State Transformations in OECD Countries

Philipp Genschel[1] and Bernhard Zangl[2]

[1]School of Humanities and Social Sciences, Jacobs University, 28725 Bremen, Germany; email: p.genschel@jacobs-university.de

[2]Ludwig-Maximilians-Universität München, Geschwister-Scholl-Institut für Politikwissenschaft, Oettingenstraße 67, 80838 München, Germany; email: bernhard.zangl@gsi.uni-muenchen.de

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Abstract

Is the state still the basic unit of political authority in OECD countries? International relations scholars discuss whether international institutions undermine or buttress state authority. Students of comparative political economy argue about the extent to which political authority has migrated to private market actors. We inventory and compare the main arguments in both debates. Our findings suggest a different pattern of state transformation than most participants in the debates implicitly assume. The key feature is not a zero-sum shift of political authority to nonstate actors but an unbundling and reconfiguration of authority. The segmental differentiation into largely self-contained national states is overlaid by a functionally differentiated order in which different dimensions of authority are exercised by different state and nonstate actors. The state remains focal, but its role changes from virtual monopolist to manager of political authority.

PERSPECTIVES ON STATE TRANSFORMATION

What is the basic unit of political authority in OECD countries? Until recently, the answer seemed obvious: the state. Today, it is a matter of some debate. International relations (IR) scholars argue about the extent to which international institutions such as the United Nations or the European Union challenge the state's exclusive claim to political authority. At the same time, students of comparative political economy (CPE) discuss the extent to which the state loses control to private market actors such as network operators, private military companies, or credit rating agencies. Although the IR and CPE debates address the same issue (the reconfiguration of authority in advanced Western democracies), they hardly talk to each other. The purpose of this article is to bring them together and compare their arguments and evidence.

Both debates start from a broadly similar notion of what the state is: a territorially bound monopolist of political authority. They also follow broadly similar understandings of what constitutes state change, namely an "authority migration" (Fioretos 2011, p. 389) to nonstate actors (i.e., international institutions or private market actors). Both debates organize along similar lines. They pit arguments and evidence that international institutions and/or private market actors have accrued significant political authority against arguments and evidence that political authority remains largely concentrated in the state. In the former perspective, which we call "post-statist," the state is no longer the only, and sometimes not even the most important, unit of political rule but just one "sphere of authority" among "countless" others (Rosenau 2007, p. 89); in the latter, conventionally labeled "statist," the state retains control. Rather than being challenged by nonstate actors, states "actually permit such actors to exist and exert influence" (Lake 2008, p. 49).

Our comparison of the debates in IR and CPE yields three main results. First, we find a surprising degree of empirical agreement between statist and post-statist perspectives. There is little dispute that nonstate actors have gained political authority in some respects while states retain authority in others. The issue is whether the authority gains of nonstate actors put them beyond the control of states and constitute them as self-sufficient authorities in their own right, as post-statists argue, or whether the authority of the state is still sufficient to keep nonstate actors in check, as statists claim.

Second, we find surprising theoretical inconsistencies between the debates. Some of the arguments statists use to support their claim of continued state control of international institutions in the IR debate tend to undercut their arguments for continued state control of private market actors in the CPE debate and vice versa. Similar inconsistencies appear in the post-statist position.

Third, we conclude that both camps are wrong. The state remains the basic unit of authority in OECD countries not despite but because of the spread of nonstate authority. Yet its role changes from virtual monopolist of political authority to key manager of partly privatized and internationalized political authority. Rather than projecting authority directly onto targets through hard means, the state governs indirectly by "orchestrating" through soft means the exercise of nonstate authority (Abbott et al. 2014).

Our comparison of the IR and CPE debates proceeds as follows. We first review the concept of the state that serves both debates as a common point of departure. We contrast the main statist and post-statist arguments in the IR debate and then in the CPE debate. We compare and summarize empirical agreements and theoretical inconsistencies within and across these debates. We conclude with a proposal for a research agenda on the state as manager of political authority that should help to overcome the conflict between statists and post-statists both conceptually and empirically.

THE STATE AS A TERRITORIAL MONOPOLIST OF POLITICAL AUTHORITY

The IR and CPE debates both start from a broadly Weberian concept of the state. According to Max Weber's famous definition, a state is a "compulsory political organization" that successfully upholds "the monopoly of the legitimate use of physical force in the enforcement of its orders" (Weber 1978 [1922], p. 54), or in a slightly more contemporary rendering, "an institutional complex claiming sovereignty for itself as the supreme political authority within a defined territory" (Hay & Lister 2006, p. 5; see also Elias 1976; Skocpol 1985; Poggi 1990, pp. 19–33; Tilly 1990; Mann 1993, pp. 54–63). Supreme authority does not imply sole authority. Nonstate actors may be involved in the exercise of authority; however, they do not act independently in their own right but only on behalf of the state, controlled by state institutions and within a state-defined scope. The state's claim to ultimate authority covers three distinct dimensions:

