Globalization as a double process of institutional change and institution building

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Conclusion

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Globalization is a word that suffers from overuse. Still, behind the overstretched concept lies the reality of an economic world that is not fully contained nor constrained by national boundaries. Economic organization and coordination increasingly reach across national borders and the impact is being felt both within the transnational sphere and, through rebound and indirect impact, at the national level as well. We started this book by acknowledging the need to take into account this transnational reality and its potentially quite significant impact. We now want to point, however, to its full complexity.

The focus in previous chapters has been on globalization as a dependent variable, an 'object' to be explained rather than an independent variable or an explanatory factor. Globalization can be taken as a given, a context and reality with a significant impact on economic behaviour and coordination – but also potentially on cultural repertoires, political processes and human interactions. This is indeed the approach that dominates in journalistic contributions as well as in most academic work. Questions tend to bear on how globalization is changing our lives or in Giddens' words how it is 'reshaping our lives' (2000). Generally, the picture that emerges from that kind of approach is one where globalization is a neutral, impersonal, inevitable and a-historical force (Guillèn 2001).

Our collective understanding and project in this book has been both different and complementary. We have treated globalization as a phenomenon in the making, to be described, explained and understood. This phenomenon is worthy of being studied in itself and not only for the consequences it may have. Our objective was to take the first steps in that

direction. Chapter after chapter, we have engaged in this book in the problematization and deconstruction of the phenomenon of globalization. Naturally there have been quite a few episodes in world history of internationalization of economic activities (see e.g. Wallerstein 1974, Robertson 1992, Murphy 1994, Williamson 1996, 1997 or Moore and Lewis 2000). Our focus however has been on the latest of such episodes, to which we reserve the term globalization. We see it starting after the end of World War II (McKenna et al., Whitley and Lehmkuhl in this volume) and accelerating significantly from the 1980s (all other contributions to this volume).

Deconstructing globalization

Deconstructing the phenomenon of globalization requires a contextualization of the multiple layers and empirical forms that make up and reveal that phenomenon. The empirical chapters above delineate three main paths to contextualization, which contributors have combined in different ways and to different degrees.

The first path has been the reintroduction of history and the attempt to take a long view on any particular layer or dimension of the globalization story. This path appears particularly salient in the chapters by McKenna et al., Whitley, Lilja and Moen or Plehwe. The main points of focus there have been the question of origins, the identification of moments of bifurcation and the description of the process of emergence of new logics. A second path has been the emphasis on actors and the identification of their multiple and sometimes conflicting motivations, interests and strategies. This comes out quite clearly in the contributions by Tainio et al., Kleiner or McNichol and Bensedrine. The third path, finally, has been a systematic focus on the interplay or articulation between the global or transnational

on the one hand and the local or national on the other. Without any exception, this path has been followed by all contributors.

At this stage of our collective road, the picture of globalization that emerges is far from glossy or unitary. Rather than an end, naturally, this chapter is probably the conclusion of a first step and hopefully a solid beginning. Nevertheless, we can already start making a number of observations. From the combination of contributions to this book, globalization clearly does not seem to be a smooth, unitary and neutral reality. Rather, it very much appears to be a multilevel and multilayered historical process, which is socially constructed and locally contested and reveals coexisting, competing and conflicting actors and logics. Globalization, we find, is a process or even more precisely a combination of multiple and partly interrelated processes, meaning that it is still very much open ended and in construction. Rather than a given reality or inevitable force bringing along and triggering significant transformations, we propose that globalization might be seen in fact as the sum and combination of transformations, an emergent and emerging multilayered construction.

This understanding of globalization as an aggregation of multilayered and multilevel open-ended processes, as a sedimenting and dynamic construction does resonate with recent calls in the academic debate to move away from static, homogeneous and unitary conceptualizations of globalization and towards understandings that take in complexity (Held et al. 1999, Guidry et al. 2001, Guillèn 2001). The step we take in this volume makes it possible to point to some of the key mechanisms of complexity and hence contributes to reducing it, at least to some degree. The set of empirical chapters in this volume reveals that interactions, competitions or conflicts between different actors, different institutions and different rationalities, are constitutive of the globalization phenomenon. The latest episode of globalization is the aggregated result of those multiple interactions, conflicts and contestations. Interactions, conflicts and contestations are taking place within national spaces,

at the borders of the national space as well as in the transnational arenas. And they are not the same everywhere. Taken collectively, the contributions to this book show that these interactions and conflicts are contingent and contextual, which accounts for the multiplicity and variety of layers in the phenomenon of globalization.

Globalization and institutional rules of the game

Behind a glossy word, we find therefore a collection of contested and discontinuous processes. The chapters in this book collectively also seem to show that the tensions, discontinuities and contestations that fall under the label 'globalization' are fundamental and profound ones. The contemporary episode of globalization has been naturally about the internationalization of exchanges, about flows of goods, money, technology, organisations and people across national borders (e.g. Ohmae 1990, Sassen 1998, Giddens 2000, Guillèn 2001). It has indeed been about the 'widening, deepening and speeding up of global interconnectedness' (Held et al. 1999, p. 14). In that sense, globalization shares quite a few similarities with earlier episodes of internationalization of economic activity (Murphy 1994, Moore and Lewis 2000, James 2001). The conclusion we reach however, looking at the empirical contributions to this volume, is that the internationalization of exchanges or increasing interconnectedness are probably only the tip of the iceberg, mere epiphenomena, in contemporary globalization.

The most striking about globalization we argue is that it seems to be principally and deeply about institutional logics and systems, about conflicting contextual or 'bounded rationalities' (Kristensen 2000), about what we call here 'rules of the game'. We focus in this volume on the economic dimension of the episode of globalization that started after 1945 to

accelerate in the 1980s. Hence our interest lies in rules of the economic game although the argument is likely to be valid in a much more general way, well beyond the economic sphere. As illustrated by the contributions to this volume, globalization means contested negotiations and renegotiations of those 'rules of the economic game'. And those negotiations and renegotiations mean conflicts between preexisting sets of rules, possibly translate in re-combinations using preexisting bits and pieces or even lead to the emergence of entirely new rules or sets of rules.

In the way we use it, the term 'rules of the economic game' is wide and encompassing. It resonates with the idea of an institutional backbone for economic activity. The institutional frame in which economic activity takes place is in part structural – laws and regulations, political institutions and structured channels of interaction, education and financial systems amongst others (Whitley 1992, 1999). We find examples and illustrations of the defining role of those structural rules in most if not all contributions to this volume. At the same time, structural frames often reveal or combine with normative, cognitive or ideological rules (Meyer and Rowan 1977, Campbell 1998). Quite a number of contributions to this volume empirically document that (Tainio et al., Kleiner, Lilja and Moen, Nichol and Bensedrine, Ventresca et al.). We propose the term 'rules of the economic game' to encompass both the structural and normative institutions that frame economic activity in any particular context. Collectively, we thus break the firewall that tends to separate those who define institutions as structures from those who see them as normative and cognitive frames (this firewall has been one of the main problems with neoinstitutional theory, see e.g. Campbell 1998, Clemens and Cook 1999, Djelic 2001). Rather than opposing structural or material and ideological analyses, we contend that both are necessary.

Globalization is at the very same time a material and an ideational phenomenon. An important contribution of this volume, we believe, is to show that globalization is about these

institutional 'rules of the game', both the structural and the normative/cognitive ones and their transformation particularly in the recent past. Our collective results point in two different directions.

