

EU ENLARGEMENT AND MULTI-LEVEL GOVERNANCE IN EUROPEAN PUBLIC POLICY-MAKING: ACTORS, INSTITUTIONS AND POLICY LEARNING

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Preface

One key objective of the project during the reference period was the critical analysis of the different approaches and schools of thought in the debate on multi-level governance in the EU public policy-making, institutional and policy learning, adaptation and Europeanization of the domestic structures at both the national and sub-national levels of governance.

Thus, a draft paper has been prepared by Dr. C. Paraskevopoulos (LSE team) and was subsequently circulated among the partners aiming at setting off discussion, constructive contributions and comments.

The paper was also one of the foci of discussion in the workshop with externals organised in the framework of the second project meeting at LSE London (26 February 2002).

The final version of this paper presents the state of the art of the knowledge and research conducted in the field and provides the basis for a common understanding of the different theoretical approaches among the project partners.

Introduction: Globalisation and the changing conception of Governance

Governance has become a state of the art but also a popular concept in much of the contemporary debate in the social sciences. A key reason for this popularity is attributed to its capacity for capturing the multiplicity of actors, institutions and relationships involved in the process of governing, given that the narrower term 'government' has gradually become almost obsolete, having been outflanked by rapid technological, social and political changes of the last quarter of the century. In particular, the globalization of economic activities, information and finance, as a consequence of the rapid technological change and the gradual transformation of the technological paradigm since the late 1960s has led to the emergence of a changing, globalizing new political economy, characterised by increasing, internationally-driven, interdependence among the actors, accompanied by high levels of risk and uncertainty, which

derive mainly from technological change, knowledge and diversified information management capacities (Boyer, 1988). This, in turn, has important implications for almost all sectors of public policy, by challenging the traditional role of the state as guarantor and provider of collective (public) goods and undermining the pattern of corporatist arrangements for capital-labour relations. Both the key role of the state in the provision of public goods and the corporatist model of interest intermediation are considered intrinsic elements of the dominant –at least in Europe- regulatory regime based on mass production and state interventionism during the first post-war period. The diminishing role of the state in the provision of public goods is interpreted as a consequence of the predominance of supply-side economics and the increasing importance of fiscal discipline imposed through cuts in public spending for securing international competitiveness. Moreover, these international-competitiveness considerations have led to the fundamental shift from the interventionist to the regulatory state (Majone, 1998).

On the other hand, the undermining of corporatism at the national level and the gradual transformation of the pattern of collective action and interest intermediation have been brought about by three interrelated developments. First, there is a growing demand for regulation at the global/transnational or supranational levels by multinational companies and other private interest organizations who prefer centralization of regulation at the supranational level because it reduces transaction costs and therefore they do not see any reason for participation in the corporatist bargaining at the national level. Subsequently, there has been a gradual transfer of crucial regulatory functions from national to transnational (i.e. World Bank-WB, World Trade Organization-WTO) or supranational (i.e. EU Commission) institutions (J. Pierre, 2000; J. Pierre and B. G. Peters, 2000). Second, in a similar vein, public interest organizations, such as environmental or consumer groups, view regulation at the global or supranational levels as less costly and perhaps more effective than the national structures of interest intermediation, and therefore they try to secure substantial resources to pursue lobbying strategies at the global level. Finally, and perhaps more importantly, post-industrial society is no longer simply divided between capital and labour and class has declined as major determinant of individuals' political, economic and social interests and values. Conversely, post-industrial society is characterized by complexity and multiplicity of interests, which cannot be captured by corporatism. This is the case of individuals with 'post-material' value orientations, who, being excluded from corporatist arrangements, tend to join 'new social movements', such as the civil rights or the ecology movements. Further, the hierarchical and top-down structure between peak and grassroots associations and the closeness of tripartite meetings with state officials, as identical features of corporatist intermediation, inhibit dialogue, communication and flow of information between actors on a horizontal basis and may constitute a major impediment to policy change and innovation in crucial public policy areas, while the policy outcomes of corporatist arrangements cannot be seen as reflecting a broad social consensus in post-industrial societies (Schmitter and Lehbruch, 1979). In sum, globalization has challenged corporatism as the dominant, class-based pattern of collective action and interest intermediation, especially in the post-war Europe and brought about important economic and societal changes that favour a more pluralistic model at both the international and national/domestic levels. Thus, despite the presence of a mix of representation styles currently in Europe combining elements of corporatism, pluralism and neo-pluralism as a consequence of the well-known co-existence of Anglo-Saxon pluralism and European corporatism (Hix, 1999), there is a

