

HEYWOOD et al.  
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FROM GOVERNMENT TO GOVERNANCE

## Chapter 8

# Executive Capacity and Legislative Limits

PAUL HEYWOOD

There has been much discussion in recent years of the impact of globalization and transnationalism on political organization. Whilst there is as much dispute as agreement over the meaning, extent and even existence of these twin trends, it is undoubtedly the case that all modern states face a series of increasingly similar, yet increasingly complex, policy challenges. In Western Europe we can point to a number of developments over the last decade which have altered the policy environment. First, there has been an internationalization of decision-making in a growing number of spheres, most notably within the EU, where member states find themselves increasingly bound by the need to pool ever-more aspects of sovereignty. Second, the end of the Cold War has seen the collapse of the geo-strategic certainties which characterized the postwar period, and the emergence of new points of tension within the European sphere of influence. Third, the demands placed on governments have become more complex, involving the need to balance apparently contradictory demands such as economic growth and environmental protection, or greater social protection and a reduced fiscal burden. Equally, other issues such as immigration have placed additional and often acute pressure on governments as they seek to avoid the charge of constructing 'Fortress Europe'.

A fourth development has been the growth of multilevel governance, with the emergence of key decision-making points at various diffuse (and sometimes competing) levels (Sharpe, 1992; Hooghe and Marks, 2001). Such changes have made it more difficult to manage policy chains which often cut across national boundaries and have led to growing institutional dependence. Fifth, there has been a reshaping of decision-making networks with financial institutions such as central banks, the mass media and magistrates all playing an increasingly prominent political role, often in competition with more traditional public actors. In consequence, there has been a blurring of traditional public/private distinctions, exacerbated by a continued balkanization of state apparatuses as

new public management reforms have promoted the separation of policy decisions from policy delivery (Heywood and Wright, 1997, p. 91). The net result of such developments has been a growing privatization of the state, or at least of key elements of its public-sector administration. Indeed, Rhodes (1997a, p. 199) has spoken of a 'hollowing-out' of the state, reflecting its loss of coherence and capacity to coordinate or control other actors.

The challenge for analysts is to understand how governance in contemporary Western Europe has been affected by these profound changes in the policy environment. In seeking to provide some answers, this chapter will focus on the executive and legislative branches of government in contemporary Europe, and on the relationships between them. The chapter will be structured in four sections. First, it will be argued that all executives in Western Europe have sought to respond to the more complex policy milieu by placing increased emphasis on the need to improve internal policy coordination, but that this has involved any increase in executive strength being purchased only at the cost of a loss in reach. Second, however, it will be shown that there has also been a divergence of executive policy responses according to which actors, sectors, structures and settings are involved, in turn influenced by specific institutional legacies of decision-making patterns. The third section will analyse the arguments over the declining policy influence of legislatures *vis-à-vis* executives, and seek to identify those factors which may temper such an assessment. Fourth, and finally, it will be concluded that in an ever-more complex policy environment, executives and legislatures are increasingly bound by a shared interest in maintaining the credibility of their claim to be able to govern, expressed through an increased emphasis on efficiency and transparency.

### From government to governance: the core executive and the challenge of coordination

In contrast to the traditional (and somewhat sterile) focus on the executive as encompassing prime ministers and their cabinets, the notion of the 'core executive' is intended to capture the sense that a much wider range of actors and organizations is actually involved in the policy process, often through complex networks and communities. Whilst the term 'core executive' is associated primarily with the work of Rhodes and Dunleavy (1995) on the United Kingdom, it has come to be used increasingly in comparative studies of public policy. In the UK, meanwhile, the term has been formally adopted by the Public Record Office as part of a pilot project to develop a searchable on-line catalogue of

government department policy records, and includes the Civil Service Department, the Cabinet Office, the Ministry of Defence, the Department of Economic Affairs, the Prime Minister's Office, and HM Treasury (PRO, 1998, 2000). Thus, the notion of core executive moves beyond old-fashioned 'black-box' institutional policy models which posit a clear separation in terms of function and role between the executive, legislature, bureaucracy and judiciary.

In practice, as indicated above, the state has become increasingly fragmented. In Olsen's terms, '[t]he ship of state has become a flotilla, making co-ordination between levels, branches and sectors of government a problem' (Olsen, 1997, p. 162). Nevertheless, one paradoxical feature common to all countries in Western Europe (and beyond) has been that as the political process becomes increasingly complex, so its public presentation becomes more simplistic, evidenced most obviously by a growing personalization of politics. Governments have come to be associated almost exclusively with their lead figures – usually the chief executive and the finance minister. A number of factors have contributed to this development, most obviously the growing media-focus of governments which seek to bypass the traditional role of political parties as channels of popular expression and aggregators of interests. The rise of international summity within the EU – with key decisions being made at Inter-Governmental Conferences (IGCs) – has reinforced the focus on leaders, who are able to set the political agenda. In turn, the treaty obligations associated with EU membership – in particular economic and monetary union (EMU), but also in areas such as social welfare – have placed increased pressure on governments not only to present a united front in negotiations and so appear to defend national interests, but also to promote budgetary rectitude, thereby reinforcing the prominence of finance ministers. Indeed, when governments appear disunited they face intense media scrutiny over perceived internal battles.

Given the complexity and scale of the demands facing all modern governments, the pressure to appear organized and purposeful can be accommodated only if the core executive is able to coordinate its activities effectively (Davis, 1997). In practice, mechanisms of core executive policy integration are correspondingly complex, and unsurprisingly they sometimes fail to work effectively. A variety of coordination mechanisms can be identified. Several governments have sought to centralize coordination, with prime ministers taking the lead in seeking to impose their authority and thereby reinforcing the personalization of the political process. In the UK, for instance, Tony Blair has often been accused of acting as a 'control freak', appointing so-called cabinet 'enforcers', but even in countries with a strong tradition of ministerial autonomy,

such as Germany and the Netherlands, greater emphasis has been placed on the need for government to appear united around the prime minister (Mayntz, 1987; Andrew, 1991). Traditionally, though, coordination has often been 'negative', reflecting a desire to avoid conflict rather than to promote policy coherence. Indeed, evidence suggests that in spite of a general recognition of the importance and need for greater coordination within European core executives, in practice coordination efforts have been modest and relatively low level. Most attempts to create strategically focused planning units – for instance, the French Commissariat Général du Plan, originally created in 1946 by De Gaulle at the suggestion of Jean Monnet, or the Planning Division in the German Chancellor's Office (Wright and Hayward, 2000, p. 133) – have been less than signal successes. Core executives are less effective than might be imagined in taking a proactive role, and instead can best be understood as arenas in which competing interests compete for ascendancy.

A recent major study into core executive coordination in six West European states (Wright and Hayward, 2000) concluded that there remain substantial obstacles to effective coordination, even though governments in all six countries – Austria, France, Germany, Italy, the Netherlands and Spain – have sought to reduce the coordination burden. Amongst the obstacles to coordination are the perceived costs of undermining existing harmonious, if messy, patterns of interaction by trying to impose centralized control; competing demands for core executive attention, notably the routine business of day-to-day political activity; lack of capacity, either through information overload or through too many competing interests within government; and institutional constraints, particularly in those countries with a tradition of ministerial autonomy, which can be reinforced by the size of the department in question as well as the personality or political strength of the minister in charge. Obviously, where governments enjoy clear majorities, as is currently the case in the UK or Spain for instance, the position of key ministers can be even further enhanced. By the same token, when governments are dependent on coalition partners, as in Germany, or face a situation of so-called cohabitation, as in France, key ministers face greater constraints. Indeed, it has been argued that coalitions lead to greater governmental coherence because they rely on negotiation and mutual respect of interests (Rhodes, 1997a, p. 209).

