

# Heterarchism: Toward Paradigm Shift in World Politics

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Paper presented at the interim conference of the International Political Science Association Research Committee No. 36, Political Power, Moscow, 22-3 May 2019. It will also be presented at the International Conference on Public Policy, Montreal, 26-8 June 2019.

*(This is a “work in progress”, a preliminary draft. Further revisions will be forthcoming, including an updating of references.)*

## Abstract

“International Relations” theory has been dominated since the study of IR formally began at the University of Wales, Aberystwyth, in 1919. There have in recent decades been three mainstream “competing paradigms” (Wolin 1966—realism, liberalism and constructivism—all of which assume that the dominant independent variables are states and the inter-state system—what could be called methodological state-centrism. We argue that this way of conceiving world politics was (a) always problematic and challengeable, and (b) time-bound and increasingly anachronistic. Since the mid-20th century, a dialectic of globalization and fragmentation—political, economic and social processes above, below and cutting across states--has caught states and the interstate system in a complex evolution or process of restructuration toward what has been called “heterarchy”. Heterarchy is defined as the coexistence and conflict between differently structured micro- and meso quasi-hierarchies that compete and overlap not only across borders but also across economic-financial sectors and social groupings, leading to a process of restructuration that empowers strategically situated agents in multi-nodal competing institutions with overlapping jurisdictions.

The core of this process is the triangulation of (a) the “disaggregated state” (Slaughter 2004), (b) fragmented global governance and “regime complexes” (Alter and Raustiala 2018), and (c) “sectoral differentiation” in the international political economy, leading to a spectrum of market/hierarchy (Williamson 1975) or public/private de facto policymaking processes and diverse types of “mutual capture” between a range of private actors and meso- and micro-state hierarchies. The result is the decreasing capacity of macro-states to control both domestic and transnational political/economic processes and/or to act as Waltzian “unit actors” in world politics. In this context, the nation-state is increasingly becoming what we call a “reactive state” in a world where multilevel and multi-nodal policymaking and implementation processes are evolving above, below and cutting across states in a dialectic of globalisation and fragmentation. This requires a new and robust competing paradigm that we call “heterarchism”.

## State-centrism in International Relations Theory

State-centrism has a complex history. On the one hand it has been seen to evolve from the political unification of specific territories by ruling cliques and/or mass movements through a consolidation of internal power structures and the role of both civil and external warfare in transforming multilevel, tribal or feudal structures into institutionalized sovereign entities. Complex, shifting frontiers were replaced by more clearly demarcated borders. In this context, the ideological rationale for state consolidation has been to identify states sociologically with specific, identifiable social units called “nations”, that Benedict Anderson (1983) defines as “imagined political communities”<sup>1</sup>.

The concept of “nation” in the pre-modern world was more localized and tribal (Tipton 1972); however, in the modern age it would come to be seen as an ethnically consolidated grouping providing bottom-up legitimacy to emerging nation-states. However, it can be argued that economic factors came to be the most significant variable in the consolidation of nation-states. The First Industrial Revolution enabled political and economic elites in England to transform what became the United Kingdom into the first economic superpower, both in terms of domestic consolidation and the expansion of British economic power in the world. This led other proto-states to consolidate in competition on both levels, especially in Europe, where the nation-state system developed and spread its organizational model internationally through innovation, trade and empire (Kennedy 1988).

More important historically, however, was the Second Industrial Revolution, in which the combination of the consolidation of nation-states and the large factory system in a range of cutting-edge industries such as steel, railways, energy production and distribution, shipbuilding, later automobiles — a structure that would come to be called “Fordism” — led to new, more intense forms of international competition. It also was at the core of Stalinism. These developments, both market-based and monopolistic/oligopolistic, gave rise to hierarchically organized state-economic complexes and, indeed, to social and institutional reorganisation—sometimes called “structuration”—along the lines of capitalist hierarchies and Weberian bureaucratization. The interstate economic conflict/competition that resulted played a leading role in two world wars and, later in a different way, to the Cold War. The state and the interstate system therefore came to be seen as the apogee of a secular process of ordering political systems, starting from hunter-gatherer societies and evolving through city-states and empires to statist modernity.

In this context, the development of International Relations as an academic discipline has been dominated by state-centric paradigms (cf. Wolin 1966; Daddow 2017; Jackson 2013). This approach is often referred to as “two-level games” (Putnam 1988), combining the domestic consolidation of governments alongside inter-state competition in a “structuration” process

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<sup>1</sup> “It is imagined because the members of even the smallest nation will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communion” (Anderson, 1983, p.6).

seen as a virtuous (or vicious) circle between the two levels. The most state-centric of these paradigms has been so-called “realism” and its later spinoff, “neorealism” (Waltz 1979). Whereas traditional realism focused on the interaction of inter-national conflict and domestic politics evolving historically, neorealism is rooted in the methodological assertion that states are inherently constructed domestically in a hierarchical mode, i.e. that they are analytically distinct endogenously sovereign units, even when those hierarchies are internally complex and stable or unstable in uneven and unequal ways. In contrast, the “inter-national” system is “anarchical” in that there is no overarching hierarchical order. States operate as “unit actors” and must compete and/or cooperate *as if* they were internally organized as effective hierarchies, thus leading to a preordained hierarchy-within-anarchy set of games.

The other two “mainstream” paradigms, liberalism and constructivism also posit the structural predominance of states and the inter-state system. The former focuses on the interaction of increasingly internally liberal states, changing the shape of the two-level inter-state system in more cooperative ways, sometimes known as “international society” and propagated in particular by the English School (Bull 1977). The latter focuses on the role of particular social, political and economic forces in working toward state consolidation—dynamically “constructing” state processes and institutions in a complex historical trajectory. Other non-mainstream paradigms such as Marxism, World Systems Theory, Critical Theory, Feminism, Poststructuralism, Postcolonialism, and Green International Theory (Daddow 2017) tend to deal with important subcategories, rather than the macrostructure of world politics, while focusing on significant but neglected dimensions of international relations.

The state, whether or not it was effectively *centralizing* in command terms, has nevertheless been seen as *centripetal* in the evolution of socio-political life, especially in the ideas and perceptions that shape that life (see also Badie and Birnbaum 1983). This conceptualization of the state has, of course, has been dominated not only by empirical state-building processes themselves but also by the perception among mass publics that states, despite their disadvantages, are *normatively* the best way to organise political life, especially in the context of the historical longevity of national identities, the development of national pride, and a sense of ethical reciprocal obligation among citizens (Collier 2019). Furthermore, state-building has long been associated at least since the Enlightenment with notions of progress and the evolution of modern human society, both natural and conventional, whether liberal, capitalist or socialist.

### **Beyond State-centrism: The Dialectic of Globalization and Fragmentation**

However, several interactive processes and institutional mutations, which we call the dialectic of globalisation and fragmentation, are increasingly undermining the “segmentary” differentiation of state/interstate-centrism and supersede it with “functional” and/or “sectoral” differentiation (Albert, Buzan and Zürn 2013). In other words, instead of each overarching unit being hierarchically organized, a range of diverse governance processes that operate in distinctive ways according to different but overlapping social, political and economic processes and institutions operate according to their internal conditions and dynamics; these in turn are increasingly integrated into complex, heterogenous ways to other interactive, overlapping

and/or competing processes and institutions. We call this “heterarchy”, “multinodalism” (Cerny 2009) or “polycentric governance.”

