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**IT IS FOR GLOBAL GOVERNANCE**  
**TO SHARPEN UP INTERNATIONAL RELATIONS**  
**BY FULFILLING A FIDUCIARY ROLE**  
**AND CARRYING OUT**  
**THE BROKERAGE OF ASYMMETRIC INFORMATION**

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## **Abstract**

This paper argues that there are qualifying grounds for global governance to make a contribution to the study of International Relations. Starting with the Westphalian state model and its compromises, it moves on to outline the realist and liberal approaches. Next, it frames the concept of plain governance, expanding on its varieties of public and global scope. Then, it sets up a toolbox to address World Politics issues from the standpoint of governance. Afterwards, it lays the foundations of two functions by which global governance may bridge some gaps left open by realism and liberalism. The first one involves the fiduciary role in international relations. The second displays how global governance structures carry out the brokerage of asymmetric information.

Key words: governance, global governance, public governance, asymmetric information, fiduciary role, realism and liberalism.

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## **Disclaimer**

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## INTRODUCTION

Narrowly speaking, by **International Relations** is denoted the study of relationships arising from nation-states. A broader meaning, as Lawson points out, focuses on interactions and linkages between state-based actors across national borders. From this latter viewpoint, both nation-states and non-state organizations are key players in international relations<sup>2</sup>.

Making good use of this line of research, our paper puts forth that a new field of learning and practice, called Global Governance, becomes helpful to sharpen up the subject-matter of international relations.

The roadmap to accomplish our target will be the following:

In section 1, we will outline the main features usually attached to the so-called Westphalian-State model, stressing how often it has been compromised since 1648 up to date. It is for section 2 to develop the main tenets of the realist approach, and for section 3 to deal with the liberal approach to international relationships.

Section 4 intends to frame the semantics of governance, while sections 5 and 6 enlarge upon public and global governance, respectively.

Section 7 shows how the governance approach may prove propitious for the field of international relations, by working out the economic approach to institutions; the power-concentration paradox; political determinants of governance; governance indexes; international law and regimes; and, finally, the strongly related issues of accountability, transparency and good practices.

We are going to underline two broad functions governance structures are expected to carry out. The first one, the fiduciary role, which will be examined in section 8, while we are going to look into the second one, the brokerage of asymmetric information, in section 9.

This paper claims three humble contributions:

- a) firstly, it sets up a clear semantics for global governance;
- b) secondly, it chooses and connects some tools of analysis that turn out to be useful when coping with world politics issues;

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<sup>2</sup> Stephanie Lawson (2003). *International Relations*. Polity, Blackwell, Oxford, UK. An insightful approach to international relations from the perspective of a Latin-American country can be found in Escude (1999).

- c) thirdly, it lays the foundations for two functions at the core of global governance, namely the fiduciary role, and the brokerage of asymmetric information.

## 1. THE WESTPHALIAN STATE

The **Peace of Westphalia** (1648) stands for a watershed in History and Political Science. It adds to a new framework for the understanding of international relations, and it is grounded on two statements:

- there are a set of single states that behave like autonomous and rational actors any time they relate with each other;
- it is for these states to assert a distinctive territory, within which they exert full authority and control, that is to say, they become sovereign.

The **territorial issue** amounts to the exercise of political authority over a geographical unit. Besides, **autonomy** constrains any state to not intrude in the domestic affairs of others.

Although this arrangement of autonomous and sovereign states eventually settled down in mainstream political science, it seems advisable to regard the concept of Westphalian states, and even its consequences, as a benchmark from which we can get access to a better view of what is going on in world politics.

At this juncture, we have to bear in mind the line of analysis introduced by Krasner (1995) who argued that the application of this arrangement for the international system evolved into a long standing pattern of behavior at variance with the prevailing meaning earmarked to the Peace of Westphalia. More often than not, we witness compromises of Westphalia rather than its outright fulfillment.

Furthermore, Krasner contended that those compromises stem from four systematic sources (Exhibit 1):

conventions,  
contracting,  
coercion,  
and imposition.

## **Driving Forces behind the Compromises of Westphalia**

**Conventions** they are voluntary agreements by which states compromise, even to constrain domestic policies or acquiesce to external monitoring. Conventions are not contingent on counterparts behavior. Furthermore, they are pareto-improving (since they make one party, at least, better-off without making worse-off the others).

*Examples: The 1979 Convention on the Elimination of all Forms of Discrimination Against Women; the Universal Declaration of Human Rights.*

**Contracting** Actors might agree to compromise Westphalia's essence in pursuit of political gains. The actions of some states are regarded contingent upon what counterparts could decide. Contracts become pareto-improving.

*Examples: Any sovereign lending; the European Union; the Exclusive Economic Zone for the Oceans.*

**Coercion** Stronger states threaten weaker ones so as to make the latter comply with the preferences of the former; otherwise, domestic autonomy could be in peril. These arrangements do not become pareto-improving but they are contingent.

*Examples: Economic sanctions to deviant states (Uganda, Turkey, South Africa, Cuba).*

**Imposition** Weaker states must agree that the best decision to keep their interests on the safe side consists in following the stronger's preferences. Such compromises are neither pareto-improving nor contingent.

*Examples: USA interventions in the Caribbean and Central American states; Soviet Union interventions in the Warsaw Treaty nations; United Nations intervention in Kuwait and Irak.*

## 2. THE REALIST APPROACH TO INTERNATIONAL RELATIONS

Although there have been many attempts to explain and forecast what take place in world politics, two academic traditions stand out from numberless competitors. In this section, we single out the high spots of realism, leaving for the next one a matching review of liberalism:

- THE WORLD IS ANARCHIC

Beyond and above the Westphalian states there is no authority to bind them together or to make them accountable for their decision-making<sup>3</sup>.

- STATES ALWAYS BID FOR POWER

At the root of international relations, we always find a recurrent bid for power among Westphalian states, which behave as political actors and rational units, and make the most of opportunistic behavior and deceit. In this line of argument, "national interests" are defined as the acquisition of power, a quest for survival, and the priority of security concerns<sup>4</sup>.

- COMPROMISING WESTPHALIA

In the realist frame of mind, **coercion and imposition** make for compromises with the Westphalia arrangement (Exhibit 1).

- A PESSIMISTIC VIEW OF HUMAN BEINGS

Conflict and war are predicated upon the assumption of a negative anthropology by which human nature is wicked and deceitful.

- MILITARY POWER AND DIPLOMACY ARE KEY DRIVERS

If left on their own, institutions and law fail to prevent conflict and war; military power and diplomacy are the tools of the trade to pursuit sustainable international relations.

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<sup>3</sup> Kegley (1995) provides a contrast between realism and liberalism, while a more detailed development in Holsti (1995).

<sup>4</sup> Security issues and a broad viewpoint about the tenets of realism are explored in Jervis (1998).

- **STABILITY OUTGROWS FROM NATIONAL POWERS**

The international system lays bare how powers strive for hegemony; furthermore, it is agreed that, in certain contexts, bipolarity could be more stable than any multipolar arrangement<sup>5</sup>. As a matter of fact, when states seek for the maximizing of their power, stability ensues eventually.

- **OFFENSE AND DEFENSE**

In the offense-defense variety of realism, it is asserted that when defense is more feasible than offense, security is better, and there are incentives to cooperation; it is for the great powers guarantee other states's security by means of alliances and defensive military covenants<sup>6</sup>.

- **RELATIVE GAINS PREVAIL OVER ABSOLUTE GAINS**

Answering criticism from institutionalist quarters, some neo-realists have stressed not only the issue of absolute gains arising from cooperation, but also the distribution of those gains relative to each of the bargaining partners. They do so, even to the extent of regarding the latter more compelling than the former to explaining failures in international cooperation<sup>7</sup>.

### **3. THE LIBERAL APPROACH TO INTERNATIONAL RELATIONS**

A conspicuous challenger of the realist approach has currently been the so-called liberal standpoint. It shares with realism the fact that it is not a single-purpose theory but an array of subsequent approaches, following one after another, and each of them ratcheting up the insights and analysis of the former to new environments, demands and problems. However, there is a common thread that runs through all of

<sup>5</sup> Waltz (1995) put it this way "In an anarchic realm, structures are defined in terms of their major units. International structures vary with significant changes in the number of great powers. Great powers are marked off from others by the combined capabilities (or power) they command"

<sup>6</sup> A good review of this subject can be found in Walt (1998), who discusses international relations as taking place in one world, whereas many theoretical worlds contest for a sensible explanation.

<sup>7</sup> About anarchy and the limits of cooperation, Grieco (1988) proves helpful.

them, disclosing a set of common assumptions among which we are going to pick out the next ones:

- BOTH STATES AND NON-STATES ORGANIZATIONS ARE KEY PLAYERS

It focuses not only on states, but also in non-state private organizations (like the multinational corporations), state-grounded transnational institutions, and social groups that cut across boundaries.

- ECONOMIC AND FINANCIAL INTERDEPENDENCE MATTER

Interdependence grows stronger and widespread, to the extent of discouraging a recurring environment of war and permanent mistrust among states; security issues are not so important as realism holds; freedom, prosperity, constitutional rights, the environment, even the rights of minorities seem to play a conclusive role in international relations.

- COMPROMISING WESTPHALIA

To a liberal mind, **conventions and contracts** make for compromises with the Westphalia world order (see Exhibit 1).

- DOMESTIC AFFAIRS ARE DOUBLE-EDGED

Political processes within each state may be consequential in international relations. It was Gourevitch (1978) who argued that although the international system becomes an explanatory variable of domestic policy, it also holds the other way round<sup>8</sup>.

- AN OPTIMISTIC VIEW OF HUMAN BEINGS

The underlying anthropology in the liberal approach is positive: human beings are good; in general, any strand of liberalism upholds an outright belief in progress.

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<sup>8</sup> As Gourevitch contended: "Instead of being a cause of international politics, domestic structure may be a consequence of it. International systems, too, become causes instead of consequences."

- TRUST IN DEMOCRACY, LAW AND INSTITUTIONS

The rule of law, the tenets of representative democracy and the workings of international institutions make on credible commitments and curb the selfishness of single states<sup>9</sup>. Democratic states are prone to peace, to which they commit themselves.

- POLITICAL LIBERALISM HERITAGE

It is for political liberalism to underline the expansion of human freedom and democratization, and it fosters market capitalism and technology as a matter of course.

- SELF-DETERMINATION

The Wilsonian principle of "self-determination", as Kegley (1995)<sup>10</sup> has cogently contended, seems worthy of being definitely embodied in international relations.

