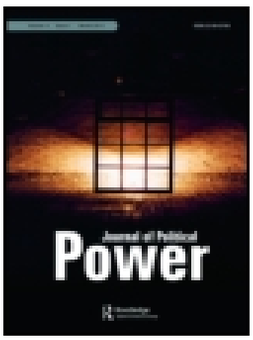

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ARTICLE

Heterarchy: Toward Paradigm Shift in World Politics

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ABSTRACT

International Relations theory has been dominated since the study of IR formally began at the University of Wales, Aberystwyth, in 1919 by the presumption that world politics is at its core a system of states. We argue that this way of conceiving world politics was (a) always problematic and challengeable, and (b) time-bound and increasingly anachronistic. In the 21st century world politics is becoming increasingly *multi-nodal* and characterised by *heterarchy* – the predominance of cross-cutting sectoral mini- and meso-hierarchies above, below and cutting across states. These heterarchical institutions and processes are characterized by increasing autonomy and special interest capture. In this context, states today are no longer primarily 'guardian states' but more and more 'reactive states'; state capacity is not simply eroded but entangled in hybrid structures and processes. A fundamental paradigm shift is required in our understanding of how world politics works.

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1. Introduction: beyond state-centrism

There have in recent decades been three mainstream 'competing paradigms' in the study of 'inter-national' relations – realism, liberalism and constructivism (Wolin 2016). All assume that the dominant independent variables are states and the inter-state system; we call this methodological state-centrism. Indeed, even contemporary analytical/theoretical frameworks focused on, for example, the complexity and coupling of networks habitually assume that states are still the basic 'nodes' of the system (cf. Guillén 2015). Since the mid-20th century, however, a dialectic of globalization and fragmentation (Cerny and Prichard 2018) has caught states and the interstate system in a complex evolutionary process toward what has been called 'heterarchy.'

Heterarchy is defined as the coexistence and conflict between differently structured micro- and meso quasi-hierarchies that compete and overlap not only across borders but also across economic-financial sectors and social groupings. This process empowers strategically situated agents – especially agents with substantial autonomous resources, especially economic resources – in multinodal 'competing institutions with overlapping jurisdictions', similar to what has been called 'neomedievalism' (Cerny 1998). The core of this process is the triangulation of (a) the 'disaggregated state' (Slaughter 2004) where

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policymaking processes and bureaucratic institutions are embedded in distinct issue-areas and sectors rather than centripetal state structures, (b) fragmented global governance and 'regime complexes' (Alter and Raustiala 2018), and (c) 'sectoral differentiation' in the international political economy.

This process is leading to an uneven spectrum of market/hierarchy or public/private *de facto* policymaking processes and diverse types of 'capture' between a range of private actors and meso- and micro-hierarchies, institutions and processes. The result is the decreasing capacity of macro-states to control both domestic and transnational political/economic processes. State structures and state actors have less and less 'state capacity' to act as Waltzian 'unit actors' in world politics (Cerny 1990, 2009). The nation-state in the 19th-mid-20th centuries had been transformed in the 19th-mid-20th century into what has been called a 'guardian state,' a form of unit actor simultaneously attempting to underpin and promote both economic growth and public goods, especially in liberal democracies. (Gallarotti 2000).

However, those qualities are increasingly being challenged in the 21st century being transformed into what we call a 'reactive state,' characterized by structural hybridization, 'disaggregation' (Slaughter 2004), and 'governance complexes.' But this is not a simple breakdown of states and the states system. It is the early stages a structural evolution – a process of 'structuration' or 'restructuration' (Cerny 1990). It involves not merely privatization, as is often argued, but rather one of the complex interaction of privatization and what is coming to be called 'publicization' – the application of both *de jure* and *de facto* rules onto private entities alongside the predominance of the profit principle (Litor *et al.* 2020). Multiltilevel and multi-nodal policymaking and implementation processes are evolving above, below and cutting across states that are caught up in a dialectic of globalization and fragmentation. This requires a new and robust competing paradigm that we call 'heterarchy'.

2. State-centrism in International Relations Theory

State-centrism has a complex history. On the one hand it has been seen to evolve from the political unification of specific territories by ruling cliques and/or mass movements through a consolidation of internal power structures and the role of both civil and external warfare in transforming multilevel, tribal or feudal structures into institutionalised sovereign entities, mainly since the 18th and 19th centuries but increasingly consolidated in the 20th. Complex, shifting frontiers were replaced by more clearly demarcated borders (Schain 2019). In this context, the ideological rationale for state consolidation has been to identify states sociologically with specific, identifiable social units called 'nations', that Benedict Anderson (1983) defines as 'imagined political communities'. The concept of 'nation' in the pre-modern world was more localised and tribal (Leon 1973); in the modern age it would come to be seen as an ethnically consolidated grouping providing bottom-up legitimacy to emerging nation-states.

However, it can be argued that economic factors came to be the most significant variable in the consolidation of nation-states. The First Industrial Revolution enabled political and economic elites in England to transform what became the United Kingdom into the first economic superpower, both in terms of domestic consolidation and the expansion of British economic power in the world. This led other proto-states

to consolidate in competition with other emerging states on both levels, especially in Europe, where the nation-state system developed and spread its organizational model internationally through innovation, trade and empire (Kennedy 1988). More important historically, however, was the Second Industrial Revolution, in which the combination of the consolidation of nation-states and the large factory system in a range of cutting-edge industries such as steel, railways, energy production and distribution, shipbuilding, later automobiles – a structure that would come to be called 'Fordism' – led to new, more intense forms of international competition. It also was at the core of Stalinism.