Furthermore, globalisation is all too often perceived to be a structurally homogenizing process, merely leading to “diversity within convergence” and requiring new forms of intergovernmental cooperation or global governance. Dimensions of homogenization are said to include economic globalization, the ideological hegemony of neoliberalism, socio-cultural convergence, technological innovation and change, liberal internationalism and global governance, and the emergence of a particular kind of so-called ‘flat world’, as advanced by *New York Times* columnist Thomas L. Friedman (2005; for a trenchant critique, see Aronica and Ramdoo 2006). Normative calls for a world state follow this logic. The political integration of large parts of the world economy, the integration of distribution and logistics, a supposed convergence in identity, and the externalising of social and environmental costs by multinational corporations, all demand some sort of central, or at least ideologically coordinated response mechanism, as argued in the extensive literature on “global governance.”

However, supposed global-level developments are challenged by tensions and contradictions across multiple dimensions in the global political economy. Theorists have identified these processes using the evocative concepts of “functional differentiation,” “multiscalarity” (Scholte), “deterritorialization” (Scholte, 2000; Cerny & Prichard, 2017), disparate “landscapes” (Root 2013), “neomedievalism” (Cerny 1998) and “framgregation” (Rosenau 1990), thereby increasing uncertainty in the “international” system and the likelihood of multiple equilibria or alternative possible outcomes. The result is an undermining of the landmarks of modernization without a clear direction forward.

The concept of functional differentiation, taken from sociological theory, posits that increasingly differentiated social structures, previously a cause of embedded conflict and instability, become more and more interdependent as they merge into an overarching heterarchical structure. These differentiated structures become more co-dependent and complementary—more “functional”—in a modernising world (Durkheim 1984). In this context political units are characterized more and more by differentiation according to the “functions” that particular substructures and crosscutting infrastructures and processes play in society, the economy, and, indeed, political life. Among the dimensions of functional differentiation, economic activities and roles tend to underlie wider social and political processes of structuration (Albert, Buzan and Zürn 2013).

Social bonds too are increasingly fractionated and multicultural, often localised, regionalised and, indeed, dispersed through material and immaterial transborder linkages such as information and communications technology, social media, migration and diasporas, and religious and ethnic, rather than “national”, identities. Awareness of what is happening across the world is thus leading to an uneven mixture of convergence and diversity, the breakdown (and reinvention) of old as well as the formation of new bonds and identities.

Perhaps the best-known form of functional differentiation is economic, including multinational firms, financial markets and institutions, as well as a growing transnational division of labour among linked production processes or “supply chains.” The integration and differentiation of these structures makes them prone to systemic, rather than localised shocks, as witnessed in the recent financial crisis. Nevertheless, in the context of a world that is increasingly characterised by complex interdependence, states, domestic political systems and public policymaking are vulnerable to crosscutting and intersecting independent variables they cannot control, ranging from terrorism to financial crises to the rapid growth of economic and social inequality. A recent cartoon in the *New Yorker* magazine depicts a lone protester holding up a sign saying: “We are being controlled by the random outcomes of a complex system” (30 March 2015). In the structural environment of a Third Industrial Revolution, and the complex forces undermining neo-liberal globalisation and the state, whether ideological, social or material, the tendency is towards asserting an authoritarian form of neoliberalism (Bruff 2014), echoing processes afoot in the 1930s.



“Multiscalarity” focuses on the scale of social, political and economic structures and processes, and posits that in a globalising world an uneven variety of both old and new scales of interaction are crystallising and consolidating (see the debates on this issue in Brenner, Jessop, Jones and Macleod 2003). Political agency is no longer defined by interest groups seeking out the levers of *state* power, because these levers are seen to be largely impotent or politically suspect

(Holloway 2002). Related to this turn from the state is “deterritorialization.” Structural homogeneity between state and society in specific geographical/territorial locations, crucial to the unitary coherence of the nation-state, is being undermined by cross-border linkages (Scholte 2000). In particular, the kind of strong, secure borders that are supposed to characterise the sovereign nation-state, are increasingly recognised as being impossibly porous, challenged around the world, and in many cases becoming, or have always been, more analogous to fluid, pre-modern “frontiers.”

The concept of disparate “landscapes” also captures the fundamental paradox in globalization theory (Root 2013). On the one hand we have Friedman’s idea that the world is increasingly “flat” and that globalisation is a homogenising force across borders. This is of course partly true at particular levels and with regard to particular functional categories such as financial markets and institutions. On the other hand, it is increasingly argued that globalisation is characterised by a growing divergence and uneven interaction between “flat” and “rugged” landscapes, where politics and society are increasingly dissolved and scattered, more and more difficult to control and manage, with developmental processes in one area having unintended consequences in others. There is also a spectrum of mixed landscapes between the two. The socio-economic roots of social conflict notwithstanding, religious and ethnic fractionalization, terrorism and the like, exacerbate conflicts between “centralising elites” and reinvented “tribes” (Ahmed 2013), leading to “a war among the peoples” (Smith 2005), not between them.

The concept of neomedievalism has been employed in international relations theory since the 1970s at least but has remained in the background (cf. Bull 1979, see also Friedrichs 2001). Today, however, it seems more and more apposite to talk of the complex interaction not only of “competing institutions with overlapping jurisdictions” (Minc 1993; Cerny 1998), but also the interaction of localities, regions and different social and economic groups. The increasing privatisation of the use of force (Abrahamsen and Williams 2010), the localization and globalisation of rule and the reach of the use of force, raises questions about whether this complexity will lead to endemic conflict, on the one hand, or a “durable disorder” in which key actors are increasingly engaged in various forms of “brokerage” in order to smooth over the underlying dysfunctionality of the system, on the other. The globalization of the neoliberal world order has fundamentally transformed the structures of sovereignty, where the monopoly of force and the claims of legitimate sovereign authority are increasingly hollow (Hardt and Negri 2000, 2009; Barkawi and Laffey 1999). Today, “rhizomatic” or subterranean interlinkages of informal, non-governmental social agents, structures and processes, including the pluralisation of social movement activism, push the generative processes of global order, processes that are radically distinct from forms of industrial revolutionary political subjectivity current only fifty years ago (Chesters and Welsh 2005).

Recent scholarship has suggested that up to 80% of the world’s population lives in areas of limited or failed statehood. Thomas Risse (2011) and colleagues (Börzel and Risse 2010, Beisheim and Liesse 2014; see also Ostrom 1990), argue that in these areas, the state’s monopoly of force simply does not reach, either because sub- or non-state actors undermine the any state monopoly on violence, or because no such monopoly of force existed to begin

with. Whether in New Orleans in the aftermath of Hurricane Katrina, in Somalia, the mega cities that shape the planet, as well as in its rural hinterlands, the absence of a Weberian state is a perennial feature of life at the margins.

