



**Culture, Agency and Power:
Theoretical Reflections on Informal
Economic Networks and Political Process**

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THE PRESENT SERIES OF WORKING PAPERS EMERGED FROM THE “MARKETS FOR PEACE? INFORMAL ECONOMIC NETWORKS AND POLITICAL AGENCY” RESEARCH NETWORK HOSTED BY DIIS BETWEEN 2007 AND 2009.

The aim of the interdisciplinary research network was to gain a better understanding of the role and significance of informal economic networks and activities on political processes. The research network explored the dynamics of informal economic networks and activities; national, regional and international attempts to regulate informal economic activities; and the ways in which informal economic networks and activities are or are not converted into political influence. The network received funding from the Danish Social Science Research Council (FSE) for three workshops during 2007-2009 with an additional PhD workshop partly funded by the Danish Institute for International Studies (DIIS).

The first workshop dealt with theoretical and methodological aspects of network/chain-analysis. The second workshop looked into the ways in which informal processes have been ignored, controlled and regulated by states and other public authorities. The third workshop, which was a combined network workshop and PhD seminar, explored conceptualisations of the relationship between informal economic processes/networks and fields of politics.

Presently a book is under preparation, in which the working papers published in this series will all feature with some changes anticipated. The book is edited by Lars Buur, Dennis Rodgers, Finn Stepputat and Christian Højbjerg.

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ABSTRACT

In an increasingly liberalized global environment, the regulatory framework of the state is being challenged from below by popular livelihood and social service initiatives, and from above by transnational trading networks, commodity chains and transnational organized crime. Informal or 'non-state' forms of organization have come to play an increasingly central role in contemporary economic and political change. As regulatory arrangements transcend the framework of the state, the dynamics of governance have become increasingly difficult to conceptualize, or even to trace empirically. Efforts to theorize these fluid organizational processes have become associated with the rise of the network concept. This article considers the extent to which 'networks' offer a suitable concept for the theorization of informal processes of economic regulation and institutional change. It challenges both essentialist and sceptical attitudes to networks through an examination of the positive and negative effects of network governance in contemporary societies in a range of regional contexts. The analysis focuses on three broad principles of non-state organization – culture, agency and power – and their role in shaping processes of economic and political governance. It will be shown that the effective theorization of informal regulatory processes requires attention to the specific *interaction* of culture, agency and power in particular social contexts. Emphasizing a grounded theory approach, this article draws on cutting-edge network research from East Asia, Eastern Europe, Africa and Western societies to develop theoretical tools for the comparative study of non-state governance and its impact on wider processes of institutional change.

INTRODUCTION

In the social sciences, increasing concerns have been voiced about the implications of liberalization and globalization for our ability to theorize contemporary processes of economic and political change, particularly in situations of weak or collapsing states. Amid the destabilizing forces of economic restructuring, the regulatory authority of the state is being eroded from below by a proliferation of informal economic networks and civil associations, and overwhelmed from above by transnational business, social issue and even criminal networks. As an increasing number of activities take place outside formal political and economic institutions, the dynamics of political-economic organization in a given society become increasingly difficult to conceptualize, or even to trace empirically. Efforts to theorize these fluid processes of structural change have become associated with the rise of the network concept. Networks have become associated with regulatory arrangements that operate independently of the state – in other words, they are understood as ‘informal’ or ‘non-state’ forms of governance (Powell and Smith-Doerr, 1994; Thompson et al., 1991).

For practical as well as ideological reasons, the *economic* implications of networks have received far more detailed and systematic academic attention than their *political* implications. The remarkable success of network-based forms of organization in promoting economic growth in a context of state crisis has made the economic role of networks both more visible and of more immediate policy concern than their longer term political effects. Networks have played a prominent role in the restructuring of contemporary market economies, particularly in East Asia, and in generating economic dynamism where for-

mal economies were failing, as in many African countries. The ensuing focus on effective mechanisms of economic coordination amid a regulatory crisis of the state has built up a vast theoretical and empirical literature on the role of networks in economic regulation, from the right as well as from the left of the ideological spectrum. In addition to a burgeoning theoretical literature on networks in the New Economic Sociology (Grabher and Powell, 2005; Granovetter and Swedberg, 2001) and the New Institutional Economics (North, 1990; Dasgupta and Serageldin, 2000; Nee, 1998) there has been a proliferation of theoretical as well as empirical studies of the role of networks in Asian network capitalism, small-firm industrial districts, ethnic entrepreneurship, and the economies of failed or failing states (Deyo et al., 2001; Little, 2003; MacGaffey and Bazenguissa-Ganga, 2000; van Dijk and Rabellotti, 1997).

In political science, by contrast, effective analysis of the political implications of social networks has been impeded by two main factors. The first is the uncritical transfer of analyses of economic networks to the assessment of their political effects, particularly evident in the liberal political science literature on civil society (Rothchild and Chazan, 1988). Analyses of networks as non-state forms of economic organization were taken as evidence of their participatory and inclusive effects on political processes, which have since been shown to be premature. The second obstacle relates to the abiding mistrust of network forms of organization in political science more broadly, deriving partly from the Weberian association of networks with patrimonialism, and partly from well-founded suspicions among left-leaning political scientists regarding the neo-liberal misuse of networks to obscure processes of international and class domination taking place through

the mechanism of economic restructuring (Meiksins Wood, 1990:78).

Faced with the rapid proliferation of regulatory processes outside the framework of the state, however, even critical political thinkers are being forced to take a closer look at how non-state forms of organization are reshaping political processes. Recent efforts to confront these issues include a stimulating collection edited by Thomas Callaghy et al. (2001) that explores how non-state forms of organization are shaping political relations in Africa, and an innovative compilation of articles on *Twilight Institutions* (Lund, 2007), also relating to Africa, that focus on how non-state institutions become involved in the exercise of public authority. A third contribution to debates about the effects of informal organization on political process involves a special edition of *Africa Focus* edited by Koen Vlasenroot and Timothy Raeymaekers (2008) which explores the role of 'governance without government' in reshaping power and authority in the context of state failure. While not drawing systematically on the concept of 'networks', these various approaches attempt to develop a conceptual framework for analysing non-state regulatory processes, calling for more sensitive theoretical approaches, as well as for more 'empirical studies that can unveil [the] historical, contextual and contingent construction' of informal processes of institutional change (Lund, 2007:7). Common to all three approaches is an emphasis on the use of empirical cases and grounded theory to illuminate the 'twilight' in which informal regulatory processes are shrouded.