These developments, both market-based and monopolistic/oligopolistic, gave rise to hierarchically organised state-economic complexes and, indeed, to social and institutional reorganization along the interacting lines of capitalist hierarchies and Weberian bureaucratization. The interstate economic conflict/competition that resulted played a leading role in two world wars and, later to the Cold War. The state and the interstate system therefore came to be seen as the apogee of a secular process of ordering political systems, starting from hunter-gatherer societies and evolving through city-states and empires to statist modernity.

In this context, the development of International Relations as an academic discipline has been dominated by state-centric paradigms (cf. Jackson and Sørensen 2010; Wolin 2016, Daddow 2017). This approach is referred to as 'two-level games' (Putnam 1988). The most state-centric paradigms have been so-called 'realism' and its later spinoff, 'neorealism' (Waltz 1979). Neorealism is rooted in the methodological assertion that states are inherently constructed domestically in a hierarchical mode, i.e. that they are analytically distinct endogenously sovereign units, even when those hierarchies are internally complex and stable or unstable in uneven and unequal ways. In contrast, the 'inter-national' system is 'anarchical' in that there is no overarching hierarchical order. States operate as 'unit actors' and must compete and/or cooperate *as if* they were internally organised as effective hierarchies, leading to a preordained hierarchy-within-anarchy set of games.

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

The state, therefore, whether or not it was effectively *centralizing* in command terms, has nevertheless been seen as *centripetal* in the evolution of socio-political life, especially in the ideas and perceptions that shape that life (Birnbaum 1982). This conceptualization of the state has, of course, been dominated not only by empirical state-building processes themselves but also by the perception among mass publics that states, despite their disadvantages, are *normatively* the best way to organise political life, especially in the

context of the historical longevity of national identities and a sense of ethical reciprocal obligation among citizens. Furthermore, state-building has long been associated at least since the Enlightenment with notions of progress and modernity, whether liberal, capitalist or socialist.

3. Beyond state-centrism: the dialectic of globalization and fragmentation

However, the dialectic of globalization and fragmentation is increasingly undermining the 'segmentary' differentiation of state/interstate-centrism and are superseding it with '*functional*' and/or 'sectoral' differentiation (Albert *et al.* 2013). A range of diverse governance processes involving distinct but overlapping social, political and economic processes and institutions operate according to their endogenous conditions and dynamics. These in turn are increasingly integrated into complex, heterogenous ways to other interactive, overlapping and/or competing processes and institutions – what we call 'heterarchy'.

Furthermore, globalization itself is all too often perceived to be a structurally homogenizing process, requiring new forms of intergovernmental cooperation or global governance. Dimensions of homogenization are said to include economic globalization, the ideological hegemony of neoliberalism (Cerny 2020), socio-cultural convergence, technological innovation and change, liberal internationalism and global governance, and the emergence of a particular kind of so-called 'flat world' (Friedman 2005). Normative calls for a world state follow this logic. The political integration of large parts of the world economy, the integration of distribution and logistics, a supposed convergence in identity, the rapid spread of social media, increasing migration, and the externalizing of social and environmental costs by multinational corporations, all demand some sort of centrally coordinated response mechanism, called 'global governance'.

However, supposed global-level developments are challenged by tensions and contradictions across multiple dimensions. Theorists have identified these processes using concepts like 'functional differentiation,' 'multiscalarity' (Scholte 2000), 'deterritorialization', disparate 'landscapes' (Root 2013), 'neomedievalism' (Cerny 1998), 'fragmegration' (Rosenau 1990), or a 'pluralist world order' (Macdonald and Macdonald 2020), thereby increasing uncertainty in the 'international' system and the likelihood of multiple equilibria or alternative possible outcomes. The result is an undermining of the landmarks of modernization without a clear direction forward.

> The concept of *functional differentiation* addresses these issues. Diverse differentiated structures become more co-dependent and complementary—more "functional"—in a modernizing world (Durkheim 1893/1933). Thus political units are characterised more and more by differentiation according to the "functions" that particular substructures and crosscutting infrastructures and processes play in society, the economy, and, indeed, political life. Among the dimensions of functional differentiation, economic activities and roles tend to underlie wider social and political processes of structuration (Albert *et al.* 2013). Social bonds too are increasingly fractionated and multicultural, often localised, regionalised and, indeed, dispersed through material and immaterial transborder linkages such as information and communications technology, social media, migration and diasporas, and religious and ethnic, rather than "national,, identities.

Perhaps the best-known form of functional differentiation is economic, including multinational firms, financial markets and institutions, as well as a growing transnational division of labour among linked production processes or "supply chains" or "value chains." The integration and differentiation of these structures makes them prone to systemic, rather than localised shocks, as witnessed in the 2008 financial crisis. Nevertheless, in the context of a world that is increasingly characterised by complex interdependence, states, domestic political systems and public policymaking are vulnerable to crosscutting and intersecting independent variables they cannot control, ranging from terrorism to financial crises to the rapid growth of economic and social inequality. In the structural environment of the Third (and/or Fourth) Industrial Revolution(s) (Rifkin 2011, Schwab 2016), and the complex forces undermining neoliberal globalization and the state, whether ideological, social or material, there is also a trend towards developing diverse forms of neoliberalism from the quasi-democratic to the authoritarian (Bruff and Tansel 2019).

