matter of *de facto* standard or a matter of course and, therefore, it is hard to consider whether it will remain meaningful as an analytical concept. Dr. Buchanan might have a different opinion, but this is my answer to the question.

Hiroko Takeda: About governance, listening to Professor Bevir's talk and reading his book, basically we can say that the term "governance" started to be used in order to respond to a need. This need is a real need, which stemmed from the administrative reform process in *Realpolitik* that happened because of some changes in the structure of political economic and also globalization. They are the kind of changes we can observe in a general trend of modern

society, or something that we often call a transition to the second modernity. So considering this, I don't foresee any sort of immediate or even mid-term changes that actually erase this need for employing the term "governance". But there may be some changes in the ways in which governance as a model to which we make a reference in order to understand what's going on in society or in a political process is used. Therefore, governance is not something actually fixed or something that really dominates our thinking. Rather, we use governance as a model to understand what's going on in society. Models change from time to time, from place to place. And in a different place, perhaps people make and use a different model.

So going back to the point Professor Bevir made earlier, we need to exercise some kind of discursive analysis when we look into what's going on as an exercise in our social scientific research. Why do we use a particular model at a particular historical juncture? Because there might be a need. There might be a compelling force to do so. So my answer here is, yes, we may be actually using a different term/model to describe what we're today discussing by using the term governance. But the important point here is that we need to try to make a link between different arguments made in a different historical juncture by exercising discursive analyses.

Shigeki Uno: Thank you for the question. For Professor Tanaka it is quite evident that he uses the concept of corporate governance as something valid 10 years hence, but I'm wondering whether I should use the concept of governance even for today, as some of the local governance group members doubt the validity of the concept in our field. For me, as a specialist of Tocqueville, it's always important that non-governmental actors play an important role in civil society and I agree that horizontal relationship is becoming more and more important than vertical hierarchies. However I'm not completely sure whether I should understand the phenomenon in terms of governance. I'd like to continue the discussion of the validity of the concept.

Anyway, today I greatly appreciate all the presentations and discussions. And what is especially interesting for me is, as Professor Osawa has already mentioned, the fact that all of the papers refer to the concept of "local." For example, Caroline mentioned local context, local culture, local voices. And John, his title is "Local Remedy for an Unstable System." And for Mark, he didn't mention the concept of local explicitly in today's presentation, but in his book, he pays special attention to the concept of local knowledge. In that sense, all of you mention the concept of local in discussing the problem of governance.

There must be some quite intrinsic reason that all of the speakers have chosen the concept of "local" in discussing the problem of governance. The dichotomy of local and universal is becoming more and more important today due to the influence of globalization. We tend to use some generalized and universal theories and dominant standard of ideas. However in every part of the world, in every country, in every sector, there exists some resistance from the side of local, as Mark especially mentioned. So local becomes more and more important.

I'd like to think about the possibility of networking local contexts. This is a very important issue for me. So I greatly appreciate the discussion of today. Thank you.

Moderator: Everything that the moderator should have mentioned was already expressed. Thank you very much.

John Buchanan: I'll restrict my comments to corporate governance. I basically agree with Professor Tanaka. I don't think corporate governance as an expression is going to disappear because it's so convenient. It covers so many things. It didn't exist 50 years ago. It was invented like most of the abstract nouns in this world by the Americans. And it arose from scandals. When things went wrong at companies, people had to think of some way to describe it.

The word I always think of in connection with corporate governance is the Victorian expression "deportment." In Victorian times, young ladies were expected to pay attention to deportment, which was the way they held themselves. Every time you walk down the street, you hold yourself in one way or the other even if you slouch. But the Victorians invented the concept deportment, and young ladies had to worry about it. And in the same way, the Americans invented a concept of corporate governance, and boards and investors had to worry about it. And it's not going to go away, I'm afraid. It's with us forever now because it's simply very convenient for describing what goes on in a company, even though you can talk about what goes on in a company, in other words, corporate governance, without using the word "corporate governance."

In fact, there was a collection of essays published in about 1980 in the UK, which was about issues between investors and boards of listed companies. There were about 10 individual essays there, and only three of them mentioned corporate governance. The other seven didn't need to use the word from their point of view. They were talking about corporate governance, but they hadn't yet picked up the word. It came into the UK during the 1980s. And of course it came into Japan during the 1990s. So I think it's not going to go away. It is useful. But it's a very abstract thing and it contains all sorts of things. It's almost like a bag into which you can put whatever you want to talk about.

Caroline Andrew: Thank you. I think certain things will certainly continue. I think different kinds of people wanting to have voice will continue and doesn't necessarily relate specifically to governance. I think it relates more to growing individualism in society to all kinds – but I think the number of people calling themselves citizens who want to have more to say directly about how their government and governance arrangements works will increase. It is already. When I look around across North America and Europe, the number of small initiatives that are going on in trying to connect citizen voices to both governance and government arrangements at local levels is exploding. There are just huge numbers of attempts to deal with these relationships. I think that will continue. And some of that is probably more usefully called governance than anything else.