At a first level, globalisation is about the redefinition of economic rules of the game and institutional systems within national spaces, for the most part through a slow and incremental process. Globalization is about institutional change and the evolution and transformation of national business systems (Whitley 1992) and 'national business rationalities' (using and transforming a term coined by Dobbin who talked in 1994 of 'national industrial rationalities'). This comes out particularly clearly in the contributions by Tainio et al., Kleiner, McKenna et al. or Whitley, which were grouped together under Part I of this book.

Then, at a second level globalization is also about the elaboration of new rules for the economic game, about the building of new institutional frames particularly within the space between and across nations. This we have found to be illustrated and documented quite clearly in the contributions by Lilja and Moen, Plehwe, Midttun and Micola, McNichol and Bensedrine, Ventresca et al. or Lehmkuhl. This second group of contributions constitutes part II of this volume.

We have separated contributions in two groups in this manner mostly for analytical purposes. The first set of chapters does have as a common focus the transformation of national institutional systems. The second set is clearly better defined by an interest in the building and emergence of new institutional frames at a transnational level. Nevertheless, all contributors see and acknowledge the interactions between these two types of processes – institutional change at the national level and institution building at the transnational level. Those interactions play themselves out in a way that is schematically illustrated in figure 1.

Figure 1 about here

We have collectively argued in this book that transnational institution (or rule) building may be one of the most striking features of the current period of internationalisation. As Part II shows, this process of institution building at the cross-national or transnational level cannot be conceived in total isolation and abstraction from national rules of the game. Even in cases of multilateral negotiations such as the one described by McNichol and Bensedrine the objectives, projects, resources and logics of participants – be they individuals or organizations – are shaped and framed to some, and sometimes to a great, extent by the national institutional systems those participants are originally or primarily connected with.

In turn, however, we have shown also that new transnational frames are likely to challenge, to confront and to change – even though slowly and incrementally – national institutional systems. They can do so through direct impact – what we call here 'trickle-down' effects or mechanisms. When European Union institutions or any other kind of transnational institution (e.g. the WTO, the IMF or the World Bank or the Biosafety Protocol) exert pressure directly at the national level on member governments to rewrite national laws or in more general terms to redefine national rules of the game, then we have what we call 'trickle-down' effects or mechanisms. Illustrations of that type of mechanism can be found in a number of contributions to this volume, particularly in Part II. The impact can also be more indirect as documented in most chapters of Part I and in some chapters of Part II. Through cross-national interactions at subsocietal or meso levels – sectors, industries, professions or even from region to region – actors are being drawn into social spaces that extend well beyond their national context of origin. In that process, those actors are likely to be confronted with and to have to function within sets of rules that may be quite different from those of their country of origin. Subsocietal actors (firms and/or groups of individuals in Tainio et al., Kleiner, McKenna et al. or Midttun and Micola, firms and networks or

associations in Lilja and Moen or McNichol and Bensedrine, stock exchanges in Ventresca et al.) become the vectors and transmission belts through which those new rules are brought into a given national space. In certain circumstances, those subsocietal actors may be more than mere messengers. They may become real mediators. They may contribute indeed to pushing those new rules up towards the national institutional level, fostering in the process a transformation of the national business system or of the national business rationality. This path or pattern we associate with 'trickle-up' effects or mechanisms.

Globalization as a process of institutional change

After confronting and combining the empirical contributions to this book, we are able to make the following claim. The latest period of economic internationalization has created several paths and opportunities for the transformation of national institutional systems and rules of the economic game. National institutional systems are robust but in contrast to recent books that emphasise on the whole stability and self-reinforcing path-dependencies (Whitley 1999, Maurice and Sorge 2000, Zeitlin and Herrigel 2000, Hall and Soskice 2001) all contributions in this volume point towards change. The change we document can be quite significant but it appears to take place in more of an incremental than an abrupt or radical way. This book complements – and does not necessarily contradict – a literature on radical and abrupt changes following large-scale ruptures and crises most of which bears on Eastern Europe after 1989 (Stark and Bruszt 1998, Elster et al. 1998, Kitschelt 1999, Jones-Luong 2001, Aslund 2001 but see also Djelic 1998 on Western Europe after 1945). Even though it focuses on radical turning points in the life of a particular country, this literature indeed also points to

much less than clear-cut revolutions and to a fair degree instead of step-by-step adaptation, backlash or boomerang effects and partial hybridization.

The globalization story we tell in this book is thus a story of national institutional change – resistance and partial persistence being natural correlates (Djelic 1998). This story is one of incremental rather than abrupt and radical change, with nevertheless, we argue, quite consequential effects. A particular aim of this volume has been to provide evidence of and contribute to a better conceptualisation of the trickle-up and trickle-down trajectories through which national institutional systems are being transformed in co-evolution with a globalizing world economy.

Incumbent versus Challenger rules

All contributions to this volume start from the recognition that economic activity is embedded within a larger institutional frame (Weber 1978, Polanyi 1949, Granovetter 1985). The economic sociology literature that builds upon this idea of embeddedness has tended to underscore the historical significance of the national level in defining and shaping this institutional frame (e.g. D'Iribarne 1989, Fligstein 1990, Dobbin 1994, Whitley 1999, Maurice and Sorge 2000, Hall and Soskice 2001). The argument in that literature is that, at least in the modern age, the rules of the economic game have been essentially defined and shaped at the national level. Nation states and political institutions have traditionally played a key role in that process. And that process has often been intimately linked and correlated with state and nation building.

Those historically dominant national frames or rules of the game we propose to call 'incumbent rules', at least when they are considered from within their national system of origin. Most contributions to this volume document a still quite significant role and place in

today's economic world for incumbent rules of the game. However, the presence and increasing role and significance of competing or 'challenger rules' is also one of our main collective findings. Globalization, we find, is about challenger rules of the economic game, challenger institutional frames colliding within a particular arena or space with nationally defined, incumbent rules.

The contributions to this volume point to two main categories of challenger rules. Challenger rules can be the rules of the economic game from another national space – those challenger rules are themselves incumbent rules in their geographical context of origin. The chapters by Tainio et al., Kleiner or McKenna et al. look at the impact of this particular type of challenger rules. In all three cases, the challenger logic is the Anglo-Saxon if not the American one. Another category of challenger rules, particularly salient in Part II of the volume, are these rules with no particular or clear national origin that come to structure the transnational economic space. We look in greater details, in the section below, at the process through which those rules are being constituted, at what we call the process of institution building at the transnational level. The contributions by Lilja and Moen, Plehwe, Midttun and Micola, McNichol and Bensedrine, Ventresca et al. or Lehmkuhl all show that this particular category of challenger rules has come to play an increasingly significant role over the past fifty years, colliding regularly and sometimes violently with incumbent national institutional frames.