- Regulation: the state has the authority to make collectively binding decisions for domestic society. The scope of this competence varies greatly across time and space. Totalitarian states regulate society more thoroughly and comprehensively than liberal states. But even in liberal states, the final decision as to what is to be regulated by collectively binding rules rests with state institutions (Thompson 1994, pp. 7–20). The state is the ultimate decision maker.
- Operational power: the state has the capacity to implement, monitor, and enforce its collectively binding decisions (i.e., laws, rules, policies) by its own organizational means, including money, coercion, public administration, technology, information, expertise, and propaganda. It does not depend on outside assistance in the execution of its orders but is self-reliant (Poggi 1990, p. 21). It is the ultimate enforcer in domestic society.
- Legitimacy: the state provides justifications for its regulatory and operational acts that ensure a high level of voluntary compliance. The justifications vary across time and regime type. Communist, fascist, and democratic states offered widely different alternatives during the twentieth century, but all played on two main themes: input-oriented justification in terms of how the state ensures collective self-determination "by the people," and output-oriented justification in terms of how the state guarantees favorable policy outcomes "for the people" (Bobbitt 2002, pp. 24–64; Scharpf 1999). The state is the ultimate anchor of legitimacy.

The Weberian concept of the state as a territorial monopolist of political authority has dominated political science since World War II. It forms the common core of mainstream IR theories from neorealism (Waltz 1979) to institutionalism (Keohane 1984), liberalism (Moravcsik 1997), and constructivism (Wendt 1999). It also informs major CPE theories of state–society relations (Lehmbruch & Schmitter 1979) and the state's role in the economy (Shonfield 1965, Evans et al. 1985).

One main reason behind the concept's broad acceptance is its empirical plausibility. The notion of the state as a monopolist of authority captures the distinctive feature of historical state-building processes in early modern Europe: the ambition to constrain the scope of competing nonstate authorities—the church, the nobility, the cities—and to strip them of autonomous rule-making powers, operational capacities, and sources of legitimacy (Elias 1976, Tilly 1990, Spruyt 1994). It also reflects key facets of twentieth-century politics. The two World Wars and the subsequent Cold War highlighted the dominance of states in international affairs. Hardly any other actor mattered in this sphere. Similarly, political repression and centralized economic planning highlighted the dominance of the state over domestic society in fascist and communist regimes, while the experience of state-led social and economic wartime mobilization and the expansion of the

Table 1 Four perspectives on state transformation

	Post-statist perspective	Statist perspective
IR debate	International institutions gain independent political authority	States continue to control the authority of international institutions
CPE debate	Private market actors gain independent political authority	States continue to control private authority

Abbreviations: IR, international relations; CPE, comparative political economy.

Keynesian welfare state after World War II showcased the state's power over the capitalist economy in liberal democracies (Leibfried & Zürn 2005, Hurrelmann et al. 2007).

In short, postwar theories of international relations and comparative politics were mostly statist because political reality was mostly statist. Today it is a matter of debate in both IR and CPE whether this still holds. Post-statist authors argue that it does not because large-scale macrosocial change—economic globalization, the end of Fordism, or the spread of neoliberal policy ideas—forces states to cede political authority to international institutions and private market actors. Statist scholars disagree. They insist that the architecture of authority is still largely state controlled. To the extent that international institutions or private market actors exercise political authority at all, they remain dependent on state support. Importantly, the debate is not about who controls the state—private capital as Marxists claim, civil society as liberals hold, or state elites as conservatives maintain—but about how much control state institutions still exert vis-à-vis nonstate authorities. There are Marxists, liberals, and conservatives on both sides of the statist–post-statist divide. **Table 1** summarizes the contending views.

IS THE STATE LOSING CONTROL TO INTERNATIONAL INSTITUTIONS?

Is political authority spreading from states to international institutions? Post-statist IR scholars argue that it is. In their view, the architecture of authority is no longer state controlled but involves a wide variety of international institutions. Statists argue that it is not. To the extent that international institutions exercise authority at all, they do so with implicit or explicit state consent and in the shadow of state overrule. The state retains ultimate control.

The Post-Statist Challenge

Post-statists rest their case on two main empirical claims: first, international institutions have enhanced their regulatory authority; second, they have partially independent sources of legitimacy.

According to post-statists, international governmental organizations (IGOs) have enhanced their regulatory authority in terms of scope and autonomy (Rosenau 1995; Scholte 2002, p. 288; Zürn et al. 2012; Hanrieder & Zangl 2013; Halliday & Shaffer 2014). The scope of IGOs expanded from regulating "at-the-border" state behavior to governing "behind-the-border" domestic issues, including the behavior of individual citizens and corporations (Kahler 1995). As Barnett & Finnemore (2004, p. 1) claim, IGOs "now work extensively in domestic governance issues, overseeing matters that once used to be the prerogatives of states": the United Nations orders the freezing of bank accounts of suspected terrorists; the European Court of Human Rights condemns German employment bans on alleged political extremists; the Organization for Security and Cooperation in Europe monitors presidential elections in the United States and elsewhere; the World Trade

Organization (WTO) decides whether European states may ban American hormone-treated beef and what tax privileges the United States may offer export businesses; EU law affects redistributive policy issues from gambling concessions and university entrance requirements to value-added tax rates and budget deficits. In fact, the European Union more tightly regulates member-state fiscal policy than the American federal government does state fiscal policy (Hallerberg 2014).