One way to conceptualise these processes is to think of them in terms of what James N. Rosenau called “fragnegration” (Rosenau 1990), what we call “the dialectic of globalisation and fragmentation.” This is not merely a state of affairs. It is an ongoing *process*. The European Union, for example, is in continual structural quasi-crisis, trying to deal centrally with plural tensions between the local and the transnational. In the United States and in the rest of the developed and developing worlds, economic growth may well be slowing down as the Third Industrial Revolution runs out of steam (Gordon 2016; Stiglitz 2019), while inequality increases (Piketty 2015; Milanovic 2016). Furthermore, austerity and the erosion of the rights of labour are undermining the mid-20<sup>th</sup> century social contract on which the welfare state and liberal democracy have been based (Blyth 2013). Political leaders in unstable states are either engaged in attempting to restore authoritarian repression, as in Russia, China, Egypt and Turkey, or are ensnared in the breakdown of the political system, as in Brazil, Venezuela and a range of African countries. The number of what are called “failed states” is increasing, but the plurality of ways in which they are doing so is cause for alarm. The “fragmentation of global governance architectures” is not leading to coherent structuration at an ‘international’ level but to overlapping and competing “regime complexes” (Bierman, Pattberg, van Asselt and Zelli 2009; Alter and Raustiala 2018; McKeon 2016; Cerny 2016a).

Today the state has not, of course, become irrelevant or insignificant, but disenchantment with the providential rhetoric of the Enlightenment is the norm. Rationalities of marginal utility have transformed statehood into a marketising, *commodifying* process, not simply a regulatory state but an Ordoliberal/neoliberal state promoting a new model of “entrepreneurial man”. The neoliberal state in particular, dominant in political culture in leading capitalist states since the 1970s, sees people themselves as in essence quasi-Hayekian, personalised *enterprises* in permanent competition with each other (Dardot and Laval 2009/2013; Cerny 2019; Davidson and Rees-Mogg 1997), rather than the social animals of most other versions of political thought. Second, the state has become a promoter of financialization rather than welfare or social democracy, prompting the financialization of society itself, replacing decommodifying welfare and public services, and undermining the potential for what has been called the “entrepreneurial state” concerned with providing public goods (Tiberghien 2007; Block and Keller 2011; Mazzucato 2013; Mazzucato and Penna 2015; Herman 2012). Social democracy has been replaced by the supposed “democratisation of finance” and “financial inclusion” (see Litan and Rauch 1998; Shiller 2003). Third, the state, by shifting economic policymaking to “independent” central banks, has become, through such policies as quantitative easing, a monetary Keynesian rather than a fiscal Keynesian institution.

Fourth, the state itself in its traditional international “realist” guise, i.e. shaping and managing the overall system through diplomacy and, crucially, war—for example, through balances and imbalances of power—has become increasingly vulnerable and impotent in the face of both local and transnational forces and movements. Intervention has become ineffective and

counterproductive in the face of what has been called a growing but diverse set of conflicts between reinvented tribes and centralising elites (Ahmed 2013). Fifth, the institutions and finally, the state itself has become a globalizing agent—a “competition state”, promoting its own disaggregation (Cerny 1997; Genschel and Seelkopf 2014). In his context, the processes of “global governance” are increasingly fragmented (McKeon 2016; Cerny 2016a). The very overarching structural anarchy that once seemed to make states into Waltz’s “unit actors” (1979) has ironically served to undermine that status in complex and diverse ways. The result is a process of restructuration toward heterarchy.

### **Dimensions of heterarchy: from the national to the transnational**

World politics is now better understood as a complex set of meso- and mini-hierarchies, including individuals and social groups, classes and vested interests, tribes and religions, and especially to economic structures and processes including firms and markets that cut across state and regional boundaries, mediated at different speeds by different technologies, social bonds, identities and, in particular, different forms of marketization and oligopolization/monopolization above, below and cutting across borders. All this produces territories without governments, authorities without states, shifting boundaries, regulatory system transcending borders and increasingly powerful supranational authorities (Cassese, 2016). These forces pull against one another and reconstitute politics in unforeseen ways. These relations can be *vertical*, i.e. between constitutionally ordered superiors and inferiors; *horizontal*, across civil society; or *diagonal*, that is relations of power constituted between social groups and host or foreign states, or multinational corporations and publics in foreign countries.

One way to think about the new architecture of world politics, then, is through materializing networks of agency, that crystallise as functional material or ideological nodes that are relatively enduring and emergent properties (Lawson 2012). Global actors are always situated in some locale or other (Latour 2005: 173-174), constituted by the material relations within which they are situated, and shaped by the ideological forces which give these processes meaning. The situated activities of people and “things” constitute the global through their purposeful interactions, interactions which take place in very distinct rooms, places, and times, and sometimes with very distinct co-actors, and mediated by specific material technologies, processes and capital. In this respect the global is made through the everyday behaviours of people, but people that are differentially capacitated. Material and ideological structures precede these interactions, shaping and changing them imperceptibly, but they are themselves changed in turn by the ways in which concrete actors act, a process called “structuration.” The morphological character of these emergent social structures (Archer 1995), relatively ossified technologies and practices that emerge from the stabilised interactions of peoples, against which others must push, is always instantiated in the activities of individuals in their social groups, even if the causal forces most salient to those practices were first established thousands of miles away and by groups and networks sustained by people they may never meet. For example, franchising, social movement mimicry, combating climate change, or earning a living, are all social practices through which the global is recreated and also challenged.



From this perspective, “levels” are an oversimplification. It is sociologically and methodologically more productive to consider all social relationships as constituted horizontally and diagonally, always through concrete traceable causation, whether material or ideological (Kurki 2008), through actors that interact in developing and maintaining particular institutions and structures over time. So, for example, while semi-dematerialised price mechanisms by which markets and institutions relate to each other and to the wider economy, society and polity, shape our interactions, they do so through people and material processes that connect them (Srnicek 2013, Coole and Frost 2010). They do not take place so much “above” or ‘below’ us, as the three levels image of world politics suggests (Waltz 1959), but through our interactions with the computers, logistics, and groups of people “next” to us in an increasingly “intangible” world (Latour 2005: 178; Haskel and Westlake 2018). The process is itself non-linear and causally complex, and for methodological and analytical reasons we should conceptualise these relations as a dialectical spectrum of the “flat” and the “rugged”—horizontal, mediated and non-linear (Jackson and Nexon 1999, Cudworth and Hobson 2011; Prichard 2017).

By way of illustration, the development of what has been called a “bailout state” (Taibbi 2013) underlines the way actors and political processes can only increasingly *react* to price changes that are independently produced by market and institutional transactions, many of which are automated. Actors social positioning shapes their range of possible responses to material processes. A key contemporary change is that *the state is no longer the key determinant of that positioning*. Other globalising trends include the development of information and communications technologies that circle the globe while also creating the potential for backlashes of diverse kinds as awareness of global level problems, inequalities and instabilities spreads. Notions of “above” and “below” might lead us to believe that there are domains that exist according to distinct logics, beyond the reach of everyday actors, but our approach suggests this way of seeing things is flawed, analytically and descriptively. It is through our everyday practices that the global is instantiated. None of this is to deny the very real social and material hierarchies that structure social life, nor that social life is constituted as planes that are directly inaccessible to some people. It is through co-action that we are able to “reach” these otherwise inaccessible planes. Our framework for analysis simply suggests that “flattening the social,” as Latour (2005) puts it, and then tracing how new forms of uneven fragmentation emerge, opens up new ways of identifying agency in the structures of its own reproduction (Wight 2006).

This approach also *decentres* the state itself by placing it alongside other social and economic groups—rather than above the social and below the international (Prichard 2017). This anarchises our social ontology, but also makes the social more anarchic (Newman 2012), opening up the possibility of radical agency, by bringing more realism into the theory of state agency. Attempts to consolidate and centralise power and authority, to develop notions of levels and social hierarchy, to extend the reach of the state, have all been the mission of modernity (Scott 1998). And yet the entropic characteristics of social life continually militate against this.