A 'stalactite' model of change – incremental but consequential

Work on national institutional systems or national business systems (D'Irbarne 1989, Dobbin 1994, Hollingsworth and Boyer 1997, Whitley 1999, Maurice and Sorge 2000, Hall and Soskice 2001) generally underscores the interdependence and close integration of institutional

elements within any single one of those national systems. A common argument in that tradition is that national systems are self-reinforcing and hence quite stable equilibria. The idea is that pressures at the level of certain institutional dimensions are likely to be neutralized and absorbed by the system as a whole, leaving little or no traces behind. The possibility of change is not ruled out but it appears quite unlikely in this framework since in fact for it to happen it seems that most if not all constitutive elements of the system would have to evolve or be transformed simultaneously. This indeed will be rare if not totally unlikely, including in situations of extreme shock or crisis or in the most acute of revolutionary episodes. As the experience of Germany after 1945 (Berghahn 1986, Schwartz 1991, Djelic 1998) or the more recent fate of Eastern European and Post Soviet countries (Stark and Bruszt 1998, Kitschelt 1999, Jones-Luong 2001) show, blitz-type interventions, shock therapies or radical institutional reengineering are bound to encounter significant resistance and obstacles that are created in part by robust and enduring institutional configurations. They will generally have much less impact than anticipated and the persistence of preexisting patterns will be stronger than expected. Hence if change is defined as a radical and time bound overhaul of the system as a whole, we are indeed quite unlikely to see change.

Taken together, the contributions to this volume offer a somewhat different perspective on the issue of change. Our proposition is that the succession and combination, over a long period, of a series of incremental transformations could lead in the end to consequential and significant change. Each single one of these incremental transformations may appear quite marginal and even transparent – mitigated and partially absorbed as it is likely to be by the national institutional system as a whole. However, the succession and combination of multiple and multilevel transformations ultimately and with a longer term view of the process adds to the significance and heightens the impact of each single transformation. The image is that of a minuscule drop of water falling from the vault of a

cave. In itself, it seems totally insignificant with no impact whatsoever on the cave as a whole. However, under given conditions of temperature, the succession and combination of large numbers of droplets falling upon each other may lead to an aggregation of the calcite contained in those drops. After a (long) while the result will be the emergence of a thick landscape of innovatively shaped stalactites and stalagmites and a radical transformation, one could say, of the cave as a whole.

This image, we argue, is probably closer than the image of the 'Big Bang' to the way most national institutional systems change. National institutional configurations cannot dissolve and be replaced by others at the snap of fingers. Building on the empirical evidence collected for this book, we propose that under repeated, multidirectional and multilevel attacks from challenger rules, both through trickle-up and trickle-down trajectories, national configurations may erode and be reshaped progressively through time. Instead of all constitutive elements changing together at the very same time, the chapters collectively point to a process where one constitutive element after another might be weakened and destabilized. The weakness and destabilization of each constitutive element feeds on that of the others, leading in time to a system erosion – all elements 'giving way' or being transformed at least in part after a while. This, the chapters show, can be a very slow process where change is always associated with resistance and persistence. This, the chapters also show, may be happening at least as much in an indirect way as through direct assault on national institutional frames.

Trickle-up trajectories

Threats and challenges, we have argued above, may come from below, from subsocietal or subnational levels. The contributions to this volume point to two main scenarii for what we have called 'trickle-up' trajectories.

Scenarii and actors

First, national actors crossing national borders may find that the rules of the game with which they are familiar come into collision and sometimes even are in contradiction with rules of the game dominant elsewhere. Those national actors could be individuals, groups of individuals, firms, associations or networks of firms as documented in Tainio et al., Kleiner, McKenna et al. or Lilja and Moen in this volume. This type of scenario will be all the more widespread that the internationalization of economic activities and of exchanges in general is becoming increasingly dense and intense.

The open nature of the economy may stimulate a second scenario that is parallel but goes the other direction. Foreign actors move into a given national space with rules of the game that are quite different from those of local actors (Tainio et al., Kleiner, McKenna et al. in this volume). A variant of that scenario is when the champions of challenger rules on the local or national scene are themselves locals or nationals who are pushing for new rules of the game in order to carve a space for themselves (Kleiner). What this is all about is the attempt by new or emerging actors, whether local outsiders or foreign entrants, to redefine rules of the game in an industry or impose 'new' ones in order to enter the field and the game and to reshape it to their advantage (Djelic and Ainamo 1999).

The contributions in Part I and a few contributions in Part II show how this encounter between incumbent and challenger rules plays out at subsocietal levels, whether at the level of the firm (Tainio et al.), at the level of an industry (Lilja and Moen), an organizational field (Kleiner) or at the level of a profession (McKenna et al.). But those chapters also indicate that this interplay at the subsocietal level is not neutral for national institutions. Rules of the game may change at the subsocietal level well before this is institutionalized at the national level. But transformations at the subsocietal level may also reverberate in time at the national

institutional level. The recent decision by the German government to create a Kodex-Kommission in charge of 'modernizing the rules and practices of German capitalism' is a clear case of such a process of post hoc 'regularization' (Le Monde, 7 November 2001). The object of this commission is to take stock of changes that have already redefined the German economic game and to institutionalize them at the national level. For some, this may be formally ringing the knell of Rhenan capitalism (Institut de l'Entreprise 2001). Drawing from and comparing the evidence presented in the empirical contributions to this volume, it is possible to identify the conditions in which contestation and transformation of incumbent rules of the game at the subsocietal level are likely to reflect and impact on the national level.

Conditions for trickle-up trajectories

One such condition seems to be the central position and overall leverage of the subsocietal actors concerned by or involved in the collision of rules. Changes within core and strategic firms or industries are more likely, ultimately, to have some impact on national level institutions. This appears to be particularly true in smaller countries as shown by the cases of Nokia in Finland (Tainio et al.) or of the forest industry in Norway and Finland (Lilja and Moen). In smaller countries, core firms or industries have proportionally more clout, strategic importance but also leverage which could explain their more direct impact.

Other important conditions are the strength and legitimacy of those outsiders championing and pushing for challenger rules. In that respect, Anglo-Saxon players benefit from something akin to a 'trademark' advantage in professional fields such as corporate law or management consulting (McKenna et al.) as well as in other activities related to banking or financing (e.g. asset management, see Kleiner, or stock exchange related activities, see e.g. Tainio et al. and Ventresca et al.). This allows them to be more forceful and convincing in the promotion of their own sets of rules of the game.

Naturally, the strength and legitimacy of those outsiders and challengers will be more or less filtered and mitigated by the existence and embeddedness of local incumbent rules. Local appropriation will likely be more complex and contested in situations where incumbent rules already exist and are deeply embedded – to get back to the terms used in the introduction, when local institutional rules have already entered the phase of sedimentation. The case of the consulting profession for example shows that American actors had less trouble imposing their rules of the game in Finland than in France (McKenna et al. in this volume). Part of the explanation lies in the fact that the Finnish consulting space had barely been structured before they arrived and that it was still hovering between level 1 and level 2 of institutionalization – between habitualization and objectification. A similar type of conclusion can be drawn from the description by Kleiner of the emergence of an asset management organizational field in France.

Another condition seems important that is not unrelated to those identified above. The greater the shock or the more intense the collision, the more likely that it will reverberate at the national level. The collision will be more intense if subsocietal actors – firms, industries, professions or even possibly regions – lack protective buffers or else are in a situation of perceived and self-acknowledged crisis. The lack of protection can be due to the immaturity of the local field, as argued above for the consulting profession. It can be strategically engineered, either by political authorities or by the actors themselves, through deregulation for example or a lowering of trade or other protective barriers (Djelic and Ainamo 1999). It will also be related, naturally, to the strength of the push coming from outsiders and challenger rules. A perceived and self-acknowledged situation of crisis will tend to correspond, on the other hand, to a high degree of dissatisfaction with incumbent rules, either because these rules do not seem to coevolve with environmental conditions and/or because they narrow the opportunities of local and incumbent actors in a changing world.