International institutions have also enhanced their regulatory autonomy (Rosenau 1995; Barnett & Finnemore 2004, pp. 158–63; Zürn et al. 2012). Decision making in IGOs is moving away from the unanimity principle toward qualified majority voting. The most striking example is the European Union, which allows for majority decisions in an increasing range of policy areas (Börzel 2005). But also in other IGOs, such as the UN Security Council and the WTO Ministerial Conference, majority voting has become more common even for binding decisions (Zangl & Zürn 2003). According to Zürn et al. (2012, p. 90), two-thirds of all international organizations now provide for majority decisions. At the same time, regulatory authority migrates from intergovernmental to supranational IGO bodies. The erosion of the unanimity principle increases the agenda-setting powers of supranational administrations. The European Commission is the prime example of an activist secretariat using extensive agenda-setting power for purposes of policy entrepreneurship (Sandholtz & Zysman 1989, Pollack 2003). Also, many supranational regulatory agencies and judicial bodies have gained independent decision-making authority. Although the rise in supranational regulatory agencies' authority is largely limited to regional organizations such as the European Union, the increasing authority of supranational judicial bodies is a more general trend. Keohane et al. (2000, p. 457) claim that "international courts and tribunals are flourishing." According to Alter (2011), the number of international independent courts jumped from six in 1985 to 25 in 2009. At the same time, there was a shift toward courts with compulsory jurisdiction and/or access for private parties. Unlike the International Court of Justice, modern international courts such as the Court of Justice of the European Union, the WTO's Appellate Body, and the International Criminal Court are no longer controlled by states (Alter 2006, Zangl 2008).

The autonomy of IGOs is further increased by the spread of transnational organizations such as the Basel Committee (Slaughter 2004), the International Accounting Standards Board (IASB) (Büthe & Mattli 2011), and the Global Reporting Initiative (Dingwerth 2007). These organizations are significant not so much as regulators in their own right but as potential allies for strengthening IGOs' regulatory authority. By enlisting the voluntary cooperation of transnational organizations, IGOs can strengthen their own rule-making capacity and expertise and enhance their independence from member states (Abbott et al. 2014). Thus, after several futile attempts to get the EU member states to agree on harmonized accounting rules for European business, the European Commission broke the deadlock by recruiting the IASB to provide the needed rules (Mattli 2014).

According to the post-statist perspective, international institutions have not only increased their regulatory authority but also gained partially independent sources of legitimacy to back it up. To be sure, most post-statists agree that international institutions suffer from weak input legitimacy. Some are concerned that the increasing authority of international institutions produces a democracy deficit: IGOs exercise regulatory authority but are not electorally accountable for it (Zürn 1998, pp. 347–60; Scharpf 1999, 2012). Others claim that international institutions partly compensate for weak input legitimacy by increased output legitimacy. They highlight that IGOs are crucial for managing trans-boundary problems—war, terrorism, financial contagion, climate change, food safety, international migration, etc. This strengthens their legitimacy as problem solvers "for the people" (Zürn 1998; Keohane et al. 2009). Also, international institutions often empower the people against illegitimate acts of state authority (Barnett & Finnemore 2004, p. 73; Keohane et al. 2009). This is most obvious in the human rights sphere, where international institutions such as the European Court of Human Rights allow individuals to bring legal claims against states. Likewise, the Court of Justice of the European Union enables individual action against national laws infringing on the market liberties of EU citizens.

Finally, many post-statists see the legitimacy of international institutions enhanced by increasing openness to stakeholder participation (Dingwerth 2007, pp. 144–85; Steffek et al. 2007; Jönsson & Tallberg 2010). Although some IGOs (such as the WTO) are more restrictive than others (such as the United Nations Environment Programme), there is a general trend toward granting stakeholder groups privileged participation rights as observers, experts, and even co–decision makers. Granted, post-statists usually acknowledge that stakeholder involvement is no substitute for representative democracy. But by bringing in a broader array of social interests and expertise, it improves the quality of international rules and thus the output legitimacy of international institutions (e.g., Porter 2005; Cutler 2010; de Búrca et al. 2013, p. 36).

The Statist Response

Statists refute the post-statist perspective on three grounds. First, it exaggerates the shift of regulatory authority to international institutions. Second, it ignores the enduring operational weakness of international institutions. Finally, it overlooks the constraints imposed on international institutions by their lack of input legitimacy.