clear trend towards a rather pluralistic model of interest representation at both the supranational and national levels (Streeck and Schmitter, 1991).

As the above analysis suggests, globalization has definitely eroded the traditional domestic political authority of the state. However, it would be superfluous to assume that the state has become irrelevant as a meso-level of governance. Instead, as recent research has shown (Swank, D. 2002), domestic political institutions, such as institutions of interest intermediation, electoral systems and welfare state institutional structures, are the real determinants of the impact of market internationalization and globalization on the domestic policy-making arena. Thus, what does really take place in this transitional period is a transformation of the state, which still remains a functional locus of public policy and governance (Pierre, 2000), especially with regard to the notions of legitimacy and redistribution. Therefore, the debate about governance has been brought about by a wide range of developments, as diversified as, in abstract terms, the limited capacity of state hierarchy to ‘govern’ and regulate the rapid technological change, the significant deregulation of the economy and the ‘marketization’ of policy-making and, on the other hand, in parallel, the crisis of the “principal-agent” model in policy-making and consequently the increasing role of societal (civil society) actors in the policy process (see Table 1). In that sense, governance has become an umbrella concept for a wide variety of empirical phenomena about governing. In structural terms, these include *governance by hierarchies*, *governance by markets*, *governance by networks*, *governance by (policy) communities*, while, in procedural terms, governance is conceptualised as *steering* and co-ordinating (see *inter alia*, Hood, C. 1998; Rhodes, R.A.W, 2000; CEC, 2001). In this light, Getimis and Kafkalas (2002) point to the importance of place-specific contexts in exploring both the demise of hierarchical regulatory policies and the opportunities and risks associated with the generalisation of a more diffused governance mode. The forms and effectiveness with which the new forms of governance promote policy goals, it is argued, depends upon particular territorial specificities (political culture, processes of interest intermediation and actor involvement) indicating path dependency in institutional and governance restructuring (Getimis and Kafkalas, 2002).

Table 1: Forms of governance

Forms of governance	Modes of interest intermediation	Types of actors	Citizenship
State	Representative majority decisions/hierarchical administrative interventions	Political actors (governmental institutions, local and regional authorities, guangos)	vote
Market	Bargaining/market exchange	Economic actors (individuals, enterprises)	choice
Associations	Bargaining/political exchange	Collective/corporate actors (associations, chambers)	Right to organize or join a collective corporate actor
Civic interaction	Arguing	Civil society actors, social movements	Voice (direct actions)

Source: H. Heinelt, et.al., (1999) Participatory Governance, Project Proposal submitted to the EU Commission, 5th Framework Programme, First Call for Proposals.

Europeanization, Adaptation and Institutional “Fitness”

The *problematique* about governance in the EU is raised as a crucial issue for public policy planning and implementation, since the governance structures of the member states are facing the additional challenge of adapting to a multi-layered policy-making environment at the EU level. Contemporary studies on the EU public policy-making and the relevant academic debate about governance in the EU are currently concentrated on the interactions between the Europeanization of public policy on the one hand and the domestic structures of the member states on the other. The Europeanization process in public policy is often related to the notion of modernization. Modernization, however, is a rather ambiguous concept (Hood, 1998). In the case of the public policy-making structures of the CEECs, in particular, it may refer simultaneously to a wide variety of policy options, such as the adoption of a Weberian-style paradigm of governance based on hierarchical public bureaucracy, or the following of the current trend in Western Europe towards the so called “doctrines” of New Public Management, or the focus on the reform strands of any of the Southern European countries, or even further the pursuit of a prototype mix in the model of governance. Moreover, as recent research outcomes show, there is substantial differentiation among the CEECs with regard to the paths of the modernization process they follow (Goetz, K, 2001; Goetz, K and Hel. Wollmann, 2001). In this respect, the Europeanization of public policy constitutes a rather enduring and long-standing challenge for the administrative structures of the member states, and hence it is viewed as an external shock for promoting institution-building, learning and policy-making innovation at the domestic -national and subnational- levels.