"Multiscalarity" focuses on the scale of social, political and economic structures and processes, and posits that in a globalizing world an uneven variety of both old and new scales of interaction are crystallizing and consolidating (see the debates on this issue in Brenner *et al.* 2003). Political agency is no longer defined by interest groups seeking out the levers of *state* power, because these levers are seen to be largely impotent or politically suspect (Holloway 2002). Related to this turn from the state is "deterritorialization". Structural homogeneity between state and society in specific geographical/territorial locations, crucial to the unitary coherence of the nation-state, is being undermined by cross-border linkages (Scholte 2000). In particular, the kind of strong, secure borders that are supposed to characterise the sovereign nation-state, are increasingly recognised as being impossibly porous, challenged around the world, and in many cases more analogous to fluid, pre-modern "frontiers" (De Wilde *et al.* 2019).

The concept of disparate "landscapes" also captures the fundamental paradox in globalization theory (Root 2013). On the one hand we have Friedman's idea that the world is increasingly "flat" and that globalization is a homogenizing force across borders. On the other hand, it is increasingly argued that globalization involves a growing divergence and uneven interaction between "flat" and "rugged" landscapes, where politics and society are increasingly dissolved and scattered, more and more difficult to control and manage, with developmental processes in one area having unintended consequences in others. There is also a spectrum of mixed landscapes between the two.

The concept of neomedievalism has been employed in international relations theory since the 1970s (cf. Bull 1977, see also Friedrichs 2001). Today, however, it seems more and more apposite to talk of the complex interaction not only of "competing institutions with overlapping jurisdictions" (Minc 1993, Cerny 1998), but also the interaction of localities, regions and different social and economic groups. The increasing complexity of the use of force from terrorism to privatization (Abrahamsen and Williams 2010), the localization and globalization of rule and the reach of the use of force, raises questions about whether this complexity will lead to endemic conflict or a "durable disorder" in which key actors are increasingly engaged in various forms of "brokerage" to smooth over the underlying dysfunctionality of the system.

The globalization of the neoliberal world order has fundamentally transformed the structures of sovereignty, where the monopoly of force and the claims of legitimate sovereign authority are increasingly hollow (Hardt and Negri 2000, 2009, Laffey and Barkawi 1999). Today, "rhizomatic" or subterranean interlinkages of informal, non-governmental social agents, structures and processes drive the generative processes of global order, processes that are radically distinct from forms of industrial revolutionary political subjectivity current only fifty years ago. Recent scholarship has suggested that up to 80% of the world's population lives in areas of limited, failed or contested statehood (Geldenhuys 2009, Risse

2011). Thomas Risse (2011) and colleagues (Risse *et al.* 2018, Beisheim and Liese 2014; see also Ostrom 1990), argue that in these areas, the state's monopoly of force simply does not reach, either because sub- or non-state actors undermine the any state monopoly on violence, or because no such monopoly of force existed to begin with. Whether in the mega cities that shape the planet or in its rural hinterlands, the failure of the Weberian state is a perennial feature of life at the margins.

One way to conceptualise these processes is to think of them in terms of what James N. Rosenau called 'fragmegration' (Rosenau 1990). This is an ongoing *process*. The European Union, for example, is in continual structural quasi-crisis, trying to deal centrally with plural tensions between the local and the transnational, as demonstrated by the Brexit issue in 2014–2020 and the setting up of a Eurozone bailout fund at the end of November 2020, which also involved difficult compromises between the E.U. and the 'illiberal democracies' of Hungary and Poland on various social and taxation issues. In the United States and in the rest of the developed and developing worlds, economic growth may well be slowing down as the Third Industrial Revolution runs out of steam (Gordon 2016, Stiglitz 2019), while inequality increases (Piketty 2017, Milanovic 2016). Furthermore, austerity and the erosion of the rights of labour are undermining the mid-20th century social contract on which the welfare state and liberal democracy have been based (Blyth 2013). Political leaders in unstable states are either engaged in attempting to restore authoritarian repression, as in Russia, China, Egypt and Turkey, or are ensnared in the breakdown of the political system, as in Brazil, Venezuela and a range of African countries. The number of what are called 'failed states' is increasing, but the plurality of ways in which they are doing so is cause for alarm.

Today disenchantment with the providential rhetoric of the Enlightenment is the norm. Rationalities of marginal utility have transformed statehood into a marketizing, *commodifying* process. The regulatory power and effectiveness of the state in a range of sectors is seen as itself eroding through regulatory arbitrage. And the growing complex cross-border linkages between firms, domestic socio-economic groups (and indeed between individuals as both producers and consumers) and transnational and transgovernmental interest groups and policy networks are widely seen to undermine the sense of overarching national identity and loyalty which has been the aim of political thinkers, leaders and movements of various ideological complexions in the modern era (Cerny 1995).

In this context, an Ordoliberal/neoliberal state that promotes a new model of 'entrepreneurial man' is affirmed. The neoliberal state in particular, dominant in political culture in leading capitalist states since the 1970s, sees people themselves as in essence quasi-Hayekian, personalised *enterprises* in permanent competition with each other (Davidson and Rees-Mogg 1997; Dardot and Laval 2014, Cerny 2020), rather than the social animals of other versions of political thought. Furthermore, the state has become a promoter of financialization rather than welfare or social democracy, prompting the financialization of society itself – replacing decommodifying welfare and public services, and undermining the potential for what has been called the 'entrepreneurial state' concerned with providing public goods (Tiberghien 2007, Block and Keller 2011, Herman 2012, Mazzuccato 2013).

Nevertheless, state remains the primary provider of welfare programs, and finance cannot do without it for a host of public goods rely on finance for credit. The connection

between finance and the state should be conceptualized as a relationship characterized by mutual interdependence (Roos 2019). Social democracy has been replaced by the supposed 'democratization of finance' and 'financial inclusion' (see Litan and Rauch 1998, Shiller 2003). The state has become, through such policies as quantitative easing, a monetary Keynesian rather than a fiscal Keynesian institution.