On the first point, statists highlight that international institutions are not new. “States are not and never have been the only international actors. . . . The importance of nonstate actors and the extent of their transnational activities are obvious” (Waltz 1979, pp. 93–94). But international institutions are important as instruments of state authority, not as competitors to it (Krasner 2001, pp. 245–48). IGOs exist because they enhance the regulatory authority of their member states. Otherwise states would not create them. IGO regulation helps governments engage in mutually beneficial cooperation on cross-border issues—war, international terrorism, climate change, financial contagion, free trade, etc.—and thus serve state interests. Also, IGOs help governments shield political decision making from domestic scrutiny and pressure. According to Moravcsik (1994, p. 3), they provide opportunities for national leaders to collude on policies they each individually have difficulties getting approved domestically. Allegedly, even the European Union is strengthening the state this way (Moravcsik 1994, p. 3; Wolf 2000).

The serving role of IGOs for states presupposes a certain independence from states: IGOs need the autonomy to rule against the interests of some states some of the time, in order to effectively regulate interstate cooperation in the interest of most states most of the time. Without a modicum of autonomy, IGOs are useless as regulatory agents (Abbott & Snidal 1998, Hawkins et al. 2006). Hence, IGO autonomy is not a challenge to state authority, as post-statists presuppose, but a precondition of IGOs’ instrumental value for state authority (Krasner 1995; Lake 2008, p. 50).

From a statist perspective, the regulatory autonomy of international institutions does not vitiate state control. States can keep international institutions in check by refusing to comply with international rules and policies. Even notionally powerful IGOs like the UN Security Council or the European Union lack the operational resources of the modern state (Genschel & Jachtenfuchs 2014): they have no armies or taxes; their bureaucracies and budgets are miniscule. This keeps them crucially dependent on state support. If the member states do not foot their bills, enforce their rules, and execute their policies, the regulatory authority of international institutions remains ineffective. As a consequence, IGOs can yield regulatory authority only to the extent this fits state preferences. Even strong supranational regulators such as the European Commission or the Court of Justice of the European Union do not usually dare to act against the general interests of their member states or against the specific interests of powerful states (Garrett

1998, Moravcsik 1998, Carruba et al. 2008). Mearsheimer concludes: "What is most impressive about international institutions is how little independent effect they seem to have" (2001, p. 364).

Finally, statists see the regulatory authority of international institutions constrained by a lack of input legitimacy and more specifically a lack of democratic legitimacy (Dahl 1999, Weiler 2004). At its bare minimum, representative democracy requires that the people can "throw the government out" in free and fair elections. IGOs neither hold elections nor have any government that could be thrown out. Importantly, in statist eyes, the democratic deficit of international institutions is beyond remedy because a transnational *demos* does not exist that could potentially accept the results of general elections in international institutions as legitimate—not even in the European Union. Majority rule presupposes a *demos* because the distinction between legitimate majority rule and illegitimate domination by aliens only makes sense if all voters are situated within the same self-conceived political community (Weiler 2004, p. 560). Without a *demos*, even free and fair elections fail to ensure legitimacy. This explains why the continuous empowerment of the directly elected European Parliament fails to increase the legitimacy of the European Union.

Given their lack of input legitimacy, international institutions have two possible options. They can limit their regulatory activities to largely technocratic issues of low political salience, i.e., issues that are also left to nonmajoritarian expert bodies in national democracies (Majone 1998, Moravcsik 2002); or, if they do venture into redistributive or ideological issues of high salience, they have to rely on the halo of democratic legitimacy projected on them by states. National governments bestow legitimacy on IGOs by assuming political responsibility for IGO activities vis-à-vis domestic mass publics. This is comfortable for IGOs[1] but politically risky for national governments. The risk is most obvious in the European Union, where the "permissive" voter consensus in favor of European integration has been supplanted by a "constraining dissensus" since the 1980s, as voters became increasingly concerned about and disenchanted with EU policy outputs (Hooghe & Marks 2008, Kriesi et al. 2012). If national governments are unwilling or unable to generate domestic support for IGO policies, IGOs are forced to retreat to less contested issues. Thus the dependence on legitimacy support from states constrains IGOs' regulatory authority, as the European Union had to learn painfully during the recent euro crisis.

In summary, our review of the IR debate yields two main findings. First, the empirical claims of the post-statist and statist perspectives are broadly compatible. The former contends that international institutions have accrued considerable regulatory authority and output legitimacy in recent decades. The latter asserts that the operational authority and input legitimacy of international institutions stagnates at a low level. Both claims can obtain at the same time and are indeed largely uncontested between the competing perspectives.