Indeed, Europeanization, defined as the “emergence and development at the European level of distinct structures of governance” (Risse, T., et.al., 2001), refers to the complementary notions of opening the structures of the traditional nation state to the supranational level, and, consequently, to the adaptation of domestic policy-making structures to the EU multi-level system of governance. The notion of “*multi-level governance*” in the EU (Marks, 1993; Kohler-Koch, 1996; Marks et.,al, 1996a) implies that sub-regional, regional, national and supranational authorities interact with each other in two ways: first, across different levels of government (vertical dimension); and, second, with other relevant actors within the same level (horizontal dimension). Although it could be argued this system of governance might merely reflect the multiplicity of governance structures among the member states in any sphere of public policy, the multi-level system of governance, especially in the cases of member states with a centralized state structure, is considered itself as an ‘unintended consequence’¹ of the Europeanization of public policy.

As it is obvious, within this complicated system of interactions, the crucial issue facing the member states with regard to the public policy planning and implementation functions is the challenge of adapting to a multi-layered policy-making environment at the EU level. In this respect, given the multiplicity of governance structures, organizational routines, norms and policy styles among the member states, the notion of “goodness of fit” between the Europeanization processes of policy-making on the one hand and the domestic institutional settings, rules and practices on the other has been identified as a crucial parameter for the adaptation process of the national structures to the European policy-making structures in public policy in general (Risse, T.,et.al., 2001; Cowles, Green M. and Th. Risse, 2001) and regional policy in particular (Boerzel, T., 2001, 1999). What the term implies is the degree of “adaptational

pressures” that domestic institutions and policy-making structures will face in order to comply with the European rules and practices. In particular, given the distinctive character of the policy-making structures at the European level² on the one hand and the fact that the Europeanization process is fundamentally conceived of as a system of continuous interactions between EU policy-making rules and regulations and domestic policy structures on the other, the better the “goodness of fit” between EU rules and domestic practices the weaker the adaptational pressures will be for the domestic institutional structures (Risse, et. al, 2001). Conversely, policy misfits between the supranational and the domestic levels of governance is expected to exert high adaptational pressures which in turn lead to domestic structural change (ibid: 6-9).

In regional policy, in particular, Europeanization has constituted a challenge for well-established structures within the systems of governance at both the national and subnational levels and played a decisive role in the administrative restructuring process within the member states and in enhancing the institutional capacity of the subnational systems of governance, by shaping the public/private relations and promoting networking at the regional and local levels. Hence, its impact on the endogenous local development capacity is supposed to be twofold: a direct one, by providing increased resources, and an indirect one, by shaping intra-regional interactions and thus promoting the creation of intra, inter and transregional networks that support the local development initiatives. In that sense, the Europeanization function in regional policy is almost synonymous to “subnational mobilization” at the European level (Hooghe, 1995).

In the environment policy Europeanization has been traditionally interpreted as a process by which new member states, either contribute to the formulation or advancement of the environment policy towards their own national priorities (higher standards in environmental protection) through the intergovernmental bargaining, or adopt the already more advanced European regulations into their domestic policies. This takes place within the framework of the well known intergovernmental bargaining between the so called “pioneers-forerunners” group, consisting -prior to the last enlargement- mainly of Germany, Denmark and Netherlands, and the “latecomers” group, which comprises mainly the cohesion countries (Spain, Portugal, Ireland and Greece) (Andersen and Liefferink, 1997). This, in turn, has led to important institutional innovations in almost all cohesion countries.