My objective in this paper is to consider the extent to which 'networks' offer a suitable concept for the development of a grounded theory of informal organizational processes. Owing to greater theoretical advances in the study of informal economic organization,

informal economic networks offer a useful entry point for investigating the effect of non-state networks on political process. Significant progress has been made in theorizing the varied organizational effects of economic networks, but much less systematic work has been done on extending these insights to the theorization of their effects on order and authority within societies. The political implications of networks cannot simply be read off their economic effects; it cannot be assumed that networks conducive to economic dynamism will also promote law and order or more legitimate authority structures, nor that networks leading to economic chaos are necessarily vehicles of clientage and corruption (Feige and Ott, 1999; Beissinger and Young, 2002). It is necessary to consider the varied ways in which even successful economic networks interact with, and potentially disrupt, dynamics of political organization within a given society, as well as being open to the ways in which patrimonial or extortionary economic networks might advance political development, as highlighted in the work of Charles Tilly (1985). In this paper, I will draw on existing network thinking for a more precise understanding of what networks are, and how they affect processes of economic and political governance in a variety of regional contexts. Do networks offer a mechanism of institutional innovation in times of rapid change, or are they evidence of institutional breakdown and disorder? To what extent do networks promote democratic forms of popular engagement? In the context of failing states, can networks offer an alternative framework of economic and political development? Do networks operate differently in various national or cultural contexts?

The aim here is both to contribute to conceptual and theoretical clarity, and to improve the usefulness of the network concept for po-

litical analysis and for comparative research. Beginning with a discussion of definitional issues and important conceptual distinctions, I will then turn to an analysis of the regulatory implications of informal economic networks. The existing literature on informal economies privileges three broad principles of non-state regulation: culture, agency and power. Attention will focus on how these principles shape economic as well as political governance. As I will show, when examined in isolation, each of these non-state regulatory principles reveals a divergent range of political outcomes, often depending more on the ideological and disciplinary orientation of the analyst than on the empirical realities of informal governance. The effective theorization of informal organizational processes requires attention to the specific *interaction* of culture, agency and power in the organization of non-state economic networks, and a consideration of how these relations shape wider political outcomes. Emphasizing a grounded theory approach to informal organizational processes, I will draw on cutting-edge network research from East Asia, Eastern Europe, Africa and Western societies to develop theoretical tools for exploring the complex intertwining of cultural institutions, social agency and political authority in shaping governance effects of informal economic networks in different empirical contexts.

UNPACKING THE NETWORK CONCEPT: DEFINITIONAL AND CONCEPTUAL ISSUES

Networks have risen to prominence as a means of theorizing the wide range of non-state organizational forms unleashed by economic restructuring and globalization. Unfortunately, the wide popularity of the network concept

has given rise to something of an interdisciplinary ‘feeding frenzy’ within the social sciences. The resulting ‘mix and match’ approach to theoretical development has so clouded the contemporary understanding of networks that Powell and Smith-Doerr (1994:368) lament that it is no longer clear if networks are ‘a metaphor, a method, or a theory’. The proliferation of related concepts, such as ‘social capital’, ‘embeddedness’, ‘twilight institutions’ and ‘shadow economies/states’ has only added to the confusion (Granovetter, 1985; Lund, 2007; Nordstrom, 2004; Reno, 2000). Any contribution to conceptual clarity must begin with a consideration of definitional questions, along with a conceptual unpacking of key distinctions embedded in the network concept. These distinctions involve debates about whether networks promote formality, informality or criminality, whether they constitute mechanisms of structure or agency, and whether they represent ‘second best’ or superior organizational alternatives to state-based governance.

Definitional approaches to networks can be divided into three main categories. The first, which could be characterized as ‘nodes and flows’ definitions, focus on the *topological structure* of networks. A prime example is the famously unedifying definition offered by Manuel Castells (1996) in the *The Network Society*: ‘a network is a set of interconnected nodes’. A second type of definition emphasizes the *anti-structural* character of networks, which are represented as a framework for agency. J. Clyde Mitchell (1969:26), one of the pioneers of social network analysis, maintained that: ‘A network exists in the recognition by people of sets of obligations in respect of certain other identified people. At times these recognized relations may be utilized for a specific purpose.’ Such instrumentalist definitions also focus on patterns of ties, but place the pri-

mary emphasis, not on the resulting structure, but on how these ties can be used by agents for the mobilization of resources in pursuit of individual interests. As sociologist Barry Wellman (1999:3) explains, “The *social capital* vested in ties provides interpersonal resources for people to use to deal with daily life, seize opportunities, and reduce uncertainties’.

In both structural and agency-oriented approaches, the conceptualization of networks in terms of patterns of ties has encouraged a focus on ‘form’ as the key regulatory feature of networks. This has resulted in a preoccupation with morphological characteristics such as network density, tie strength, and ‘structural holes’, with comparatively little attention to the institutional features of networks. A growing number of scholars have suggested that by concentrating on the complex ways in which social networks link actors, tie-based methods have proven increasingly incapable of grasping how networks regulate social action. Indeed, Powell and Smith-Dorerr (1994:371) suggest: ‘The remedy for the apparent primacy of method over substance in network research is to bring the *content* of ties, rather than merely the *structure* formed by these ties, back in.’

A third network perspective addresses this problem by adopting an institutional as opposed to a morphological understanding of networks. Networks are conceptualized as informal forms of organization that shape economic behaviour on the basis, not of patterns of ties, but of the social relations and practices embedded in network ties. Second economy specialist David Stark (1997) defines networks as ‘*sub rosa* organizational forms’ which operate in the interstices of formal institutions and surface in the context of state crisis. Institutional definitions focus attention on the specific relations and practices taking place within networks in a given context.

What is key is not whether networks are non-state structures or mechanisms of agency, but the specific social, economic and power relations through which networks structure social action outside the framework of the state, fostering an understanding of networks as ‘informal institutions’ or forms of ‘non-state governance’. In his work on post-Soviet Russia, Richard Rose (2000:149) explains that ‘Informal networks are ‘institutions’ in the sociological sense of having patterned and recurring interaction’.