> Therefore the state itself in its traditional international "realist" guise, i.e. shaping and managing the overall "inter-national" system through diplomacy and, crucially, war—for example, through balances and imbalances of power—has become increasingly vulnerable and impotent in the face of both local and transnational forces and movements, "reactive" rather than "proactive." International intervention has become ineffective and counter-productive in the face of what has been called a growing but diverse set of conflicts between reinvented tribes and centralizing elites (Ahmed 2013). The state itself has in turn become a globalizing agent—a "competition state," promoting its own disaggregation (Cerny 1997, Genschel and Seelkopf 2015). In his context, the processes of "global governance" are increasingly fragmented (Cerny 2016, McKeon 2017) too.

4. Dimensions of heterarchy: from the national to the transnational

World politics is now better understood as a complex set of meso- and mini-hierarchies, including individuals and social groups, classes and vested interests, tribes and religions, and economic structures and processes including firms and markets that cut across state and regional boundaries, mediated at different speeds by different technologies, social bonds, identities and, in different forms of marketization and oligopolization/monopolization. All this produces territories without governments, authorities without states, shifting boundaries, regulatory system transcending borders and increasingly powerful but sectorally splintered supranational authorities (Cassese 2016). Materializing networks crystallise as functional material or ideological nodes that have enduring and emergent properties (Lawson 2012).

Global actors are always situated in some locale or other (Latour 2005, p. 173–174), constituted by the material relations within which they are situated, and shaped by the ideological forces which give these processes meaning. Material and ideological structural changes precede these interactions, shaping and changing them imperceptibly, but they are themselves changed in turn by the ways in which concrete actors act. The morphological character of these emergent social structures (Archer 1995), relatively ossified technologies and practices that emerge from the stabilised interactions of peoples, against which others must push, is always instantiated in the activities of individuals in their social groups, even if the causal forces most salient to those practices were first established thousands of miles away and by groups and networks sustained by people they may never meet.

> From this perspective, "levels" are an oversimplification. It is sociologically and methodologically more productive to consider all social relationships as constituted horizontally and diagonally, always through concrete traceable causation, whether material or ideological (Kurki 2008). Actors develop and maintain particular institutions and structures over time. So, for example, while semi-dematerialised price mechanisms by which markets and institutions relate to each other and to the wider economy, society and polity, shape our interactions, they do so through people and material processes that

connect them (Coole and Frost 2010, Srnicek 2013). They take place through our interactions with the computers, logistics, and groups of people "next" to us in an increasingly "intangible" world of "capitalism without capital" (Haskel and Westlake 2018). The process is itself non-linear and causally complex, and for methodological and analytical reasons we should conceptualise these relations as a dialectical spectrum of the horizontal, mediated and non-linear (Jackson and Nexon 1999, Cudworth and Hobden 2011, Prichard 2017).

For example, actors and political processes can only increasingly *react* to price changes that are independently produced by market and institutional transactions, many of which are automated. Actors' social positioning shapes their range of possible responses to material processes. And the state is no longer the key determinant of that positioning. Other globalizing trends include information and communications technologies that circle the globe while also creating the potential for backlashes of diverse kinds as awareness of global level problems, inequalities and instabilities spreads through our everyday practices. None of this is to deny the very real social and material hierarchies that structure social life. But it is through co-action that we are able to "reach" these otherwise inaccessible planes. Our framework for analysis simply suggests that "flattening the social," as Latour (2005) puts it, and then tracing how new forms of uneven fragmentation emerge, open up new ways of identifying agency in the structures of its own reproduction (Wight 2006).

This approach also *decentres* the state itself by placing it *alongside* other social and economic groups—rather than above the social and below the international (Prichard 2017). This anarchises our social ontology, but also makes the social more anarchic (Newman 2006), opening up the possibility of radical agency. Attempts to consolidate and centralise power and authority, to develop notions of levels and social hierarchy, to extend the reach of the state, have all been the mission of modernity (Scott 1998). And yet the entropic characteristics of social life continually militate against this. Strategically situated actors are able to mobilise and manage material resources, influential contacts, ideologies and mind sets, and knowledge in order to take advantage of and exploit the constraints and opportunities—especially points of access embedded in those structures in the pursuit of their preferred outcomes, whether monetary, status-oriented or power-wielding. We need to think about order itself in plural ways, as the emergent product of complex, mutually-constituting processes.

This has led to the consolidation of a range of 'extra-state authorities' (Belmonte 2018; see below) and 'regime complexes' (Alter and Raustiala 2018) across a range of institutions and processes including 'low capacity states', fragmented global governance, and oligopolistic, sectorally differentiated quasi-corporatist policymaking, regulatory and policy implementation processes. These embed the 'privileged position of business' (Lindblom 1977, 2001) and transnationally powerful interest groups, including intangible sectors such as information technology (FAAANGs, see below), banking and finance, etc., as well as transnational corporations, supply chains and other linkages transcending and undermining state territorial and economic boundaries. States themselves have sought to benefit from these structural transformations by sponsoring the international competitiveness of domestically located firms, leading to transnational oligopolization and rent-seeking. The state is not shrinking in size, but the '*macro*-state' is less and less structurally dominant and bureaucratically effective in the face of these meso-state, and micro-state and trans-state apparatuses. We argue, however, that state disaggregation and the capture of global governance processes and regime complexes are dependent and feedback variables, while uneven

'sectoral differentiation' (see below) is the primary independent variable in this process.