Partly in response to the growing complexity of the policy challenges they face, governments have also engaged in measures to reduce the scale of activities which need coordination. Such measures have contributed to what has been termed a shift from government to governance (Rhodes, 2000, pp. 5–6), characterized by a tendency to replace

responsibility for policy implementation from line bureaucracies to more fragmented service providers. The notion of governance therefore encompasses such developments as the transfer of policy responsibility to third-sector agencies or to specific bodies charged with a particular policy area (for instance, the drugs 'Isar' in the UK), extensive privatization and contracting-out, or the creation of quasi-markets by splitting purchasers and providers. As Majone (1997, pp. 140–1) points out, even before the wave of privatization under the Thatcher administration, the UK had established a number of specialized regulatory agencies such as the Independent Broadcasting Authority (1972), the Civil Aviation Authority (1972), the Health and Safety Commission (1974), the Equal Opportunities Commission (1976) and the Commission for Racial Equality (1976). Equally, in France – where privatization was also adopted in the mid-1980s primarily on the basis of ideological commitment (Baer, 1988) – similar developments had included the creation of the Commission des Infractions Fiscales (1977), the Commission Bancaire (1984), the Conseil de la Concurrence (1986) and the Commission de Contrôle des Assurances (1989).

National governments in Europe have also sought to displace policy-making responsibility both upwards, to the European Union level, and downwards to the regional or sub-national level (Wright and Hayward, 2000, p. 34). Taken together, these developments have led to a growth of new networks (as well as leading to an expansion of existing ones) in which the government is not necessarily a central player. Whilst the scope of government control may therefore appear reduced, the need for coordination may have actually increased, since demands for transparency and accountability have led to the emergence of ever-more regulatory agencies established in the 1980s and 1990s, including the Office of Telecommunications (OfTel), the Office of Gas Supply (Ofgas), the Office of Water Services (Ofwat), the Office of Gas and Electricity Markets (Ofgem), the Office for Standards in Education (Ofsted), and – most recently – the Strategic Rail Authority (SRA). Such development have been paralleled throughout Western Europe as public utilities have been privatized and the Single European Market has generated the need to regulate competition.

Associated with the notion of a shift from government to governance has been an increased emphasis on policy networks and communities, which are seen by some analysts as offering a more realistic account of how the policy process operates than the more traditional emphasis on varieties of pluralism and corporatism (Peterson, 1997; Marsh, 1998; Marsh and Smith, 2000). The rise of multilevel governance, in particular, has rendered significantly more complex the mechanisms and routes

of influence that interest groups and peak associations seek to exploit. Rather than the somewhat simplistic relationships between domestic actors posited in pluralist and corporatist models, the idea of policy networks is intended to capture the sense of a complex set of interrelationships and links which traverse national boundaries as required. Although it is possible to distinguish a number of different conceptions of policy networks, the key point which they share is that such networks are based on interdependence and exchange between strategic actors in the policy process. As such actors continue to deal with each other on a repeated basis, so patterns become established and the network starts to assume an autonomous structural identity in which there emerge certain 'rules of the game'. These may vary between different networks, as may the patterns of interaction, but all are based on the notion of a 'power-dependence' relationship in which resources are exchanged between actors and organizations. Power-dependence relationships are asymmetrical in that public actors, such as government departments, exercise a disproportionate influence over access to resources, but all organizations remain dependent on others for their resources (Rhodes, 1997b).

The policy-networks approach is most closely associated with Rhodes, whose focus has been almost exclusively on the UK. He has distinguished between five different types of policy network along a continuum, according to the degree of integration between members. Thus, they range from policy communities characterized by a high degree of integration and cohesion, to issue networks which are loosely integrated and often conflictive. In between, professional, intergovernmental and producer networks are dominated respectively by particular interests (Rhodes, 1997b, pp. 36–9). Other analysts have introduced modifications to the framework, for instance by emphasizing personal relationships, or by drawing a distinction between a 'policy universe' which encompasses all actors with a potential interest in a given policy, and more narrowly defined policy communities (which have a common policy focus) and networks (which link two or more communities) (Wilks and Wright, 1987). The policy-networks approach has been adopted to analyse the policy-making process in a number of West European states as well as the EU itself, often focusing on specific sectors (Grant *et al.*, 1988; Freddi and Bjorkman, 1989; Peterson and Bomberg, 1999). Whilst it is an approach which does recognize the increasing complexity of the policy environment, it has been criticized for an overreliance on imprecise definitions in its attempt to capture that complexity, and for sacrificing analytical purchase to descriptive detail. Dowding (1995) has argued that the policy-networks approach presents a sophisticated map of policy formulation and coordination,

rather than an explanatory model with explanatory capacity – a charge forcefully rebutted by Rhodes (1997b, pp. 10–11).

In all six European states covered by the Wright/Hayward project, a mix of internal coordination techniques has been adopted. This mix includes greater emphasis on internal self-government through reforms associated with 'new public management' (NPM); the identification of lead ministries responsible for coordination; attempts to ensure pre-legislation political agreements; the creation of 'super-ministries' to reduce the number of departments involved in legislation; greater emphasis on information flows between officials; the appointment of sympathetic officials in strategic positions within networks; and the construction of binding consensus around core ideas, such as 'modernization', 'reconstruction' or 'Europe' (Wright and Hayward, 2000, p. 35). Not all six governments have adopted all the above measures, but most have engaged in a range of activities which have sought to improve internal governmental effectiveness. One feature which does appear to be common to all West European governments is the rise of 'networking' as a means of coordinating governmental activity in the context of growing marketization – that is, the focus on 'competition as the organizing principle of service delivery' (Rhodes, 2000, p. 12). Networks are not new of course, they have long been an intrinsic feature of executive coordination – but, ironically enough, new networks have arisen precisely in response to the fragmentation of service delivery which was introduced in part to counteract the existing entrenched networks of producers and suppliers.

In spite of their widespread existence, networks vary significantly throughout West European executives. In France and Spain, for example, there are important networks based on the grands corps or *cuerpos*, which build on a strong sense of tradition and shared professional background and training. Indeed, so strong are these networks that they can be an obstacle to coordination, particularly when they stand in opposition to rival networks. Other countries, such as Germany, Austria and the Netherlands, have no such grands corps tradition (Wright and Hayward, 2000, p. 36). However, they remain subject to other difficulties, such as networks putting their own interests and survival before the overall aims of the executive, or overlapping membership leading to divided loyalties as well as competing jurisdictions, or – perhaps most damaging – a breakdown in trust upon which ultimately all networks depend if coordination is to be effective. Trust develops through routinized patterns of interaction, and is a basic characteristic of effective networks – but it is also a fragile commodity which can be easily damaged by personnel changes or personal clashes. Many European executives have found it difficult to coordinate the activities of departments led by ministers who have poor

relationships with their ministerial colleagues. The Blair administration in the UK has been hurt by stories of personal animus between the Chancellor, Gordon Brown, and the Prime Minister's close friend and ally, Peter Mandelson, whilst tensions in Germany between Gerhard Schröder and his high profile Finance Minister, Oskar Lafontaine, also led to the latter leaving the government altogether.

### Core executive coordination and national specificity

Networks do not, of course, develop within an institutional vacuum; rather, the institutional context within which they emerge and operate reflects 'prevailing cultural and political traditions' (Weaver and Rockman, 1993). The notion of 'path dependence' (Pierson, 2000) seeks to capture the idea that historical origins and cultural systems exercise significant influence on institutional development, and can help determine whether attempts at innovation will succeed. Institutions tend to have standard operating procedures, reflected in policy frames which routinize the values of the political system. In fact, such frames can operate as constraints on the autonomy of core executive actors, thereby helping to maintain established patterns of coordination. The Wright/Hayward project identified a number of such policy frames, including the ideological weight of a dominant perspective (for instance, the primacy of a single European market), the legitimacy of an accepted political system and constitutional order, the existence of well-worn routines and procedures which penalize non-compliance, the continuation of standing commitments and agreements, and the specific patterns of activity associated with particular policy sectors. Taken together, these policy frames contribute to institutional 'stickiness', which refers to the persistence of set modes of operation (March and Olsen, 1989, p. 106).