- STATES' PREFERENCES CHANGE AND PEOPLES LEARN

AS preferences of states are not fixed forever, they can change. As Levy (1994) asserted: " experiential learning is a change of beliefs (or the degree of confidence in one's beliefs) or the development of new beliefs, skills, or procedures are a result of observation and interpretation of experience (...) Learning inferences from experience get encoded into governmental institutions and decision-making procedures."

#### **4. GOVERNANCE AS A FIELD OF LEARNING AND PRACTICE**

Both realism and liberalism can be regarded as complementary theoretical attempts that have made significant inroads on the understanding of world politics. Although each approach focuses on the same subject matter, they do not ask the same questions. Therefore, as

<sup>9</sup> On this account, *Peace in the Liberal World: Does Democracy Matter?* (1995) by Onuf and Johnson is clarifying.

<sup>10</sup> An extensive attempt to reappraise Wilsonian's beliefs and proposals can be found in Charles Kegley (1995) *The Neoliberal Challenge to Realist Theories of World Politics: An Introduction*.

their assumptions are wide apart, it is not surprising that enduring weak points arise now and then, turning their contributions (as many scholars have pointed out) rather cursory, falling short of good predictions and interpretation power<sup>11</sup>.

For instance, realism undervalues international change and progress, while liberalism disregards not only the role of power but also the fact that transitions to democracy may be disruptive. The former fails to understand that legitimacy, even for military purposes, is essential. The latter lacks the perception that for a democratic regime to survive, debate and safeguards should be granted to military and security apprehensions, as September 11 brought to light<sup>12</sup>.

Interdependence and globalism exert pressure on building patterns for cooperation and trust. This task requires the design of new political agents under the guise of global organizations and institutional arrangements whose main task must be sought, as this paper argues, in the performance of fiduciary roles on global grounds, and the brokerage of asymmetric information among international political actors. Neither realism nor liberalism does qualify as suitable viewpoints to cope with these environments, although both perspectives may prove extremely fruitful in their partnership to shed complementary light and reason in world politics.

So, interdependence and globalism have wedged a gap between the traditional models of international relations. The governance approach intends to fill that gap and nurture the dialogue between those traditionally contending sides.

Cutting down to essentials, this section is going to introduce the notion of governance, while I leave for sections 5 and 6 the analysis of public and global governance, respectively.

Governance is a point in question to which many contributors in social sciences and practitioners (including lawmakers) have been giving their best effort and proficiency. However, it has still not become a full-fledged discipline.

In the corporate realm, for instance, research dates back only to thirty years. On the other hand, systematic study in global governance has evolved along an even shorter span of time. Whereas public governance

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<sup>11</sup> There is a wide array of claims and counterclaims from both schools of thought, some of which are fully reviewed in Walt (1998).

<sup>12</sup> A fairly good summary and discussion of this topic in Snyder (2004)

has been topical for ages, its expansion in a sort of independent branch of knowledge is not long past.

From a methodological viewpoint, therefore, mixed feelings arise when trying to set up a definition of governance. Rather than looking for a discipline, perhaps a more cautious frame of mind seems to regard the whole subject as an advancing field of learning and practice, a distinctive variety of what amounts to be the scientific style of inquiry and validation<sup>13</sup>. On these grounds, we are going to set forth a definition.

*Definition 1          Field of Learning and Practice*

*By a **Field of Learning and Practice**, it is understood a purposeful, enduring and rational endeavor around a particular subject whose underlying tasks are*

- *to look for principles and goals attached to that subject;*
- *to provide an explicit semantics for the core of the subject;*
- *to draw basic and derived statements from a coherent logical system;*
- *to design reliable procedures to deal with focal problems in actual practice;*
- *to gather empirical evidence on which to ground either basic or derived statements.*

It goes without saying that a definition of governance ought to supply a framework as broad as to give account of private organizations (for-profit or non-profit), state-owned firms, governmental organizations, international institutions<sup>14</sup>, even multinational arrangements among countries (as in the case of EU, NAFTA, MERCOSUR). Also, we must point to non-state organizations that have become key players in transnational international relationships.

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<sup>13</sup> In this section, we are taking advantage of our former paper *The Semantics of Governance*, University of Cema, Working Paper Series, number 245, (see Apreda, 2003).

<sup>14</sup> For instance, the United Nations, the World Bank, the International Monetary Fund, the Organization for the Economic Cooperation and Development (OECD).

Hence, the notion of governance calls for a streamlined definition to embody the expected functions that intuition and scholarship attach to the tasks of governing organizations or systems.

### *Definition 2          Governance*

By **Governance** we are to understand a field of learning and practice whose main targets are

- *the search of principles, rules, procedures and good practices that allow organizations to be efficiently run within the constraints of evolving and changing institutions;*
- *the design, implementation and following-up of functional mechanisms for representation, voting, accountability, transparency, countervailing monitoring, incentives and standards of performance;*
- *the management not only of well-founded modes of wielding power but also of conflicts of interest; procedures to grant enforceable decision-making authority.*

The advantage of this definition lies on the general format it conveys, by which we can address particular shades of meaning and functions when dealing either with the private or the public sectors. This layer of study and application of governance structures, within single nation-states, will be denoted as level-1 governance (Exhibit 2).

Against a more general background, still beyond the one pertaining organizations, **Governance** may also be defined as the art and techniques to care for the way a system, even a single situation, may work as a matter of course.

## **5. PUBLIC GOVERNANCE**

Governance in the public sector<sup>15</sup> of any country points to the running of the State, taking into account the mechanisms by which the government should work well.

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<sup>15</sup> Apreda (2005c) supplies a detailed viewpoint on Public Governance



### *Definition 3*                      *Public Governance*

By **Public Governance** is meant the governance of those organizations in representative democracies with a distinctive focus on the following matters:

- *The Founding Charter, Bill of Rights and the legal system of the underlying political system.*
- *Institutional architecture for representation mechanisms; the fiduciary role; the exercise of authority; the structure of power division; the whole array of checks and balances.*
- *The processes by which government officials, representatives, and the judiciary are elected, appointed, monitored, and replaced; the design of the governmental bureaucracy and its management.*
- *Integrity of the Judiciary; law enforcement; property rights.*
- *Accountability, transparency, conflicts of interests, good practices.*
- *Rent-seeking, soft-budget constraint, political clientelism, state-capture, corruption.*
- *The role of collective action: groups of interest, veto-players, gate-keepers, media, political parties.*
- *Building up linkages with corporate governances as well as global governances.*

For the purposes of illustration, it seems worthy of being noticed the efforts made by the United Nations in shaping a sound approach to public governance. For the global institution, the challenge facing all societies is to create a system of governance that promotes, supports and sustains human development:

*"Being participatory, sustainable, accountable, legitimate, acceptable to the people, tolerating, and transparent. Promoting equity and equality, gender balance, able to develop the resources and methods of governance, to define and take ownership of national solutions, to deal with temporal issues. Service-oriented, operating by the rule of law, efficient and effective in the use of resources". [United Nations, Discussion paper number 2, 1997]*

## **6. GLOBAL GOVERNANCE**

As from the 80s, globalization processes achieved both a scope and scale as former globalization experiences had never had. Not only were there technological innovations fostering a borderless world, but

changes in the way companies and governments broadened their purposes, and involved themselves in worldly affairs. Demand for, or supply of, goods and services became transnational endeavors. Furthermore, security concerns followed suit as well. Therefore, a complex network of new relationships were able to make a claim for governance at a global extent, whose main features were, according to Gilpin (2002),

- open markets;
- unrestricted capital flows;
- pervasive activity and influence from multinational corporations.

It was an upside of this perspective to stress that multinational corporations carried out a decisive bearing in single issues like trade levels and location of economic activities, issues that can easily be embedded in the field of corporate governance. By the same token, a downside of this approach consisted in a constrained focus on economic matters.

Redressing this narrow viewpoint, it has been evolving an ***institutional global governance point of view*** undertaken by the United Nations, the World Bank, the International Monetary Fund, the OECD, and also a distinctive set of scholars [for instance, Scholte (2000) and Kettle (2000) ] who voiced two matters of concern:

- i. Globalization conveys the emergence of post-sovereign governance, because states cannot be sovereign in the traditional sense. At least, this seems to be a new example of compromising Westphalia<sup>18</sup>.
- ii. The rise of supra-territoriality has promoted moves toward multi-layered governance, where regulatory competences are widely dispersed across the layers of sub-state, state, or supra-state arrangements and agencies.

The Commission on Global Governance of the United Nations, frames the concept this way:

*"the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may accommodate, and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest. [...]"*

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<sup>18</sup> On this regard, the reader is referred to section 1.

*[...] At the global level, governance has been viewed primarily as intergovernmental relationships, but it must now be understood as also involving non-governmental organizations, citizen's movements, multinational corporations, and the global capital market. Interacting with these are global mass media of dramatically enlarged influence."*

Bearing in mind the previous remarks, we lay down a contextualized semantics for global governance<sup>19</sup>.

#### *Definition 4*

#### *Global Governance*

By **Global Governance** is meant the governance of supra-state organizations by means of a two-tiered design of overlapping issues and problems, namely

*a) those arising from the nature of each organization (either states, GOs and NGOs):*

- *founding charter, statutes and by-laws;*
- *institutional architecture, division of powers, bureaucracies, checks and balances;*
- *representation and accountability;*
- *fiduciary role and resolution of conflicts of interests;*
- *collective action mechanisms;*
- *persuasion and participation;*