Wide variations in definitions of what networks are, and the often reckless empirical use of the concept, have generated considerable confusion over whether networks can be defined as ‘informal’. To begin with, different streams of the network literature tend to concentrate on networks with different relations to the formal legal framework. Although they constitute non-state forms of organization, networks can create ‘informal flexibility and discretion *within* the legal setting’, or they can ‘seek informal flexibility *outside and against* the legal setting’ (Wollmann, 1997:334, my italics). The literature on corporate restructuring and Asian network capitalism tends to focus on networks that operate within the law and enjoy the support of the state (Best, 1990; Castells, 1996). Literature on failing formal economies in developing societies highlights networks that operate outside or at the margins of the law, including micro-enterprise and ethnic trading networks (MacGaffey, 1991; Little, 2003); and literature on state failure is concerned with networks that operate against the law, such as arms trafficking networks (Nordstrom, 2004; Reno, 2000). While formal, informal and criminal networks overlap at the margins, on the whole they represent very different forms of organization with distinct political implications. A strong tendency to run them all together in the term

‘network’ blurs important distinctions, as Alejandro Portes (1994:428) explains:

The most important distinction is that between informal and illegal activities since each possesses distinct characteristics that sets them apart from the other... illegal enterprise involves the production and commercialization of goods that are defined in a particular place and time as illicit, while informal enterprise deals, for the most part, with licit goods ... By explicitly distinguishing between these three categories – formal, informal, and illegal activities – it is possible to explore their mutual relationships systematically, a task that becomes difficult when illegal and informal are confused.

There are also unresolved tensions about the extent to which networks constitute mechanisms of structure or agency. Some scholars have resolved this issue through typological distinctions between dense networks of strong ties that coordinate group behaviour, and loose networks of weaker ties which tend to facilitate individual agency – what MacGaffey and Bazenguissa-Ganga (2000:12) have referred to as ‘structured’ and ‘personal’ networks. Analyses of the organizational capacities of networks are full of discussions of ‘bonding’ and ‘bridging’ ties (Narayan, 1999), or ‘fragments’ and ‘flows’ (Castells, 1997), emphasizing the structural and anti-structural possibilities involved. ‘Successful’ networks are increasingly defined as those with an optimal balance between structuring and agency-enabling characteristics, emphasizing the importance of, as Woolcock and Narayan (2000) put it, ‘getting the social relations right’. In the process, however, there is a tendency to gloss over the organizational contradictions between structuring and agency-enhancing

features. Where structured networks depend on boundaries and enforcement mechanisms to foster collective action, individual networks transgress boundaries, fostering individual agency at the expense of collective action. Insufficient attention has been devoted to examining the contexts in which networks are able to blend elements of structure and agency, and those in which elements of agency serve to undercut the sanctioning capacity and regulatory cohesion of structured networks.

Further conceptual unpacking is also needed with regard to whether networks constitute provisional arrangements in times of crisis, or superior organizational solutions to the challenges of contemporary society. New institutional economists, such as Douglass North and Joseph Stiglitz, argue that networks provide limited small-scale solutions in situations of underdevelopment or state incapacity. Stiglitz (2000:64) explains that ‘when markets are thin and incomplete, a thick network of interpersonal relations functions to resolve the allocative and distributive questions’. By contrast, network enthusiasts such as Granovetter (1995:130) claim that networks are not just second best solutions to gaps in state provision, but mechanisms for promoting economic efficiency even in contemporary economic conditions: ‘social ties of immigrant, ethnic, and other bounded communities can, under specified conditions, furnish the resources for firms to prosper in a modern setting’. The case for the institutional superiority of networks is even more powerfully advanced in the work of Powell (1991) and Deyo et al. (2001) on economic governance, and Castells (1996) and Best (1990) on ‘network capitalism’. Far from constituting makeshift measures, networks are represented as the most efficient form of economic coordination in the rapidly changing environment of globalization and economic restructuring.

Conflicting definitions and conceptualizations of networks point to a need for caution in the use of networks as a theoretical tool. Differing disciplinary origins, theoretical assumptions and empirical referents importantly shape the way in which networks are conceptualized. Judicious use, with careful attention to consistency in the way networks are being used, is key to the effective theoretical deployment of the concept. The most useful approach for understanding the governance implications of networks is to conceive of them as informal forms of organization, directing analytical attention to their regulatory content rather than to their organizational geometry. This paper will make use of an institutional conception of networks to explore how informal forms of economic organization affect political process. 'Informal' is defined here in the now conventional sense of 'operating outside the regulatory framework of the state' (Castells and Portes, 1989). From this perspective, three key questions emerge: How do economic networks regulate, if they operate outside the framework of the state? What are the political implications of these forms of regulation? Can these issues be addressed only by examining the internal organization of networks, or is it necessary to consider how they are in turn shaped by relations with the state, and the formal and wider global economy?

MECHANISMS OF NON-STATE REGULATION: CULTURE, AGENCY AND POWER

If networks represent non-state forms of governance, how do they 'govern'? Where regulation occurs outside the laws and sanctions of the state, through what means do networks coordinate economic action, and what

is the wider impact of these alternative regulatory forces on order and authority within society? The literature on economic networks identifies three broad principles of regulation outside the framework of the state: culture, agency and power. Analyses of how these informal regulatory principles shape economic organization range from the enthusiastic to the pessimistic as commentators grapple with the impact of informal economic governance on processes of political change in a variety of political and cultural contexts. In each case, disciplinary and ideological assumptions often confuse rather than enhance theoretical clarity and empirical insight, owing in part to essentialist assumptions about the nature of non-state regulation. The objective here is to survey the lenses through which scholars have assessed the regulatory capacity and political implications of network governance, distinguishing among the three broad non-state regulatory principles privileged by different disciplines.

Culture

Emerging primarily from the new economic sociology and the literature on ethnic entrepreneurship is a view of culture as the key regulatory principle of economic networks. Cultural solidarity and norms of reciprocity are believed to nurture networks of trust and cooperation that lie behind the Asian Miracle, as well as being the key regulatory principle behind the success of African ethnic trading networks such as the Hausa, Mouride, and Igbo networks of West Africa (Brautigam, 1997; Gregoire and Labazee, 1993; Hamilton, 1996). Faced with the competitive successes of enterprise networks from Africa to Asia, Nadvi and Schmitz (1994:31) maintain that 'socio-cultural identities provide a basis of trust and reciprocity in inter-firm relations....

That is to say a regulatory mechanism for inter-firm relations emerges from within the community and socio-cultural identities...’ Cultural approaches tend to emphasize the importance of ‘strong ties’ based on deep bonds of kinship and community, as opposed to more casual linkages or ‘weak ties’, and on the importance of cultural closure as a means of creating reciprocal obligations and imposing sanctions. In the process, communal business networks are said to enhance economic efficiency by facilitating the mobilization of cheap communal sources of credit, labour and information (Waldinger et al., 1990; Portes and Sensenbrenner, 1993). Light and Karageorgis (1994:661) explain that ‘By enhancing the scope and integration of social networks, ethnic solidarity confers important business resources’.