Over the last decade, however, conventional policy frames in most West European states have been undermined or unsettled by the emergence of new challenges to the system, including the impact of technological developments, changing patterns of employment, the growing influence of the EU, the internal changes associated with New Public Management initiatives (or some variant thereof), and the greater contestation of public space. Whereas routine, bureaucratically-dominated activities have been able to continue operating within established policy frames, the new challenges have posed coordination problems which have not been so easily accommodated within existing frames. As might be expected, responses to such pressures have varied significantly across countries in line with their particular institutional development,

traditions and legacies of decision-making patterns (cf. Elgie, 1995). These in turn shape the political opportunity structures available to core executives.

As the constraints and pressures on the core executive become more complex, so negotiation and cooperation becomes more imperative. However, the manner in which such negotiation and cooperation is handled between core executives, networks and other interested actors depends critically on the particular institutional structure of the country in question, as well as the policy sector involved. Thus, the range of actors involved in the core executive may vary according to the issue at stake. The Wright/Hayward project revealed that in regard to privatization, for instance, coordination was handled by various different ministries: in Austria, the lead ministry with responsibility for the enterprise in question; in the Netherlands, the Interior Ministry; in France and Spain, the Finance Ministry; and in Italy, the Industry Ministry as well as the Finance Ministry. Other policy areas, such as immigration policy or European Union affairs, demonstrated similar differences over the identity of the key actors involved in core executive coordination (Wright and Hayward, 2000, p. 37). Which ministry takes the lead in a given area can, of course, have a significant impact on the coordination process.

Coordination mechanisms also vary between different countries. In the case of coalition governments, procedures range from highly-structured agreements between potential partners, as in the case of the Netherlands, Austria and Germany, which are regularly reviewed once the coalition government is in place, to relatively loose arrangements between parties, as in France. In Spain, minority governments have avoided formal coalitions, relying instead on informal pacts with regional parties. Usually, the central actors involved in monitoring coalition agreements are the core executive and party leaders, although in Italy the prime minister may be the only member of the core executive involved in political summit meetings with party leaders. Approaches to policy coordination also vary. France, despite its less formal approach to using coalition agreements as a policy frame, is alone amongst the major European democracies in operating powerful centralizing mechanisms at the heart of government, and also in using cabinet committees to support coordination. In terms of the composition of core executives, the formal role of chief executives, ministers and other key figures can vary significantly, both in terms of formal constitutional position and also practical reality. Thus, in Spain, the prime minister and economy minister operate as a diarchy at the centre of government, whereas in Italy the premier's resources are far more limited (Heywood and Molina, 2000; Cassese, 2000). In the UK, the influence of the prime

minister is crucially conditioned by the size of the parliamentary majority, whilst in all countries issues of personality and character can also have a major influence on coordination capacity.

Similar variations can be observed in coordination types and styles. All countries have developed a particular mix of positive and negative coordination according to historical precedent, institutional design and the demands of a given policy sector. In broad terms we can distinguish between a more proactive and directive style, characteristic notably in France and Spain, and one based more on compromise and negotiation, the generally prevailing pattern in Austria, Germany and, especially, the Netherlands. Of course, the extent to which command or consensus predominates will be influenced not just by institutional legacies or traditional modes of behaviour in given settings, but also by the personality, drive and determination of key individuals (Hennessy, 2000). For example, whilst the institutional resources available to Felipe González as Prime Minister in Spain (1982–96) were extensive, there is little doubt that his political skills and acumen were a crucial asset in his control. Similarly, Margaret Thatcher imposed her will on ministers and civil servants during her premiership (1979–90) through a variety of means, both subtle and unsubtle, whereas Helmut Kohl and François Mitterrand were forced to rely on more emollient methods of management. Individual ministers, too, bring very different styles to bear: witness the contrast between, for instance, Mo Mowlam and Peter Mandelson as Northern Ireland Ministers in the UK government.

### Legislatures and executive limitation

It is logical that, where the executive faces few institutional checks on its policy-making capacity, the role of the legislature is correspondingly weakened – and vice versa. Traditionally, a distinction has been drawn between the Westminster model which emphasizes parliamentary sovereignty exercised through an accountable executive delivered via a first-past-the-post electoral system, and continental European models which provide for greater ministerial autonomy but with weak legislatures and less direct accountability through list-system proportional representation. Another familiar distinction is often drawn between parliamentary systems (with strong executives and strong political parties) and presidential systems (with weak executives and weak political parties): the former are held to deliver more uniform patterns of policy-making than, for example, in the USA, where the President may face rejection of a significant number of his proposals (John, 1998, p. 42). Such shorthand idealized models are naturally subject to challenge, not just on the

grounds that they provide an overly simplistic characterization of how political systems function in practice, but also because they are unable to accommodate responses to the changes in the policy environment outlined at the start of this chapter. Moreover, they provide a potentially misleading picture of the relationship between executive and legislature as being inevitably competitive and involving a struggle for power and influence. In reality, the relationship between the two institutions is far more fluid and variable, entailing both cooperation and conflict.

There is a widely held view that the capacity of parliaments to influence the policy process and act as checks on executives has been 'in decline' over recent decades (Judge, 1995). This is particularly the case in regard to economic policy, which has either been claimed as an executive responsibility – for instance, through increasingly centralized control over public expenditure and financial management (Wanna, 1997) – or else delegated in part to non-party political experts in central banks, treasury departments, budget bureaux, national planning commissions and so forth (Majone, 1997; see also Bergman *et al.*, 2000). The argument has gained strength since the 1980s, with the emergence of an international economy and the growing role of bodies such as the Group of Seven (G7), the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO), which are seen to have ever-greater control over macroeconomic policy options, and the policy imperatives derived from the Single European Act (1987) and the Treaty on European Union (1993) signed at Maastricht. Moreover, the capacity of the European Commission to issue binding regulations and directives was seen as further undermining the role of national parliaments, which could – at best – seek merely to influence the Commission (in spite of the provisions of the TEU which sought to encourage greater involvement by national parliaments in the activities of the EU). In the United States of America, in particular, there was talk of 'conservative legislatures' which stood in the way of executive action in the increasingly international economic arena: legislative subordination to the executive was seen as both desirable and necessary.

Norton (1996) has distinguished between policy-making legislatures, as in Italy or the Netherlands, which can not only modify or reject the executive's policy initiatives, but also formulate their own alternative or independent proposals, and policy-influencing legislatures, as in France or Ireland, which can amend but not substitute executive policy proposals. He argues that national parliaments have had to adapt to the challenges posed by European integration, and that their capacity to do so has been shaped in each country by its constitutional arrangements, political culture, party system, parliamentary norms and practices, and

parliamentary workloads. Olson and Mezey (1991), in assessing the role of parliaments in public policy, similarly emphasize the need to focus on the legislature's relationship with other political institutions (notably, the executive and bureaucracy), its internal structure (political party rules, committee systems, support staff), and sectoral specificity in regard to the policy area in question.

Olson and Mezey (1991) generated and tested a series of hypotheses – focused respectively on external, internal and sectoral factors – about the nature of executive–legislature relationships in presidential and parliamentary systems. Their study was informed by research into France, (West) Germany and the UK, but the analysis can be extended to cover other contemporary West European democracies. In terms of externally-focused factors, the influence of legislatures on the policy-making process should be greater under the following conditions:

- when the political system is open and decentralized rather than executive-dominated, because federal systems tend to disperse authority and create more veto points (Weller, 1997);
- when decisions are 'hived off' to operating agencies, rather than handled directly by the core executive, because there is less direct input and committed investment by the government;
- when electoral systems are candidate-oriented and decentralized, rather than dominated by highly-disciplined political parties, because such parties tend to tie ministers to government (Laver and Shepsle, 1995); and
- when there are significant and functionally specialized active interest groups able to lobby parliamentary representatives, because legislatures offer alternative sources of influence to executives and administrative agencies.

In practice, the involvement of parliament in the policy process varies according to the stage in question, being higher in general during the implementation than the deliberation stage. Equally, it appears that parliamentary activity is most apparent when a given piece of legislation has a clear and immediate impact on particular local groups, which then organize to lobby their representatives. Some European parliaments – notably in Germany and the Netherlands – have significant capacity to set their own agendas, and in all countries parliamentary activity (measured in terms of questions and committee work) has increased over the last 10 to 15 years. But in spite of this, European legislatures have shown only a limited ability to influence the policy-making process.