The key to understanding processes of organization, manipulation and problem solving in any socio-political structural context is the way strategically situated actors are able to mobilise and manage material resources, influential contacts, ideologies and mind sets, and knowledge in order to take advantage of and exploit the constraints and opportunities, especially points of access, embedded in those structures in the pursuit of their preferred outcomes, whether monetary, status-oriented or power-wielding. Thinking about social interaction as strategic positioning in webs of complex social and economic interdependence demands we think about order itself in plural ways, as the emergent product of complex, mutually-constituting processes.

This has led to the consolidation of a range of “extra-state authorities” (Belmonte 2018) and “regime complexes” (Alter and Raustiala 2018) across a range of institutions and processes including “low capacity states”, fragmented global governance, and oligopolistic, sectorally differentiated quasi-corporatist policymaking, regulatory and policy implementation processes that embed the “privileged position of business” (Lindblom 1977) and transnationally powerful interest groups, including “intangible” sectors such as information technology (FAANGs), banking and finance, etc., as well as transnational corporations, supply chains and other linkages above, below and cutting across state territorial and economic boundaries.

States themselves have sought to benefit from these structural transformations by sponsoring the international competitiveness of domestically located firms — what I have called the “paradox of the Competition State” (Cerny 1997) — leading to transnational oligopolisation and rent-seeking. The state is not shrinking in size, but what might be called the “*macro-state*” is less and less structurally dominant and bureaucratically effective. What is of growing importance is a range of “*meso-state*” and “*micro-state*” apparatuses, involving the *triangulation* of three interacting processes: the “disaggregation” of state apparatuses (Slaughter 2004); diverse forms of capture of global governance processes and regime complexes; and the uneven “sectoral differentiation” of differently structured economic sectors.

## **The Limits of Global Governance**

Recent history suggests that the development of an effective global governance structure as a way to reorganize world politics unlikely, even moving in the opposite direction. As previously noted, Biermann *et al.* (2009), for example, refer to the “fragmentation of global governance architectures” as the dominant trend in the 21<sup>st</sup> century. The International Monetary Fund, as a result of its imposition of conditionality (often at the behest of the United States), especially in the wake of the Asian financial crisis of the late 1990s, is today treated with caution in the developing world. As a result, the organization has turned back to Europe — its original remit in the 1940s — but has limited clout there, as shown recently by its less than successful attempt to introduce the option of debt relief into the 2015 Greek bailout crisis negotiations. The World Trade Organization, although its Dispute Settlement Mechanism is still relatively efficient and respected, found the Doha Round to be a non-starter and the proliferation of preferential trade

agreements, from the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership to myriad bilateral and minilateral pacts, to be the current trend, reinforced by the approach of the Trump Administration. And the European Union is caught up in the Eurozone and migrant crises along with the negotiations on British membership, challenging the very cooperative core of the union itself.

In this context, what globalization, seen as a process (or a set of processes) and not as an end point, does in the policy field is to open up those processes to precisely the kind of special interests that have been identified in the longstanding critical domestic interest group, elitist, corporatist and neopluralist literature. In other words, the processes of *capture* and *reverse capture* that most recently have been explored by Dauvergne and Lebaron in the case of nongovernmental organizations (NGOs) have, if anything, proliferated more widely in the transnational sphere precisely because of the fragmented institutionalisation and crosscutting linkages and networks characteristic of that sphere (Dauvergne and Lebaron 2014). Davies, in what is seen as the definitive history of international NGOs (INGOs), argues that the burgeoning constellation of such organizations in the 1980s and 1990s has been declining and fragmenting in the 21<sup>st</sup> century, with some limited exceptions (Davies 2013). And the proliferating literature on multinational corporations and transnational production chains, the advances of information and communications technologies, and, in particular, the power of quasi-globalized financial markets and institutions (Cerny 2014) demonstrates that global governance can be even more vulnerable to whipsawing, bypassing, capture and manipulation, even corruption, than the traditional domestic public policy sphere.

At the core of these processes, furthermore, is the interaction of two equally inextricably intertwined categories that are also at the core of the political and social sciences—the public and the private. Governance in a globalizing world, like domestic politics but at a range of intersecting and overlapping structural levels, is about the *hybridization* of the public and the private. Key actors—the more powerful economic interest groups, state actors in particular issue areas, certain NGOs, etc.—have very different kinds of social bonds, levels of social, economic and political power resources, understandings of how to use that power, material interests, normative values, political projects and, of course, the determination to pursue those interests, values and projects in a range of public and private arenas. They have differing and sometimes incompatible interests as well as common interests and they engage in processes of conflict, competition and coalition-building in order to pursue those interests. Those processes take place within, outside, below and cutting across a range of “structured fields of action” (Crozier and Friedberg 1977) that include, but are not limited to, the state or government.

In this neopluralistic political process (Cerny 2010), actors depend upon the capacities of real-world, crosscutting “interest” groups—including both “sectional” (or “material interest”) and “value” groups (Key 1953), civil society groups, non-governmental organizations (NGOs) and social movements—to manipulate constraints, to identify and take advantage of opportunities, and to shape new directions through processes of competition and coalition-building. What is new, however, are the rapidly evolving transnational linkages among groups in a growing range of crosscutting, uneven yet crucial, transnational political processes. These processes are not

replacing nation-states as such. Instead, they are crystallising into transnational webs of power. These webs are continually expanding, intensifying and consolidating, becoming more and more densely interwoven as the new century advances. In particular, Lindblom's (1977) concept of the "privileged position of business" reflects the skewed distribution of resources, network connections and positional power of such groups.

States are themselves increasingly trapped in these webs. The most important movers and shakers are no longer simply domestic political forces, institutions and processes, but transnationalizing—whether in terms of economic interdependence, including multinational firms and global financial markets, as well as production, distribution and consumption chains; social interconnections, migration and the movement of people; relationships of violence and force (including terrorism); "transgovernmental networks" cutting across governments; problem-solving "epistemic communities"; technological change from the internet to a growing variety of human activities; ideological conflict and competition; and a whole range of other deep trends. Instead, the most influential actors are those who can coordinate their activities across borders, at multiple levels and multiple nodes of power, and are thus able to convince and/or bully governments, other competing actors both public and private, and mass publics alike, thereby shaping in this process not merely transnational—even global—outcomes but also local and regional micro- and meso-politics too. Governance is therefore being transformed into a "polycentric" or "multinucleated" global political system operating within the same geographical space—and/or overlapping spaces—in a way analogous to the emergence of coexisting and overlapping functional authorities in metropolitan areas and subnational regions (Ostrom, Tiebout and Warren 1961).

At one level, the physical or material environmental bases of certain types of interest group association have been transformed by both technological change and greater awareness of the international and transnational interconnectedness of environmental and other issues. In particular, the multinationalization of industry, the expansion of trade and the globalization of financial markets, along with the development of a transnational consumer society, have transformed many of sectional or sectoral groups into transnational interest groups, operating across borders and involved in complex competition and coalition-building with each other, with state actors, with so-called 'global governance' regimes, and increasingly with mass publics. At another level, values and consciousness are also being transformed in the context of globalization.