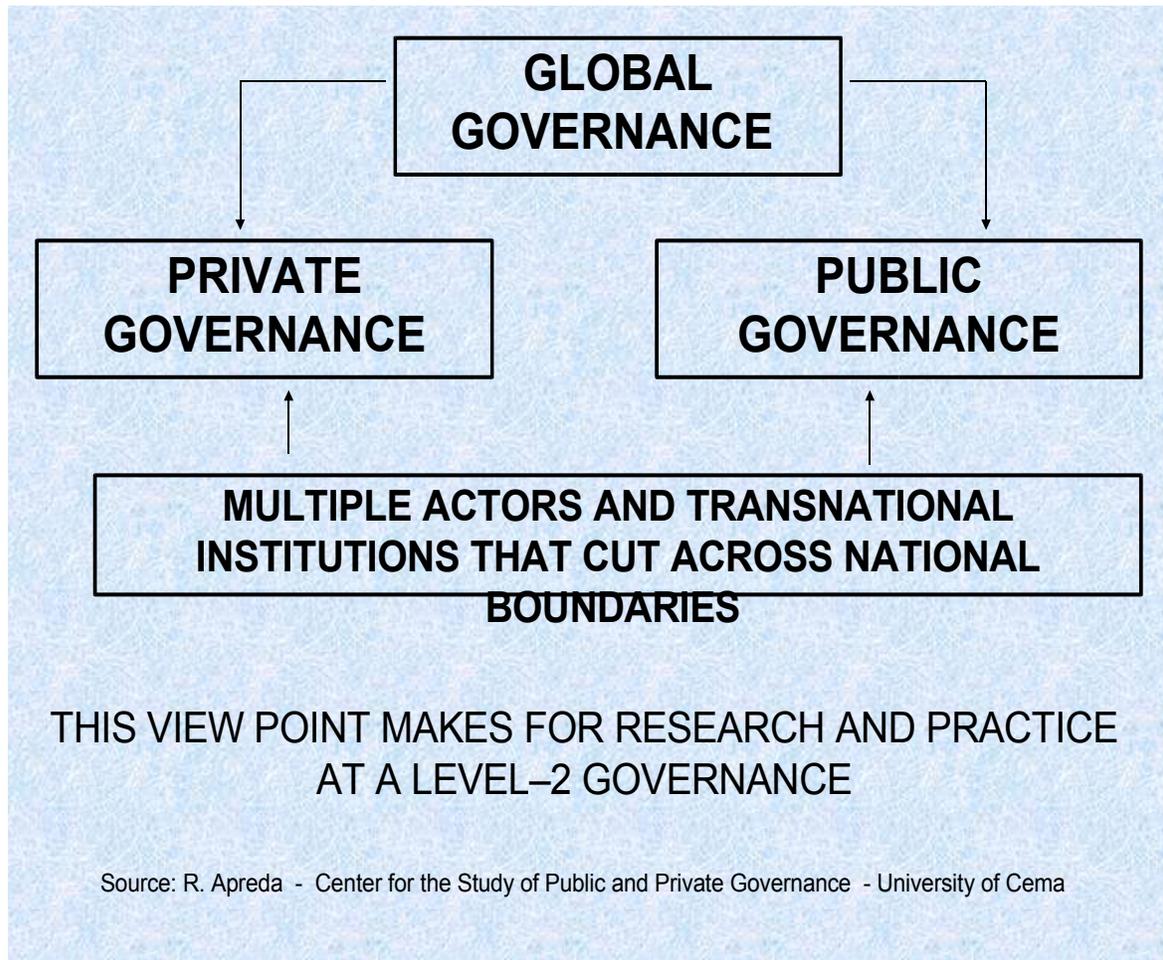
*b) those arising from the interplay among state and non state actors in the context of global interdependence:*

- *domestic and international institutional arrangements;*
- *corporate governance constraints;*
- *public governance constraints;*
- *statements of good practices and performance yardsticks to be followed either in the private or in the public domains*

As we can see from Exhibit 3, global governance is multi-layered, since it involves problems usually attached to public and private governance. However, it goes beyond that point, since multiple actors relate each other in the context of globalism and interdependence. Therefore, research and practice focusing on these topics will be referred as level-2 governance.

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<sup>19</sup> Background on global governance also in Apreda (2003).

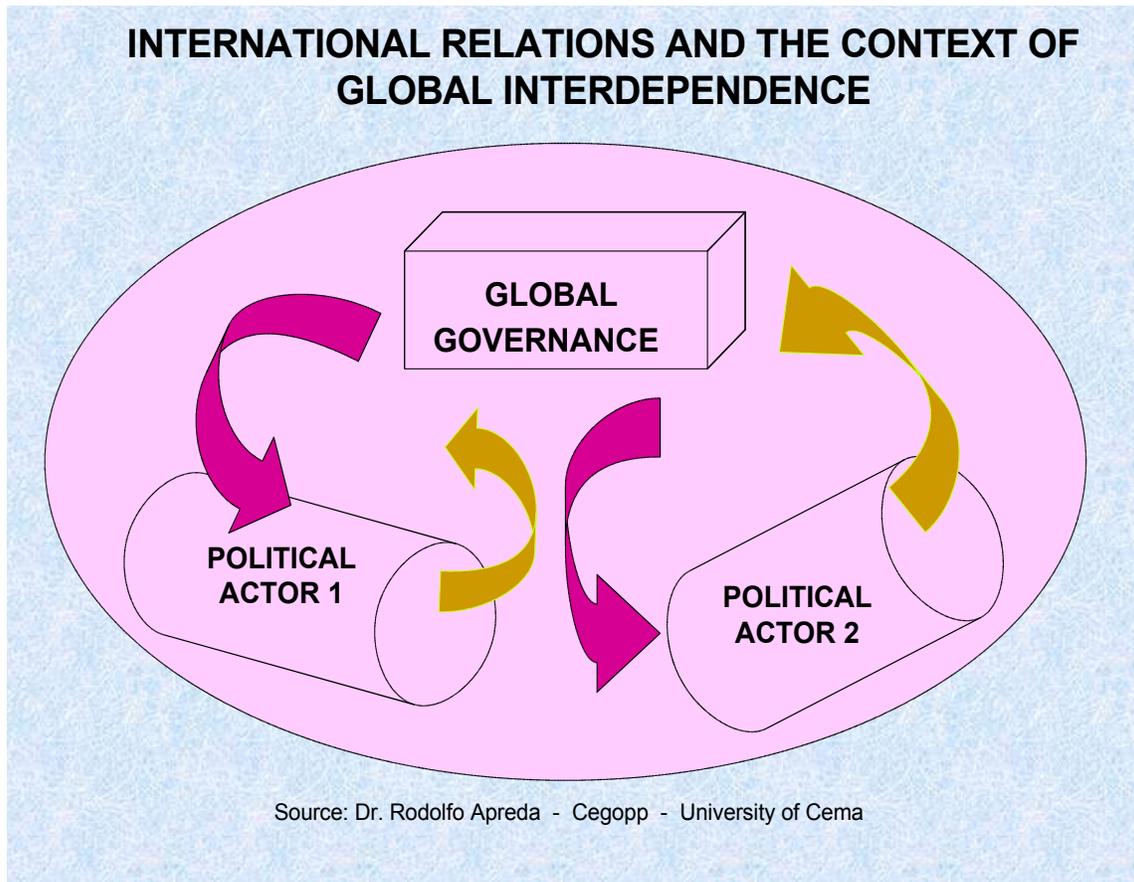


*Exhibit 3 Level-2 governances*

## **6.1 GLOBALISM AND COMPLEX INTERDEPENDENCE**

Although complex interdependence had become a fact of life for most of the XX century, it gained a widespread status after the Second World War, reaching a clear semantics in the last twenty years when scholars and practitioners linked interdependence with globalism (See Exhibit 4).

**Complex interdependence** must be regarded a multidimensional phenomena, and consists of a state of affairs whose main features, according to Nye (2004b) are now to be mentioned:



*Exhibit 4 International Relations and Interdependence*

- a) there are multiple channels between societies, with multiple state and non-state actors;
- b) there are multiple issues, albeit they are not shaped in distinctive hierarchies or levels of priority;
- c) the use of force or threats among states becomes more and more irrelevant.

On the other hand, Nye regards **globalism** as

“a state of the world involving networks of interdependence at multi-continental distances.”<sup>20</sup>

<sup>20</sup> While interdependence is depicted as a state of affairs, scholars rather think globalism as a state of the world, a viewpoint that places globalism as a particular type of interdependence.

It goes without saying that linkages come about through capital and goods transactions, information exchange, and work force migration. Furthermore, the increase or decrease of globalism in a distinctive period of History, give rise to globalization or de-globalization waves, respectively. For the sake of example, globalism increased after the Second World War, while it decreased during the Great Depression of the 1930s<sup>21</sup>.

## **7. HOW THE GOVERNANCE APPROACH MAY CONTRIBUTE TO THE FIELD OF INTERNATIONAL RELATIONS**

For the last thirty years there has been an impressive academic and political concern with governance issues. As long as representative democracies spread over the world, albeit through a variegated assortment of examples, this approach has become more user-friendly and functional to deal with manifold problems. The purpose of this section is to bring to the surface some tools of analysis that seem consequential to international relations issues:

- i. the economic approach to institutions;
- ii. the power-concentration paradox;
- iii. political determinants of governance;
- iv. governance indexes;
- v. international law and regimes;
- vi. accountability, transparency and good practices.

### **7.1 THE ECONOMIC APPROACH TO INSTITUTIONS**

Organizations, in general, cannot be isolated from their institutional backgrounds. This linkage, suitably labeled "**Institutional Approach**" (or "institutional economics" for some quarters), has widely been studied for the last thirty years. Being North (1990) a foremost authoritative source, we are going to quote him so as to outline this distinctive point of view:

*"Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change. [...]"*

*[...] Organizations are created with purposive intent in consequence of the opportunity set resulting from the existing set of constraints (institutional ones as*

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<sup>21</sup> Keohane and Nye (2000) tackle the encompassing features of globalism nowadays.

*well as the traditional ones of economic theory) and in the course of attempts to accomplish their objectives are a major agent of institutional change "*

### **Narrowing down the subject: Institutional Liberalism**

As from now, our line of research turns to the liberal approach and gives heed to one distinctive development within this frame of mind, that has been called "institutional liberalism". As Zacher and Matthew (1995) argue:

*While the body of international institutions that promotes liberal values is a central dependent variable of liberal scholarship, it is also seen by liberals as an important independent variable that affects the likelihood of further cooperation.*

From this standpoint, a minimal set of rules and formal institutions based on common interest and values cement a society of states. Besides, it is stressed the role of international organizations and their prescriptive regimes.