<u>Trickle-up trajectories and mechanisms</u>

We argue that under these conditions – or a subset thereof – transformations in rules of the game that were initially happening at a subsocietal level are likely to have an impact and reverberate, after a while, at the national level. Building on the empirical contributions to this volume, particularly in Part I, we now turn to the mechanisms allowing reverberation or 'trickle-up' trajectories. The chapters in Part I point to three main categories of mechanisms and we use here DiMaggio and Powell's (1983) terminology.

The first category of mechanisms we label 'coercive'. They correspond to the situation where the subsocietal actors concerned have enough clout and power in the local space to push for a more widespread adoption of those changes initially happening at their level. Amongst coercive mechanisms, one finds direct political action and lobbying through existing institutional channels or social networks. Another path, somewhat more indirect, is through the pressure put by key actors, initially in the cyclone's eye, on their local interlocutors – competitors, clients, suppliers, trade unions, providers of education or financial institutions – to appropriate some if not all the changes they have themselves gone through. Such pressure is possible when those key actors have economic or social leverage over their interlocutors reflecting either situations of dependence and/or tight networking arrangements. A building up and aggregation of multiple micro changes through such a process is likely to lead to a de facto situation where preexisting incumbent rules of the game have been changed or replaced even before the legislator or political institutions get involved. The contributions by Tainio et al., Lilja and Moen or Kleiner point to the role of such coercive mechanisms along the trickle-up trajectories.

A second category of mechanisms we label 'mimetic', following once again DiMaggio and Powell's (1983) terminology. What takes place in this case is essentially a process of

spread and diffusion through imitation. The combination of multiple acts of imitation at the subsocietal level can here again create a de facto situation where the rules of the game have changed well before this is being acknowledged, officialized and institutionalised at the national level. Mimetic mechanisms can be identified in the contributions by Tainio et al., McKenna et al. or Lilja and Moen. At the same time, those chapters show that it is often difficult to decouple coercive from mimetic types of mechanisms, the two being closely tied up and interconnected and shaping in interaction trickle-up trajectories.

Finally, evidence from Part I points to a third category of mechanisms, the impact of which is probably slower and more difficult to trace. This category we label 'normative'. It covers and encompasses processes by which outsiders are able to socialize a number of local actors into their own 'challenger' rules of the game – the cognitive or ideational dimension here becoming key. This is clearly illustrated in contributions by Tainio et al., McKenna et al or Kleiner. The 'maximization of shareholder value', the 'boardroom professional counsel' or the 'independent asset management firm' become appropriated through time as cognitive frames by local actors and are neutralized in the process. Appropriation means that their origins and initial context of embeddedness are all but forgotten – hence a neutralization. These cognitive frames may even in fact become transparent to the actors who have appropriated them. In time, the organizations and institutions supporting those cognitive frames emerge and are being structured locally – either ex nihilo or through transformation of the preexisting structuring field. This process of normative integration or normalisation can be greatly furthered in any particular national context if challenger rules find a relay in local institutions of socialisation such as professional schools or universities. This clearly was the case in both the consulting and 'maximisation of shareholder value' stories where local business education systems proved to be powerful relays (Tainio et al., McKenna et al.)

To sum up, we bring together in table 1 the defining features of what we called trickle-up trajectories.

Table 1 about here

Thus, national institutional systems may come under pressure from below and be affected by transformations of the rules of the game at the subnational or subsocietal level. Challenge, it seems may however also come from above, from the transnational level. We will get back in the next section to the process of construction and stabilisation of transnational rules of the game. But we will now look at how those transnational rules are bound to create challenges for incumbent national institutional systems.

Trickle-down trajectories

With respect to the influence of transnational rules on national systems, contributions in Part II of this book point to two main scenarii.

Scenarii and actors

First, the challenge may come from transnational organizations or supranational constructions. A characteristic of our world since the end of World War II has been the emergence, multiplication and stabilisation of such organizations and constructions in the transnational space (Whitley this volume, Meyer et al. 1997). Those organizations and constructions quite often turn out to be rule-making bodies and some of them have gained significant and direct influence over national polities. This is clearly and particularly the case with the European Union as illustrated in the contributions by Lilja and Moen, Plehwe or Midttun and Micola. With respect to the economic realm, other supranational organizations

such as the International Monetary Fund (IMF), the World Bank, the European Bank for

Reconstruction and Development (EBRD) or the World Trade Organization (WTO) should be

mentioned. These organizations nurture and contribute to the diffusion of particular rules of

the game, which are likely to collide with incumbent rules or practices in any given national

space. The collision can be particularly violent and intense in weaker countries or in countries

going through an acute internal crisis such as in the Eastern part of the European continent

(e.g. Stiglitz and Muet 2001, Stiglitz 2002, Rodrick 2002). The challenge created by those

transnational organizations and supranational institutions for national rules of the game has

started to be studied over the recent years. The impact of the European Union, in particular,

has been the object of an increasing number of studies (Leibfried and Pierson 1995, Sandholtz

and Stone Sweet 1998, Fligstein and Mara-Drita 1996).

There is less attention being paid to a second type of scenario where challenger rules

emerge from a less structured and hence less visible transnational space. The contributions by

McNichol and Bensedrine, Ventresca et al. or Lehmkuhl all show that rule setting and rule

making take place also in transnational fields or arenas lacking structuration in relative terms.

Actors – all kinds of actors, from private firms to consumers, lobbies, nongovernmental

organizations (NGOs) or state representatives – come together to negotiate and agree on rules

of the game. This is illustrated by McNichol and Bensedrine for environmental issues, by

Ventresca et al. for financial markets and by Lehmkuhl for the arbitration of conflicts in

transnational trade. Those rules of the game are institutions, in the sense we have used in this

volume, to the extent that they structure action and economic activity. A comparison between

those chapters seems to show furthermore that, for the most part, those are cognitive and

normative institutions (Meyer and Rowan 1977). The rules that emerge or are negotiated in

that context are essentially norms that are enacted, appropriated and enforced by the actors

themselves. The structural apparatus – formal organization, legislation or coercive machinery – comes if at all in support of those norms.

Conditions for trickle-down trajectories

Beyond this difference in scenario, all contributions in Part II point to trickle-down trajectories where the construction and stabilisation of transnational rules is not neutral for national institutions. From a comparison of these contributions, we draw a number of conclusions as to the conditions in which transnational challenger rules may come to indeed trickle-down to the national level with a potentially significant impact upon incumbent national rules of the game. One important variable appears to be the degree of centrality of a particular country, through its private and public representatives, in the process of construction and stabilisation of transnational rules. Building on contributions in Part II of this book, it seems fair to differentiate between at least three main groups of countries in that respect.

The first group is a little peculiar; it is a one unit sample. In the genetically modified foods (McNichol and Bensedrine), financial markets (Ventresca et al.) or commercial arbitration (Lehmkuhl) stories, the United States plays a unique role. An explanation to that special place and role lies in the unique position of geopolitical dominance that characterizes the US after 1945 (Djelic 1998 and Whitley in this volume). Through its private and public representatives, that country is guiding and structuring the process of construction and stabilisation of transnational rules in a more or less direct and visible manner. The US does not always manage to impose the solution that will best serve its interests as McNichol and Bensedrine show in their contribution but the role of that country in the process of transnational rule building has no equivalent. A second group is made up of a few core (and rather rich) countries, which are proactive and quite involved in trying to shape the process.

The third group finally is the larger one and brings together those countries with a more passive connection to the process.