Within and across states, too, bureaucrats, politicians and other officials or state actors have become more and more imbricated with groups of their counterparts in other countries through transgovernmental networks, policy communities and the like. In the economic sphere, post-Fordist forms of production based on flexibilization have transformed "techniques of industry," labor markets, finance and the like. The particular shape a transformed international system is likely to take will be determined primarily by whether particular sets of groups—in particular, those competing groups led by "institutional entrepreneurs" or "change masters" (Kanter 1985)—are best able, either strategically or accidentally, to exploit the manifest and latent structural resources or political opportunity structures available to them most effectively in a period of flux.

Key sets of groups that have in the past been closely bound up with the territorial nation-state are increasingly experimenting with new forms of quasi-private regulation of their activities, especially in the context of neoliberal ideology and approaches to governance. And state actors themselves, once said to be “captured” by large, well-organized domestic constituencies, are increasingly captured instead by transnationally-linked sectors. These actors not only set state agencies and international regimes against each other—a process sometimes called “venue shopping” (or “forum shopping”) or “regulatory arbitrage”—in the desire to “level the playing field” for their domestic clients in the wider world, on the one hand, but they also cause them simultaneously to try to network in an increasingly dense fashion with their peers in other states, on the other. Among the major losers are trade unions and other groups with few transnational linkages, although they are sometimes still in a position to demand and obtain compensatory side payments from national governments.

Alongside these economic developments has come a range of meso- and micro-social and political developments. Major social movements and causes groups are increasingly focused on transnational issues, such as the environment, human rights, women’s issues, the international banning of landmines, opposition to the holding of political prisoners, promoting “sustainable development,” eliminating poor countries’ international debts and the like. Growing pressures for migration, along with new possibilities for international communication, have not only led to the growth of active diasporas as well as of “global tribes” (Kotkin 1992) but also to major movements of refugees and asylum seekers attempting to escape the civil wars and unrest of the current decade. As specific actors continually probe the potential for new ways to pursue their interests, the key driving force in this transformation and reconstruction will consist of transnationally-linked actors engaging in crosscutting competition and coalition-building behaviour, exploiting the growing institutional loopholes of global politics, constructing new power games, creating new networks and meso- and micro-hierarchies—heterarchies—and changing people’s perceptions of how world politics works—changing the parameters and dynamics of who gets—and *should* get—what, when, and how.

Operating in such a changing world is leading to new problems of management and control, what Lake has called “the privatisation of governance” (Lake 1999; Kahler and Lake 2003) and others have identified as the emergence of “private authority” in international affairs with the consequence that private actors decide always more independently the rules of their conduct and act directly to ensuring order in the markets, facilitating trade and protecting private property (Cutler, Haufler and Porter 1999; Ronit and Schneider 2000; Hall and Biersteker 2003; Stringham 2015). Institutions and formal processes of global governance do not have the direct sanctioning power that has been at the core of state development and power in the modern era — especially in the form of Weber’s “monopoly of legitimate violence”, whether domestic or international. In the meantime, the sovereignty of states is only partially and unevenly pooled through the development of intergovernmental institutions and processes.

In this world, even small firms that seem ostensibly “local” are not immune, being dependent upon “foreign” raw materials, export markets, investment finance, migrant labor and the like, and both increasingly form nodes of wider networks and coordinate their actions. Less formal networks and more formal interaction among firms, “private regimes,” “alliance capitalism”

and the ability of non-state actors in general to develop a range of formal and informal interconnections, both economic and political, have led to significant degrees of policy transfer both across states and in terms of shaping the evolution of global governance more broadly (Higgott, Underhill and Bieler 1999; Evans 2005). Significant issue-areas, such as accountancy, auditing and corporate governance, have witnessed ongoing negotiation processes among firms, private sector organizations representing particular industrial, financial and commercial sectors, as well as governments and international regimes, in order to reconcile conflicting standards and move toward a more level playing field (Mügge 2006). The organization of the world of work—once embedded in the Fordist factory system—increasingly depends upon flexible, complex transnational economic activities and circuits of political-economic power.

In this rapidly changing world, those actors who will be most effective at influencing and shaping politics and policy outcomes are those who possess the most transnationally interconnected resources, power and influence in a globalizing world—i.e. those who: perceive and define their goals, interests and values in international, transnational and translocal contexts; are able to build cross-border networks, coalitions and power bases among a range of potential allies and adversaries; and are able to coordinate and organize their strategic action on a range of international, transnational and translocal scales in such a way as to pursue transnational policy agendas and institutional *bricolage*.

Globalization in this sense not only constitutes a set of permissive conditions for the development of transnational pluralism and neopluralism; it also is itself increasingly constituted by the very political processes identified here. Is public policy made by “iron triangles,” closed policy communities, wider policy networks, or transparent, competitive, pluralistic processes? A final issue concerns the structure of the institutional playing fields themselves, whether concentrated or diffused, unitary or fragmented, and the sorts of rules and practices that have evolved to coordinate different levels and/or pillars of the political system.

It is becoming more and more difficult to organize politically effective resistance to globalization as such, especially in the more developed capitalist states, although recent examples of the growth of populism on both right and left has been outstanding. Meanwhile, recent attempts to reform financial regulation, for example, are increasingly facing obstacles stemming from the lack of a coherent transnational response (Goldbach 2015). Long-term left/right blocs are giving way to mixed and looser and often unstable coalitions, leading to political cognitive dissonance and, at times, to strange alliances that can distort preferences rather than effectively pursue them. Major international meetings like the G20 or the COP24 climate change conference not only demonstrate differences among states, they are immediately faced with domestic pressures, making the transnationalization of policy something that often has to be pursued surreptitiously and legitimated indirectly—or “depoliticized”—especially when the light of crisis or disruptive change is shone on particular domestic sectors and interests (Roberts 2010). Therefore, there is unlikely to emerge a broad-based, public interest oriented ‘global civil society’ that would permit social actors to develop an overall structural impact of a kind that could transform the international system itself.

## Extra-state Authorities

These structural trends are increasingly becoming institutionalized, which is why we choose to use the term “heterarchism” rather than the main alternative, “polycentrism”. Extra-state authorities are those forms of authorities that, despite their non-state nature, hold the power to self-regulate and to influence the activity of states, to take part in public decision-making processes and developing public policies. In the last decades, they have massively increased their role in global politics so that they can compete with the state’s ability to establish rules, control their borders, formulate and implement public policies autonomously. Also, even if those actors are mostly excluded from the formal institutional power, they have an always more decisive role in world politics, and they perform an increasingly number of executive functions.

Indeed, they play a significant role in the international affairs, by performing functions which in the past were fulfilled exclusively by the states: they provide expertise and information (for example, technical help provided by NGO in development programs), they influence political discourse, agenda setting, and law-making (for example, lobbying activities of advocacy or TNCs networks) as well as they play their part in the implementation of decisions (for example, service provider organizations in humanitarian actions). At the same time, many of these actors govern and administrate territories and have institutional relations with the state governments. We call them “extra-state authorities” since they go beyond the territorial boundaries and create their own sovereign system.