What becomes clear from the above analysis is that although the Europeanization process plays a key role in the transformation of the national systems of governance and in the improvement of their institutional capacity, domestic institutions and especially the pre-existing institutional infrastructure at the national level matters for adaptation (Lenschow, 1997; Jeffery, 2000; Paraskevopoulos, 2001,a,b; Risse, et.al, 2001; Boerzel, 2001). This importance of the pre-existing institutional infrastructure has become evident in the transition of the CEECs as well (Offe, C. 1996). This makes the comparative research on the experience of the previous enlargement waves –cohesion- countries relevant for modelling the necessary reforms that the CEECs should undertake in preparing for full membership. This approach to the institutional function conceives of important institutions for the domestic policy-making arena, such as veto points, political and organizational cultures, as “thick” mediating mechanisms that affect crucially actors’ preferences through the “logic of appropriateness”, thus leading to the re-conceptualization of their interests and identities (Risse, et.al, 2001). This interpretation of institutions is

sociological in principle and therefore contrasts substantially with both the liberal intergovernmentalist and the rational choice institutionalist approaches to integration³, in two important respects: first, both liberal intergovernmentalism (Moravcsik, A, 1993, 1998) and rational choice institutionalism (Shepsle, K, 1989; North, D, 1990; Hall, P. and Rosemary C. R. Taylor, 1996; Schneider, G and Lars and Erik Cederman, 1994; Garret, G and G. Tsebelis, 1996; Pollack, M, 1996, 1997), based to a significant extent on Olson's (1965) collective action and interest group theory, view actors as purely rational self-interested utility maximisers and accordingly their preferences as exogenous from the broad institutional environment; and second, consequently, they adopt a "thin" interpretation of the role of institutions which are viewed: as factors simply contributing to the enforcement and credibility of the agreements between actors by the former; and as merely intervening variable between actors' preferences and policy outcomes within the fundamental equation of political science⁴ by the latter⁵.

However, although institutions may provide opportunities or incentives to actors or even affect their preferences and identities and thus facilitating or inhibiting structural change, they cannot bring about change on their own. This is done by actors and in that sense the crucial actors-related process here is learning (Paraskevopoulos, C.J, 1998b, 2001a,b; Risse, T. et.al., 2001). Yet, while the learning process fits well with the "thick" interpretation of institutions by the "goodness of fit" approach, the problem is that this approach does not provide an explicit institutional framework for facilitating learning and hence the adaptation process, given that the conception of both the multiple veto points and the political/organizational cultures are quite problematic with regard to the learning and adaptation processes. In particular, although the concept of multiple veto points/players as it is used in the recent globalization literature (see Swank, D, 2002) may be to a significant extent an important institutional mechanism of the domestic policy-making structure for counterbalancing the global pressures, in the EU system of governance it is likely to lead to consistent resistance to change, thus inhibiting the policy innovation and adaptation processes (Thielemann, E, 2000, 2002). The political and organizational cultures, on the other hand, is a very broad term for a variety of institutional functions which may facilitate or inhibit the learning and adaptation processes, but it does not provide an explicit description of appropriate institutional structure for facilitating the learning process.

This weakness of the "goodness of fit" approach is evident in almost any field of public policy, where, while it is widely accepted that there is no any pan-European convergence paradigm, but rather domestic institutions, and, in particular crucial and sensitive aspects of the institutional structure, such as cooperative culture, matter for the adaptation and Europeanization processes (Jeffery, Ch, 2000; Paraskevopoulos, 1998a,b, 2001,a,b; Keating and Hooghe, 1996; Boerzel, T, 2001), there is no provision of any specific institutional framework that would facilitate the learning process.