In regard to internally-focused factors, the two critical variables are

political parties and the committee structures which operate within parliaments. Thus, parliaments are more likely to be able to influence the policy process to the extent that:

- parties are numerous, weakly organized and fragmented, or relatively autonomous from their leadership, because in such circumstances executives are unable to rely on securing disciplined majority support;
- committee structures within parliament are permanent, with relatively slow turnover in membership, because such committees not only allow members to develop expertise in specific areas, they also tend to assume some autonomy; and
- committee structures parallel those of the administration, so that there is a clear link between policy area, committee oversight and bureaucratic responsibility for implementation.

As Weller (1997, p. 37) points out, the influence of parties on the core executive is not constant: 'For instance, the party's impact on policy may be in decline while its capacity to enforce accountability may be growing more marked.' Clearly, parties are central to the operation of all parliamentary democracies, but the range and type of parties and party system varies significantly across western Europe – not only in terms of 'majoritarian' (for instance, the United Kingdom, France, Greece and possibly Ireland) versus 'consensus' (for instance, Austria, Belgium, Germany, the Netherlands), but also in terms of volatility (high in Italy, France and Norway, but usually low in Germany, Spain and the UK). Majoritarian systems are characterized by what Andreweweg and Nijzink (1995) have described as an 'inter-party' mode of interaction between the key actors in the executive and legislature, in which party affiliation is the predominant influence on behaviour, whereas consensus systems exhibit a 'cross-party' mode of interaction characterized by a search for agreement.

Thus, paradoxically, the capacity of parliament to influence the policy process is to some extent contingent on political parties being less rather than more effective and disciplined – even though parties are the lifeblood of any parliamentary system. Both executives and legislatures can be seen as being to some extent in thrall to parties. In general, where parties are weak or poorly organized it is more likely that parliamentary committees will be strong, although Germany and the UK (where parties and committees are powerful) to some extent provide exceptions; equally, where parties are ill-disciplined and committees are weak, as in Greece, parliament is able to play only a limited role in the policy process. Parliamentary committees also tend to be more effective in consensus systems – notably, for example, Austria, Germany and the

Netherlands – since they are the site of much routine legislative work before bills are presented to the legislature, as opposed to majoritarian systems in which the executive usually initiates legislation before it passes to committees for scrutiny. Southern Europe provides the clearest examples of executive dominance: in Spain, Portugal and Greece, parliament has often acted as a docile ‘rubber stamp’ since the mid-1970s transitions to democracy (Liebert and Corra, 1990). In the UK, too, parliament is often subservient to the executive – although this is significantly influenced by the size of the government’s majority.

Finally, in regard to sector-specific factors, legislatures are less likely to have significant influence over macroeconomic and foreign policy, which tend to be seen as ‘reserved domains’ for the executive, than other areas such as social policy and welfare distribution. Equally, legislatures are more likely to be able to take policy initiatives in newly emergent and highly salient policy areas (for instance, genetic modification and food safety) when an urgent response is demanded, than in routine areas of low public visibility. Overall, the focus on a range of variables demonstrates that the ‘decline of parliament’ thesis requires some refinement. Whilst it is true that parliaments are not generally the lead actors in the policy-making process, nonetheless they cannot be dismissed as an irrelevance. Parliaments may have lost formal powers *vis-à-vis* executives in many liberal democracies, but their influence and role should be seen neither as static nor trapped in an inevitable downward spiral. Indeed, whilst the role of legislatures is inevitably bound up with that of executives, what we may be witnessing is a growing normative convergence over the appropriate characteristics and organization of the liberal democratic state in an era of transnationalism and globalization. Rather than an ongoing struggle between two branches of government over their respective competencies, there is evidence of an emerging consensus that the democratic state should emphasize two fundamental priorities: efficiency and transparency.

### Conclusion: from control to credibility

This chapter has sought to rehearse the story of how the increasing complexity of the modern policy environment, combined with the demand for governments to appear in control of that environment, has generated pressures which have in turn led to profound changes in the nature of governance in Western Europe. One of the most significant changes relates to the so-called ‘hollowing-out’ of the democratic state, which has been ceding powers both upwards and downwards to supranational and subnational institutions, as well as sideways to independent

agencies and private interests. Whilst the capacity of executives to control the policy environment has in practice been in steady decline over recent decades, the rhetoric of parliamentary democracy seems to point the other way: political leaders routinely make electoral promises which are premised on a supposed control over a macroeconomic policy framework which resists any such central management – especially since the creation of the European Central Bank (ECB), whose regulations are binding (Elgie, 2000). Meanwhile, legislatures have similarly been faced with the reality that their role in the policy-making process has been increasingly marginalized, even though members of parliament must maintain the public facade that they are centrally involved in formulating and shaping policy.

Two questions naturally follow: why has the state ceded these powers, and why do politicians nonetheless claim to be able to make a significant difference over macroeconomic management? The answer to the latter question is more straightforward, given that an electoral platform based on an admission of a limited capacity to effect major policy changes might win credit for honesty but is less likely to attract votes. In any case, a strong (if contestable) argument can be made that executives do indeed make a real difference, that they do have the capacity to manipulate supply-side, or structural macroeconomic policies in line with partisan preferences, despite growing global economic interdependence (Boix, 1998). Certainly, insofar as the ideological divide between social democracy and conservatism retains meaning, it is true that parties of each persuasion have sought to offer competing prescriptions to achieve similar broad policy aims of high employment together with sustained economic growth. Whereas social democratic parties have usually talked up the role of public investment and conservatives have promised to cut taxes, in practice the extent to which executives have actually been able to follow clearly differentiated policies is open to question. In Spain (1996), the United Kingdom (1997) and Germany (1998), the shift from social democratic to conservative government, or vice versa, was not followed by radical changes in macroeconomic management. Yet, in a host of other policy areas ranging from environmental management to social policy, there is evidence that executives can and do make a difference according to partisan persuasion (Schmidt, 1996).

The question of why the state has ceded capacity is less straightforward. As states face ever-more difficult challenges and demands in an ever-more complex setting, they naturally seek mechanisms to help them cope. However, the process of ‘hollowing-out’ combines proactive and reactive elements, and a number of explanations can be offered for its continued development. Thus, it may be that in an increasingly complex



and interdependent policy environment the process of policy-making requires more input and expertise than can be delivered by the executive alone: independent agencies are able to provide such expertise in an adjudicative capacity. Equally, it can be useful to have a separation between government and independent agencies when there is a perceived need to avoid charges of political bias or party political influence – an argument often made to support the establishment of independent central banks. Related to this argument is the view that agencies are able to provide policy continuity, since they are not constrained by the electoral cycle and the need to garner support, thus allowing greater policy flexibility. Another potential advantage provided by agencies is that they may be able to develop closer links to the public, particularly through public hearings and enquiries.

What unites all these explanations is that they reflect a process whereby governments have hived off responsibility in those areas where they have either limited autonomy or limited leverage, whilst being able simultaneously to claim that delegating key powers to independent experts underlines their policy commitment. Indeed, Majone (1997, pp. 144, 148) sees the issue of policy credibility as central to understanding delegation:

the growing complexity of public policy continues to erode the effectiveness of the traditional command-and-control techniques of government bureaucracy . . . [T]he main reason for delegating . . . [is] to establish a policy credibility which becomes increasingly important as policy objectives can no longer be imposed by legislative or administrative fiat.

What brings executives and legislatures together in contemporary West European democracies is the shared perception that the real threat they face is public cynicism and apathy. Democratic governments need credibility in order to survive – but credibility is threatened if they are consistently unable to deliver on promises. Yet credibility achieved through delegation to independent agencies in turn generates additional problems: there is a tension between the technocratic argument in favour of efficiency, which has been used to support the delegation of economic policy-making in particular to experts and professionals, and the public demand for legislative accountability. Without clear mechanisms for exercising such accountability, democracies become vulnerable to the charge that there is a 'democratic deficit', that public policy is not made on the basis of the public's choice.