They constitute a complex set of authorities, in which different components evolve and change constantly. It includes both actors that pursue mainly political goals and actors that pursue mainly economic-financial goals. The first category includes: *de facto* self-government bodies (e.g. Rebel Zapatista Autonomous Municipalities of Chiapas and the Democratic Federation of Rojava), that do not enjoy any formal recognition; *de jure* self-government bodies (e.g. Palestinian National Authority) that are recognized as public authorities but not as States; nomadic societies; transnational NGOs; transnational religious movements. The second includes: transnational corporations; transnational financial agencies (e.g. the Big Four, transnational insurance companies, etc.); transnational criminal organizations.

Due to the constant transformation of these forms of authority and their differences in term of economic capability, political influence, claims, interests pursued, legitimacy and territorial configuration, it appears much complicated to approach them together in a classification based on their nature and organizational structure (Strange, 1996). Instead, an easier path to follow would be a classification having as a standard of comparison the state and basing on two main aspects: territoriality (territorial/non-territorial) and interests pursued (private/public).

The choice of the first aspect—territoriality—comes from the transformation of the relation between political authority and territory following the intensification of globalization, which produces a loss of stability of borders that originates new forms of construction of spaces and increases the flows crossing those spaces (Bagnasco, 2003; Cassese, 2016). In this context of

loss of relevance of the link between territory and authority, territoriality becomes a very important element of distinction among the several existing forms of political authority<sup>2</sup>.

For what concerns interest, in order to establish if an authority is public- or private-oriented, we rely on some aspects related to the origin (input) and the destination (output) of the authorities' resources: legitimation of the forms of taxation; publicness of the source of the community's resources; public legitimation; publicness and legitimation of the decision-making processes; publicness of the use of the resource; respect of the principles of equality and solidarity.

After having identified the authorities sharing with states the global political scenario, by crossing our two aspects (tab.1) it is possible to divide the authorities in four ideal-typical categories: territorial public authorities; territorial private authorities; non-territorial public authorities; non-territorial private authorities.

Tab. 1: Categorization of non-state and extra-state authorities

	Public-oriented	Private-oriented
<b>Territorial</b>	Nomadic societies	Criminal cartels
	Uncontacted societies	Illegal settlements
	Self-government bodies	
<b>Non-territorial</b>	Transnational religious movements	Transnational Corporations
	Transnational NGOs	Transnational financial agencies

By observing the similarities and the elements of distinction between the components of each category, it emerges that the aspect that best qualifies them is the original source of the authority. Accordingly, territorial public authorities become self-government authorities; territorial private authorities become (mainly) illegal authorities; nonterritorial public authorities become civil society authorities; finally, non-territorial private authorities become economic-financial authorities.

“Self-government authorities” constitute a widely heterogeneous category because of its components, that originates in diverse historical moments and are based on different organizational structures. Notwithstanding, they are united by the fact of being organized in communities and administering territories over which they do not recognize any other authority. Also, they share a solid link with their territories and the pursue of public-oriented

<sup>2</sup> Because of the lack of a unanimous definition of territoriality, in order to understand if an authority can be considered territorial or not, we will rely on some aspects of territoriality, that are: the exclusive control of a specific territory; the use of force to defend the territory; a system of rules valid on a specific territory; sanctions imposed against any violation of rules; a system of rights and duties for people living in the territory; and, finally, historical events, foundation myths, traditions, symbols that witness the link between an authority and a specific territory.



interests. Indeed, self-government authorities claim through diverse means (formal declarations, requests addressed to supranational institutions, conflicts and armed resistance against states claiming the control of the same territory) the monopoly of a specific territory, which is considered fundamental for the existence of the authority because of an historical link that, in many cases, dates back to before the creation of states. On their territories there are bureaucratic systems, hierarchies and systems of rules aiming to guarantee law and order and to protect the land and the people living there.

Also, through standard systems of taxation, they gather economic resources that, according to the public and legitimate decisions, are employed to provide - in a nondiscriminatory manner - good and services to their communities. This category includes: uncontacted societies, namely those tribal societies that have not been contacted for centuries by people from dominant cultures and are extraneous to the state; nomadic societies, that are groups of individuals sharing the same cultural systems and languages (or dialects) that, instead of permanently living in villages, move from a site to another, although, within a fixed territory<sup>3</sup> and are ruled by systems of institutions, laws and rules, in contrast with the traditional concept of territorial nation-state; and, finally, the self-government bodies that are all those forms of non-state and extra-state authorities that govern territories without being subjected to another state sovereignty, thus representing an alternative model to the Westphalian system of government. Examples of self-government bodies are represented by the Rebel Zapatista Autonomous Municipalities of Chiapas and the Democratic Federation of Rojava that share the fact of having emerged in contexts characterized by the opposition between a state that claims the sovereignty on a territory and a people that refuses to be subjected to this state. Other cases of self-government bodies are de facto states (Bachelli, 2004), pseudo-States (Kolossov & O'Loughlin, 1998), unrecognized quasi-states (Kolsto, 2006) or contested states (Geldenehus, 2009).

The "illegal authorities" category includes components that have in common their illegal status under the legislations of states and supranational authorities, namely criminal cartels, mafias and illegal settlements. Specifically, it includes criminal organizations and mafias and illegal settlements that are considered territorial because they claim - specially through the use of violence - the control of specific territories to which they are linked by group identity, historical presence, religious narratives and so on. These authorities impose systems of preceptive and sanctioning rules on the territories they control, regardless of the laws established by the legitimate authorities, and the respect of their systems of rules is guaranteed through forces in charge of maintaining the established order. Despite their quasi-illegitimate origins, they present some of the aspects characterising state governments (e.g. solid structures of power and threat of the use of force), those authorities do not pursue public oriented interests because: they are not considered legitimate by external public authorities and they do not have legitimate forms of taxation, the decision-making processes related to the use of resources take place in

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<sup>3</sup> UN defines nomadic people as «persons without a fixed place of usual residence who move from one site to another, usually according to well-established patterns of geographical mobility» (UN, 1998, p.95).

private and illegitimate contexts; they do not provide good and services according to the principle of equity and solidarity.

The “civil society authorities” category includes: political-religious transnational movements<sup>4</sup>, that—through “spiritual-normative” influence and several forms of soft power as proselytism, organization of religious diaspora’s interests, provision of welfare services—have such power and legitimation to be considered political authorities constitute real global extended networks, involving billions of people, specially Muslims (e.g. the Muslim Brotherhood or the Islamic Cooperation Organization); Jewish (e.g. the Jewish National Fund); Christian (e.g. the Roman Catholic Church); and the transnational NGOs, that represent the most organized part of the collective movements and by imposing their presence on the global political scene and by interacting with state institutions and with the global regulatory regimes, play an increasing influent role in the creation of the international rules taking part in the negotiation of multilateral treaties, lobbying the states so that they respect certain conducts, and directing the public opinion (Cassese, 2016; Ferrarese, 2000; Marchetti, 2016).

These forms of political authority do not claim the exclusive control of any territory and do not establish any rules and laws to be imposed through the threat of the use of force. The absence of territorial links is the strength of civil society authorities. Indeed, the possibility of going beyond territorial boundaries allow transnational religious movements and NGOs to intercept and give voice to values, needs, requests that are more complex and deeper than the ones coming from the local and state level (Ferrarese, 2000).

For what concerns the nature of the interests they pursue, although they are private organizations, their aims are public-oriented. For example, NGOs and collective movements are engaged in fields such as the environment protection, consumer protection, human rights, fight against weapon traffic, and so on. Likewise, although political religious movements are not public organizations, among their main goals there is the wealth and the progress of their faith communities. Their public-oriented character is demonstrated both by the capacity of this authorities to collect resources through voluntary contributions, and by the contributions they receive by other public institutions. On the bases of legitimate decision-making processes, those resources are employed to produce goods and services for the members of their communities.