Picking up on the organizational virtues of community, neo-liberal political scientists initially embraced cultural forms of organization as important elements in the development of civil society. Etzioni (1993) and others have celebrated cultural values and strong communal identities as key to the revitalization of civil society and democratic culture. In African societies, hometown associations, credit societies and communal self-help groups were believed to contribute to associational pluralism and democratization in African societies (Barkan et al., 1991; Azarya, 1988). In his famous article on civil society in Africa, Michael Bratton (1989:426) drew attention to the democratic significance of ‘ethnic development associations and old-boys’ networks that link political and economic elites to their home schools and villages and constitute channels to redistribute private gains into rural community development’.

Others have noted that, despite their economic strengths, cultural networks can have undesirable political effects. Far from nurtur-

ing civil society, Portes and Sensenbrenner (1993) note a tendency to parochialism and authoritarianism in Hispanic and Chinese ethnic business networks in the United States. In the African context, Ikelegbe (2001), Chazan (1988) and others also argue that ethnic forms of organization increase social divisions and that their proliferation promotes ethnic conflict and the emergence of ‘uncivil society’. In addition to a propensity to reinforce parochial divisions within society, ethnic trading networks often foster patrimonial rather than liberal-democratic processes of state formation. Boone (1994), Lewis (1994) and Gregoire and Labazee (1993) indicate that, instead of fostering civil resistance to state inefficiency, African informal ethnic trading networks gravitate toward patrimonial relationships with the state. Focusing on Hausa, Mouride, Lebanese and other West African trading networks, these scholars argue that ethnic networks foster a political environment of bribery and corruption rather than fiscal discipline, and ‘contribute to a general process of decay of the state as a legal and regulatory apparatus’. As Peter Lewis remarks in the case of Nigeria, personalized ties of communal solidarity and reciprocity may foster trust and efficiency within informal economic networks, but they are also the cement that sustains patron-client relationships with the state.

A cultural determinist strain within the literature resolves the contradiction between positive and negative assessments of cultural forms of non-state regulation by claiming that some cultures are more capable than others of forming constructive organizational networks. Much of the ethnic entrepreneurship literature suggests that certain cultures, such as the Chinese, Japanese and Koreans, have, for reasons of history or primordial good fortune, been endowed with superior cultural ‘toolkits’ that

promote economic efficiency and good governance (Fukuyama, 1995; Granovetter, 1995; Light and Karageorgis, 1994). By contrast, other cultures, particularly Black Americans and Africans, are found to lack the cultural capacity for the formation of effective networks. However, a closer look at the political effects of Asian enterprise networks shows that they share many of the problematic features of African economic networks. In the case of overseas Chinese business networks, widely celebrated as an example of globally successful cultural regulation, Yeung (1999) and Tsui-Auch (1999) highlight a political tendency to collusive, patron-client relations with state officials. In the context of rapid liberalization, cultural forms of economic regulation in East Asian as well as African societies have increasingly been associated with patrimonial politics and 'crony capitalism' rather than with the flowering of popular democracy (Yeung, 2000; Lewis, 1994).

Agency

Mistrust of the parochial and collusive tendencies of cultural forms of non-state regulation has led anti-structuralist thinkers to emphasize the role of individual agency. Actor-based perspectives on economic networks have arisen within the new institutional economics and actor-oriented sociology, where networks are primarily regarded as mechanisms for overcoming structural obstacles and contesting social boundaries:

[N]etwork notions seem particularly useful as we concern ourselves with individuals using social roles rather than with roles using individuals, and with the crossing and manipulation rather than the acceptance of institutional boundaries (Hannertz, 1980:175).

Among institutional economists, networks are seen as popular mechanisms for reducing transaction costs by filling gaps in formal institutional arrangements, particularly in contexts of underdevelopment or institutional collapse (Stiglitz, 2000; North, 1990). Actor-oriented sociologists portray networks as channels of popular agency, allowing individuals or marginalized groups to circumvent structures of political and economic exclusion within the wider society (Long, 2001).

The organizational strengths of networks are seen to lie in rational cooperation rather than culture, weak ties rather than strong ties, popular resistance and transgression of boundaries rather than submission to communal norms. Such gurus of civil society as Robert Putnam and Francis Fukuyama, and the doyen of the 'network society', Manuel Castells, all advocate the importance of weak ties across social cleavages as a means of tempering the particularistic and fragmenting character of identity-based networks. Through voluntary associations rather than parochial alliances, networks are seen to promote rational, and increasingly global, cooperation to solve common economic and political problems, fostering non-state forms of organization referred to by Ellickson (1991) as 'order without law'.

Liberal perspectives on democratization suggest that informal economic networks driven by rational self-interest can fuel more productive processes of class-formation and the development of a dynamic and inclusive civil society. Cultural analyses are replaced by an emphasis on cross-cutting ties of kinship, friendship, neighbourhood, church and school that represent broad-based popular interests. In African societies, networks are seen to 'unite people in commercial and other functional ties across not only recognizably artifi-

cial state boundaries, but also across regional and ethnic boundaries as well' (Rothchild and Foley, 1988:256). Cross cutting economic networks are credited with fostering accumulation and class formation within the informal economy, serving to 'shift economic power from predatory political to productive interests within society' (MacGaffey, 1988:172).

However, a note of caution has been sounded by some civil society theorists, who point out that the conditions that encourage the proliferation of popular economic and political networks can also foster a tendency toward disorder and 'uncivility'. African civil society scholar Thomas Callaghy (1994:234) warns that in societies faced with 'the larger context of economic decline, scarcity, and international marginalization and dependence, the effects of more active civil society may not be so benign'. Indeed, a growing number of scholars maintain that extreme institutional informality in African societies has not contributed to the rise of new forms of order and authority, but to their breakdown (Hibou, 1999). In urban Africa, Abdul Malik Simone (2001:53) argues that the proliferation of networks leads to high levels of ambiguity and individual opportunism in associational life, since 'if no clear roles and channels of exchange are institutionalized people are forced to be as opportunistic as possible', with the consequence that networks lead to 'a flurry of activity crossing boundaries of all kinds and producing various constellations of alliances, workforce compositions, inputs, cash-flows', instead of coherent forms of collective action.

A similar argument has been put forward by many new institutionalists in the case of transitional economies in eastern Europe and central Asia. In these societies as well, informal economic networks are associated with extensive evasion of formal institution, lead-

ing, not to popular empowerment, but to criminality and social breakdown (Goldman and Weitzman, 1997; Nee, 1998; Beissinger and Young, 2002). As economist Edgar Feige explains (1999:19) in the context of transitional economies, 'widespread non-compliance can undermine the social fabric and erode political legitimacy, thereby jeopardizing policy credibility, and the fundamental principal of the rule of law'. In such circumstances, networks are charged with exploiting rather than filling institutional gaps, leading to the development of perverse norms, mafias, and 'bandit capitalism' (Goldman and Weitzman, 1997:227). In contrast to Ellickson's vision of 'order without law', these scholars find that the proliferation of non-state networks in circumstances of weak states and rapid liberalization produces '*disorder* without law'.