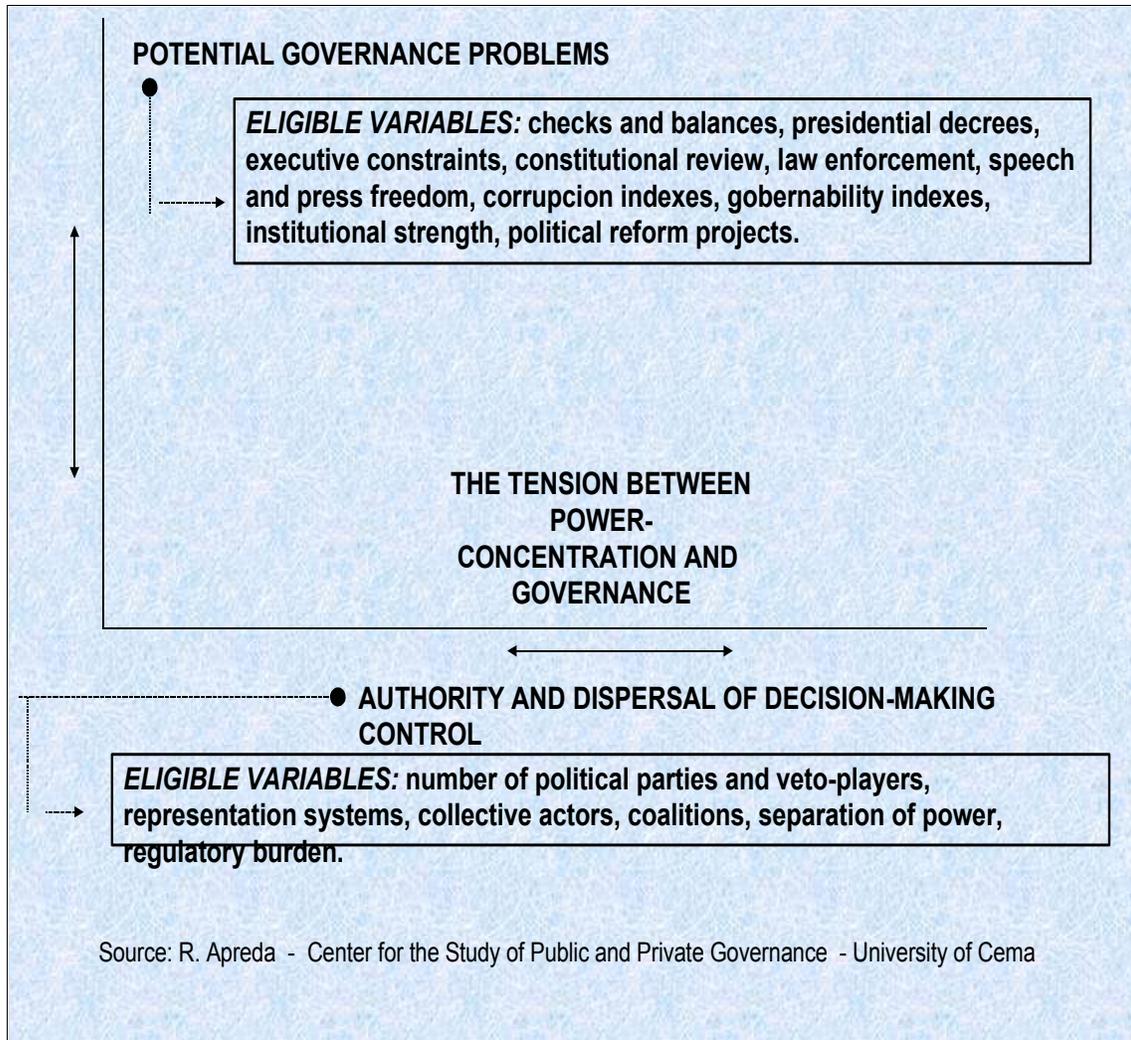
The institutionalist approach states that institutions contribute to improve cooperation through quality of information, the decrease of transaction costs, also by enhancing law enforcement and fostering the ethical concerns of states. Hence, international institutions are predicated upon the role for them to perform so to attain common goals in world politics.

An outstanding representative of this strand of thought, Robert Keohane (1984), remarked that

*institutionalists could interpret the liberal international arrangements for trade and international finance as responses to the need for policy coordination created by the fact of interdependence. These arrangements, which we will call "international regimes", contained rules, norms, principles and decision-making procedures.*

### **7.2 THE POWER-CONCENTRATION PARADOX**

One of the most powerful tool of analysis that links institutions with governance has been advanced by MacIntyre (2003), through the so-called "power concentration paradox". His proposal proves useful not only for democracies, but also for semi-democracies and even non-democratic states (see Exhibit 5).



*Exhibit 5 Eligible variables to establish the power-concentration paradox*

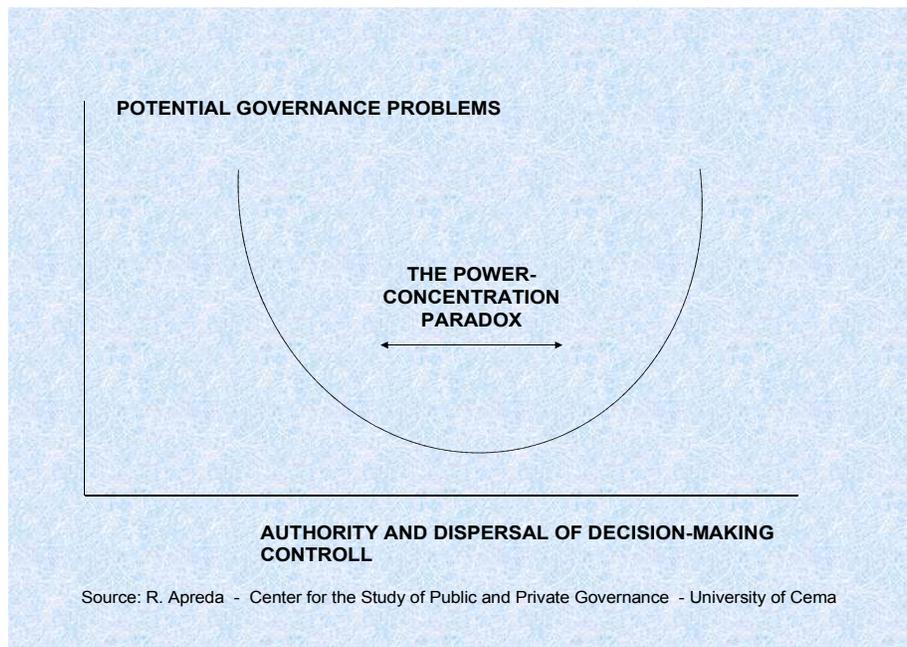
To grasp the paradox, let us imagine an horizontal axis that shows at the right side a hypothetical nation in which authority and decision-making processes are widely spread through, while at the left side we could place another hypothetical nation in which authority and decision-making processes are strongly concentrated. In between these extremes, the nations of the world can be located. How can we measure the relative concentration of authority and control in decision-making? Below the horizontal axis, we show some of the most tractable variables to deal with this topic.

If we now give heed to the vertical axis, we will place at the lower level a hypothetical nation with almost no potential governance problems, while at the upper level it will stay an ideal nation in which the most worrying troubles in governance could evolve eventually. In between,

the nations of the world find their address outright. As regards the ways open to measure the potential governance problems, the main underlying variables are deployed in the upper box.

Starting from a point where authority and decision-making are fully concentrated, and reaching the opposite side where authority and decision-making is fully fragmented, we face a continuum of intermediate stages that combine these two extremes. Therefore, MacIntyre lays bare a consequential relationship between those stages and the national political architecture translated by what we have called public governance.

Following Exhibit 6, we can easily grasp the intuition behind the paradox of power concentration:



*Exhibit 6 The Power-Concentration Paradox*

a) If authority and decision-making power were highly concentrated, then the government would gain in decisiveness and flexibility, but at the same time the potential for governance would increase, because the uneasiness of political and economic stakeholders fosters instability. Such is the environment we usually find in authoritarian regimes, or Latin American countries: strong presidential tradition with utter disregard for checks and balances on the side of Parliament and the Judiciary.

b) In the other extreme, if authority and decision-making power were severely fragmented (high level of dispersal in Exhibit 6), then the political architecture would gain in predictability and credible commitments but at the cost of mounting rigidity or inaction.

It is the underlying tension between the governmental decision-making power and the potential for governance problems that brings about the paradox of the concentration of power. To put it in MacIntyre own words:

*Thus, on one hand, a country whose political framework fragments control over policy and disperses power widely among a range of political actors maximizes its ability to make policy commitments that are credible into the future. This is because, once made, achieving a new political consensus among all the various actors whose agreement is necessary is very difficult. [ ... ] The more power is fragmented, the greater the risk that policy rigidity will prevail. But again, the converse is no less problematic. A country whose political system concentrates control over policy tightly in the hands of the national executive maximizes its ability to respond in a flexible and nimble fashion to both routine and unexpected policy problems. [ ... ] But the potential price of an institutional framework that maximizes flexibility is the likelihood of volatility and even arbitrariness , with policy being subject to ready change or reversal and planning on the basis of expectations about the future policy environment becoming extremely difficult.*

### **7.3 POLITICAL DETERMINANTS OF GOVERNANCE**

In a cutting-edge analysis of the political determinants behind corporate governance, Mark Roe (2003) has argued that there are manifold connections between the ownership structure and governance design of for-profit organizations in the private sector and the political context of the host country. Political constraints are consequential, to the extent of fostering separation ownership from control or not, even to the extent of preventing firms from growth and wealth.

Which, it may be asked, are the main political determinants of corporate governance? Among the most influential ones, we can record the following: decisions about who owns the firm; the size it can reach; how it get access to finance; the way management and employees carry out their relationship; who are the strongest stakeholders; how the authority and control mechanisms are brought home.

We have to bear in mind that multinational corporations are distinctive and powerful non-state actors in world politics. They have a transnational reach and carry out their daily operations cutting across

boundaries. Therefore, most corporations has to delve with quite different political setting at any time, from a liberal democracy like the ones we find in countries that follow the Anglo Saxon style of governance, through countries that encompass the features that convey the German or Latin styles of governance.