Finally, the category of the “economic-financial authorities” includes transnational corporations (including those related to the control of Information and Communications Technology (ICT)-based societies), linked to the production of goods, and transnational financial agencies (accountants, risk management agencies, insurance companies, etc.). TNCs operate in every strategic and productive sector: aerospace and weapons; food; the automotive industry; the chemical and pharmaceutical sectors; electronics and computers; finance, insurance and banking; gas electricity and water supply; the manufacturing industry;

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<sup>4</sup> Shani (2009, p. 308) defines a transnational religious actor as «any nongovernmental actor which claims to represent a specific religious tradition which has relations with an actor in another state or with an international organization».

metallurgic and minerals; services; oil; postal services and transport; large scale distribution; telecommunications. These sectors were controlled nearly exclusively by states until the mid 20th century. However, as from the aftermath of World War II, the relations between states and transnational corporations changed profoundly with the transfer of powers from the former to the latter. Data such as revenues, shares value, investments in R&D, volume of exportations and foreign assets show how today transnational corporations have a central role in global economy. It so happens, in the era where states compete to attract FDI, that transnational corporations are getting stronger and consequently acquire the power to make strategic actions and decisions independently of the interests of the countries in which they operate. Indeed, since the states try to attract foreign direct investments, transnational corporations can influence the states regarding environmental and use of land policies. It so happens that some states limit the execution of laws which protect the environment in order to attract transnational corporations to their territory.

These organizations do not claim any control of territory, rather they are characterized by a high capacity of displacement and mobility which allow them to affect states' decisions. Also, their transnationality allows them to transcend the states' borders, bypassing the limits imposed by territorial sovereignty of states (Bauman, 1998; Cerny, 2010; Marchetti, 2016; Strange, 1996).

They do not have armed forces, even if they often decide to entrust the protection of its properties to private security service instead to public forces. The difference between them is that the priority of public service is the general security, while the private security forces' aim is the protection of private property (Stringham, 2015). Organizations making-up the "economic-financial authorities" category have an increasing role in law-making processes that they exercise through lobbying activities. Also, always more often they turn to practices of self-regulation, private governance, risk management and alternative dispute resolution (Stringham, 2015). Their resources come from private sources – even if governments very often support TNCs through public investments and favorable tax conditions (Mazzuccato, 2013) – and are used to earn profits for a restrict circle of actors that, in most of the cases, are involved in the private decision-making processes.

At the same time, transnational financial agencies operate in several economic-financial fields as like as the insurance, accountancy and risk management sector, affecting the allocation of resources between social groups, national economies, and commercial enterprises (Strange, 1996; Pizzorno, 2002; Stringham, 2015). Their authority originates from their power to affect the activity of other actors through incentives and/or deterrents aiming to determine their choices and they are legitimized by the people's trust in their capacity to ensure the long-term stability of the capitalistic system. Indeed, they assume an institutional role consisting in ensuring trust among participants in economic-financial transactions (Pizzorno, 2002). Consequently, transnational financial agencies are able to strongly influence the industrial development paths exerting an increasing political authority. At the same time, they influence the behavior of rulers who recur to transnational financial agencies to assess the security and solidity of private and public institutions, so limiting the national governments autonomy.

For what concerns their interaction with states and with the other extra-state authorities, all the aforementioned forms of authority have in common an increasing role in the world political arena, due to a growing participation in public decisions, an increasingly bigger availability of resources, and a larger involvement in the realization of public policies.

Economic-financial authorities do not exercise a sovereign power and are not interested in it, although they have the power of influencing and shaping the environment in which they operate. Indeed, they are profit-oriented, and they compete with the other existing political authorities only for what concerns economic-financial issues. Even if civil society authorities are private authorities, they are mainly driven by social and human development aims. As well as the economic-financial authorities, they do not question the authority and sovereignty of states. On the contrary, they tend to have cooperative relations with states that support them. Illegal authorities control territories on which they impose rules regardless of the laws and rules established by the legitimate authorities. Self-government authorities are the most similar to states both because they exercise a territorial sovereignty (sometimes limited) and because they are driven by public-oriented interests (e.g. human development of their communities) and, finally, for being governed by organizational structures so complex that we can compare them with the states. They experience a condition of opposition against states they do not recognize as sovereign on their land (and viceversa). Because they represent geopolitically isolated and numerically limited cases, they do not constitute a real threat to the nation-state as predominant political organization, but they are interlocutors that states cannot ignore.

## **Sectoral Differentiation**

The core factors structuring heterarchy, we argue, involve the New Institutional Economics framework of Oliver Williamson along the lines of “asset specificity,” i.e. a spectrum. At one end we find so-called “natural monopolies” and, of course, oligopolies, especially where they are transnationally linked, characterized by “specific assets” that are basically indivisible, like the big factory system, aircraft manufacturing, “Fordism,” etc.; and, at the other end, those characterized by structurally competitive, divisible and inherently tradable “non-specific assets” at the other end. But I am still not entirely sure how to do this, especially given the rapid evolution of *technological* change. If you add in the debates about the character of the financial sector, which I see as asset-specific although much economic theory sees it as characterized by non-specific assets, the increasing role of the information technology sector and other “intangibles,” as well as small business, etc., etc., then perhaps a Williamson-type classification will work. What do you think? One key issue for us is how to describe these as examples of different types of “triangulation” between private interests, disaggregated state authorities, and various fragments or whatever of global governance institutions/processes and regime complexes.]

The politics of economic liberalisation, competitiveness, regulation and governance that have characterised recent structural trends in particular require a far-reaching shake-up in terms of institutional boundaries, hierarchies and decisionmaking processes. Boundaries, especially economic boundaries, are less and less about distinctions between territorial units and constituencies and more and more about those between:

- *economic sectors* with different asset structures;
- cross-cutting *socio-cultural networks and interest groups* that span the local and the transnational;

- *state agencies* (and public-private organisations) with competing clienteles and crosscutting, cross-border – transgovernmental – connections; and
- new groups of social and economic “winners” and “losers”.

Thus the core of the 21<sup>st</sup> century political process is focused on attempts by political actors to reconstruct political processes along these new functional boundaries. This reconstruction process includes reorganising political institutions, realigning political forces and coalitions, reforming policy processes, and restructuring ideological space in order to reflect the changing sets of constraints and opportunities of a globalising world. In particular, what is emerging is a range of attempts to *politicise* – to (re)claim for the theoretical as well as the practical realm of politics (and Political Science) – what has been seen up to now as an ineluctably economic image of globalisation. This involves a reinvention of the social dimension of politics through new policy and coalition ‘spaces’ populated by a wide range of new, and old, political actors in both the developed and developing worlds. Although technological and economic structures can alter the parameters and payoff matrix of the playing field of politics and public policy, in the last analysis outcomes of the interaction of politics and economics in a transnational political context are, I argue, primarily determined by political action and not merely by economic-structural variables. This is, of course, the stuff of the relatively new transdisciplinary field of International Political Economy.