From comparing the contributions in Part II, we come to the following observations, some of which should be further tested. Most of the time, the US is highly central to the process of transnational institution building. Ultimately, however, it seems that the level of compliance of that country to the transnational rules that emerge is irregular and changing (McNichol and Bensedrine this volume, see also Djelic and Bensedrine 2001). The profound geopolitical imbalance in favour of the US increases the degrees of freedom of that country regarding compliance with transnational rules although it may have played a significant role in the process of construction and elaboration of those rules. The recent change of heart of the US on the Kyoto Protocol is in that respect an interesting case. In 1997, 39 industrialized countries including the US had agreed in Kyoto, Japan, to cut emissions of six greenhouse gases to 5.2% below the 1990 level and this by 2008-2012. On March 28, 2001, the US announced that it was pulling out of the Kyoto Protocol. Christie Todd Whitman, head of the US Environment Protection Agency announced: 'We have no interest in implementing that treaty' (ENS 2001).

In the second group of countries identified above – rich core countries – compliance appears to be more regular once the rules have been agreed upon. In the last group of countries, those that are more passive in the process of transnational institution building, appropriation may be more of an issue. The process will likely be slower with a greater distance between the world of discourse and formal institutions and the world of action and practice that will remain very much structured by traditional patterns.

Without going too far in drawing conclusions at that stage, these observations would lead us to propose that the more reliable and stable driver of transnational institution building may in fact be the second group of countries – made up of rich and core countries with the EU

at the centre. If the governance of globalization calls for a systematization of transnational institution building, then we should look – and hope – for leadership for that process in that second group as a collective. Relying on the US, as has tended to be the case throughout the second half of the twentieth century, may in fact not be an optimal strategy.

Other variables with an impact on trickle-down trajectories are the nature of incumbent rules and the degree of dependence of a particular country on external players. A country where local rules are weak, either because they lack legitimacy, have proven inefficient or a hindrance, are altogether absent or still at a pre-institutionalization stage as defined in the introduction to this volume, creates more space for rules constructed at a transnational level to trickle-down. This can only be reinforced in situations of dependence, where a country for example sees the granting of financial assistance it badly needs being conditioned upon compliance to a set of transnationally defined rules. This is not, after reflection, in contradiction with our precedent finding. Weak countries tend to belong to the group we have defined above as 'passive'. Weakness and dependence may compensate in part for passivity, which might lead to more rapid formal compliance than expected. Quite often, however, a significant gap will remain between the world of discourse and formal institutions on the one hand and the world of practice on the other (this finds confirmation in earlier work by sociologists of global society, e.g. Meyer et al. 1997a, Meyer et al. 1997b, Boli and Thomas 1999, Meyer and Ramirez 2000). The former might indeed be affected through a trickle-down trajectory by transnational challenger rules. The latter will tend to stay, at least for a while, embedded in local traditions and national institutional legacies. A special and quite different case of dependence should be added and mentioned here. Direct political dependence of national countries on a supranational construction, such as is the case in the European Union context, is an obvious path for trickle-down mechanisms. This situation naturally creates conditions where the rules defined at the supranational level are likely indeed

to have a rapid and significant impact at the national level (Lilja and Moen, Plehwe, Midttun and Micola in this volume).

Trickle-down trajectories and mechanisms

We now turn to the set of mechanisms that appear to be at work along what we have called here trickle-down trajectories. Chapters in Part II point to three main categories of mechanisms, parallel to the three categories identified for trickle-up trajectories. The first category is the coercive one. Within this category we find the granting of financial, or as a matter of fact any form of assistance conditioned upon compliance to a set of transnationally defined rules of the game. Other coercive mechanisms, in the context in particular of supranational constructions such as the European Union, are political fiat, laws and decrees backed up by an enforcement apparatus. The mimetic category for this particular trajectory turns out to be even harder to disentangle and decouple from either the coercive or normative ones. Mimetic mechanisms in that case have to do with the voluntary adoption by a particular country of challenger rules of the game. This voluntary adoption, though, might sometimes be reflecting longer term objectives – as for example with the case of Eastern European countries adopting European Union compatible sets of rules, just in case of and in order to be ready for future integration. Voluntary adoption may also be motivated by a conviction that adopted rules are indeed 'superior'.

The third category of mechanisms at work, finally, is the one we have labelled before normative. What we see, from the empirical evidence provided in Part II, are multiple and parallel processes of professionalization at the transnational level. Individuals and organizations are joining in, across and beyond national boundaries, around common preoccupations, goals or values and beliefs. They take it upon themselves to elaborate a set of norms and institutions in the sense of rules of the game. They virtually become, in the process

a transnational community (Morgan 2001) and, as such, they get actively involved in trying to push those common norms and rules down towards the national or even subnational levels. Here again, this type of mechanism is being reinforced by a worldwide process of standardisation of institutions of socialisation – whether schools, universities or the media in the wide sense of the term (Meyer et al. 1992, Meyer and Ramirez 2000, Byrkjeflot 2000, Amdam 2002).

In Table 2 below, we summarize the main features of what we have called here trickle-down trajectories.

Table 2 about here

An important issue addressed in this volume has thus been how the transnational affects the local, and more particularly how the transnational may affect a nationally defined institutional constellation or system. One of the findings drawn from our collective endeavour has had to do with the nature of national institutional change. National institutional systems are changing quite significantly and enduringly, we argue, through a multiplicity and an aggregation of slow and incremental steps. We have identified two main types of trajectories – trickle-up and trickle-down – along which the transnational can effect, potentially in a quite significant way, a national institutional equilibrium or constellation. We see the combination of trickle-up and trickle-down trajectories, their mutual reinforcement and the incremental but significant institutional re-configuration they trigger through time, as an important and constitutive dimension of globalization.

This, however, is only one side of the story told in this book. At the same time that they look at how the transnational affects the local and the national, contributions to this volume also provide an understanding of how the local or the national shape the transnational. The transnational space, in our collective approach, is neither taken for granted nor treated as

anomic or unstructured. Rather, it emerges as an institutionalized arena in its own right. As Whitley argues in this volume and as others have systematically documented (e.g. Meyer et al. 1997a, Meyer et al. 1997b) the structuration of that arena has made significant progress during the second part of the twentieth century. Such structuration has implied and concretely meant, we collectively argue, a process of institution building. And transnational institution building, we find, has often started from the local and the national or from the 'rubbing against each other' of multiple locals or nationals.

Globalization as institution building

Collectively, the contributions to this volume provide evidence in fact of coevolution between the national and the transnational. A transnational rule or system of rules that is an offshoot of a local or national model or results from the interplay between multiple locals or national models may in time, in its own right and through either trickle-up or trickle-down trajectories, come to affect and impact local or national institutional arrangements. Time, here, is an important dimension. And so are, as argued above, a number of conditions that will either facilitate or constrain the process. A few chapters explicitly point to the circularity and self-reinforcing dimension of this process through time (McKenna et al., Whitley, McNichol and Bensedrine). The others are more implicit about the diachronic interplay and present snapshots at particular points in time.

Institution building: scenarii and actors

Transnational organizations

A first and obvious scenario historically for institution building in the transnational space has been the formal setting up of a transnational organization. This organization takes over a particular sphere or domain where cross-national interactions are significant and attempts to achieve its structuration through rule making and institution building. This, naturally, is an old scenario and with a little bit of a stretch the Roman Catholic Church could be used as an illustration, and a successful one at that.