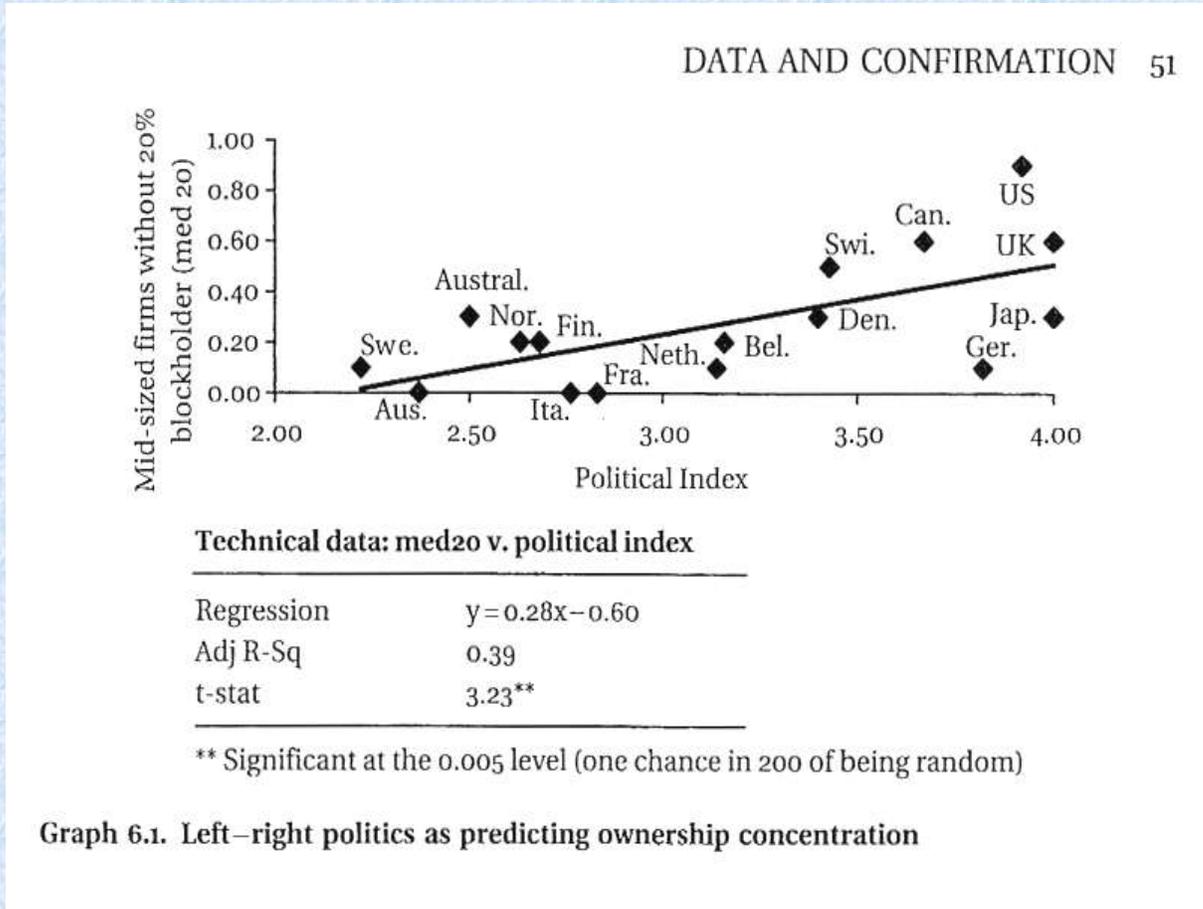
It is not surprising the contrasting properties exhibited by these styles of governance, which lead to a continuum of political arrangements showing at the starting point liberal and representative democracies (like United States, United Kingdom, Canada), and at their final point stronger social democracies (like the Scandinavian countries).

**Social democracies** are weighty actors in world politics, not only because continental European countries embody the closest approximation to such concept, but also due to the fact that the greatest in number of developing and emerging countries follow suit when choosing their political own arrangements. Therefore, it is worthy of being recalled what we do mean when dealing with this expression. In general, it stands for a political system in which

- some sort of representative democracy is enacted;
- although private property is granted, it becomes contingent to social claims;
- the government is a big player in the economy;
- distributional policies are fostered by and large;
- in conflicts arising between employees and capital-owners, the former are usually the winners;
- management aligns with employees on the grounds of ideology and culture;
- in general, stakeholders are preferred to shareholders;
- it avoids and discourages changes in companies that could disrupt social peace.

Choosing the political placement of richest nation's governments as an independent variable, and ownership concentration as a dependent variable, Roe found a regression line with an adjusted R-squared of 0.39 (Exhibit 7). This means that politics explains 39 per cent of the variation in ownership concentration.

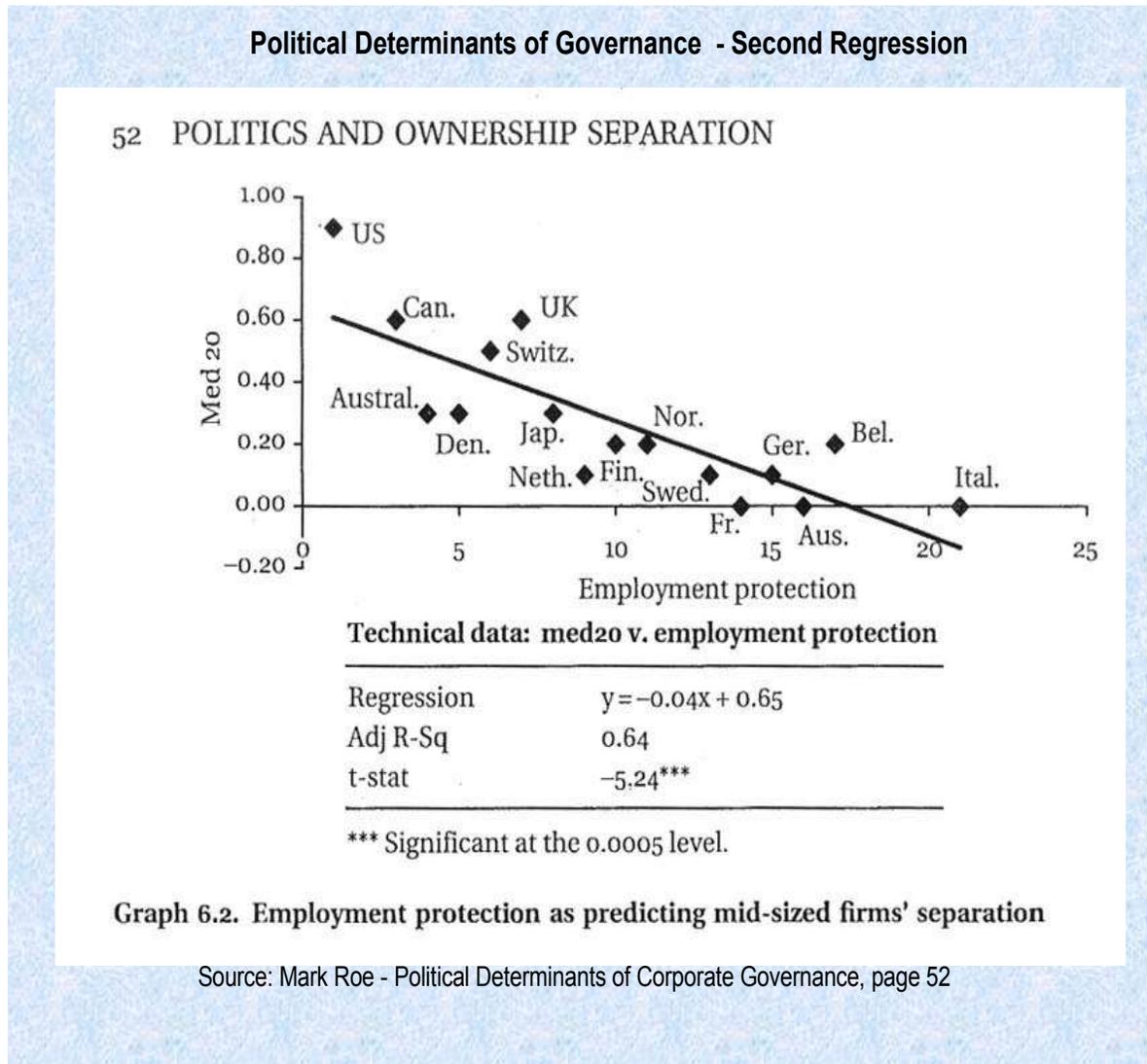
**Political Determinants of Governance - First Regression**



Source: Mark Roe - Political Determinants of Corporate Governance - page 51

*Exhibit 7 The first regression*

By the same token, if we picked up the strength of employment security as the independent variable, and regress it against the ownership structure, then the R-squared would amount to 0.64, which tells us that employment protection explains 64 per cent of the variation in ownership concentration (Exhibit 8).



*Exhibit 8 The second regression*

Are there political consequences when globalization and international competition increase? It is for Roe to answer in the affirmative:

*Owners may get product market rents in the first instance, but they might be unable to keep them. The other players, such as the employees, want representation when the political decisions are made to divide up these rents. Social democratic ideology is a statement that the rents belong primarily to the employees. You would expect less social democracy in big, democratic, technologically advanced countries with strong product market competition. And globalization, by squeezing rents, changes what is up for grabs inside the firm, globalization weakens the social democratic parties and the polity's demand for the related corporate and labor laws.*

## **7.4 GOVERNANCE INDEXES**

Governance matters, as Kaufmann et al. (1999) argued, because there is a distinctive causal relationship between good governance on the one hand, national growth and development issues on the other hand. It is a foremost implication of this standpoint that we need indexes to assess the performance in private, public and global governance. For the sake of illustration, let us give some heed to the World Bank's approach to public governance issues, which brings to light a sound methodological framework to deal with the manifold problems underlying the governance of the public sector. Exhibit 9 intends to give a picture of this sort of benchmark.

## **7.5 INTERNATIONAL LAW AND REGIMES**

Although the world system is anarchic in the sense that it lacks a central authority, states engage themselves in ordered and cooperative behavior through the active intermediation of a host of institutions, as well as a network of treaties within the encompassing setting of international law.

By **international law** is meant a mechanism that smoothes interactions between states as they follow rules, contracts, procedures, and regulations. International law grew out of the Peace of Westphalia; in fact, it made states legitimate actors on their own.

In the international system, no central authority is able to enforce the empire of the law, albeit there are indirect mechanisms of enforcement and reciprocity, from retaliation measures to the compliance of treaties and the fulfillment of international law.

It is worthy of being recalled that the Statute of the International Court of Justice points to the main sources of international law:

- a) international conventions or treaties;
- b) customs;
- c) general principles of law recognized by civilized nations.

It also includes as secondary sources the judicial decisions of international courts and legal scholarship.

Ratner (1998) remarked that the notion of "soft-law" is instrumental to grasp the essential relationship between international law and international institutions. By "soft-law" is meant the structure of

precepts produced by international bodies that match expectations of required behavior albeit they are not binding on states.

### AN ANALYTICAL FRAMEWORK TO COPE WITH PUBLIC GOVERNANCE ISSUES

- o **First dimension of analysis**

The process of selecting, monitoring, and replacing governments.

*Associated measurable concepts:*

- a) Voice and external accountability through citizens feedback, democratic institutions and a competitive press.
- b) Political stability and lack of violence, crime and terrorism.

- o **Second dimension of analysis**

**The capacity to formulate and implement sound policies, and deliver public services.**

*Associated measurable concepts:*

- a) Government effectiveness (including quality of policymaking, bureaucracy, and public service delivery).
- b) Lack of regulatory burden.

- o **Third dimension of analysis**

The respect of citizens and the state for the institutions that govern economic and social interactions among them.

*Associated measurable concepts:*

- a) Rule of law (protection of property rights, judiciary independence).
- b) Control of corruption.