Power

Perhaps the most dramatic and contentious approach has arisen from those who represent networks as an alternative form of macro-economic regulation that could potentially replace states and markets. This approach initially emerged from the literature on network capitalism and corporate restructuring in which networks are associated with the competitive success of Asian capitalism and other forms of network-based industrial organization, celebrated as the 'New Competition' (Best, 1990; Hakansson, 1989; Powell, 1991). Networks are portrayed as cooperative forms of governance based neither on culture nor on individual agency, but on consensual regulatory systems that diffuse power among actors to generate an environment of participation, trust and flexibility (Grabher, 1993; Powell, 1991). As Powell and Smith-Doerr (1994:382) explain 'networks represent a softer, more multilateral form of governance

than either markets or hierarchies', noted as much for their superior economic efficiency as for their democratic character. Proponents of this view argue that relations of trust and cooperation within networks minimize the need for the exercise of formal regulatory authority: 'Where economic transactions are embedded in personal relationships the hazards of opportunism are diminished and the need for elaborate formal governance structures is rendered unnecessary' (Bradach and Eccles, 1991:108).

In the context of complex, globalizing societies, networks are seen as highly positive in the way that they 'lubricate social relations and help coordinate political and economic life' (Frances et al., 1991:14-15). A view of networks as mechanisms of 'voice' rather than 'exit' encourages their association with democratic forms of organization (Powell, 1991:272; Grabher, 1993:9). In his alternative volume on *The Network Society*, the German political scientist Dirk Messner (1997) argues that networks not only constitute a specific mode of economic coordination, but offer new forms of political organization based on 'discursive mediation and consensual decision making' (Perkmann, 1999). A burgeoning literature on global civil society also celebrates the democratic potential of networks, which can link isolated and persecuted groups up with global civil movements in support of environmental, indigenous or women's rights, diffusing power to those marginalized by formal political frameworks.

While some political scientists have seen networks as a more democratic form of economic and political organization, many have responded with alarm to notions of personalized regulatory authority that bypass formal state and market structures. Such developments sit uneasily with Weberian

perspectives on political authority, and give rise to even more disturbing scenarios in the context of Foucauldian notions of governmentality. For Weber (1999:102), the penetration of networks into political organization leads not to democracy, but to patrimonialism, where 'tradition, privilege, ...and "good will" regulate the web of inter-relations'. For Foucault, the diffusion of power in societal networks is seen as a mechanism of domination rather than democratic participation (Watts, 2003:12ff). Indeed, networks can serve to shift power away from structures of democratic accountability, as Frances et al. (1991:14) explain:

In fact, it is the very informality of networks that gives rise to a certain hesitancy and concern about how they work and their impact. Coordination in this case may be settled in a less than open manner and not subject to any obvious accountability. A lot of networks are highly exclusive of outsiders. In one sense, the Mafia is a perfect network structure.

Indeed, even at the level of corporate restructuring, questions have been raised about the benign, consensual image of networks. Despite the notion of networks as a form of governance based on trust, critical perspectives from economics and organization theory reveal that trust may simply conceal rather than mitigate the exercise of power. Hardy et al. (1998:65) observe that 'power can be hidden behind a façade of 'trust' and a rhetoric of 'collaboration' and can be used to promote vested interests through the manipulation and capitulation of weaker partners'. Andrew Sayer (2001) and others have shown that networks are often more about subordination than consensus, creating a framework

for marginalization and political capture behind an illusion of participation.

In societies with collapsing or war-torn states, particularly in Africa, these reservations about networks have converged with a growing literature on patrimonialism, resulting in a view of networks as socially destructive forms of organization characterized by the privatization of political and economic power. Political commentators such as Jean-Francois Bayart (Bayart et al., 1999) and William Reno (Reno, 2000) view non-state forms of organization as perverse institutional arrangements based on clientism and corruption which actively undermine the development of rational economic institutions. Predatory states rather than popular forces are seen as the driving force behind African networks, which serve to destroy public institutions and promote disorder in the interest of rent-seeking and illicit gain. Reno (2000:437) contends that, in African societies:

Some rulers even jettison the pretenses of seeking legitimacy... Instead, they manipulate markets and the laws regulating them to enhance their own power and wealth, and to control others. This creates informal, commercially oriented networks – Shadow States – that operate alongside remaining government bureaucracies.

Far from promoting economic efficiency and democratic governance, African networks operating in an arena of collapsing formal institutions are believed to foster ‘violent modes of accumulation’ and the ‘criminalization of the state’ (Bayart et al., 1999; Roitman, 2004). In fact, the demise of bureaucratic structures in favour of networks – a process encouraged in the corporate restructuring of Asian and Western economies

– is seen in Africa as a threat to responsible sovereignty, democratization and the development of civil society.

Common to many of these ‘criminalization’ perspectives is a representation of networks as highly centralized rather than fragmented systems of political and economic organization. Far from constituting processes of popular agency or organizational disintegration, networks are viewed as giving rise to formidable new loci of power and authority that operate as ‘shadow states’ (Reno, 2000). While these integrated systems of informal governance involve a highly speculative departure from available evidence, they serve to dramatize an important theoretical question that is conspicuously absent from cultural and agency-based perspectives on informal regulation. The micro-organizational focus of the latter two perspectives tends to gloss over the issue of how the proliferation of informal economic networks collectively redefines systems of order and authority at the regional, national or even at the global level.

A provocative variant on this view of networks is put forward in the work of Carolyn Nordstrom (2004), who examines the regulatory implications of war economies within as well as outside Africa. Nordstrom develops a notion of networks as ‘a plethora of mafias, informal trading and sheer black marketing’ that combine to shape powerful new frameworks of political and economic organization which she simply refers to as ‘the shadows’. Giving a dark twist to Castell’s vision of *The Network Society*, Nordstrom casts networks as a shadowy economic super-highway that bypasses infrastructural, legal and moral boundaries to move a wide range of goods in and out of war-ravaged societies. Seen as integrated global rather than national or regional phenomena, di-

verse networks of survival, altruism, opportunism and corruption interweave to generate 'sites of power capable of reshaping the character of states in the world today' (Nordstrom, 2001:216). In contrast to Reno and others, however, Nordstrom (2004:217) argues that non-state networks can lead to transformative as well as dysfunctional outcomes:

Development is in part jump-started along non-formal economic lines... The war orphan selling Marlboro cigarettes and the old women carrying tomatoes into food-impooverished communities along informal routes are linked into the same system as the man who is carrying out \$20 million worth of gems. In this way, for good and bad, people gain the means to plant crops, start up industries, and develop trade routes.