This paper assumes that both the state-driven hierarchical and the market-based paradigms of governance, which have dominated the Western culture and of course the governance structures of most EU member states so far are inadequate for facilitating the learning and adaptation processes in public policy. The first, because inhibits the flow of information, knowledge and hence the dialogue and communication among the actors on a horizontal basis, and subsequently lacks the necessary for the learning and adaptation processes flexibility. The second, because through the individualistic conception

of human action upon which it is based, impedes rather than encourages collective action among the actors. Thus, though the role of national governments in the transformation of the domestic governance structure is crucial, the formation of preferences and coalitions at the domestic level cannot be seen as being confined within the central state level, but rather should include the intra-state and state-society relations (Lenschow, 1997) as precondition for institutional performance, given that the latter is conducive to government capacity.

This leads to the formulation of the main research hypothesis of this paper/project, which attributes a crucial role to the domestic institutional infrastructure, as mediating mechanism between supra-national and domestic governance structures, and consequently as a very important variable for integration in general and the study of the multi-level system of governance in European public policy in particular. Thus institutions matter, in all their functions—either regulative, or cognitive or normative (Laffan, 2001)—and across all levels of government for both the learning and integration processes and hence the process of institution-building is crucial for the learning and adaptation processes in the CEECs as well. This paper provides a conceptualization and exemplification of the notion of institutional thickness as a fundamental precondition for the learning process within the EU public policy environment. The first section analyses the concept of social learning in the light of the new institutionalist approach to integration and examines the capacity of the learning approach for capturing the complexity of the domestic preference formation function. The second section introduces the notions of social capital and networks as important components of institutional thickness and hence of the learning process. Section three structures the system of multi-level governance in public policy. Finally the last section draws the main conclusions on the importance of exemplifying the notion of institutional thickness as prerequisite for learning.

Social learning and the “Domestic Preference Formation Function”: an evolutionary approach to policy change

The notion of learning has emerged on a wide range of social sciences as a crucial conceptual tool for explaining adaptation and change of system parameters at both the micro and macro levels. In political science learning, as an explanatory variable for major changes (paradigm shifts) in the policy-making process, has become a crucial concept for analysing the state-society relations and hence for contemporary theories of the state (Hall, Peter, 1993). Thus within the theoretical framework of integration in Europe learning focuses on the complexities of the process of domestic preference formation (J.Richardson, 1996; B. Kohler-Koch, 1996; Jeffrey Checkel, 1999,2001; and C.J. Paraskevopoulos, 2001), which have been, to a significant extent, overlooked by both rational choice institutionalism and liberal intergovernmentalism (Marks, G, 1996). It is considered as a function of adaptable systems of ‘governance under uncertainty’⁶, and in that sense it implies the process by which actors acquire new interests and identities and form their preferences through interaction with broader institutional contexts/norms (Checkel, J, 1999). Through these “structure-actor” interactions, actors adapt their behaviour to meet the changes of the environment. As a predominantly interactive process, learning is crucially dependent on the way in which the system of institutional interactions is shaped, the adequacy

of information and communication flows, and the presence of fora for dialogue among the actors. The latter enable institutional actors, by their joint involvement in the processes of “learning by doing” and “learning by past successes and failures”, to become adaptable, rather than adapted to changing conditions (Garmise, Sh, 1995). Learning in this environment is a function of past policy attempts (and the involved actors’ interpretation of their successes and failures), of the capacities of institutions to design new activities, and of the changing ideas and shifting alliances and balance of power among the actors.

In public policy the learning process has implications for the organizational structure of the domestic politico-economic system. On the one hand it requires that the involved organizations are flexible to make the appropriate structural adjustments to exploit the benefits of learning. On the other, it is crucially dependent on experts who specialize in specific policy areas (P. Hall, 1993; J. Checkel, 1999). Because this combination of flexibility and specialization is best achieved in networked organizations, the network paradigm constitutes the appropriate organizational form for the learning process (Storper, 1995). Finally, since learning is a process of ‘waking up and catching up’ (Sabel, C, 1994) and therefore usually undermines the stability of relations between the transacting actors, informal social norms and conventions play a crucial role in providing the glue that cements and re-stabilizes the relations among the involved actors.