5. The limits of global governance and the politics of capture

Recent history suggests that the development of an effective global governance structure as a way to reorganise world politics increasingly unlikely, even moving in the opposite direction. Biermann (2009) refer to the 'fragmentation of global governance architectures' as the dominant trend in the 21st century. The International Monetary Fund, as a result of its imposition of conditionality, especially in the wake of the Asian financial crisis of the late 1990s, is today treated with caution in the developing world. As a result, the organization has turned back to Europe – its original remit in the 1940s – but has limited clout there, as shown recently by its less than successful attempt to introduce the option of debt relief into the 2015 Greek bailout crisis negotiations. The World Trade Organization, although its Dispute Settlement Mechanism is still relatively efficient, found the Doha Round to be a non-starter. The proliferation of fragmented preferential trade agreements, from the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership to myriad bilateral and minilateral pacts, is the current trend. And the European Union is caught up in the Eurozone and migrant crises along with the negotiations on British membership ('Brexit'), challenging the very cooperative core of the union itself.

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

At the core of these processes, furthermore, is the interaction of the public and the private. Governance in a globalizing world is about the *hybridization* of the public and the private. Key actors – the more powerful economic interest groups, state actors in particular issue areas, certain NGOs, etc. – have differing and sometimes incompatible interests as well as common interests and engage in processes of conflict, competition and coalition-building in order to pursue those interests.

In this neopluralistic political process (Cerny 2010), actors depend upon the capacities of real-world, crosscutting 'interest' groups – including both 'sectional' (or 'material interest') and 'value' groups (Key 1953), civil society groups, non-governmental

organizations (NGOs) and social movements – to manipulate constraints, to identify and take advantage of opportunities, and to shape new directions through processes of competition and coalition-building. What is new, however, are the rapidly evolving transnational linkages among groups in a growing range of overlapping transnational webs of power. The most important movers and shakers are no longer simply domestic political forces, institutions and processes, but transnationalizing: whether in terms of economic interdependence, including multinational firms and global financial markets, as well as production, distribution and consumption chains; social interconnections, migration and the movement of people; relationships of violence and force (including terrorism); 'transgovernmental networks' cutting across governments themselves; problem-solving 'epistemic communities' (Haas 1997); technological change from the internet to a growing variety of human activities; ideological conflict and competition; and a whole range of other deep trends.

Instead, the most influential actors are those who can coordinate their activities across borders, at multiple levels and linking multiple nodes of power, and are thus able to convince and/or bully governments, other competing actors both public and private, and mass publics alike, shaping in this process not merely transnational – even global – outcomes but also local and regional micro- and meso-politics too. *Governance* itself is therefore being transformed into a 'polycentric' or 'multinucleated' global political system operating within the same geographical space – and/or overlapping spaces – in ways analogous to the emergence of coexisting and overlapping functional authorities in metropolitan areas and subnational regions (Ostrom *et al.* 1961).

The multinationalization of industry, the expansion of trade and the globalization of financial markets, along with the development of a transnational consumer society, have transformed many sectoral groups into transnational interest groups, operating across borders and involved in complex competition and coalition-building with each other, with state actors, with so-called 'global governance' regimes, and increasingly with mass publics. Within and across states, too, bureaucrats, politicians and other officials or state actors have become more and more imbricated with groups of their counterparts in other countries through transgovernmental networks, policy communities and the like. In the economic sphere, post-Fordist forms of production based on flexibilization have transformed 'techniques of industry', labour markets, finance and the like (Haskel and Westlake 2018, Frey 2019). The particular shape a transformed international system is likely to take will be determined primarily by whether particular sets of groups – in particular, those competing groups led by 'institutional entrepreneurs' or 'change masters' (Kanter 1985) – are best able, either strategically or accidentally, to exploit the manifest and latent structural resources or political opportunity structures available to them most effectively in a period of structural flux.

Key sets of groups that have in the past been closely bound up with the territorial nation-state are increasingly experimenting with new forms of quasi-private regulation of their activities, especially in the context of neoliberal ideology and approaches to governance. And state actors themselves, once said to be 'captured' by large, well-organised domestic constituencies, are increasingly captured instead by transnationally-linked sectors. These actors do not merely set state agencies and international regimes against each other – a process sometimes called 'venue shopping' (or 'forum shopping') or 'regulatory arbitrage' – but they also cause them to try to network in an increasingly

dense fashion with their peers in other states and simultaneously instil them and their transnational private/public links in state elites too. Salas Porras, for example, documents in impressive detail how this process has played out in Mexico (Porras and Alejandra 2020). Among the major losers are trade unions and other groups with few transnational linkages, although they are sometimes still in a position to obtain compensatory side payments from national governments.

Major social movements and cause groups are increasingly focused on transnational issues, such as the environment, human rights, women's issues, the international banning of landmines, opposition to the holding of political prisoners, promoting 'sustainable development', eliminating poor countries' international debts and the like. Growing pressures for migration, along with new possibilities for international communication, have not only led to active diasporas and 'global tribes' (Kotkin 1992) but also to major movements of refugees and asylum seekers attempting to escape civil wars and unrest of. The key driving force will consist of transnationally-linked actors engaging in cross-cutting competition and coalition-building – oligopolistic – behaviour, exploiting the growing institutional loopholes of global politics, constructing new power games, creating new networks and heterarchies, changing people's perceptions of how world politics works – changing the parameters and dynamics of who gets, and *should* get, what, when, and how.