*Source: Fremond and Capaul (2002)*

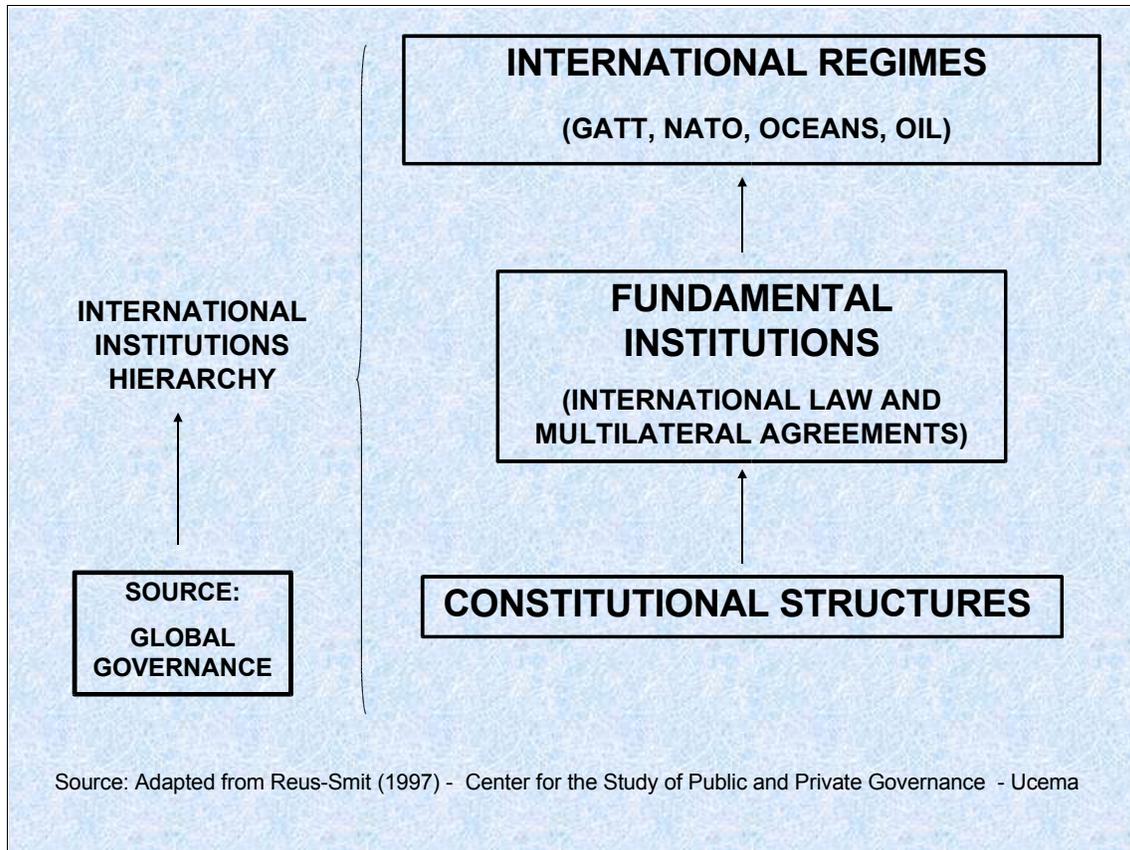
#### *Exhibit 9 The World Bank's Approach to Governance*

Following this line of analysis, the idea of **regime** was a natural by-product of international law and encompasses structures of rules and norms, more or less informal, which relate to some distinctive area of international relations<sup>22</sup>. It has received a promising development from many contributors during the last two decades. For instance, Robert Keohane (1984) defines regimes as a complex structure of *principles*,

<sup>22</sup> More background in *International Institutions: Can Interdependence Work?*, by R. Keohane (1998). Young (1980) has undertaken a deep study of international regimes.

*norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area.*

At this juncture, international law and regimes become embedded in the wider circle of governance, as Exhibit 10 intends to illustrate<sup>23</sup>. In general, there is a distinctive match between regimes and issue-areas, by which the latter become the scope of the former.



*Exhibit 10 Global governance and Regimes*

Taking a step further, Keohane makes clear the meaning of the four components in the definition:

**Principles**

beliefs of facts, causation or rectitude; they translate the purposes expected to be pursued by international actors.

<sup>23</sup> This Exhibit adapts one used by Reus-Smit (1997) on fundamental institutions, to which we have marked out their inception with a global governance design.

<b>Norms</b>	standards of behavior defined in terms of rights and obligations.
<b>Rules</b>	specific prescriptions or proscriptions for action.
<b>Decision-making procedures</b>	prevailing practices for making and implementing collective choice.

## 7.6 **ACCOUNTABILITY, TRANSPARENCY AND GOOD PRACTICES**

Accountability is a relational notion, that is to say, it involves two parties, each of which can be single or complex. Usually, it comes to be defined<sup>24</sup> as the state of being responsible or answerable, but this neglects a crucial component that makes for the foundation of this notion: the underlying commitments. Hence, it seems advisable to shape a more comprehensive meaning [this has earlier been done in Apreda (2003), (2005b)].

### *Definition 5      Accountability*

*By **accountability** is meant a relationship between two parties that can be broken down into complementary layers of practice, the first one before the facts evolve, the other one while the fact evolve or come to fulfillment:*

- a) Ex-ante practice: one party commits something to be done on behalf of another.*
- b) Ex-post practice: by which the same party is responsible for the performance of his commitment to the other.*

To put this in other words, accountability deals not only with responsibility, as it is customarily stressed, but with a previous commitment from which the responsibility lastly stems from. In keeping with accountability, transparency must necessarily be brought into focus.

*For the information to be **transparent**, we request from it to be produced in timely, reliably, meaningful, and testable fashion, with full disclosure of sources.*

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<sup>24</sup> See, for instance, the Black 's Law Dictionary.

The more transparency we assure, the higher levels of accountability we attain. This feature must be coupled with another one that becomes consequential in every day applications: **good-practices codes**.

It goes without saying that these codes are double-edged swords. On the one hand, they could be suitable to match their expected functions that intend to set governance in motion. But on the other hand, they could be devices that only pay a lip service to governance and become a vehicle to deceive and trespass not only the underlying principles of governance to which they pretend to translate but, even worse, the law and the international arrangements as well.

Hence, at the root of good practices there is an essential claim: how could we make accountability and transparency functional to the codes? The definition<sup>25</sup> that comes next intends match the request.

*Definition 6            Codes of Good Practices*

*By a **Code of Good Practices**, we understand any set of rules of behavior that allow a distinctive governance structure to be put into practice and held accountable, provided that such rules meet the following constraints:*

- by necessity, they stem from the underlying governance structure;*
- they match the institutional framework within which the organization not only lives and develops, but also abides by the law;*
- they are in agreement with the organization Charter and its by-laws;*
- they become fully operational: the rules are set up within a framework that allows for disclosure, monitoring, assessment, enforcement, updating, and improvement.*

By way of illustration (see Exhibit 11), we are going to give the outlines of a code of good practices that is currently used among OECD countries and that has got the voluntary endorsement of an increasing number of

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<sup>25</sup> It is worthy of being remarked that the definition explicitly takes into account the requirements of accountability and transparency.

developing countries. We are speaking about the International Monetary Fund Code on Fiscal Transparency.

## **INTERNATIONAL MONETARY FUND REVISED CODE OF GOOD PRACTICES ON FISCAL TRANSPARENCY**

### ***CLARITY OF ROLES AND RESPONSABILITIES***

- The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.
- There should be a clear legal and administrative framework for fiscal management.

### ***PUBLIC AVAILABILITY OF INFORMATION***

- The public should be provided with full information on the past, current and projected fiscal activity of government.
- A commitment should be made to the timely publication of fiscal information.

### ***OPEN BUDGET PREPARATION, EXECUTION, AND REPORTING***

- The budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks.
- Budget information should be presented in a way that facilitates policy analysis and promotes accountability.
- Procedures for the execution and monitoring of approved expenditure and for collecting revenue should be clearly specified.
- There should be regular fiscal reporting to the legislature and the public.

### ***ASSURANCES OF INTEGRITY***

- Fiscal data should meet accepted data quality standards.
- Fiscal information should be subjected to independent scrutiny.

*Exhibit 11 The International Monetary Fund Code of Good Practices*

## 8. IT IS FOR GLOBAL GOVERNANCE TO FULFILL A FIDUCIARY ROLE

By **fiduciary actor** is usually meant

*"one who owes to another the duties of good faith, trust, confidence and candor"* (The Black's Law Dictionary)

A natural extension is given by the same source, and it applies to any fiduciary relationship, in which *"one actor is under a duty to perform for the benefit of other actor, on matters within the scope of the relationship."*

Noteworthy examples of such relationships are found in those that link trustees with beneficiaries, agents with principals, attorneys and auditors with clients, banks with depositors, elected representatives with their constituencies, international government organizations with their founding countries.

What do I understand by fiduciary role in the framework of global governance?

***Global governance organizations carry out the fiduciary role when they systematically and formally contribute to:***

- a) manage the conflicting interests and goals of political actors;***
- b) curb sources of their disagreement or misunderstanding;***
- c) help to build incentives for cooperation and trust;***
- d) stand up for granting the reliability of commitments;***
- e) provide a neutral interface to negotiations;***
- f) smoothen over pervasive suspicions or misperceptions from counterparts;***
- g) monitor and update frameworks of mutual accountability and transparency.***

If we tried to find pragmatic dimensions to make these prescriptions operational and tractable, we would point to the following ones:

- international law and regimes;
- accountability, transparency and good practices;
- international organizations;
- soft power;
- epistemic communities

In section 7, we gave heed to the first two dimensions. In this section, our purpose is to show how the remaining pragmatic dimensions help to bring about nothing less than the fulfillment of the fiduciary role.

### ***International Organizations***<sup>26</sup>

They actually turn out to be instruments of cooperation because they can successfully handle those distinctive issues arising from collective action, for which similar attempts from single states usually end in failure. It is recognized that such organizations perform two broad functions<sup>27</sup>:

- a) Centralization, by which they can exhibit a stable structure and a highly specialized bureaucracy, which lead them to make collective decision-making more efficiently.
- b) Independence, that is to say, organizations can act with autonomy in certain areas, to the extent of claiming higher degrees of neutrality.

Governance structures shape actor's strategies and goals; besides, they mediate relations of cooperation and political conflicts.

### ***Soft Power***

As for **soft power**, being Nye (2004) the scholar who coined this expression in 1990, let us recall how he defined it:

*What is soft power? It is the ability to get what you want through attraction rather than coercion or payments. It arises from the attractiveness of a country's culture, political ideals, and policies. When our policies are seen as legitimate in the eyes of others, our soft power is enhanced.*

Therefore, while hard power hangs on inducements ("carrots") or threats ("sticks"), soft power co-opts people since it relies on the ability

<sup>26</sup> For a helpful account of how institutions shape politics, see Steinmo et al. (1992), mainly chapter 1, about historical institutionalism in comparative politics.