Unfortunately, Nordstrom's tantalizing account of integrated networks of creative destruction glosses over significant evidence of the fragmented political and economic character of networks, even in war zones. Recent empirical research on Somalia reveals a diverse range of remittance, cattle smuggling, commodity import and arms trafficking networks, all run by different social groups, along different routes, with very different economic and political consequences (Little, 2003; Bradbury et al., 2001). Despite promises of an 'ethnography of the shadows', Nordstrom offers an essentially abstract representation of networks as a kind of informal 'invisible hand', providing little insight into how networks shape transformative as opposed to destructive possibilities from the institutional wreckage of war economies.

TOWARD A GROUNDED THEORY OF NETWORKS: ANALYTICAL AND COMPARATIVE APPROACHES

Perhaps the greatest weakness of the perspectives on networks reviewed above is their tendency to conceptualize networks in terms of a single regulatory logic, highlighted from the perspective of a particular discipline, rather than examining the way in which culture, agency and power combine to shape particular types of networks in specific contexts. The contradictory political implications of each of the three principles of informal governance suggest that more complex regulatory processes are at work. As Bradach and Eccles (1991:290) point out, networks rarely develop on 'greenfield sites', but are 'grafted onto and leveraged off existing social structures'. Political outcomes cannot simply be read off particular regulatory principles. In place of abstract single-stranded notions of informal governance, we must consider the dynamic processes through which non-state forms of organization are formed in specific historical, institutional and political contexts. In their critique of ideal formulations of networks, Amin and Hausner (1997:11) remind us that 'Each network form is the product of forces that have matured in the course of time and of relationships that are peculiar to particular contextual circumstances'.

A more empirically-grounded approach to networks has arisen from within the more interdisciplinary perspectives of organization theory, political economy and economic geography, which have been particularly useful for theorizing the complex influence of cultural context, local and global connections and forms of political incorporation that combine to shape network governance in specific contexts. In particular, the work

of Gernot Grabher and David Stark (1997) on networks and institutional change in post-socialist societies offers a valuable framework for a grounded theory approach to informal economic and political governance. Under the conceptual rubric of ‘legacies, linkages and localities’, Grabher and Stark consider how networks are shaped by the intertwining of culture, agency and power in specific historical and political circumstances.¹ Drawing on insights from a wider range of network studies, the basic analytical structure devised by Grabher and Stark can be further elaborated to provide a more effective lens for examining non-state forms of economic and political governance.

Deciphering Informal Governance: Legacies, Linkages and Localities

The notion of ‘legacies’ focuses attention on how networks are shaped by their cultural and historical embeddedness without succumbing to cultural determinism. As Grabher and Stark (1997:19) explain, the negative economic performance of informal networks in post-socialist societies is associated with the fact that they have been shaped, not by the artisanal traditions and cooperative societies associated with the northern Italian enterprise networks, but by the unproductive and opportunistic practices of the second economy and the *nomenklatura*. From this perspective, broad cultural traits of Italians relative to Russians are less important than specific norms and practices – whether networks emerged from artisanal, agricultural or criminal groups, whether they are organized around commercial, redistributive or subversive values, how they have been shaped by

historical phases as well as cultural and environmental factors.

Attention is directed to the specific institutions embedded in networks, such as credit systems, craft traditions, extortion practices, or the use of violence, which may be highly developed in some networks and absent in others. In addition to highlighting institutional differences among different types of networks *within* as well as between cultures, these institutional legacies indicate the relative potential of particular types of networks for constructive institutional innovation. As Grabher and Stark (1997:3) point out, ‘legacies are not simple residues from the past but can serve as resources for the future’.

Moving beyond the historical legacies of networks, a consideration of ‘linkages’ highlights the social mechanisms through which networks are restructured in response to changing conditions. The notion of linkages challenges the inevitability of cultural path dependence by drawing attention to what the economic geographer Allen Scott (1998:97-8) calls ‘branching points’ – conjunctures at which network members may form new connections to tap into organizational alternatives. While this can involve organizational innovations that bring access to new technologies or new markets, as exemplified in Nadvi and Halder’s analysis of the globalization of the Pakistani surgical instruments cluster, it can also involve processes of fragmentation and the erosion of internal solidarity as members struggle to diversify individual networks of access and assistance, a scenario more common in crisis-ridden African contexts (Meagher, 2006; Lourenço-Lindell, 2002). Alternatively, networks may be unable to develop new linkages in contexts of rapid change, or even to maintain old ones, owing to lack of economic or social assets, creating a situation

¹ A similar approach has been developed by Amin and Hausner (1997) also in work on post-Soviet societies.

of atrophy or collapse of previously viable informal welfare or livelihood systems.

While there is a persistent tendency to theorize the restructuring of networks in terms of changing patterns of strong and weak ties (Amin and Hausner, 1997:12; Grabher and Stark, 1997:10 ff), a more useful approach is to conceptualize network change in terms of the *social* properties of ties rather than their strength or weakness (Blokland and Savage, 2001; Gold, 2001). By focusing on shifts among ties of class, gender, ethnicity, religious sect or political affiliation, the understanding of network change moves beyond vague notions of strong and weak ties to a consideration of ‘how the dramatic changes to such networks ... can create new processes of social exclusion and class formation’ (Blokland and Savage, 2001:225). Others have stressed the importance of focusing on changing social relations *within* linkages, recognizing that individual ties can involve shifting relations of power among members. In her study of social support networks in Guinea-Bissau, Ilda Lourenço-Lindell (2002) reveals how power relations within networks are used to reshape norms of assistance and obligation to the advantage of more powerful members. She traces how differences in power and economic capacity lead to a weakening and collapse of ties between wealthier and poorer members of urban communities, confining the poor to increasingly narrow and isolated networks. Amin and Hausner (1997:12-13) remind us that ‘The bargaining position of actors differs enormously from one network to another in accordance with the power of individual actors over others. Hence the usefulness of exploring the *nature* of interaction between actors, beyond simply recognizing the existence of ties.’

Literature on migration and international relations is increasingly drawing attention to

the importance of *global* linkages in the reshaping local structures of informal governance. Ronald Kassimir (2001:105) highlights the growing role of linkages with international environmental protection groups, indigenous peoples’ and women’s rights organizations, religious networks and ethnic diasporas in influencing local objectives: ‘They often develop public agendas, mobilize followers based on reshaped social identities, and introduce new resources and new mechanisms of non-state governance’. Others have noted the role of linkages with diasporas in displacing local systems of political authority, reinforcing ethnic agendas, or supporting political opposition (Medani, 2002; Gibbon, 2001).