Second, the disagreement between the perspectives reflects diverging theoretical assumptions about the relative importance of the authority dimensions exercised by international institutions and nation-states, respectively. Post-statist scholars assume that the increased regulatory authority and output legitimacy of international institutions have established them as virtually complete political authorities in their own right. Statist scholars, by contrast, assume that operational capacity and input legitimacy are sufficient to ensure continued state control. Although states cannot control every act of international regulatory authority, they can effectively limit the authority of international institutions by threats of noncompliance, overrule, and, ultimately, withdrawal of

[1]As the President of the European Council, Herman van Rompuy, explained in a recent interview: "It is the job of British [read: national] politicians to convince their population. They are elected, I am not elected" (quoted in Michaels & Waterfield 2010).

authority. To the extent that international institutions exercise authority, they do so in the state's "shadow of hierarchy" (Scharpf 1997).

IS THE STATE LOSING CONTROL TO PRIVATE MARKET ACTORS?

Has political authority shifted to private market actors? Yes, according to post-statist scholars. In their view, the state increasingly depends on private market actors for policy implementation and enforcement, and its dependence gives private market actors substantively independent political authority. No, according to statist authors. In this perspective, market actors depend on background conditions only states can provide, and their dependence secures the preeminent authority of the state even where private market actors are involved in policy execution and enforcement.

The Post-Statist Challenge

Post-statist scholars make two main claims. First, private market actors have accrued considerable operational authority; second, private market actors can rely on powerful sources of output legitimacy.

In the post-statist view, the operational authority of private market actors has increased in scope and autonomy (Leibfried & Zürn 2005, Hurrelmann et al. 2007, Crouch 2011). The scope of private operational authority expanded because OECD states have gradually withdrawn from a broad range of operational tasks since the late 1970s. Perhaps most obviously, states ceded the supply of traditional public services such as mail, telecommunications, railroads, electricity, waste collection, health care, and education to private providers (Schneider & Häge 2008, Etling et al. 2009, Höpner et al. 2009). New public services such as the internet were left to private operators from the start; nationalization was hardly considered. States also withdrew from entrepreneurial activities in strategic sectors such as banking, insurance, steel, and armaments (Toninelli 2000), and they partly privatized social security systems, for instance, by shifting the focus of public pension programs from traditional, state-administered, pay-as-you-go schemes toward fully funded and privately managed arrangements (Orenstein 2003). Even core functions of sovereign government were contracted out to private market actors. Armed forces now often draw on private military companies for logistical support, the operation of weapons systems, or intelligence services (Avant 2005, Krahmann 2010, Kruck 2014). In 2005, the United States allegedly spent 70% of its intelligence budget on private contractors: "We can't spy . . . if we can't buy" (Chesterman 2008, p. 1,056). There is hardly any issue area left where private organizations do not perform public tasks.

As their scope increased, the autonomy of private providers of operational authority increased as well. The private actors that had exercised operational authority during the postwar decades in areas such as armaments, aerospace, health care, and telecommunications had often been state-created and state-controlled "para-statal" bodies (Hood 1986, Mayntz & Scharpf 1995). States either owned them directly or kept them in check by a combination of limited exit options (access to foreign markets was scarce and state regulated) and long-term relational contracts offering substantial commercial benefits (e.g., subsidies, long-term procurement contracts, protection from market competition) for compliant behavior.

Many of these control arrangements have come undone since the late 1970s. States reduced their holdings in private companies and cut back on subsidies (Zahariadis 2002, Etling et al. 2009). They discontinued long-term relational contracts with privileged "court suppliers" and "national champion" firms, and gradually moved to open tendering procedures and arm's length contracting. Trade and investment barriers were liberalized even in formerly sheltered sectors such as armaments, utilities, telecommunications, and health care. Private market actors internationalized their investments, production, and sales so that their dependence on any single national market decreased.

According to post-statist reasoning, these developments undermine state control. As private market actors gain international exit options, states can no longer force them to provide operational means for the implementation of national policies. Rather than defining how private market actors have to implement state policies, states may have to adjust their policies to what private companies are willing and able to implement and support. Even the US government may have to select its weapons from what firms are producing rather than directing production (Markusen 1999, p. 47). An even more graphic example of private operational power forcing the hand of national governments is the apparent ease with which banks managed to off-load huge amounts of bad debt on states during the financial crisis that began in 2007, thereby blighting overnight the accomplishments of decades of painful austerity policy (Streeck 2013, p. 70).

Obviously, the private exercise of operational authority suffers from weak input legitimacy. Private market actors are not electorally accountable to the broad public by definition. The general acceptance of their operational authority therefore depends on the common perception that it works in the public interest (Scharpf 1999, p. 17), i.e., on output legitimacy. Many post-statists claim that this has increased. In their view, the spread of neoliberal ideas since the 1970s and the breakdown of communism in the 1980s undermined public trust in the state and bolstered faith in public goods provision through market processes and market actors (Kogut & Macpherson 2008, Crouch 2011, Streeck 2013). State-provided services and state-owned companies came under attack for lack of attention to user needs, for vulnerability to interest group capture and corruption, and, more generally, for failure to achieve purported economic and social objectives. Ideas of market failure that had justified widespread nationalization of public functions after World War II were supplanted by notions of state failure that justified the privatization of public functions even in the presence of market imperfections (Crouch 2011, p. 73). It is now widely accepted that economic competition weeds out inefficient operators and ensures customer orientation in public service provision.