Such a tension has been acutely recognized within the EU itself, which has been most obviously open to the charge of democratic deficit. The

EU Commission President, Romano Prodi, has placed much emphasis on the need to do less, but do it better, underlining a commitment to achieving legitimacy by ensuring that action matches rhetoric. This theme was clearly articulated in speech to the European Parliament in Strasbourg in February 2000, in which Prodi underlined the need for the European Union's institutions to be seen to operate in a transparent and accountable way:

People want a much more participatory, 'hands-on' democracy. They will not support the European project unless they are fully involved in setting goals, making policy and evaluating progress . . . I believe we have to stop thinking in terms of hierarchical layers of competence separated by the subsidiarity principle and start thinking, instead, of a networking arrangement, with all levels of governance shaping, proposing, implementing and monitoring policy together. (Prodi, 2000)

In some senses, the President of the Commission was simply echoing trends which have been emerging at national level in the EU's member states. The reality of modern democratic government is that negotiation at all levels is the key: leaders can no longer seek simply to impose or control (Rhodes, 1997a, p. 219).

The story of the shift from government to governance in West European democracies is thus partly about the growing recognition that in an era of more complex policy challenges, the only viable strategy is to allow for greater specialization through increasing delegation. In order to confront the potential problem of accountability entailed by such a development, both executives and legislatures have a shared interest in promoting efficiency and ensuring higher transparency: the former points to accepting limitations on the reach of government, the latter to the need to ensure that government says what it does, and does what it says.

## Chapter 9

## Disintegration or Reconfiguration? Organized Interests in Western Europe

RAINER EISING AND MICHELLE CINI

West European systems of interest intermediation are in a state of flux, and making sense of these changes means identifying the factors or pressures that are shaping this reconfiguration of interest organization. This chapter identifies three such factors: first, market or functional pressures which result from an intensification of competition and technological developments; second, ideational pressures, and here we focus on neo-liberalism, alongside the debates and the policies arising from it; and third, institutional effects associated with the proliferation of European-level regulation and the process we call 'Europeanization'. In this chapter we argue that these three factors or pressures are central to any explanation of the reconfiguration of governance systems in Western Europe.

More specifically we argue that they are driving important changes in the organization and practice of interest intermediation. In order to begin to explain these changes we first need to say something more about the pressures themselves before moving on to show how individual interest organizations and national systems of interest intermediation have responded to them. In the main we focus our attention on France, Germany and the United Kingdom, for not only are these the largest countries of Western Europe, but they also represent three quite different types of interest intermediation: statism, corporatism and pluralism.

### The nature of change

In some economic sectors such as telecommunications and information technology, and in the fields of financial services and transport, market changes have impacted indirectly on the sectoral organization and representation of interests. For instance, the technological fusion of telecommunications, information technology and the media brings together in a new configuration sectors with very different regulatory

traditions and modes of organization. However, this is only the case in highly dynamic technology-led sectors, and cannot explain why we also witness tremendous change in areas where the effect of these functional pressures is not so obvious.

In some of these cases there would seem to be a more indirect cognitive or ideational dynamic at work. Growing awareness and debate about economic globalization, together with the perceived failure of 1970s-style Keynesianism opened the door to new economic policy doctrines in the 1980s, contributing to the rise, for example, of supply-side policies. Underpinned by a belief that 'the competitive market system, left to its own devices, free of government interference, will produce superior results, in terms of efficiency and social justice' (Helm, 1989, p. 12), monetarism and the politics of privatization, liberalization and deregulation formed the core of the neo-liberal reform agenda. This agenda has challenged established systems of production, regulation, welfare and interest intermediation. It has altered relations amongst firms and competitors in the market, as well as amongst employers and employees, and has called into question the role traditionally played by associations as interest intermediaries.

Finally, in several issue areas, the establishment of international regimes and organizations has altered in a much more obvious way the institutional 'target structure' of interest organizations. The emergence of international rules of the game and the sharing of powers amongst international, national and sub-national political institutions can provide powerful incentives for organized interests to be present at all three of these levels. We need to understand not only the role of individuals, social movements and organized interests in international politics, but also how actors situate themselves in networks that cover various spatial levels.

For Western Europe, the most important of these regimes or organizations is regional, and takes the form of a Europeanization of governance structures. We define Europeanization as 'the adaptive response of national institutions and actors to the impact and imperatives of European intervention or particular initiatives' (Colino, 1997, p. 5). It is hardly surprising that analysts of the European Union (EU) have emphasized the importance of institutional factors given that the EU is a highly dynamic, if still evolving, political system. Its authority covers a greater number of policy areas and reaches deeper into the member states than does any other international regime. Moreover, the sharing of national regulatory powers with the institutions of the European Union has transformed the domestic environments of the member states and has embedded domestic actors in a multilevel political system. It has also transformed the arenas in which individual interests are pursued,

offering both new opportunities and imposing constraints, whilst also challenging intra- and interorganizational routines and modes of interest intermediation. Europeanization effects can be far-reaching; although we don't pursue this perspective in this chapter, they may even bring about changes in actors' loyalties and identities (see the chapter by Thomas Risse).

Despite the fact that these pressures are felt by all West European states, we do not expect to see an alignment of the way in which interests are organized and articulated in domestic contexts. First of all, neo-institutional analyses have shown that domestic structures and practices are often quite resilient to change (see Steinmo, Thelen and Longstreth, 1992). Accordingly, the impact of the changes mentioned above on national systems of interest intermediation depends to some extent on preexisting domestic configurations. In this way, the further development of these systems is path-dependent. On this basis we would expect actors operating under different modes of governance, whether these are defined sectorally or nationally, to feel and therefore to react to these pressures in different ways, with different but functionally equivalent solutions emerging in response to the same perceived problem. For these reasons, there is broad agreement in the literature that these factors exert neither a uniform influence across sectors and countries nor that they will necessarily lead to a full-scale convergence of national systems or a regulatory 'race to the bottom' (Berger and Diore, 1996).

In the next section we distinguish between modes of governance, concentrating on the classical distinction often made between pluralism, statism and corporatism. We then turn to look more empirically at the way in which market, ideational and institutional pressures have impacted upon national governance systems and consider some examples of how West European systems of interest intermediation are changing. In these three sections, examples are drawn from various sectors and West European states, allowing us to draw some tentative conclusions that relate the empirical material to our earlier expectations. Thus while we end the chapter by admitting that some of our expectations have clearly not been met, and that the causes and mechanisms of the ongoing reconfiguration of interest organization in Western Europe remain elusive, we also claim to shed light on some of the changes underway.

### Modes of governance

Although there is a wide variation in patterns of interest intermediation across both political systems and policy domains, the literature on state-society relations still distinguishes among three major ideal-types

of interest intermediation: pluralism, corporatism and statism. These types vary from one another in four ways: in the role of state actors; the patterns of interaction; the dominant actors; and the level and scope of political allocation. In the pluralist mode, the state's role is reduced to that of a referee mediating the pursuit of individual interests. Organized interests representing their memberships engage in lobbying to this end. These actors compete and bargain to build minimum winning coalitions that are generally fluid and dependent on parallel interests. As a liberal state that intervenes relatively little in the affairs of the business community, the United Kingdom is traditionally grouped in the pluralist camp.

At the opposite end of the spectrum, in the statist mode, the state is an authority above society, legitimated by the democratic vote and pursuing a common 'national' interest. State actors are thus the dominant actors in policy formulation, with interest groups playing only a minimal role. Participation in policy formulation is limited to a small number of organized interests. Indeed, many interest organizations tend to be included in policy decisions only after the basic contours of the policy have been outlined, often politicizing the later stages of the policy-making process, so that policy implementation becomes characterized by 'the politics of accommodation' (Schmidt, 1999, p. 167). In Western Europe, France has been identified as having a particularly statist system of interest organization, though Italy and Greece have also been labelled as statist, with interest intermediation in these two countries taking paternalistic and clientelistic forms.