### Constructing New Boundaries

These new political processes are differentiated more by sector and issue-area than by physical, geographical and territorial space. They therefore involve the construction of *new boundaries between issue-areas*—a combination of vertical, horizontal and diagonal forms of restructuring of institutions and policy domains. While at first glance these new boundaries seem like “virtual” boundaries when compared to territorial borders, they are just as “real” for the actors bounded by them. In many cases, they are even *more* “real”, impacting on people’s core interests in fundamental, behaviour-determining ways: through the distribution of economic opportunities, costs and benefits; through the construction and reconstruction of social bonds, ideologies, cultures and identities; and through changing patterns of politicking, policymaking and pressure group activity—indeed in the most crucial aspects of everyday life.

Three kinds of bordering dimensions, taken together, differentiate these issue areas and distinguish the forms of governance most likely to develop in each—what are referred to as “policy domains”. The first is a mainly economic-structural dimension, developed primarily in the field of institutional economics – that of asset structure (Williamson 1975 and 1985). Williamson’s key hypothesis is that where a particular economic activity or process is characterised by assets that cannot easily be disconnected or disentangled from other assets—in other words where they are only “fit” for a specific purpose and lose value if redeployed for other purposes (“specific assets”) and where it is difficult or impossible to determine their prices through a standard, market-based price setting mechanism—then they are usually more effectively organised and governed through hierarchical structures and processes, i.e. decisionmaking or governance processes that determine the uses for those assets by authoritative pronouncement or *fiat* (“long-term contracting”). However, where an activity or process is characterised by assets that *can* be separated out and/or divided up without losing value, especially where there are other uses to which they can be easily redeployed—where they can be bought and sold freely and where there is an efficient price setting mechanism at work (‘non-specific assets’)—then they are likely to be more efficiently organised through *markets* (“recurrent contracting”). It should be noted that spatiality is a key element in this

equation, as physical location and “economies of agglomeration” are among the most significant specific assets.

In purely economic terms, this means that firms with extensive specific assets are more efficiently organised through quasi-monopolistic, hierarchical governance structures. In *public policy* terms, this means on the one hand that where a particular industry or activity is characterised predominantly by specific assets—for example, a large integrated ‘Fordist’ production process with non-divisible technological assets like large integrated factories and production lines, low marginal costs and high economies of scale based on economies of agglomeration (as with traditional cold rolled steel production)—then direct government intervention, whether through public ownership, direct control, subsidisation and/or traditional “hands-on” forms of regulation, is more likely to lead to relatively efficient outcomes than privatisation or marketisation, which would lead to private monopolistic or opportunistic behaviour. On the other hand, where an industry or activity is characterised predominantly by non-specific assets—say a flexible, post-Fordist steel mini-mill or a small business that does not attract takeovers by large, especially transnationally organised firms—then not only will it be more efficiently organised through private markets, but also, in public policy terms, arms’-length regulation concerned with setting general, process orientated rules for market transactions, ensuring price transparency and preventing fraud in an otherwise privately organised market setting will be more efficient. This distinction becomes crucial when placed in the context of globalisation.

In this sense, globalisation, flexibilisation and neoliberalism actually open up more *spaces* for transnational political actors to conflict, compete, cooperate and build coalitions that can control and manage policy outcomes. The traditional interventionist state becomes not only a “regulatory state” (Moran 2003) but also a “competition state” seeking to maximise returns from globalisation. In turn, rather than being restricted to the nation-state “container”, the reconfigured boundaries among economic sectors and issue areas in a globalising world open up a wide range of complex spaces—some new, some reconfigured “old” spaces as political behaviour adjusts to the more complex global playing field—for transnationally linked actors, especially politically embedded interest groups that define those interests in a global context.

The second dimension therefore concerns the *configuration of interests* characteristic of the industry or activity concerned. On the one hand, patterns of cross-border *sectional or economic-utilitarian politics* of specific agricultural sectors will be very different from those of a rapidly changing steel industry, varied high tech sectors, textiles and other consumer goods, or the commercial aircraft industry, based mainly on their asset structures (specific or non-specific) and on their cross-border geographical integration and interdependence. On the other hand, new forms of value politics on a range of globalising non-economic issue areas like AIDS prevention, poverty reduction, criminal law and the like, have been growing, where transnational pressure groups, advocacy coalitions and non-governmental organisations (NGOs) seek new ways to compete and cooperate in the quest for political influence, economic clout and social relevance.

The third dimension concerns the relative sensitivity and vulnerability of the industry or activity to specifically international or transnational economic trends, in particular export potential, import vulnerability, position in an international production chain, exposure to internationally mobile capital and the like. There are essentially two aspects of this dimension—the mobility of physical capital and cross-border price sensitivity. When an industry or activity is insulated from such cross-border structures and processes, then lobbying

pressure and “iron triangles” in that sector are likely to favour traditional redistributive/protective policy measures. However, firms and sectors that are highly integrated or linked into such structures and processes, especially where there is a “world market price” for a good or asset that determines local prices, then lobbying pressure from firms in that sector and from industry organisations is likely to be organised through flexible “pentangles”—coalitions that include transnational actors from outside the national “container” and which operate at transnational level to influence global governance processes—rather than simpler iron triangles (Cerny 2001).

These dimensions might potentially be applied to assess the likelihood and shape of policy innovation and coalition-building across a range of contrasting, differently structured issue areas and policy domains, and the actors that populate them, including:

- financial systems and regulation,
- international monetary policy and exchange rate management,
- macroeconomic – fiscal and monetary – policy,
- microeconomic and strategic industrial policy,
- public and social services,
- trade policy,
- corporate governance,
- labour markets,
- welfare states, and
- the most informal, diffuse and unorganised – but nonetheless increasingly marketised – issue area of all, consumption.

This reconstruction of space implies that there exists a wide range of options for policy innovation in different issue areas and policy domains. In some cases, traditional policies of protection and redistribution will be appropriate too. However, it is ultimately the *mix* of policy measures that is at the core of the new transnational political process and is the most important part of heterarchical coalition-building. And it is furthermore crucial to examine the *process of interaction* among these and other issue areas and policy domains. The politics of certain key issue areas like financial regulation can play a distinct catalytic role in reshaping global economics and politics *as a whole*, imposing their particular market and policy structures on other sectors and issue areas too.

## 21<sup>st</sup> Century Scenarios

**[This section needs extensive further development.]**

- “Durable disorder” (Cerny 1998)
- Complex, uneven issue-area—triangulated—assemblages of vested interests, hubs, brokerage, “sectoral corporatism,” etc., in differentiated sectors—probably the closest to heterarchy(?). I would also include transnational neopluralism in this scenario, i.e. Lindblom’s privileged position of business.
- Anomie/unstable upward and downward trajectories of distinct triangulated sectoral groupings—maybe even *dystopia*(?), leading to a fundamental destabilization of world politics/IPE

- Muddling through, with regulators in the different heterarchical assemblages trying to catch up with economic, social and political—and especially technological—changes; this one would be an important part of the first three, of course.

Heterarchy is still in an early stage of development. But given the dialectic of globalisation and fragmentation, it appears to be the way the world is restructuring—or being restructured. The late 20<sup>th</sup> and early 21<sup>st</sup> centuries would appear to be a “branching point” in the path dependency of world politics and political economy, with a more uneven and unstable form of transnational capitalism unfolding that will increasingly be dominated by complex special interests. This restructuration process requires a new paradigm—heterarchism.

### **SOME INITIAL REFERENCES—TO BE ADDED TO**

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