Finally, the notion of ‘localities’ focuses attention on how the organizational capacities of networks are shaped by the local fabric of formal and informal institutions in which they are embedded. Economic geographer Meric Gertler (1997:55) captures this dimension by emphasizing the need to consider how ‘allegedly “culturally shaped” forms of economic behaviour ... might themselves be strongly shaped by broader regulatory and institutional frameworks’. This turns attention to the question of whether particular networks develop within a supportive and coherent institutional framework – what Evans (1996) refers to as ‘synergy’ – or in a context of state neglect and institutional chaos. As Evans (1996:1129) points out, it is not only through institutional support that the state plays a role in the development of networks:

For “normal” Third World states that lack the kind of powerful, autonomous bureaucracies that enabled East Asian industrializers to create synergistic ties with entrepreneurial groups, clientelistic capture is the natural consequence of tight public-private ties involving elites.

Whatever the situation, networks are not defined by their autonomy from the state. However, they are critically shaped by the nature of their relationship with it, whether that relationship is defined by institutional support, marginalization, or having been co-opted into the service of more powerful groups within the state. To begin with, the formality or informality of networks is defined by their relation with the state. As Stepick's (1989) study of Cuban and Haitian entrepreneurs in the US has shown, formal enterprise networks benefit from access to legal protection and formal sector resources such as bank loans and business support programmes. Informal networks, by contrast, are plagued by legal vulnerability and economic marginalization. Whether networks represent informal arrangements *within* the law, as is the case with many of the enterprise networks involved in Asian network capitalism, or *outside* the law, as is often the case in post-Soviet and African societies, critically influences their ability to develop relations of productive 'synergy' with the state or their propensity to succumb to cliental capture in the service of corrupt agendas of power.

The state also plays a critical role in the degree of institutional cohesion that develops across the formal and informal institutional environment. As Grabher and Stark (1997:17) explain, localities involve 'interdependencies...across *different social logics*, routines, and practices involving not only business firms but political, religious, residential, and family life'. (Amin and Hausner, 1997) describe the state as the 'strategy maker, coordinator, arbitrator and consensus builder' among diverse networks within a society. In contexts of state collapse characteristic of many post-Soviet and African societies, the absence of state coordination among networks importantly shapes the character of network governance. Instead of producing informal regulatory efficiency,

the proliferation of cross-cutting social networks tends to lead to '...a cacophony of orientations, perceptions, goals and world-views that confounds even minimal cohesiveness' (Grabher and Stark, 1997:11). Visions of collaborative harmony associated with 'network governance' give way to a situation of organizational chaos that can only be described as 'ungovernance' (Leander, 2001). In such situations, where the state ceases to maintain institutional coherence, networks tend to foster the kind of uncertainty and opportunism described in African and post-Soviet societies (Simone, 2001; Smith, 1997). Amid an uncoordinated proliferation of networks, 'actors can all too easily and almost imperceptibly switch among the various positions they hold simultaneously in the coexisting moral economies. To be accountable according to many different principles becomes a means to be accountable to none' (Grabher and Stark, 1997:16).

Even at the level of global connections, states continue to play an important role in regulating access to global flows of ideas and resources. While globalization has weakened the ability of states to serve as gatekeepers of transnational flows of people, commodities, ideas and technologies, it has not removed their ability to influence these processes. Even in African countries, as Kassimir (2001:110) points out, 'if the state is weak in this managerial process, it is again rarely irrelevant in the way transboundary connections are formed and institutionalized.' Reno (2000, 2001) has repeatedly complained that international norms of sovereignty continue to privilege the regulatory capacities of states over other groups with regard to resource flows and global markets. Similarly, Frederic Cooper (2001:191) points out that, even in Africa, 'the clandestine migrant cannot afford the illusion that states and institutions matter less than "flows"'. However crisis ridden and

chaotic their regulatory influence on network development, states matter. In their recent article on non-state governance in failed state contexts, Raeymaekers, Menkhaus and Vlassenroot (2008:9) have reaffirmed the centrality of states in informal governance processes. While observing that ‘the thundering erosion of African state capacity since colonial independence has opened up new spaces for the negotiation of sites of political and economic interaction..., the state in Africa continues to play a preponderant role both as an objective of contemporary interventions ... and in the brokerage of local decision-making processes through street-level bureaucracies and everyday political interaction’.

Regional Comparisons and Network Typologies

A focus on the interaction of socio-cultural institutions, cross-cutting linkages and relations with the state can facilitate the development of typologies within as well as between regions for a clearer understanding of the similarities as well as the differences in network governance in East Asian, Western, African and post-Soviet contexts. For example, in East Asian business networks, Deyo, Donner and Hershberg (2001) note that:

...the simple existence of ethnic ties does not necessarily translate into... “cooperative exchanges”. ...whether ethnic groups are able to become, in Clifford Geertz’s terms, “cosmopolitan” and thus to resolve the tension between solidarity and scale may in turn depend on facilitative political institutions and coalitions.

In Asian network capitalism, this facilitative institutional tissue is evident ‘in industry and

trade policy, in collective goods provision, and in support for network governance institutions and dynamic flexibility strategies among firms’ (ibid.:222). On the other hand, East Asian business networks have been less successful at ‘going it alone’ in the absence of state support. Despite their legendary cultural endowments and global linkages, Yeung (1999), Tsui-Auch (1999) and others show that overseas Chinese business networks tend to foster labour exploitation and political clientism rather than innovation in less supportive political environments or in conditions of economic informality, as exemplified in the case of Hong Kong business networks operating in China:

The ethnic and cultural ties do not lead the Hong Kong personnel to engage in a more congenial working relationship with local partners and workers. Instead, they serve as a ‘natural’ advantage for them to spot opportunities, build personal connections and get around laws and regulations (Tsui-Auch, 1999).

Just as advantageous cultural endowments can have varied effects on economic governance and political accommodation in East Asia, *disadvantageous* cultural endowments, characterized by a proliferation of criminal networks, show varied effects on governance outcomes in Western Europe and in Post-Soviet Societies. Charles Tilly (1985:169) has argued that Western capitalism and European nation states were a product of ‘coercive and self-seeking entrepreneurs’ involved in banditry, piracy, extortion and coercive violence – what Tilly describes as ‘organized crime’ (See also Gallant, 1999). Yet the patrimonial networks and violent modes of accumulation that characterized the early history of

Western capitalism have given rise to what are viewed as constructive, indeed paradigmatic processes of state formation and economic development.