<sup>27</sup> This view is advanced by Abbot and Snidal (1998), in depth.

to reshape the preferences of other political actors<sup>28</sup>. In other words, changing others minds by means of reason not coercion, manipulation or actual sanctions.

Non-governmental organizations like corporations, universities, churches, scientific and artistic foundations, sports and entertainment groups, increasingly make use of soft power in their activities with a global reach.

Fostering freedom, representative democracies, political liberalism, justice and human rights, a safer global environment, all of them become soft-power drivers, which the global governance approach bring into play when accomplishing its fiduciary role.

### ***Epistemic Communities***

At the root of the fiduciary role, the political actor makes a pledge of expertise, proficiency, reliability and accountability. Frequently, it is for international policy-makers to cope with manifold obstacles and problems, which are mainly rooted in the uncertainties and the complexities of the situations involved. At the core of this difficulty, real life contests the actual ability of policymakers to identify national interests and to deal with domestic political and social pressures. This is where the notion of epistemic communities comes in handy.

**Epistemic communities** turn out to be networks of knowledge-based experts that, among other tasks, deal with the following:

- searching for cause-and-effect relationships out of complex environments;
- singling out feasible state interests;
- setting up functional frameworks to collective debate;
- designing consequential policies;
- distinguishing valuable information from background noise;
- choosing key-points and groundbreaking issues to carry out negotiations.

It was Peter Haas (1992) who narrowed down the notion of an epistemic community as

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<sup>28</sup> It is worthy of being read what Nye (2004) brings forth about the need of reshaping public diplomacy as a vehicle of soft power.

*a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge with that domain or issue-area.*

Therefore, decision-makers request advice from members of an epistemic community either at national or international level. On the other hand, the community can influence decision-makers to reach convergent behavior from states as well as international policy coordination.

The epistemic community's idea stems from the liberal tradition that regards as the main purposes of any state not only security, power, survival and wealth, but also uncertainty reduction, the management of misperceptions and credible commitments, the widening and sharing of common knowledge.

## 9. IT IS FOR GLOBAL GOVERNANCE TO ACT AS A BROKER OF ASYMMETRIC INFORMATION

In the toolbox of governance analysis, accountability and transparency are outstanding, and both lead us to the primary notion of information set (Exhibit 12).

By the **information set** of a political actor  $E(k)$ , at date  $t$ , currently denoted by

$$\Omega_{t, k}.$$

*we understand all the available information to which he can get access to, up to that moment<sup>29</sup>.*

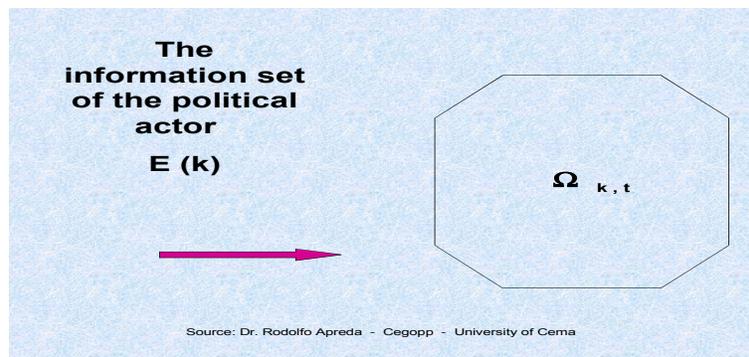


Exhibit 12 The information set

<sup>29</sup> A detailed development in Apreda (2001).

Now, let us turn to asymmetric information. With the help of Exhibit 13 we can move on to grasp the intuition behind this important concept, whose definition we framed elsewhere (Apreda, 2001) under this guise:

***Asymmetric information*** refers to the advantage one party can enjoy by having an information set that is different from their counterparts' ones, so as to improve the ensuing trade or relationship for his own benefit.

Whenever two or more political actors interact among them, information trading is at stake. In the subject matter of this paper, this amounts to power and international arrangements to be negotiated. To illustrate the point, let us take the hypothetical situation in which two westphalian states  $\mathbf{A}_k$  and  $\mathbf{P}_j$  engage each other in international relations, by means of their information endowments at date  $t$ , a context we are going to denote as

$$\langle \mathbf{A}_k; \Omega_{t,k} \rangle \text{ and } \langle \mathbf{P}_j; \Omega_{t,j} \rangle$$

$\mathbf{A}_k$  shares information with  $\mathbf{P}_j$  only to the extent of the set of common knowledge that comes defined by the intersection of their information sets. But there are areas of private information, which they do not own jointly. To say the least, this setting is complex, since private information that belongs to one country and not to the other country could be relevant or irrelevant to their joint affairs, contingent upon contexts of non-neutral interpretations. What if private information in the field of  $\mathbf{A}_k$  is withheld from  $\mathbf{P}_j$  because there are reasons for such behavior, ranging from strategic issues, to opportunistic behavior with guile. It goes without saying that political actors are regarded, in the current literature about international relations, as forward-looking and end-seeking decision-making units.

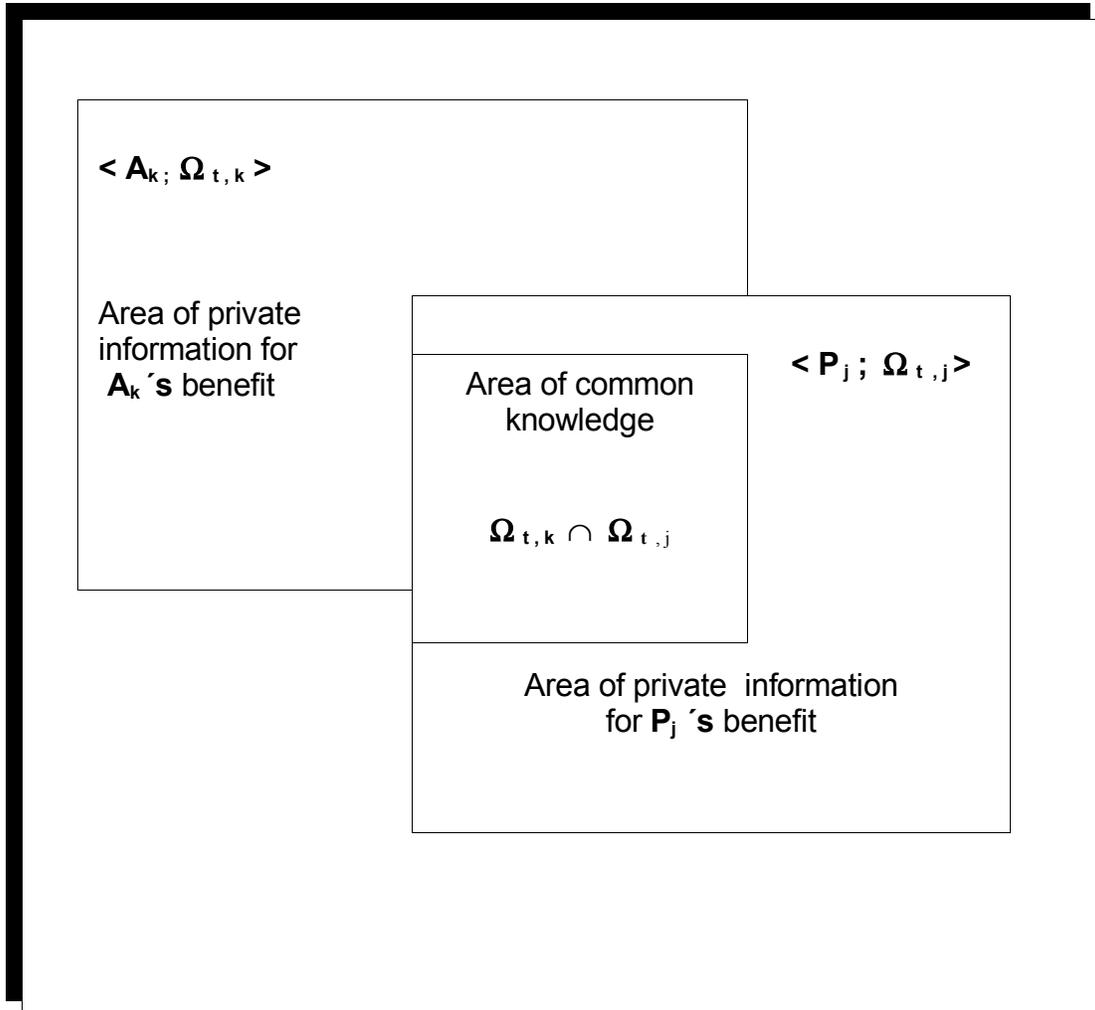
It is a striking fact of life that credible commitments and cooperation do not only hinge upon symmetric information provided by the common knowledge set, but on the asymmetric information as well.

What is the function of global governance as far as asymmetric information is concerned?

***Global governance steps here in to help political actors to not only broaden their joint information, but also to design principles, norms, rules and decision-making procedures<sup>30</sup>. In a nutshell, it is governance which drives the brokerage of***

<sup>30</sup> We are extrapolating the frame of reference laid upon regimes by Keohane, to the wider field of governance, as it is depicted in exhibit 10.