Operating in such a changing world is leading to new problems of management and control, what Lake has called 'the privatization of governance' (Lake 1999, Kahler and Lake 2003) and others have identified as the emergence of 'private authority' in international affairs. Private actors decide more independently the rules of their conduct and act to ensure order in the markets, facilitate trade and protect private property (Claire *et al.* 1999, Ronit and Schneider 2000, Hall and Biersteker 2003, Stringham 2015). Institutions and formal processes of global governance do not have the direct sanctioning power that has been at the core of state development in the modern era – especially in the form of Weber's 'monopoly of legitimate violence', whether domestic or international. In the meantime, the sovereignty of states is only partially and unevenly pooled through the development of intergovernmental institutions and processes.

In this world, even small firms that seem ostensibly 'local' are not immune, being dependent upon 'foreign' raw materials, export markets, investment finance, migrant labour and the like, and both increasingly form nodes of wider networks and coordinate their actions. Less formal networks and more formal interaction among firms, 'private regimes', 'alliance capitalism' and the ability of non-state actors in general to develop a range of formal and informal interconnections have led to significant degrees of 'policy transfer' both across states and in terms of shaping the evolution of global governance more broadly (Higgott, Underhill and Bieler 2000; Evans 2005). Significant issue-areas, including accountancy, auditing and corporate governance, have witnessed ongoing negotiation processes among firms, private sector organizations representing particular industrial, financial and commercial sectors, as well as governments and international regimes, in order to reconcile conflicting standards and move toward a more level playing field (Mügge 2006).

The organization of the world of work, once embedded in the Fordist factory system, increasingly depends upon flexible, complex transnational economic activities and circuits of political-economic power. Those actors who will be most effective at influencing

and shaping politics and policy outcomes are those who: perceive and define their goals, interests and values in international, transnational and translocal contexts; build cross-border networks, coalitions and power bases among a range of potential allies and adversaries; and are able to coordinate and organise their strategic action on a range of international, transnational and translocal scales in such a way as to pursue transnational policy agendas and institutional *bricolage*.

A final issue concerns the structure of the institutional playing fields themselves, whether concentrated or diffused, unitary or fragmented, and the sorts of rules and practices that have evolved to coordinate different levels and/or pillars of the political system. It is becoming more and more difficult to organise politically effective resistance to globalization as such, especially in the more developed capitalist states, although recent examples of the growth of populism on both right and left has been at the forefront of recent politics. Meanwhile, recent attempts to reform financial regulation, for example, are increasingly facing obstacles stemming from the lack of a coherent transnational response (Goldbach 2015).

Long-term left/right blocs are giving way to mixed and looser and often unstable coalitions, leading to political cognitive dissonance and, at times, to strange alliances that can distort preferences rather than effectively pursue them. Major international meetings like the G20 or the COP24 climate change conference not only demonstrate differences among states; they are immediately faced with domestic pressures, making the transnationalization of policy something that often has to be pursued surreptitiously and legitimated indirectly – or 'depoliticised' – especially when the light of crisis or disruptive change is shone on particular domestic sectors and interests (Roberts 2010). Therefore, there is unlikely to emerge a broad-based, public interest oriented 'global civil society'.

6. Extra-state authorities

These structural trends are becoming *institutionalised*, which is why we choose to use the term heterarchy. Those new actors – what we call 'extra-state authorities' – increasingly compete with the state's ability to establish rules, control borders, formulate and implement public policies autonomously, and go beyond states' boundaries and create their own sovereign system. Since those authorities are very different between each other and they constantly evolve, approaching them together in a classification based on their nature and organizational structure appears very complicated (Strange 1996). An easier path is to classify the extra-state authorities by referring to the nature of the interests pursued by these authorities (public/private) and their relations with territory (territorial/non territorial).

Crossing these two aspects (table 1), we obtain four ideal-typical categories of extra-state authorities: territorial public authorities; territorial private authorities; non-territorial public authorities; non-territorial private authorities. These categories differ from one another for the original source of the authorities that compose them. We call them self-government authorities, illegal authorities, civil society authorities, and economic-financial authorities.

6.1. Tab.1 Categorization of the extra-state authorities

All of them have in common an increasing role in the world political arena, due to a growing participation in decision-making processes, an increasingly greater availability of resources, and a larger involvement in the realization of public policies.

The category of *Self-government Authorities* is widely heterogeneous because of its components, originating in diverse historical moments and based on different organizational structures. Notwithstanding, they are united by the fact of being organised in communities and administering territories over which they do not recognise any other authority. Indeed, Self-government authorities claim through diverse means (formal declarations, requests addressed to supranational institutions, conflicts and armed resistance against states claiming the control of the same territory) the monopoly of a specific territory, which is considered fundamental for the existence of the authority because of an historical link that, in many cases, dates back to before the creation of states. On their territories there are bureaucratic systems, hierarchies and systems of rules aiming to guarantee law and order and to protect the land and the people living there. Also, through standard systems of taxation, they gather economic resources that, according to the public and legitimate decisions, are employed to provide – in a nondiscriminatory manner – good and services to their communities. This category includes uncontacted societies, nomadic societies, and self-government bodies that govern territories without being subjected to another state sovereignty.

The *Illegal Authorities* category includes components that have in common their illegal status under the legislations of states and supranational authorities, namely criminal cartels, mafias and illegal settlements. They are territorial because they claim – especially through violence – the control of specific territories to which they are linked by group identity, historical presence or religious narratives. Illegal authorities do not pursue public-oriented interests because: they are not considered legitimate by external public authorities and they do not establish legitimate forms of taxation to increase their revenue and to provide public utilities; the decision-making processes related to the use of resources take place in private and illegitimate contexts; and they do not provide good and services according to the principle of equity and solidarity.