Without going that far back in history and staying with transnational organizations that have been set up in the modern era, in the age of the nation state, a number of other examples come to mind. The League of Nations was an important ancestor, although with ultimately little impact (Murray 1987, Knock 1995). The International Labour Organization is less known but it is also worth mentioning as a transnational organization created in the interwar period and being revived in 1948. In the few years following 1945, the project of structuring the transnational space regained significance after nearly two decades of strong nationalism and protectionism. In this postwar project, the transnational organization was undeniably the predominant scenario. The United Nations and its various divisions, the Organization for European Economic Cooperation (OEEC later to become the OECD), the International Monetary Fund (IMF) or the World Bank and the General Agreement on Tariffs and Trade (GATT, later to become the World Trade Organization) all proceeded from the same logic – although the GATT or WTO may have turned out to be more of an hybrid between this first scenario and the third one to be described below.

These organizations all had a centralized core, in charge of setting the rules and building institutions at a transnational level. And this centralized core was the direct reflection of the interests of national member states – naturally in varying mixes in each case. In other words, the attempt at rule making and institution building in the transnational space was very much controlled, through these organizations, by public or semi-public types of actors –

representatives of particular national governments and polities. In that context, such transnational organizations were in fact little more than the tools of particular nation states and governments, mirroring at any one point in time the existing geopolitical balance of power. These types of transnational organizations have been more or less successful in their attempt at setting the rules of the game on a transnational scale. The more successful – the IMF, the World Bank and probably also the GATT or later the WTO – have been those with some control over compliance. Control could stem from a degree of dependence of member states on the transnational organizations as well as from the ability of these organizations to associate rewards with compliance and sanctions with non compliance.

Supranational constructions

A second scenario, historically, for institution building in the transnational space has come through the temptation to create a supranational market, or even a supranational state or nation. With a little bit of a stretch, once again, and some degree of historical anachronism since a number of them were constituted before the emergence of the nation state, empires are the materialisation of such a temptation. In our modern age, the most obvious illustrations of this second scenario are constructions such as the European Coal and Steel Community (ECSC), the European Economic Community (EEC) or the European Union. There are signs that NAFTA may also be travelling that road.

Here again, the process of rule setting and institution building stems from a political, top-down kind of initiative. Public or semi-public actors, governments or their representatives are instrumental in that process even though they may not always be as predominant as in the first scenario. The scope of those centrally engineered constructions goes well beyond, in general, what transnational organizations of the first type could do. The new rules and institutions are enforceable, in the sense of them being formally and efficiently associated

with enforcement mechanisms that put member states under strong pressure to comply. In fact, the reality and strength of enforcement mechanisms combined with the scope of the domain controlled might be the key differentiating features between this type of supranational constructions and transnational organizations.

Several chapters in this book focus explicitly on institution building in the context of supranational constructions. The contributions by Lilja and Moen, Plehwe or Midttun and Micola tell of the emergence of new rules of the game within the European Community or European Union space. They also show how these changes in rules of the game that are being initiated at the supranational level are then having an impact on national institutional configurations. This impact can be felt through trickle-up trajectories, where private and subsocietal actors change their behaviours and push these changes up towards their own national environments. The chapter by Lilja and Moen illustrates that, where an understanding of competition defined at the European Union level is transforming interactions in the Norwegian and Finnish forest industries and challenging, in the process, rules of the competitive game as they had until then been defined in these two countries.

The impact can also be felt through trickle-down trajectories, as documented in the chapters by Plehwe or Midttun and Micola. The process there is one where the supranational level imposes new rules of the game on national member states. And the path is from supranational authorities to national governments or political institutions. National governments and political institutions have in turn to push down and translate those supranational rules within their own national space, putting pressure in the process on actors at the subsocietal level to change their behaviours and ways of functioning. Both contributions clearly show that this trickling-down of new rules of the game is challenging national institutional configurations, leading to potentially quite significant transformations at that level. The trickle-down trajectory documented in these two contributions is made

possible by the existence of enforcement mechanisms. A supranational construction such as the European Union is indeed characterised by the strength of enforcement mechanisms and thus by its potential clout and impact over member nations and states. One type of enforcement mechanisms are direct controls associated positively with rewards and negatively with sanctions. Another type of enforcement mechanism is the reliance on voluntary compliance where member states are aware of the overall benefits they draw from belonging to the supranational construction and, conversely, realize the dangerous consequences of not respecting the terms of a contract they entered of their own will.

<u>Self-disciplining transnational communities</u>

We now turn to a third scenario for institution building in the transnational space, which, we argue, is progressively becoming more widespread. In this third scenario, all actors concerned by a particular type of transnational activity come together, generally in non structured and little formalised settings, to elaborate and agree upon collective rules of the game. Little is known on transnational rule making in such a context (but see Engwall and Morgan 1999, Djelic and Bensedrine 2001) and three chapters in this book – those by McNichol and Bensedrine, Ventresca et al. or Lehmkuhl – contribute to a better understanding of that process. In contrast to the first two scenarii, public or semi-public actors might be involved in rule setting but they are not the only ones. In fact, as documented in all three contributions, private actors might take the initiative and be quite instrumental for the elaboration of rules and the building of institutions as well as for monitoring compliance.

Another difference with the two previous scenarii is that the logic at work is not one of external control but rather one of self-disciplining. Instead of waiting for public actors to impose an institutional frame and thus orient private action, the actors concerned and in particular non governmental and private actors, take the initiative and set their own rules.

Within an arena or a field of transnational activity lacking initially in structuration, all concerned actors collaborate in building institutional arrangements that will constrain their own actions, behaviours and interactions. The process is one of voluntary and relatively informal negotiations. A striking common finding, emerging from the contributions by McNichol and Bensedrine, Ventresca et al. or Lehmkuhl, is the relatively amorphous, fluid and multifocal nature of that process as well as of any kind of emerging structural arrangements.

A comparison of the chapters by McNichol and Bensedrine, Ventresca et al. and Lehmkuhl shows reliance on two main categories of enforcement mechanisms. One is voluntary compliance, but compliance this time not only of national states and governments but also directly of all actors involved in the process. Compliance is voluntary for the main reason that these actors define themselves the rules and inflict upon themselves the institutional constraints that will bound their own actions and interactions. From the empirical material, a second enforcement mechanism, socialization, can be identified – although probably more as a potential and an objective than as an already existing and concrete reality. Indeed, socialization can only emerge as an enforcement mechanism in a later stage. Rules and institutions have to be constructed and agreed upon (the habitualization or pre-institutionalization stage identified in the introduction to this volume), actors have to function within that frame for a while (codification), before the double process of socialization and self-reproduction through socialization can really become operative (sedimentation). The advantage of socialization as an enforcement mechanism is the decreasing need for direct controls, and thus for both external rewards and sanctions. Actors that are being socialized through a particular institutional frame or in a particular set of rules become their own watchdogs. Ultimately, the institutional frame and the set of rules should 'disappear', to the

extent that, after a while, they have a tendency to become neutral and transparent for those actors that function within the space they structure.

This third scenario for institution building at a transnational level is not new. As argued in the chapter by Lehmkuhl, for example, the structuring of commercial arbitration at the transnational level by actors themselves – and in particular by private actors – has existed for a long time. One could also argue that international cartels, particularly during the interwar period but even after in some industries (Lilja and Moen this volume), fit within this type of scenario. The contemporary period of globalization, however, has been marked by an intensification of institution building at the transnational level (Whitley, this volume). And in the context of that intensification, we argue that this third scenario has become progressively more important particularly in recent years. Overall, a comparison of the various contributions to this book seem to show an historical evolution since 1945 in terms of which scenario has been predominant.