Between the extremes of pluralism and statism lie corporatist and network modes of interest organization. In the corporatist mode, the state performs the role of mediator, integrating the conflicting group interests of peak associations that fully represent their organizational domains. The associational setting is thus highly centralized. In negotiation, the state and the peak associations seek to build consensus over the problems plaguing their particular sectors. Actor constellations are relatively closed and stable, and interest groups are on an equal footing with state actors as they work towards the formulation of binding rules and their effective implementation. As a consequence, at both the formulation and implementation stages of the policy process, interest organizations assume quasi-public functions. In Western Europe, Austria, Sweden, Norway, the Netherlands and to a lesser extent Germany have been identified as possessing corporatist modes of interest intermediation.

A fourth type of governance of relevance to this chapter, labelled 'network governance', is a more recent conceptualization reflecting socio-economic dynamics and institutional changes occurring in Western Europe (see Kohler-Koch and Eising, 1999). This is the mode of interest organization typical of the European level of governance.

Central to this concept of network governance is an assumption that policy-making is largely concerned with problem-solving, and that in solving problems political actors have no choice but to take into account the specific rationalities of highly organized and differentiated social sub-systems (*ibid.*). Thus, in the network mode, the state is said to be vertically and horizontally segmented, with its role more that of 'activator' than 'authoritative allocator'. The process of governing takes place via flexible and loosely-coupled inter-organizational networks which facilitate the building of consensus over controversial issues, and interest groups perform a largely consultative role, even though, for functional reasons, they may also have self-regulatory powers when policy comes to be implemented.

So what effect might our market, ideational and institutional pressures have on interest organization under these different modes of governance? Generally speaking, we might expect to find evidence that market pressures, ideational changes and institutional factors affect statist and corporatist systems of governance to a much greater degree than they do pluralist or network systems. For example, in statist systems we would expect market pressures to diminish the relevance of the state, given that where business activity becomes globalized, the state is likely to have less to offer societal actors by way of knowledge or control over relevant markets. Moreover, in supporting market solutions rather than associational governance, and as international competitive pressures render consensus among business groups more difficult, neo-liberalism and the policies related to it would seem to seriously undermine a corporatist mode of governance. Finally, in the multilevel system of network governance which now characterizes the European Union, we would expect to find less of an impact where there is a congruence (or 'goodness of fit') between the EU mode (usually of network governance) and that found at other 'levels'. As network and pluralist modes of governance are rather similar in certain respects, the most dramatic effects and the most disruptive reconfigurations are therefore likely to be found in cases where corporatism and statism predominate. More generally, though, we would expect to find evidence that patterns of change (or reconfiguration) amongst interests mirror or coincide with those modes of governance identified above.

### Market change: technological and competitive pressures

Theories of globalization point to the numerous forces, both technological and competitive, affecting markets within the international political

economy. It is supposed that these forces engender a change in the interaction of societal actors, as they alter opportunity structures, causing actors to adjust their organization, strategies and preferences accordingly (Armstrong and Bulmer, 1998). These actors have to adapt to a new global economic, technological and political environment in order to ensure their continued survival. For example, impinging upon labour and product markets, market changes are said to affect the interest definitions of firms, thus reducing the relevance of associations as interest intermediaries for them. With the uncertainty that globalization engenders, both firms and individuals, as well as the organizations representing them, seek new ways to minimize the risks involved and profit from the opportunities that the new environment brings.

Large firms have been particularly adept at capitalizing on the opportunities that market changes have offered; but they have done so in diverse ways. While these companies have certainly not become stateless, they have extended their territorial reach considerably. Swedish firms provide a telling case (Pestoff, 2000). Compared to other West European countries, Swedish industry is highly concentrated and internationalized. While in 1965 the 30 largest Swedish firms employed about two-thirds of their staff within Sweden, today they employ more than three-fifths abroad. In the largest West European states, the international activities of the largest firms have increased to a lesser extent. For 84 of the largest 100 German firms, for example, the share of foreign employment as a proportion of total employment increased from an average of 17.8 per cent in 1986 to 27.3 per cent in 1996 (data from the Max Planck Institute for the Study of Societies). Indeed, even if the domestic market is still an important base for production and research facilities, it would appear that the national level is losing some of its relevance for these actors as a consequence of the growth of EU and international regulation and of the internationalization of their economic activities.

As a consequence of these developments, we can hypothesize that large firms are more likely to question the relevance of the role traditionally played by their interest intermediaries in this new environment. They may begin to see them as unnecessary constraints upon their autonomy, and as a result suggest that existing associational structures be reformed. For members of large firms the downsizing and organizational rationalization of associations is often seen as a remedy to the problems caused by market change. In Scandinavia, for example, there is a clear trend 'towards merging the functions of trade associations and employer associations into a single business interest organization' (Pestoff, 2000). In 2000, the activities of the Swedish Federation of Industry were merged with those of the Swedish Employers'

Association to form the Central Organization of Swedish Business and Commerce.

By contrast, we can hypothesize that small firms, or rather those not inextricably linked to large firms in a supplier relationship, are likely to react to more intense competition by making additional demands on political actors via their associations. They will do so in order to enhance their own security. Indeed, in Switzerland, the divergent interests of small and large firms in associational governance are reflected in the failed merger of the Swiss Business Association with the Swiss Employers' Associations. While a small group of industrialists from the highly internationalized Swiss chemical sector planned a merger between these associations to ensure 'closer cooperation' across the divergent issues of social policy, labour relations and economic policy, as well as to 'increase organizational efficiency', their proposal was voted down by many of the small and medium-sized companies in the employers' association (Kriesi, 2000). Not only did the small firms fear that they would be overpowered by the larger firms, but the employers' association itself pointed to the increase in internal complexity that would characterize the merged association, predicting concomitant problems for decision-making. As a result, the streamlining of the Swiss associational landscape has in recent years remained confined to export-orientated sectors such as chemicals and machinery. Both in Sweden and Switzerland, then, the ability of associations to 'discipline' their members has given way to a stronger role for large firms within these associations, undermining an important precondition for corporatist concertation. Where this has not occurred, a divergence of interest amongst association members has led to deadlock or an inability to adapt to the new external pressures.

That it was the highly internationalized chemical industry which pressed for associational change in Switzerland simply highlights the fact that competitive pressures are not felt equally by all sectors of the economy. For example, Lovecy (1999) points to pressures felt in the professional services sectors, such as accountancy and law. For her, the unity which these professional bodies have sought in representing their interests at the European level is a direct consequence of the functional imperatives characterizing these particular sectors. She finds, by contrast, that in a field such as healthcare where the boundaries between national systems are deeply entrenched, professional bodies have generally been insulated from direct global competitive pressures to the extent that national cleavages outweigh sectoral similarities when it comes to representing interests in international forums.

In certain sectors such as telecommunications, information technology, financial services and transport, the effects have been more

dramatic. Indeed, in all of these sectors staggering technological and market changes have been witnessed over recent decades. These functional pressures have had important effects on interest organization, and not only at the national level. In telecoms, for example, technological change, the convergence with information technology and sectoral liberalization have paved the way for the reconfiguration of the sector (see the chapter by David Levy). Once the monolithic postal and telecommunications administrations began to be broken up, the telecoms market became increasingly differentiated. New entrants and users became more vocal both at the level of the European Union and at the global level (Bartle, 1999). The investments made by the major telecommunications companies have become far more internationalized and integrated; and global commercial alliances such as GlobalOne, bringing together France Telecom, Deutsche Telekom and Sprint, have been institutionalized.

One of the consequences of these changes has been an increase both at the EU level and at the global level in issue-specific interest alliances and in interest organizations constructed on the basis of direct firm membership. Yet even in these similar sectors the relationships between global and EU-level interest organizations and activities have not followed a single overarching logic. For instance, while the International Alliance for the Distribution by Cable was transformed into an EU-level organization – the European Cable Communications Association – the International Telecommunications Users Group gradually took over the functions of the EC Telecommunications Users Association. While this indicates that European and global issues have become more closely entwined in telecommunications, the case of the cable organizations and telecoms users demonstrates the considerable discretion that actors have with regard to the market effects and the different responses that have resulted.