The *Civil Society Authorities* category includes: political-religious transnational movements, that – through 'spiritual-normative' influence and several forms of soft power – have sufficient power and legitimation to be considered political authorities; and the transnational NGOs that play an increasing influent role in the creation of the international rules by taking part in the negotiation of multilateral treaties, lobbying the states so that they respect certain conducts, and directing the public opinion (Ferrarese 2000, Cassese 2016, Marchetti 2017). These forms of political authority do not claim the exclusive control of any territory and do not establish any rules and laws to be imposed through the threat of the use of force. The absence of territorial links is their strength because the possibility of going beyond territorial boundaries allows transnational religious movements and NGOs to intercept and give voice to values, needs, and requests that are more complex and deeper than the ones deriving from the local and state level (Ferrarese 2000). Their public-oriented character is demonstrated both by the capacity of these authorities to collect resources through voluntary contributions, and by the contributions they receive from other public institutions. On the basis of legitimate decision-

making processes, those resources are employed to produce goods and services for the members of their communities.

Finally, the *Economic-Financial Authorities* category includes transnational corporations and transnational financial agencies. In an era where states compete to attract foreign direct investment, transnational corporations can make strategic actions and decisions independently of the interests of the countries in which they operate and influence the governments regarding environmental and use of land policies. Indeed, some states limit the execution of laws which protect the environment in order to attract transnational corporations to their territory. They do not claim any control of territory and their transnational character allows them to transcend the states' borders, bypassing the limits imposed by territorial sovereignty of states (Strange 1996, Bauman 1998, Cerny 2010, Marchetti 2016). At the same time, they have an increasing role in law-making processes that they exercise through lobbying activities. Often they turn to practices of self-regulation, private governance, risk management and alternative dispute resolution (Stringham 2015).

Their resources come from private sources – even if governments very often support transnational corporations (TNCs) through public investments and favorable tax conditions (Cerny 1997, Mazzuccato 2013) – and are used to earn profits for a restricted circle of actors that in most cases are involved in private decision-making processes. At the same time, transnational financial agencies operate in several economic-financial fields, including the insurance, accountancy and risk management sector, affecting the allocation of resources between social groups, national economies, and commercial enterprises (Strange 1996, Pizzorno 2001; Stringham 2015). Their authority originates from their power to affect the activity of other actors through incentives and/or deterrents aiming to determine their choices, and they are legitimised by the people's trust in their capacity to ensure the long-term stability of the capitalist system. Indeed, they assume an institutional role consisting in ensuring trust among participants in economic-financial transactions (Pizzorno 2001). Consequently, transnational financial agencies are able to strongly influence industrial development paths by exerting an increasing political authority. At the same time, they influence the behavior of rulers who recur to transnational financial agencies to assess the security and solidity of private and public institutions, so limiting the national governments autonomy.

7. Sectoral differentiation

The core factors structuring heterarchy can be categorised through the New Institutional Economics framework of Oliver Williamson (1975, 1985) along the lines of 'asset specificity', i.e. a spectrum (see below). At one end we find so-called 'natural monopolies' and, of course, oligopolies, especially where they are transnationally linked, characterised by 'specific assets' that are basically indivisible, like the big factory system, aircraft manufacturing, Fordism, etc.; and, at the other end, those characterised by structurally competitive, divisible and inherently tradable 'non-specific assets'. In the 21st century, however, there has been rapid and far-reaching *technological* change which is profoundly transforming both domestic and transnational economic structures and processes from – from small businesses to global finance. In particular, there is an ongoing debate about whether these changes lead to a growing tendency for the abstract financial economy to

become divorced from the 'real' economy of production – what has been called 'capitalism without capital' (Haskel and Westlake 2018).

Analysts including Robert Gordon (1994), Thomas Piketty (2017) and Joseph Stiglitz (2019) have argued that the Third and Fourth Industrial Revolutions – information and communications technology (ICT) and other intangibles – have actually reduced the profitability of the real economy, leaving capitalists fewer alternatives to financial manipulation to gain income and wealth compared to the Second Industrial Revolution era – a process called 'financialization' or 'financial alchemy' (Gemzik-Salwach and Opolski 2017, Bayoumi 2017), leading to growing inequality and economic instability. This process, combined with the increased capacity of transnationally linked financial special interests and pressure groups to lobby and capture state and international policymaking agencies and processes – embedding neoliberalism, privatization and regulation – leads to an *uneven* heterarchy of the kind we have elsewhere labelled 'transnational neopluralism' (Cerny 2010).

The politics of economic liberalization, competitiveness, regulation and governance that have characterised recent structuration trends require a far-reaching shake-up in terms of institutional boundaries, multinodal hierarchies and policymaking processes. Boundaries, especially economic boundaries, are less and less about distinctions between territorial units and constituencies and more and more about those between *economic sectors* with different asset structures, cross-cutting socio-cultural networks and interest groups that span the local and the transnational, state agencies (and public-private organizations) with competing clienteles and crosscutting, cross-border – transgovernmental – connections, and new groups of social and economic *'winners' and 'losers'*. This process includes reorganizing political institutions, realigning political forces and coalitions, reforming policy processes, and restructuring ideological space – reinventing the social dimension of politics through new policy and coalition 'spaces' populated by a wide range of new and old political actors in both the developed and developing worlds. This is, of course, the stuff of the relatively new transdisciplinary field of International Political Economy.