The Statist Response

Statists criticize the post-statist perspective for grossly exaggerating the shift of operational power toward private market actors, and for neglecting the fundamental dependence of private market actors on both the regulatory authority and the input legitimacy of the state. Despite privatization, the state remains the center of political authority.

Statists are skeptical about the purported power shift. In their view, states have always depended on private agents to some degree because their operational resources were typically insufficient to implement ambitious policies. The phenomenon of private operational authority is neither new (Mann 1993, p. 50) nor irreversible. In many cases, states retain the power to renationalize and sometimes do so. Examples include the renationalization of the railway system in New Zealand or the return of public ownership in private banks during the financial crisis of 2007/2008. Scandinavian countries such as Norway and Sweden never followed the general privatization trend in the first place (Obinger et al. 2015). Finally, statists emphasize that the privatization of operational capacity may actually enhance the authority of the state by freeing it from inefficiencies and self-sufficiency constraints (Alesina & Spolaore 2003). Especially small states may increase their authority by contracting out operational tasks to transnational market actors that can realize cross-border economies of scale or scope. For instance, by buying off the shelf from international weapons producers, they may get more "bang for the buck" than their domestic suppliers can provide.

Importantly, from a statist perspective, the empowerment of private market actors not only enhances state authority but also is contingent on it. For all their operational power, private market actors lack regulatory authority: they cannot make the rules that allow for their existence and profitable operation. This creates a "structural dependence" of market actors on state regulation (Drezner 2007, p. 33). Three regulatory instruments in particular ensure state control. First is the regulation of market access (Huntington 1973, p. 355), on which market actors depend for operations and profits. The terms of market access are regulated by national governments with a view to ensuring compatibility between private market operations and public policy goals. This gives them considerable power to steer and control the private exercise of operational authority. As Drezner (2007, p. 35) claims, "Multinational corporations may have some . . . leverage vis-à-vis small states, but governments with significant markets can easily coerce them into compliance with their own rules and regulations."

A second key regulatory instrument is market creation. Market actors depend on markets, but markets do not always form spontaneously because market failures (e.g., externalities, information asymmetries, high fixed costs, public goods problems) make the private provision of goods and services unprofitable. This "missing market" problem (Akerlof 1970) is particularly prevalent in the public goods and services needed for policy implementation (Crouch 2011, pp. 34–45). This is a major reason why states nationalized operational authority in the first place and why its privatization depends on state regulation. States have to regulate into existence the markets in which private companies can sell operational tasks for a profit. An obvious example is public network services such as telecommunications, rail transport, or electricity, which could not have been privatized without attendant regulation of pricing, quality, and access (Majone 1997; Levi-Faur 2005). The state has to regulate more in order to enable private market actors to assume more operational responsibility—the "freer markets, more rules" paradox (Vogel 1996).

Third, private market actors can take on public tasks only to the extent that the state unburdens them from uninsurable risks. This usually requires public guarantees. Take power generation as an example. In order to enable private investment in nuclear power plants, the US Congress capped the liability of private operators for nuclear accidents (Faure & Borre 2008). Housing is another example. Faced with an inadequate supply of housing loans, the US government created a market for mortgage-backed securities so as to improve home-owner access to credit. Public guarantees were a key element of the regulatory arrangement and a key reason why the initial enthusiasm for this arrangement (Conceição et al. 2006, p. 286) faded after the crash of 2007/2008.

Finally, statists highlight the dependence of private market actors on legitimacy support by the state (Wolf 2006, pp. 211–12; Cutler et al. 1999, p. 19). Especially when output legitimacy is lacking because the effectiveness, efficiency, and fairness of privately supplied operational authority are in dispute, the state has to step in and provide the input legitimacy private actors cannot generate themselves. It does so by enabling citizens to hold their governments to account for the consequences of privatized operational authority. Dissatisfied customers of privatized rail services may not be able to hold service providers directly accountable, but they can punish their elected representatives for failing to supervise these providers appropriately; disgruntled taxpayers cannot hold credit rating agencies accountable for the banking crisis of 2008, but they can blame state officials for failing to regulate them appropriately. In short, the state not only creates markets for the private supply of operational authority but also assumes political responsibility for market outcomes (Schuppert 2005). The political risks involved constrain the independence of private market actors. Thus, public disenchantment with private utilities triggered buybacks by local German governments; public outrage about the failure of private credit rating agencies during the financial crisis created demand for stricter regulation and oversight.