### Ideational effects: the neo-liberal surge

The demise in the 1970s of Keynesianism as the dominant economic paradigm, and the rise of neo-liberalism in the 1980s, both underpinned and justified the introduction of deregulatory, monetarist and privatization policies by governments of both right and left. When examining the effects of neo-liberalism on organized interests, this is certainly one area to be considered. However, the ascendance of neo-liberalism did not lead to any wholesale importation of policies of this sort into Western Europe. While it led to the introduction of neo-liberal policies in some countries and in certain sectors, it also opened the door to what became

a far-reaching debate about the extent to which market solutions to economic (and political) problems were appropriate in all cases, given the diversity of sectoral contexts and political systems within the region. By way of an example, this debate, which focused attention on the limits of regulation and the role of governance mechanisms beyond the state, contributed to a 'renaissance of concertation through social pacts' in the 1990s (Ebbinghaus and Hassel, 1999, p. 6; see also Schmitter and Grote, 1997). Relatively stable tripartite agreements were concluded amongst the state, trade unions and employers' associations in Ireland, Finland, Italy, the Netherlands and Denmark. However, in those countries where stable agreements were negotiated, the nature of those agreements differed substantially from the neo-corporatist concertation and the Keynesian wage policies of the 1950s to 1970s; that is, from a system of 'wage containment in exchange for near-full employment and side-payments in increased, state-provided, welfare' (Schmitter and Grote, 1997, p. 14). The new social pacts of the 1990s have both a wider and a narrower scope: wider in the sense that they imply, whether simultaneously or sequentially, a reform of the welfare state, labour relations and employment policies; but narrower in the sense that they are closely tied to the strengthening of national competitiveness and the reform of public finance as embodied in the convergence criteria for Economic and Monetary Union. Thus, social pacts combine liberalization and flexibility on the one hand, but on the other they also provide some compensation for labour (Ebbinghaus and Hassel, 1999).

However, in Greece, Spain, Portugal, Belgium, Germany and Sweden such pacts either excluded one of the social partners or they failed altogether; and in some countries such concertation has not been a major element in the reform of the welfare state and of labour relations. In statist France, for example, there is no evidence of increased cooperation between the French state and the 'social partners'. Quite the contrary in fact: in France, the abandonment of national wage bargaining and the decentralization of labour relations in the 1980s led to the introduction of plant-level wage bargaining, and even, according to Ebbinghaus and Hassel (1999), to employer-imposed wage settlements. Despite a high concentration of state power, the French state has not been able to compensate for the distrust that still exists between business associations and unions, and between firms and wage earners.

In the United Kingdom the retrenchment of the welfare state and the reform of labour relations was the result of unilateral state action. Despite the election of a Labour government in 1997 there were subsequently no significant moves towards strengthening trade unions and reintroducing tripartite negotiations. However, these two cases should not lead us to conclude that the effects of neo-liberalism imply any

convergence upon a single model. While competitive and financial pressures induced statist France and the neo-liberal British Conservative government to adopt a more market-oriented and pluralistic organization of labour relations, the same cannot be said of all West European states. Moreover, as France and Britain do not have the same mode of governance, we might have expected them to react very differently to the neo-liberal surge. In fact, without exaggerating the similarities, there has been a move in the same general direction, albeit from a very different point of departure.

On the face of it, we might have presupposed that the introduction of a neo-liberal agenda would induce a weakening of organized interests across the board in Western Europe. After all, from a neo-liberal standpoint associations are often deemed little more than cartels of actors intent on protecting the interests of their members in a conspiracy against the public interest and free trade. However, from the above example we might surmise that the surge of neo-liberal ideas that has swept Western Europe has been received very differently in different states. While the position of and relationship between the social partners has certainly altered across Western Europe, the way in which they have changed has varied – and in ways which do not coincide neatly with our earlier expectations.

### **Institutional pressures: interest organization in a multilevel system**

The European Union is now responsible for a vast array of policies. With the dramatic increase in its powers and competencies in a series of treaty revisions from the Single European Act in 1986 to Nice in 2001, the economic and political fates of the West (and soon the East) European states are bound together in new policy interdependencies. These changes have altered the context within which interest intermediation occurs. While European integration extends the problem-solving reach of those states involved, it also constrains their autonomous policy-making capacity. The EU and member state institutions have now become embedded in a system of multilevel decision-making, a system which binds together state institutions at multiple levels at all stages in the policy process. The increasing number of policies dealt with now in one form or another at the European level has prompted interest organizations to promote their cases more readily before the EU institutions. The European Commission, fulfilling as it does many of the EU's executive and administrative functions, and the European Parliament which has gained in legislative power over the course of the

last two decades, are both important addressees of interest-group concerns. In addition, given their key position in the policy-making process, members of the Council of Ministers and of its administrative sub-structure are often targeted by national interest groups, even if obtaining direct access to the Council is more difficult. Indeed, most interest groups have little choice but to approach the Council through their national ministries. However, if the extension of qualified majority decision-making has robbed individual members of the Council of some of their veto options, it has also meant that interest groups are now forced to form cross-country alliances. Note also that adjudication by the European Court of Justice (and the Court of First Instance), based in Luxembourg, also offers an important avenue for the pursuit of interests.

There is a huge amount of interest-group activity in Brussels, Strasbourg and Luxembourg, and the number of groups operating around the European institutions gives some indication of the extent of that activity. In Spring 2000, for example, the European Commission's Secretariat-General listed approximately 900 EU associations. Moreover, in the late 1990s approximately 350 large firms were said to have set up offices in Brussels in order to gain better access to the EU institutions, enabling them to coordinate their work with other interest groups. As market integration has been the foundation stone of the European integration process since its inception, economic interest groups (that is, producer groups and employer groups) are particularly well-represented at the European level. By comparison, the representation of general interests (environmental, social and welfare groups, trade unions, religious organizations, human rights groups and so forth) is much more limited. So while about 80 per cent of EU groups represent agricultural, industrial or service interests, only about 20 per cent fall into the general interests category. The institutionalization of civil dialogue and the establishment of consultation committees composed of social or environmental NGOs only partly makes up for this representation deficit. Indeed, owing to the complexity of the EU system, the lack of a European 'public' and the difficulties encouraging a transnational form of mobilization, social movements have barely Europeanized their activities.

Nevertheless, the institutional properties of the EU system and the fragility of its democratic legitimacy have contributed to the emergence of a network mode of governance at the EU level. For the EU's institutions, and particularly for the European Commission, the construction of European networks has become a matter of organizational survival (Metcalfe, 2000). The diffusion of authority in the EU and the limited capacity of the EU institutions to fulfil the functions they must perform

force them to be open to societal and economic actors who not only provide them with expertise but also with a measure of legitimacy. The EU institutions have also supported the development of 'umbrella' interest groups (or Euro-groups) at the EU level as these groups are able to aggregate the positions of their national members, thus reducing decision costs. Therefore, even if we can identify certain corporatist traits in the making of EU social policy (the peak associations of business, UNICE and CEEP, and labour, ETUC, are able to formulate rules in certain areas), and even if there is some evidence of a statist pattern of policy formation in the treaty revisions such as those establishing Economic and Monetary Union, the network mode of governance can still be identified as the dominant mode of interest organization (Kohler-Koch and Eising, 1999). This mode of interest intermediation has gained broad acceptance amongst political, societal and economic actors as it allows actors affected by EU policy to be integrated into the EU system.

Thus EU associations are frequently in touch with the European institutions. However, this does not tell us whether these contacts mainly serve informational purposes or whether they qualify as processes of interest intermediation. Regardless, we may tentatively conclude that EU associations have evolved into genuine interlocutors between their national members and the EU institutions. Their intermediary role is underlined by the fact that they have quite frequent contacts with national governments, either through their members or directly through their own staff.