To come back to what Dr. Uno said, I think the local – perhaps one of the reasons that we can think of governance and I think governance arrangements at a local level continuing to develop is that the local is larger than the local used to be. I mean, Ottawa – to take my own example – you probably could do things informally in a lot of ways. People knew each other. But now because there's simply a larger population with a greater distance, and the questions of the institutionalizing becomes important and to some extent is a way of thinking of governance arrangements that become to some degree institutionalized. And so I like the comment you made.

But what was institutionalized? When I think of some examples, when we start talking about getting people to talk in Ottawa, you then realize that the distances are too great. You can't just have them in some vague way wanting to talk. You've got to think about how they will be structured. And therefore you have to institutionalize it in some way. And I suspect that that will happen increasingly even at a local level because the local is just larger. And of course if you even think of Tokyo as a local context – what, you have 35 million people or probably way more – you obviously can't deal with that. You've got to start institutionalizing forms. And I think that is why governance and its interplay with government will continue to be a way of thinking of how we institutionalize to one extent an increasing number of people who want to have a voice in something.

So I think for those reasons governance will continue to be a useful tool to think about how local areas in an increasingly global world where local is large, even though local, will have important institutionalized relationships that will include non-government actors, government actors, sometimes only non-government actors, sometimes only government actors, and a lot of times an interrelationship of those.

Mark Bevir: Thank you. I want to distinguish between a narrow and a broader use of the term governance. The narrower one is the idea that there is an ongoing shift from hierarchy to markets and networks, whether that is either an empirical description or a policy agenda that people are trying to promote. I want to answer "perhaps" on that one. Perhaps it will be here in 10 years. Perhaps it won't.

As you might have gathered, I rather hope it won't be, because I think that's a modernist agenda of which I disapprove. But I'm a bit pessimistic. I tend to think actually it still will be. But part of what's at stake there is how you think of like collaborative governance. I think that as networks fail to deliver and people advocate things like collaborative governance, what they will end up advocating will be yet another modernist project. So I don't think it will be participatory and dialogic and local in the good sense. I think it will be yet another centralized initiative defined by modernist social science. So I'm actually quite pessimistic in a Weberian or Foucauldian way.

I think there's this kind of ongoing drive of modernist social science taking over more and more of our world. I don't really see a great way out of it. So although I say "perhaps," there's a lot of pessimism in that "perhaps." I think, yes, it probably will be. But I always feel that it's incumbent upon me to perform hope. Hence, the "perhaps" because I think it's important that we hold out hope because that's how we make it possible that the answer will become no rather than yes. So I want to perform hope and say only "perhaps"; it's at least possible that people will turn to collaborative governance understood as more local participatory and dialogical initiatives. So on the narrow sense of governance as these modernist agendas, I think "perhaps" and I hope not.

The broader sense of governance is as an alternative concept to government. Here I think the answer should be a fairly emphatic yes for three reasons - three reasons that I think mean not only that governance will still be a topic of academic debate in 10 to 15 years but also that it would be a great shame if it were not.

The first reason is that, as a theoretical concept, governance allows us to talk about order in general. We can talk about how coordination or order or ruling work without getting bogged down in where they work. So we can talk about corporate governance using the same theories as we use for understanding the state. Government is a much harder term to do that with. We haven't talked about this, but I think there are immense analogies between some of the ideas and approaches in Professor Buchanan's paper and the kind of modernism I'm talking about. There are links between the kind of theoretical ways we think about corporate governance, the ways we think about public sector governance, and also the ways we think about, say, global governance or healthcare governance. Governance offers us a really important concept with which to theorize coordination and order as general problems.

Secondly, I think governance performs an incredible useful role as an empirical concept. As I said at the beginning of my talk this morning, it alerts us to the way in which order, coordination, and rule are established through processes or activity in which public sector actors work and operate alongside voluntary sector and private sector actors. It draws our attentions away from the idea of big institutions of state and law defining order and coordination and it reminds us that actually order and coordination arise out of concrete human activity, which often stands in an awkward relationship to the alleged formal constitutions and formal rules that govern organizations. So I think it's a very useful empirical concept.

Finally, and this again is performing hope, I think that governance is very useful as a normative concept. In reminding us that coordination and rule arise out of concrete activity rather than out of formal rules or formal ways of mapping the world, it draws our attention to ideals like social inclusion and participation and dialogue in a way that concepts like government do not. So I think that if we lost the word "governance," we would not only lose a theoretical concept and a useful empirical concept, but also, crucially, we would be normatively impoverished.

Moderator: Thank you very much. I don't think there is anything for me to add after Professor Bevir's concluding remarks. But what I want to say at the end is thank you all for participating. The essence of today's symposium will be included in the *Social Science Japan Newsletter*, a newsletter from ISS. We'll make an effort to put it in our September edition. The full version of papers, revised by the authors to reflect today's discussion, will be published by the end of this year as a volume in the Research Series of ISS. During lunch, we agreed that we should do that. So please look forward to those publications. Ladies and gentlemen, thank you very much for coming. (applause)

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大沢真理　編

編修補佐　杉之原 真子