***asymmetric information to set up trustworthy international relations.***



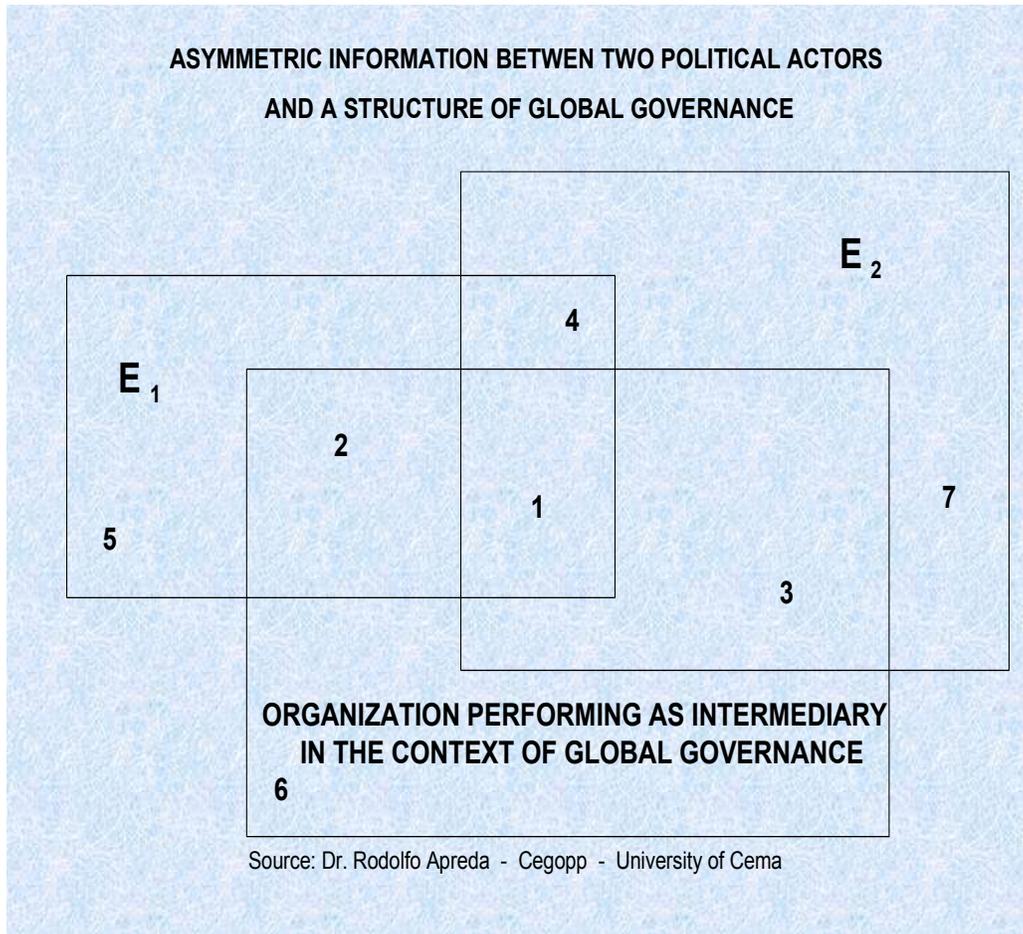
*Exhibit 13 Asymmetric Information*

In order to make clear how a global governance structure mediates between two or more political actors, I will outline some characteristics to be found in some relevant subsets that come depicted in the Exhibit 14 below<sup>31</sup>. In this setting, we assume that two Westphalian states are mediated by a governance agent.

*Subset 1* It is the common knowledge set, where the two political actors and the governance actor can reach agreement. It

<sup>31</sup> The reader is referred to Apreda (2001) for the foundations of this viewpoint, and to Apreda (2005a) for an outright application to Financial Economics.

provides with the minimal information required to draw out, discuss, implement and make enforceable any contract, convention, regime, treaty, or the like.



*Exhibit 13 The intermediary role of global governance*

**Subset 5** Here we can find private information that belongs to the political actor  $E_1$ , with a further qualification: it is not shared either with the other political actor or the governance actor. It is the source of opportunistic behavior of  $E_1$  that could impair the relationship with its counterparts.

**Subset 3** This is information that could be owned jointly by  $E_2$  and the governance actor, albeit  $E_1$  does not get access to it. It is a source of suspicion and misperceptions for the actor left outside.

*Subset 4* In this area, both political parties can share information but the governance actor is prevented from getting access to. Subset 4 is extremely important since many failures in international relations could be tracked down to this asymmetry, by which an arbitrator or international organization trying to settle a dispute between political actors is overstepped or cheated by them.

Now, how could the governance actor enhance the reliability of relationships, the accountability of counterparts, and the transparency of their behavior? If we shift our attention to Exhibit 14, some guidelines will be brought to light.

An intuition behind the picture is clear: global governance intends to broaden the scope of jointly owned information by lessening, firstly, the asymmetric information in subsets like 2, 3, 4 and, secondly, exerting pressure on the more private realms of private information. That is to say, over 5, 7 and even the subset 6 that pertains to the governance actor itself<sup>32</sup>.

If we tried to deal with affordable paths of action for a global governance actor to make the circle expandable and spreading outwards, we would point out that four out of the six procedural tools reviewed in section 7 come in handy so as to accomplish the task eventually.

Let us expand further on this issue, by piecing together the four methodologies in turn.

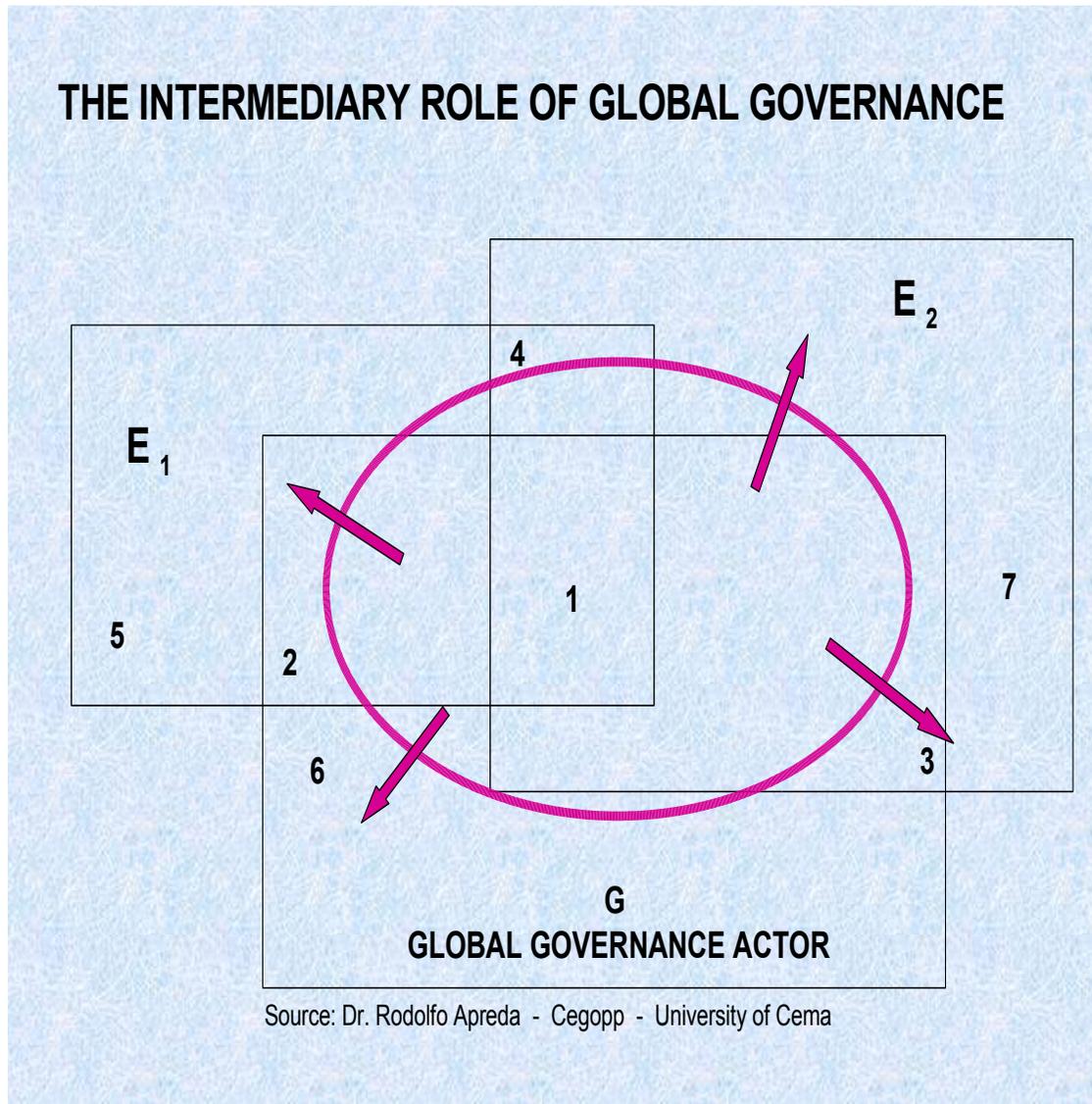
### **i. The Economic Approach to Institutions**

This approach has been evolving for the last three decades, shifting to a distinctive viewpoint, the International Political Economy<sup>33</sup>, which engages in the real-world connections between politics and economics. It expands on how the governance actor tries to influence and persuade westphalian states and non-state organizations, about the advantage of rebuilding their institutions to meet the requirements of representative democracies, globalism and interdependence.

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<sup>32</sup> What amounts to the accountability and transparency of the global governance actor.

<sup>33</sup> For a lively statement of this shift, see Katzenstein et al. (1998).



*Exhibit 14 The intermediary role of global governance*

When we seek for empirical evidence, the contributions of the so-called Comparative Economics and Politics bring to light that we can learn a lot from institution-building around the planet, and global governance becomes a booster for institutional change.

### ii. **The Power-Concentration Paradox**

What is the final lesson of the power-concentration paradox? For all intents and purposes, it teaches us some consequential lessons:

- a) as long as a country embraces freedom and democracy, and its institutions become stronger, the impact of the paradox lessens outright;
- b) since the relationship between levels of dispersal of authority and decision-making control, with potential governance problems becomes non-linear, the lower arc of the curve (Exhibit 6) is the sounder place for a country to stay;
- c) each nation-state should not shrink from making changes in their political architectures so as to balance their decision-making control and their exercise of authority with likely governance problems;
- d) governance actors are the brokers in charge of managing the settlements, arrangements and commitments that shape the best trade off in the power-concentration paradox for political actors in international relations.

### **iii. Political Determinants of Governance**

Global governance is a two-tiered structure, in which private and public governances mutually reinforce each other, and at the same time, establish a reciprocal feedback with global constructs.

The political determinants of governance allow for differences among countries in their political arrangements related to private and collective action. This is the starting point for global governance structures to build up reliability on the grounds of two reasons:

- a) global governance actors fulfill a fiduciary role on behalf of political actors in need of common knowledge and unbiased basic perceptions;
- b) it is from the fiduciary role that global governance partners can make a credible pledge to mediate asymmetric information to lay foundations for long-lasting agreements.

### **iv. Governance Indexes**

When the manifold performance of states is measured by means of distinctive indexes, the global governance actor can take a big step

further to sensibly contract with political actors. Indexes bring pressures to countries, because the best ranked outpace the remaining ones, which turn less and less transparent or accountable. Indexes furnishes world politics analysis and practice with a sort of "who's who" in international relations measured out of distinctive patterns of behavior. Lastly, indexes become functional since they signal characteristics by means of a "name and shame" mechanism. Global governance actors are the main producers of indexes.

## **CONCLUSIONS**

Governance structures in global contexts of interdependence and cooperation become key players, by supplying courses of action and procedural instruments to world politics.

Among the manifold courses of action along which the governance approach proves to be functional, this paper has pointed out the following:

- fostering accountability and transparency among actors;
- coping with the power concentration paradox;
- improving international law and regimes;
- helping the progress and spreading of representative democracies;
- furthering the employment of soft power to enhance sustainable relations among states;
- working out and educating about the political determinants of governance;

As far as the procedural instruments is concerned, we have expanded on the fiduciary role and the brokerage of asymmetric information, arguing that these functions are at the root of the governance approach to international relations.

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