8. Constructing new boundaries

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

Three kinds of structuring dimensions, taken together, differentiate these issue-areas and distinguish the forms of governance most likely to develop in each – what are referred to as 'policy domains'. The first is a mainly *economic-structural dimension*, developed primarily in the field of institutional economics – that of asset structure

(Williamson 1975, 1985). Williamson's key hypothesis is that where a particular economic activity or process is characterised by assets that cannot easily be disconnected or disentangled from other assets – in other words where they are only 'fit' for a specific purpose and lose value if redeployed for other purposes ('specific assets') and where it is difficult or impossible to determine their prices through a standard, market-based price setting mechanism – then they are usually more effectively organised and governed through hierarchical structures and processes, i.e. decision-making or governance processes that determine the uses for those assets by authoritative pronouncement or *fiat* ('long-term contracting').

However, where an activity or process is characterised by assets that *can* be separated out and/or divided up without losing value – especially where there are other uses to which they can be easily redeployed, increasing their value where they can be bought and sold freely and where there is an efficient price setting mechanism at work ('non-specific assets') – then they are likely to be more efficiently organised through *markets* ('recurrent contracting'). It should be noted that spatiality is a key element in this equation, as physical location and 'economies of agglomeration' are among the most significant specific assets.

In purely economic terms, this means that firms with extensive specific assets are more efficiently organised through quasi-monopolistic, hierarchical governance structures. In public policy terms, this means on the one hand that where a particular industry or activity is characterised predominantly by specific assets – for example, a large integrated Fordist production process with non-divisible technological assets like large integrated factories and production lines, low marginal costs and high economies of scale based on economies of agglomeration (as with traditional cold rolled steel production) – then government intervention, whether through public ownership, direct control, subsidization and/or traditional 'hands-on' forms of regulation, is more likely to lead to relatively efficient outcomes compared with pure privatization or marketization with their 'bottom line' requirement of short term (as well as long term) profitability that lead to monopolistic or opportunistic behaviour.

On the other hand, where an industry or activity is characterised predominantly by non-specific assets – say a flexible, post-Fordist steel mini-mill, a small business that does not attract takeovers by large, especially transnationally organised firms, some high tech companies, service industries, etc. – then not only will it be more efficiently organised through private markets, but also, in public policy terms, arms'-length regulation concerned with setting general, process-orientated rules for market transactions, ensuring price transparency and preventing fraud in an otherwise privately organised market setting will be more efficient. This distinction becomes crucial when placed in the context of globalization. One current focus of debate is on the so-called FAAANGS – Facebook, Apple, Amazon, Alphabet, Netflix and Google – as to whether they represent a new form of transnational monopolization, with the consequent problems of developing transnational antitrust regelation.

The second dimension therefore concerns the *configuration of interests* characteristic of the industry or activity concerned. On the one hand, patterns of cross-border sectional or economic-utilitarian politics of specific agricultural sectors will be very different from those of a rapidly changing steel industry, varied high tech sectors, textiles and other consumer goods, or the commercial aircraft industry, based mainly on their asset structures (specific or non-specific) and on their cross-border geographical integration

and interdependence. On the other hand, new forms of value politics on a range of globalizing non-economic issue areas like AIDS prevention, poverty reduction, criminal law and the like, have been growing, where transnational pressure groups, advocacy coalitions and non-governmental organizations (NGOs) seek new ways to compete and cooperate in the quest for political influence, economic clout and social relevance.

The third dimension concerns the relative sensitivity and vulnerability of the industry or activity to specific transnational economic trends – in particular export potential, import vulnerability, position in an international production chain, exposure to internationally mobile capital and the like. There are essentially two aspects of this dimension – the mobility of physical capital and cross-border price sensitivity. When an industry or activity is insulated from such cross-border structures and processes, then lobbying pressure and 'iron triangles' in that sector are likely to favour traditional redistributive/protective policy measures. However, firms and sectors that are highly integrated or linked into such structures and processes, especially where there is a 'world market price' for a good or asset that determines local prices, then lobbying pressure from firms in that sector and from industry organizations is likely to be organised through flexible 'pentangles' – coalitions that include transnational actors from outside the national 'container' and which operate at transnational level to influence global governance processes – rather than simpler iron triangles (Cerny 2001).

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

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

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

9. 21st Century scenarios

There are several complex – and interactive – potential outcomes to these developments. The first is 'durable disorder' (Minc 1993), in which actors are continually attempting to experiment with pragmatic reactions to manage these developments through such processes as publicizaation. The second involves complex, uneven issue-area – triangulated – assemblages of vested interests, hubs, brokerage, 'sectoral corporatism,' etc., in differentiated sectors; this is probably the closest to heterarchy. We would also include transnational neopluralism in this scenario, i.e. Lindblom's privileged position of business. The third leads to anomie – unstable upward and downward trajectories of distinct triangulated sectoral groupings possibly even *dystopia*, leading to a fundamental destabilization of world politics.

The fourth is muddling through, with regulators in the different heterarchical assemblages trying to catch up with economic, social and political – especially technological, as with intangibles, and, of course, financialization – changes (forthcoming, 2021). The most likely outcome will be an uneven and unstable mixture of these scenarios. Heterarchy therefore is still in an early stage of development. But given the dialectic of globalization and fragmentation, it appears to be the way the world is restructuring – or being restructured. The late 20th and early 21st centuries would appear to be a critical – secular – *branching point* in the path dependency of world politics and political economy, with a more uneven and unstable form of transnational capitalism unfolding that will increasingly be dominated by complex special interests. This restructuration process requires a new paradigm – heterarchy.

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