The early period, in the years following the war, was characterized by the multiplication of transnational organizations. Then came the time of supranational constructions – particularly in Western Europe. This, naturally, is still going on and quite strongly in fact as the chapters by Lilja and Moen, Middtun and Micola or Phlewe show. At the same time, the empirical evidence in the very last part of this book points for the recent period in the direction of an increasing role and place for self-disciplining transnational communities (see also Brunsson 2001). Professions are one particular type of such communities but, as the last chapters in this book indicate, they are far from the only one.

Institution building: mode and nature of the process

In parallel to these three different scenarii, the chapters in this book also point to different modes for the process of transnational institution building.

Dominant mode

A first, obvious mode we label here 'dominant'. In that mode, the building of institutions at a transnational level simply reflects one dominant local or national model. The rules characteristic of one particular national space thus shape in a rather direct way the transnational space. In a second stage, this local turned transnational model is bound to have an impact on a number of other national institutional configurations. The latter are indeed being affected, to a greater or lesser extent, by transnational institutions and rules both through trickle-up and trickle-down trajectories as we have argued above.

This overall process generally reflects the objective and/or perceived strength of the 'dominant' nation, which itself depends on a combination of economic, military and geopolitical factors with some degree of ideological propping up. Quite a few of the contributions to this volume show that the United States has played the role of dominant model during the second half of the twentieth century. The chapters by Tainio et al., Kleiner, McKenna et al. or Whitley do provide evidence of such a dominant mode or logic being at work in the process of transnational institution building, with a significant impact ultimately upon dependent or peripheral national institutional configurations. In most of those chapters in fact, the term 'Americanization' appears to fit better with the stories told than the apparently more neutral word 'globalization'.

Negotiated mode

A second mode emerging from the contributions to this volume we label the 'negotiated' mode. Institution building in the transnational space can come about through the confrontation or 'rubbing against each other' of multiple locals or nationals, leading to what can be described as a process of negotiation. The chapters by Plehwe, Midttun and Micola or McNichol and Bensedrine or Ventresca et al. provide illustrations of that particular mode. In

the contributions by McNichol and Bensedrine or Ventresca et al., though, what we see is in fact the interplay between the 'negotiated' and the 'dominant' mode. All participants to the negotiation are not created equal in that case and one of them – the United States – looms significantly larger than the others in the process. This underscores the ideal typical nature of the different modes we identify and the likelihood that they will coexist and interact in real life contexts.

While situations of negotiation are rarely perfectly balanced, a situation of dominance on the other hand is rarely so extreme as to leave no space for at least partial negotiation. In the context of what was described above as 'Americanization', for example, what the chapters by Tainio et al. and McKenna et al. documented was in fact both the transformation of a national model – the American one – into a transnational one and the partial alteration, translation and negotiation of that model when it came into contact with previously existing and established national institutional configurations (see also Djelic 1998).

Emerging mode

The contributions to this volume allow us to identify a third mode, although more as an overall trend and as a potential than as a really operative – at least as yet – mode of building transnational institutions. We label this third mode 'emergent'. Common to illustrations of both the 'dominant' and 'negotiated' modes is the fact that the actors involved – whoever and whatever they are – remain strongly embedded in and shaped by the institutional contexts of their home countries. These actors tend in fact to extend the actions and strategies used in that context and shaped by it to the transnational arena (Whitley this volume and 2001). What some of the contributions to this volume seem to show is that this is not necessarily always the case.

The chapters by Plehwe, McNichol and Bensedrine, Ventresca et al. or Lehmkuhl for example point to a blurring of identities – particularly national ones – amongst those actors involved in transnational institution building. Once transnational arenas have been structured for a little while, once transnational institutions and rules of the game shape behaviours and interactions, some of the actors concerned come to be more directly affected by these transnational institutions than by the institutions of the country they may originate from. The structures, strategies and even identities of these actors change, sometimes quite significantly, generally through the interplay between the national rules of the game of the country they come from and the transnational system that is being constructed. New actors may also sprout up and the only referent for these new actors will be the embryonic transnational institutional context in which they were born (e.g. some transnational NGOs, lobbying organizations created at the European level, see Salk et al. 2001).

Any further process of transnational institution building in that context cannot anymore fit under the categories of either the 'dominant' or the 'negotiated' mode. What takes place then is what we label, for lack of a better word, an emergent process. Multiple actors with no clear identities and functioning themselves at the interface of multiple rule systems, come in collision with each other. If we are to follow the metaphorical use of chaos theory in social sciences, the result in this case is bound to be unpredictable (Thietart and Forgues 1997). We call this result an 'emergent' construction.

The three modes identified here are clearly ideal types. There is bound to be, in other words, an interaction and an interplay between them in real life situations. At the same time, the chapters in this volume appear to document, collectively, a shift over time in their relative importance as a mode of transnational institution building. This shift parallels to quite a degree the evolution, in terms of scenario, that was identified above. In the immediate post-World War II years, we have argued, the main scenario for transnational institution building

was the setting up of transnational organisations. During this period, the dominant mode – one national model, the American one, imposing itself on a transnational scale – was all but overwhelming. The dominant mode has not entirely disappeared with the attempts at supranational construction. But such projects, by their very nature, meant and required some degree of negotiation between the several member nations that were shaping them, generally on a world regional basis. Finally, the move towards the third scenario – transnational institution building by self-disciplining transnational communities – coincides quite closely with the slow assertion of an emergent mode. It seems furthermore to fit particularly with transnational institution building across world regions – in what gets close to being a 'global' space.

Table 3 presents in summary form the variants of transnational institution building identified in this section.

Table 3 about here

Outcomes and final reflections

Globalization can be read as a double process of institutional change – at the national level – and institution building – in the transnational arena. As such, it emerges as a complex aggregation and constellation of multiple layers, each of which has to be contextualized, reflects particular contingencies and exhibits unique path dependencies. Behind this first level of extreme complexity, this volume has allowed us to point to a limited number of important patterns.

First, what clearly comes out of our collective findings is that globalization is in fact a world beyond convergence and divergence. And we could add that it is so in a structural way

at least in the foreseeable future. The treatment of globalization layer by layer, facet by facet and dimension by dimension destroys the myth of clearcut convergence but we document in some cases multiple local reinterpretations of a 'dominant' model or a common set of challenger rules (e.g. Tainio et al., Kleiner, McKenna et al.). Still, although we do not document full convergence, we move away from the vision of stable systemic national models (Whitley 1999, Maurice and Sorge 2000, Hall and Soskice 2001). We point instead to significant change affecting national institutional systems – what we call incremental but consequential change. Globalization is disrupting, we argue, the systemic stability and relative autonomy of national spaces. It is pushing along common logics and institutional rules of the game that coexist, compete, hybridize with or even replace incumbent national institutions.

Institutional rules of the game can be essentially of two kinds – structural and normative or ideational. We find that globalization is associated there with two main tendencies. First, a number of contributions in this volume document a significant intensification and the greater density of institutional rules in general. A second tendency seems to be the increasing importance and role, proportionally, of normative or ideational types of rules over more structural ones. This double tendency reflects both the demultiplication of levels at which rules are being produced – local, national, supranational (e.g. Europe) or global. It also reflects an explosion of and rising competition between centres and actors of rule production.