In Post-Soviet societies, by contrast, the rise of organized criminal networks is associated with the disintegration and criminalization of the state rather than with constructive processes of state formation and capitalist renewal. The main organizational legacies unleashed by the dismantling of socialist states were the brutal surveillance networks of state socialism and the collusive networks of the second economy and the *nomenklatura*, all riddled with values of regulatory non-compliance, institutionalized corruption, elite privilege and violent modes of enforcement. In contrast to Western as well as East Asian societies, the prominence of brutal networks of power combined with the crisis and rapid dismantling of the state have generated a regional dynamic of network governance characterized as 'bandit capitalism' (Johnson et al., 1997:229). In addition to differences in the types of networks involved, the collapse rather than the consolidation of the state represents a critical difference in the way networks have influenced processes of economic and political development in post-socialist countries. Even here, however, significant intra-regional variations reveal alternative network dynamics. In Hungary, the Ukraine, and Poland, where older legacies of civil and economic organization managed to survive and adapt during the socialist era, distinctive forms of non-state governance are shaping the transition in more constructive ways.

Recent efforts to use the post-Soviet model for the analysis of networks in African societies (Beissinger and Young, 2002) mask a very different combination of cultural legacies, linkages and regulatory contexts. While many analysts have assimilated Africa into a

criminalization model of network governance (Reno, 2000; Bayart et al., 1999), African informal economies continue to be dominated, not by criminal networks, but by a combination of poverty-induced survival networks and historically-rooted ethno-religious business networks, which have been weakened but not destroyed by a regulatory environment of liberalization and formal sector collapse (Friedberg, 1996; Lourenço-Lindell, 2002; Berry, 1993). The emergence of criminal networks, militias and vigilante groups represents a more recent development, whose social and institutional histories are often quite distinct from those of existing economic networks. While African criminal networks have monopolized the academic imagination, they do not yet dominate the regulatory arena of the informal economy as they appear to do in many post-Soviet societies. The result is a regulatory environment that would be more accurately characterized as 'ungovernance' rather than 'criminalization', in which nascent criminal tendencies are cross-cut by entrepreneurial institutions and popular social values, producing a chaotic rather than a criminal framework of governance (Meagher, 2007; Vlassenroot and Raeymaekers, 2008).

In the African context in particular, intra-regional patterns of non-state governance are marked as much by variation as by similarity. One could ask how the governance implications of the dynamic and globalized Mourides trading networks of Senegal compare to those of the violent Hard Livings gang in Cape Town, South Africa, or to the struggling *jua kali* operators of Kenya. Some of these African networks appear to be leading to economic expansion and increasingly autonomous forms of civil engagement (Ebin, 1993; Thioub et al., 1998), while others lead down the path of corruption and criminality (Kynoch, 2005). In many ways, regional

typologies and intra-regional distinctions raise as many questions as they answer. Why have informal economic networks in Somalia managed to maintain monetary stability and develop a modern telecommunications system in the absence of a state, while the Angolan war economy, even with the existence of a limited state, has yielded rampant inflation, infrastructural devastation and the trade in blood diamonds? In terms of their governance capabilities and prospects, do the Mouride and Somali trading networks more closely resemble the chaotic and opportunistic transnational networks of Congolese traders described by MacGaffey and Bazenguissa-Ganga (2000), or the cliental but dynamic and disciplined networks of the overseas Chinese? Why have the active Mouride and Somali trading networks failed to promote a shift toward productive investment, in contrast to many East Asian networks? These are the kinds of typological questions that a grounded theory approach to network governance would need to address, though taking up this challenge is the task of another paper.

CONCLUSIONS

The central contention of this paper is that networks offer a useful conceptual tool for the analysis of non-state forms of economic and political governance, but it is a tool that must be used with care. Exploiting the theoretical potential of the network concept requires that we move beyond the conceptual muddle of contemporary network literature toward a more empirically grounded and institutionally focused analysis of how networks govern. In place of essentialist, single stranded approaches to network governance, there is a need to focus attention on the more complex regulatory processes shaping networks, which

are a product of the intertwining of specific institutional legacies, restructuring linkages and the nature of their embeddedness in the wider local, national and global regulatory environment. In the process, a grounded theory approach to network governance solves two important problems. The first is to offer a critical theoretical alternative to the essentialist network perspectives that have tended to dominate the field of informal economic and political organization. The second is to open up possibilities for comparative analysis of networks that moves beyond the cultural determinism of much of the current comparative research on network governance.

Despite increasing dissatisfaction with the essentialism and ideological agenda of contemporary network thinking as represented by the 'social capital' paradigm (Meagher, 2005), more critical approaches to network governance have so far been unable to mount a coherent theoretical challenge. Instead, they have produced a welter of insightful, but conflicting analyses of the governance capacities of networks in various contexts. As mentioned earlier, the development of a critical theoretical approach has been delayed in part by mistrust of network thinking on the left, where networks were associated with unsavoury processes of conceptual bamboozling and political disenfranchisement. While a critical approach to networks must not lose sight of the relationship between the neo-liberal agenda of state withdrawal and the theoretical discovery of non-state governance, it must also find a way of conceptualizing the institutional strengths of networks that lie behind the real successes of Asian network capitalism, the competitiveness of small-firm industrial districts, and the economic resilience of ethnic trading networks. To what extent do networks represent an anti-democratic political agenda of 'shifting of regulation to new

forms and social spaces' (Smith, 1994), and to what extent do they offer new avenues of productive institutional change, or threaten to erode the basis of law and order? The time has come for this to be tackled as an empirical rather than an ideological question.

The answer lies neither in essentialist abstractions, nor in the proliferation of empirical studies, but in the development of more institutionally sensitive approaches to informal regulation. As Gavin Smith (1994) has pointed out in a provocative article on the subject, it is not enough to 'rediscover' the regulatory role of the social; we must 'problematize the social' as a regulatory force. The institutional problematic of 'legacies, linkages and localities' outlined above offers a useful theoretical lens through which to view the complex institutional dynamics of non-state governance for a more balanced and coherent assessment of the developmental strengths and weaknesses of informal processes of economic and political change in a wide range of regional contexts, and in stable as well as war-ravaged economies.

In the process, this multi-stranded approach allows network analysis to move beyond a propensity to cultural determinism toward a genuine comparative analysis. A focus on the complex interaction of culture, agency and regulatory power offers a way forward from the current propensity to cultural stereotypes and essentialist analyses, and contributes to the development of more insightful network typologies within as well as between regions. This not only offers the prospect of deciphering the regulatory implications of networks in a variety of contexts, but opens up some genuine scope for policy in the as yet bewildering realm of informal economic and political governance.

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