The multilevel character of the European Union ensures that interest representation is not restricted to EU-level organizations. National interest organizations understand the need to coordinate activities at both the EU and the national level. Data from a recent survey conducted at the Mannheim Centre for European Social Research illustrates this point in identifying the number of contacts made between national trade associations and state institutions in three EU states (Eising, 2000b). The survey was addressed to 1998 trade associations from the United Kingdom, France and Germany, and at the level of the European Union to 68 large firms as well (40.9 per cent responded). In 1998-99, roughly two-thirds of British German and French trade associations represented their interests to both the EU institutions and the national political institutions. Around two-thirds of the EU associations also maintained contacts with national political institutions through their national members, as well as having some direct contact. Overall, the findings of this survey suggest that we are witnessing the emergence of a truly multilevel system of interest intermediation.

It is the institutional features of this multilevel system that to a large

extent determine the access that firms and national trade associations have to political institutions. The number of contacts actors have with the European Commission, the European Parliament and the Council of Ministers varies according to both the division of labour amongst these organizations, and to the main operating level of the associations but less so with regard to the national modes of interest intermediation. Thus 65 per cent of the EU associations said they had monthly or weekly contact with the European Commission, while this holds for only approximately 30 per cent of the German trade associations and an even smaller proportion of the British and the French associations (roughly 15 per cent and 20 per cent respectively). Large firms have better access to the European Commission than trade associations, however, with almost 82 per cent of them having at least monthly contact with the European Commission. Firms, EU associations and national associations had far fewer contacts with the European Parliament and the Council of Ministers than with the Commission. Not surprisingly, perhaps, the European Commission is by far the most important addressee of interest group concerns at the EU level.

At the domestic level the number of contacts that interest organizations have with political institutions 'at home' is also of relevance when EU affairs are being discussed. Here groups also have more contact with national executives than they do with legislatures. Despite the existence of a multilevel system of governance, national governments are still highly relevant for national interest organizations. Over half of the German associations maintain at least monthly contacts with their government in EU affairs. This holds for around 40 per cent of UK associations and French associations. Perhaps surprisingly almost a quarter of EU associations also have at least monthly contact with national governments, either through their members or directly. This suggests that national associations have included the EU level in their lobbying strategies but pay more attention to domestic institutions when it comes to lobbying in the EU. Compared to associations that tend to be embedded in one level of governance, large firms have evolved into professional two-level players. Almost 80 per cent of the large firms maintain at least monthly contact with national governments, with the same figure thus maintaining frequent contact with both the national and the EU executives.

Therefore, while German associations have relatively good access to the European Commission this is less the case for associations from the other two countries surveyed. What might account for this difference? One tentative conclusion we might draw from these data is that it is in fact German corporatist practices that are able to flourish best within the EU's network mode of governance. The long-standing relationships

between trade associations and the state actors and the institutionalized channels of interest representation at the domestic level resonate well with the EU's network mode of governance. Indeed, a survey of business interest groups in corporatist Denmark also found that the shifting of policy-making competencies to the European level did not lead to any drop in contact between the national state and private actors. Quite the contrary, in fact, as several national interest groups intensified their contacts with the national political institutions (Siderius, 1999). Thus, there can be no presumption that ties among national actors loosen as a result of the integration process; only that these ties will become integrated into a multilevel system of interest organization.

Differences in national modes of interest intermediation must be particularly pronounced for them to show in access patterns within the EU institutions. Against our expectations, for example, the more informal British policy style does not permit the UK associations to access the Commission more easily than, say, the French associations. Indeed, it would seem that of all modes of interest organization, it is corporatism which best prepares trade associations for participation in the EU policy process. It should be added, however, that the broader findings of the research project summarized here show that while different modes of interest intermediation do affect the strategies of individual associations, they are less relevant than the division of labour that exists between the EU and national associations and the EU's institutions.

The Europeanization of policy alters the opportunity structure for individual actors. For these actors systemic adaptation costs are but one element in their overall cost-benefit ratio, and a change in the domestic status quo might even be advantageous for them. For example, in the case of professional services, increasing access to the ECJ allowed 'policy outsiders' at the national level in the UK and France to move centre-stage at the EU level, enabling individual members of the professions and service recipients to challenge and, when successful, overturn the kinds of entrenched national and sub-national restrictive practices which have been the product of alliance-building between those who are "policy-insiders" within the member states' sectoral governance structures (Lovey, 1999, p. 148). In other words, the new practice of litigation caused a process of governance transformation 'by the back door'. Similarly, the British Union for the Abolition of Vivisection was 'struck by the accessibility of the European Parliament and Commission and the openness of its officials compared to the UK' (Fisher, 1994, p. 232). By extending its activities to Brussels and mobilizing an almost EU-wide opposition to the testing of cosmetics on animals, this national public-interest group influenced the Commission and the Council decision to end (subject to certain qualifications) this form of animal experimentation.



Such instances make it difficult to assess whether on balance private or public actors have gained in the process of European integration. According to Edgar Grande (1996), the embeddedness of public actors in the horizontal and vertical negotiations characteristic of EU decision-making may allow them to gain autonomy *vis-à-vis* private actors. A strategy of self-binding may provide a convenient means of turning down the demands of societal and economic interest organizations.

Thus, we seem to be witnessing contradictory results from the empirical studies reviewed. On the one hand, easy access to EU institutions, resource dependencies and the need for functional representation would appear to tip the balance in favour of big private players. For instance, the first of the EU's major information technology research programmes, ESPRIT, was launched by a coalition of large firms and the Commission against the preferences of member-state administrations. Yet on the other hand, the complexity of the EU system and the centrality of the public actors in decision-making process make it difficult for interest groups to have a decisive impact. In recent years, evidence from the sectoral liberalization of public service sectors such as electricity, gas, transport and telecommunications have been used to substantiate this point. In these cases fundamental reforms were often decided in the face of resistance from large and powerful economic actors with entrenched political ties to national state actors.

## Conclusions

We began this chapter by claiming that although interest intermediation in Western Europe is currently in a state of flux, we should not assume that this implies a process of convergence or the creation of a West European model of interest organization. In other words, organized interests will feel and react to the pressures and challenges they face differently in different sectors and countries. Taking this premise further, we suggested that the 'mode of governance' (pluralism, corporatism, statism and network governance), might be the key to understanding this variation. So while we can say that there is a reconfiguration of interest organization throughout Europe, the effects that will be felt as a consequence will be subject to substantial variation.

To explore this hypothesis, three pressures facing interest organization in Western Europe were identified. Market pressures were said to arise out of intensified competition and technological change; ideational pressures highlighted the rise of neo-liberalism as the dominant economic ideology, focusing on the debates and policies that arose as a consequence; and institutional pressures in the form of a process of

Europeanization emphasized the effect of the expansion of the scope and intensity of EU regulatory activity since the mid-1980s.

On the basis of the examples presented in this chapter, what then are the conclusions to be drawn? Clearly, we must concede that our expectations have not been met in the sense that modes of governance alone do not provide an adequate explanation of variation when seeking to explain the reconfiguration of interest organization in Western Europe. It would seem, then, that corporatist and statist systems of governance on the one hand, and the pluralist and network systems on the other are likely to see as much variation within as between them. In looking at market pressures upon interest organization, for example, we found evidence that there was no single logic of reconfiguration even in rather similar high-tech sectors. If anything, the examples used suggested that differences between large and small firms and large and small states were as, if not more, important than the dominant mode of governance. Considering the effects of neo-liberalism, we again found evidence that patterns of adaptation did not mirror modes of governance. In France and the UK, for example, fairly similar patterns were identified, a factor that could not have been predicted on the basis of our initial working hypothesis. Finally, our review of the Europeanization of interest intermediation also produced some unexpected results. Most notably, it was found that associations operating within a German corporatist context were better able than French and UK actors to access the EU institutions, a finding which would seem to undermine those intuitive arguments made about the importance of 'goodness of fit' between the EU and national levels of governance.

While we stick by our contention that the reconfiguration of interest intermediation does not imply a convergence of systems of interest organization, a clear pattern which would explain the variation in responses from interests remains elusive, even if certain potential variables have suggested themselves in the empirical examples above (sector type, country size, or size of corporate actor, for example). Yet even if modes of governance alone do not provide the answer, this does not mean that we need dismiss them as unimportant. Rather, it suggests, perhaps unsurprisingly, that a plausible explanation of variation is likely to be somewhat more complex than was envisaged in the early sections of this chapter.