The traditional landscape – characteristic of modern world society – was one where relatively isolated and independent nation states set the rules of the game that applied within their borders and had the coercive means to enforce them. The space in between remained relatively anomic. With respect to rule production, this volume points to a rather different story today. The landscape is one of loose and fluid but quite dense networks of 'actors' in the wide sense of the term, whether public, private or mixed, whether local, national,

supranational or global, that compete and sometimes cooperate for the production of institutional rules. Many of those 'actors' do not have physical control over any form of territory. Some of them are in fact closer to being transnational or even virtual communities (Kogut 2002). Hence, instead of relying on coercion and external forms of control, the tendency there is to expect and foster socialization and the internalization of norms, self-discipline and peer regulation.

We would, naturally, benefit from having a much greater density of empirical building blocks of the type exemplified by the contributions to this book. It would, in particular, be interesting to move away from an overwhelming focus on traditional core countries and to observe the interactions of processes of institutional change and institution buildings in other parts of the world. However, we can nevertheless propose the following tentative conclusion. Globalization may be contributing to bringing about a radical change in the meaning of governance – reducing the importance of traditional coercive, external and centralized state power and increasing that of decentralized norm producing and self-regulating communities. Governance becomes less associated with downstream and external control, relying on coercion and repression. It becomes increasingly associated with upstream definition, voluntary adhesion to and appropriation of norms, policed by the risks of exclusion.

This second meaning of governance may be the only one available and acceptable within the transnational space. In that respect, calls for a world government do seem highly utopian and far fetched at least in the medium term (see e.g. Rodrick 2001). Interestingly, contributions to this volume seem to show that this particular meaning of governance is also making significant inroads in regional supranational constructions such as the European Union or even within nation states. Globalization is not threatening governance – in fact we argue that globalization reflects a particular type of governance. However, what globalization may be doing is introducing within national polities and democratic arenas this second

understanding of governance that can both coexist and compete with traditional state control. Globalization does not mean 'governance without governments' (Rosenau and Czempiel 1992) – it probably means however a partial reinvention and transformation of the role and place of governments in governance. As we have shown in this volume, this is naturally the case transnationally where nation states have to contend with each other as well as with many other actors for both the structuration and the monitoring of governing institutions. This is also the case nationally we propose, with probably an important evolution to be confirmed in the coming years of national democratic landscapes that will come increasingly to incorporate logics of governance of the second type.

Through that reflection we suggest that the debates around globalization and its governance have to be somewhat reformulated. The dilemma is not between globalization and governance. The dilemma rather is between two different meanings of governance and the balance that should be reached between them. On the one hand, governance of the Westphalian or state control type has the advantage of being something that we are familiar with and that we can easily recognize. It is also both blunt and clear when it comes to the democratic game. In simplistic terms, it creates a separation between a government that makes the rules and civil society to which they apply (even though naturally governments are supposed to be direct representatives of civil society and the rules apply also in theory to governments and their members). The main shortcoming of the state control form or logic of governance is that it is tightly associated in its workings with a repressive apparatus that itself functions on a bounded territory. Hence it is difficult to extend that logic beyond the nation state – the European Union is a good laboratory to test this difficulty.

Governance of the community type, on the other hand, has the great advantage of potentially knowing no boundaries. It should be noted also that since it relies on voluntary adhesion rather than coercion it is less violent and probably less costly as a form of

governance. On the other hand, this type of governance is associated with a rather different conception of the democratic game – more in line with Tocqueville's depiction of early America where civil society is much more directly active in rule building and enforcement through collective or organizational representatives (Tocqueville 1951). An issue with this type of democratic game, that comes out quite clearly in the last chapters of this volume, is its blurred, fuzzy and sometimes messy nature. While it brings many of the actors concerned around the table of negotiation, this type of democratic process does not ensure far from it that all actors are being created equal. The contributions by Lilja and Moen, Plehwe, McNichol and Bensedrine or Lehmkuhl point to significant power plays and imbalances behind what could appear at first sight to be egalitarian and neutral processes. What does not appear in those contributions and should be mentioned here is the total or partial exclusion of those groups, actors, nations, communities that either do not understand the change in game and rules of the game or else have not prepared or geared up to getting ready to play it. One obvious absence is that of labour and its representatives. It is clearly not the only one.

This reflection may contribute to explaining both the virulence of the anti-globalization movement and its repeated calls for governance. We have argued in this volume that globalization is in fact about governance and negotiations around governance but the anti-globalization movement may be witness to the de facto exclusion from these negotiations of groups that neither play the game nor in fact know about its rules.

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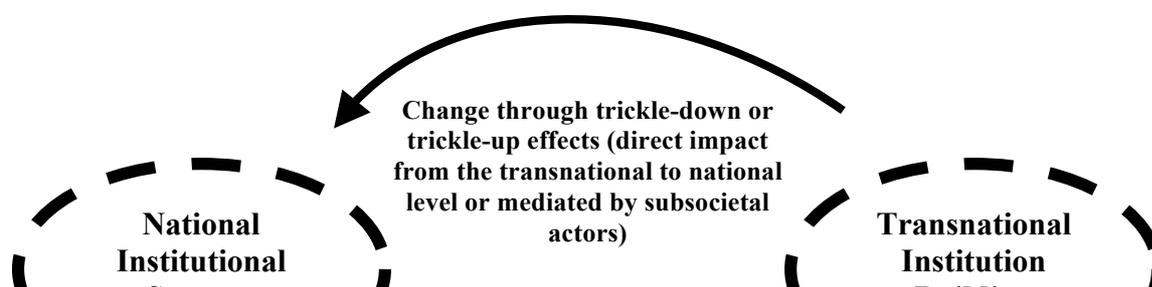Whitley, Richard (1999), <u>Divergent Capitalisms</u>, Oxford : Oxford University Press.

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Figure 1: National institutional change and transnational institution building: the interplay

Frame in part

Table 1 : Trickle-up Trajectories

Scenarii and Actors	Conditions	Mechanisms
• Local actors extending abroad • Foreign actors coming in • Local outsiders trying to redefine the game in order to enter it	• Power and centrality of those national actors who are first movers in adopting challenger rules • Power and legitimacy of foreign actors bearing challenger rules • Intensity of collision between incumbent and challenger rules	• Coercive : political lobbying, different types of constraints on local interlocutors • Mimetic : multiple imitations of role model actors • Normative : Socialisation of key actors relayed by local institutions of socialisation – education

		system…

Table 2: Trickle-down Trajectories

Scenarii and actors	Conditions	Mechanisms
• Transnational organisations and supranational institutions as directing the process – essentially public and political process • Transnational fields or arenas – multiplicity of actors, public and private, involved	• Centrality and degree of openness • Weakness of local system and degree of dependence	• Coercive: conditional granting of assistance, political fiat, legal authority and enforcement apparatus (EU) • Normative: sharing of common cognitive frames through parallel socialisation, processes of professionalization, responsabilization and collective self-monitoring

Table 3 : Transnational Institution Building

Scenarii and Actors	Mode
• Transnational Organisations. Actors: nations, states, governments and civil servants (almost exclusively)	• Dominant
• Supranational Constructions. Actors: nations, states, governments and civil servants (predominantly)	• Negotiated
• Self-disciplining transnational communities. Actors: multiple, public, semi-public but also non governmental organisations and private.	• Emergent