In conclusion, our review of the CPE debate yields similar findings as the discussion of the IR debate above. The empirical claims of the competing perspectives are broadly compatible. Private market actors can increase their operational authority and output legitimacy, as the post-statist

Table 2 Differences in empirical focus across perspectives and debates

	Post-statist perspective	Statist perspective
IR debate	Nonstate actors gain regulatory authority and output legitimacy	States retain operative authority and input legitimacy
CPE debate	Nonstate actors gain operative authority and output legitimacy	States retain regulatory authority and input legitimacy

Abbreviations: IR, international relations; CPE, comparative political economy.

perspective suggests, while at the same time, the state retains its grip on regulatory authority and input legitimacy, as proposed by the statist perspective. The disagreement between the two perspectives concerns the theoretical interpretation of these developments. Is the authority of the state still sufficient to keep private market actors in check or have private actors gained sufficient authority to defy state control?

EMPIRICAL AGREEMENTS AND THEORETICAL INCONSISTENCIES

Three main findings follow from our review of the IR and CPE literature. First, we find a surprisingly high degree of empirical agreement between statist and post-statist perspectives. The empirical claims are broadly compatible because each perspective focuses on different dimensions of authority in order to demonstrate that political authority at large has or has not shifted to nonstate actors (compare the columns in **Table 2**).

The empirical agreement goes largely unnoticed because both perspectives operate from an overaggregated notion of political authority that identifies control of certain key dimensions of authority with control of authority per se. They just disagree on what these dimensions are. Post-statists consider those dimensions key in which nonstate actors have gained authority; statists make the reverse assumption. This creates the impression of an empirical conflict over the extent of authority shifts from state to nonstate actors, whereas in fact the issue is theoretical and concerns diverging assumptions about the authority resources that constitute ultimate control.

The second finding is related. We find significant theoretical inconsistencies within each of the two contending perspectives. Both statists and post-statists switch assumptions concerning the prerequisites of ultimate authority between the IR and the CPE debates (compare the rows in **Table 2**). Whereas post-statists in IR assume that a combination of increased regulatory competence and output legitimacy constitutes international institutions as substantively independent authorities, post-statists in CPE see the relative independence of private market actors ensured by their operational capacities plus output legitimacy. Statists in IR claim that the state's ultimate control of international institutions is based on operational authority and input legitimacy, while statists in CPE argue that regulatory authority plus input legitimacy secures ultimate state control over private market actors.

Neither the statist nor the post-statist camp has a consistent account of what allows states to dominate nonstate actors or allows nonstate actors to escape from state control. Again, this lack of consistency is usually hidden by the aggregated notion of authority just mentioned and also by a lack of communication between the IR and CPE fields. Once acknowledged, however, it undermines the core premise of both the statist and the post-statist positions, namely that control of key dimensions of authority gives actors ultimate control of all other dimensions as well. The theoretical inconsistencies rather suggest that each dimension (regulation, operational capacity, and legitimacy) is essential for authority and, consequently, is a potential source of independence and control. This implies that ultimate control of authority requires dominance over all three dimensions, as ideal-typically exercised by the Weberian state and empirically exercised by core OECD states during the 1950s and 1960s. It also implies that the partial authority shifts recorded in **Table 2** indicate the dispersion rather than the relocation of ultimate control: the various dimensions of authority that used to be bundled up in the state are unbundled and distributed across a heterogeneous set of mutually dependent state and nonstate actors.

According to this reading, post-statists would be wrong to consider nonstate actors as potentially self-sufficient, stand-alone authorities. They are not because nonstate authority remains fundamentally incomplete. International institutions lack operational authority; private market actors lack regulatory competence; both types of actors lack democratic input legitimacy. For those dimensions they lack, nonstate actors remain dependent on outside support. States have to fill in the gaps in order to enable international institutions and private market actors to exercise any authority at all. Rather than threatening state authority, nonstate actors depend on it. Where state authority is fragile, as typically in so-called failed states, nonstate authority is likely to remain fragile as well (Beisheim et al. 2011). The relationship between state and nonstate authority is not zero-sum but variable-sum. Strong nonstate authority requires strong state authority and may reinforce it in turn.

Statists would be equally wrong to consider the state as still being in ultimate control of authority. To be sure, nonstate actors depend on state support. This gives the state control over them. Yet, states also depend on nonstate actors because they cannot easily substitute for their governance contributions. States need the regulatory authority of international institutions in order to cope with trans-boundary problems; they need the operational capacities of private market actors in order to deal with resource constraints in the implementation and enforcement of public policies; and they depend on the output legitimacy generated by nonstate actors in order to maintain the loyalty of their citizens. The dependence on nonstate actors limits options for hard state control by undermining the credibility of threats to overrule or rescind nonstate authority. Even in cases of formal delegation, where states, as principals, have the uncontested right to revoke the authority of nonstate agents, the costs of exercising this right may limit its political usefulness. This explains the difficulties Prime Minister David Cameron faces in negotiating "a better deal for Britain" with the European Union, or the difficulties governments in Europe and the United States face in reining in credit rating agencies after the financial crisis.

Our third finding is that the state remains a unique site of authority and clearly distinct from nonstate authorities. As **Table 2** shows, the state is the only actor with access to all three dimensions of authority: regulation, operational capacity, and legitimacy. Nonstate actors, by contrast, only command subsets of authority dimensions: regulation plus output legitimacy in the case of international institutions, operational capacity plus output legitimacy in the case of private market actors. This secures state involvement in virtually all acts of authority even though it can no longer control them fully. The state is no longer the only but still the most ubiquitous site of authority.

As **Table 2** also shows, the state is the only actor capable of mobilizing input legitimacy. Although OECD states have seen their monopoly of authority erode in other respects, including the notorious "legitimate use of physical force," their capacity to ensure democratic legitimacy remains singular and uncontested. This may not matter much as long as nonstate actors can rely on sufficient output legitimacy. But in times of crisis, when performance fails, they have to fall back on the democratic legitimacy of states.

The exclusive claim to democratic legitimacy is an asset for states because it denies nonstate actors the opportunity to shop around for alternative providers. But it is also a liability because it forces state representatives to assume political responsibility for the acts of nonstate actors they cannot fully control. If private companies mishandle public tasks, as TEPCO (Tokyo Electric

Power Company) did during the nuclear accident in Fukushima in 2011, or if international institutions embark on controversial policies, as the European Union did during the euro crisis, national governments ultimately carry the blame (Scharpf 2012, p. 17). Even after the loss of ultimate authority, the state retains ultimate accountability for authority failure.

In short, the state remains the basic site of authority not despite but because of the spread of authority to nonstate actors. Because nonstate actors are only selectively endowed with authority, they depend on state support in order to exercise any authority at all. As the authority of nonstate actors increases, their dependence on this support increases as well. The spread of nonstate authority does not make the state redundant but becomes one of its core functions.

TOWARD THE STATE AS A MANAGER OF AUTHORITY

The architecture of political authority is changing in OECD countries, but in different ways than either the statist or the post-statist perspective suggests. Our reading of the literature indicates not a zero-sum shift of authority from state to nonstate actors but the unbundling of authority and the spread of its component parts. The territorial differentiation of political authority into self-sufficient state monopolies is gradually overlaid by a functionally differentiated order in which different dimensions of authority are exercised by different, mutually dependent state and nonstate actors. The state is involved in virtually all parts of this new order, and its representative institutions are held accountable for the order's failures. Yet, the state lacks ultimate control. It can enable and facilitate nonstate authority but cannot command and steer it. The state remains the basic unit of authority, but its role transforms from monopolist to manager of political authority.

The notion of the state as a manager of political authority resolves the tension between statist and post-statist perspectives by being compatible with the empirical claims of both. It advances the debate on the transformation of the state conceptually by complementing the standard Weberian image of the state as an institution of hard and direct rule with the idea of the state as a soft and indirect ruler. Rather than exercising authority directly through state agencies or by delegation to a set of tightly controlled agents, this state governs indirectly by "orchestrating" through soft means the exercise of nonstate authority (Abbott et al. 2014). For instance, it uses its regulatory power to coordinate nonstate actors and increase policy consistency; it uses its operational power to provide material incentives for desired nonstate policies; it endorses nonstate regulations or operational activities so as to enhance legitimacy with and compliance by target actors. The purpose is not to control nonstate authority but to leverage it.

Finally, the notion of the state as a manager of political authority suggests a new empirical research agenda centered on three themes. One is the micro logic of authority management. When and why do state agents involve nonstate actors in the exercise of authority at all, and when do they address governance targets directly? When do they use hard means to control nonstate actors in a delegation framework, and when do they use soft inducements to manage an essentially voluntary collaboration? What are the management instruments, and how do policy makers select between them? How do they deploy the regulatory, operational, and legitimatory powers of the state when the task is to nudge nonstate authority rather than to control it?

A second theme is macro patterns of authority management. Although our reading of the literature suggests a general trend toward authority management in OECD states, there are likely to be variations on this trend. Empirical analysis should map and explain these variations. For instance, what difference does country size make for a state's likelihood to engage in authority management? Large and powerful states such as the United States are more likely to have hard control over a wide range of nonstate actors than lesser powers. However, they are also likely to have more capacity to attract, stimulate, and steer nonstate authority. The overall impact on the transition toward the manager state, therefore, is ambiguous. US governments are inclined to keep international institutions on a tighter leash than other states do (or to ignore them altogether), but they seem quite willing to orchestrate private market actors. Just think of the central role of corporate partnerships with telecoms and internet providers in surveillance operations such as the National Security Agency's PRISM program.

Finally, research should focus on the social and political consequences of the transformation. Who are winners and losers? What does the transition imply for the future of democracy? The concept of representative democracy coevolved with the state's virtual monopoly of political authority. How will it change in response to the state's becoming a manager of political authority? Will it reinforce democracy because the greater involvement of partly autonomous nonstate actors puts additional checks and balances on state elites? Will it undermine democracy by dissociating accountability for and control of political authority? Or will it transform democracy by gradually extending accountability to nonstate actors?

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