Within the EU public policy environment, learning is viewed as significantly affected by the intended and unintended consequences⁷ of the redistribution of power and resources between the supranational, national and subnational levels of government within the EU, and subsequently by the degree of decentralization of the administrative structure of the state, which allows the stimulating of synergistic effects among the local actors. However, as existing evidence on disassociated with the state structure intra and inter-state differentiation in the level of institutional learning and adaptation shows, intergovernmental relations constitute a dynamic system which cannot be simply reduced to a symptom of the state structure (Klausen, and Goldsmith, 1997). Hence, certain capacities for collective action that facilitate the shaping of interactions and the process of coalition-building among key social and economic actors at the regional and local levels are raised as the most important prerequisite for social learning and adaptation (Jeffery, Ch, 2000; Paraskevopoulos, C.J, 1998a;b). This point has been reinforced by recent research outcomes, showing that the strength of associational culture and regional identity is the underlying factor of regional mobilization at the European level, rather than a funding/resource focusing logic (Marks, G. et.al., 1996b). In that sense, both formal and crucial informal institutional arrangements play the decisive role in determining the learning capacity of regional and local systems of governance and subsequently the degree of their mobilization at the European level. Further, the increasing importance of capacities for collective action for learning and adaptation processes is underlined by the emergence of the network paradigm as an operational element of the institutional infrastructure at all stages of policy-making in the EU (Grote, J., 1997; B. Kohler-Koch, 1996; Kenis, Patrick and Volker Schneider, 1991; Windhoff-Heritier Adrienne, 1993; Peterson, J, 1995). Thus, institutional networks and social norms are introduced as conceptual tools for facilitating the learning and adaptation processes through their capacity for resolving collective action problems: by structuring institutional interactions the

former, and by providing stable rules and procedures (social norms) that facilitate exchange and flow of information and reduce uncertainty the latter.

The learning approach, while accepting the crucial role attributed by rational choice institutionalism to strategic interactions between actors as determinants of policy outcomes, it embodies path dependence and unintended consequences as important parameters of institutional and policy change processes and social norms as regulators of the uncertainty that surrounds both policy and institutional change. In that sense, social learning is a complicated process and hence should be distinguished from the simple sort of learning (the so called “single-loop learning” – Argyris and Schoen, 1978), where actors acquire new information, alter strategies but they pursue given, fixed interests. This simple learning, of course, can be captured adequately by the rational choice approach. Subsequently, the dynamic model of social learning may be seen as an attempt to bridge the gap between the rational choice and the historical/sociological institutionalist approaches, by incorporating strategic interactions between actors, unintended consequences and social norms.

Institutional Prerequisites for Learning: Institutional Thickness as “Goodness of fit” and the role of Social Capital

Although the emergence of the network metaphor on the study of policy-making in the EU has been initially conceived of as a reflection of the necessity for mapping the exchange relations among the actors (Rhodes, R.A.W, 2000), the real added value of the network analysis is linked to its capacity for capturing the system of institutional interactions (Knoke and Kuklinski, 1982). This key contribution of the network paradigm is related to the re-conceptualization of power within networks, and to its implications for the processes of exchange and interdependence. In particular, given that power within networks is ‘the ability to attain higher levels of collective action’ (Metcalf, L, 1981) and the high degree of resource interdependencies among the actors within inter-organizational networks, power relations within networks are mainly based on the process of exchange (Marin, B, 1990). The exchange process, in turn, involves a variety of resources (money, information, knowledge) and constitutes one way to achieve collective action among the actors. Thus, institutional networks are defined as systems of interactions involving both public and private institutional actors, which are linked around a certain policy domain or territory and hence bounded by it (Paraskevopoulos, C.J, 2001). In that sense, however, the network paradigm overrides the rational choice new institutionalist approach in a constructive way, on the one hand by taking into account and mapping the rationality-based exchange process, and on the other, by capturing the main features of the broad institutional environment in terms of interactions and interdependencies among the actors. In doing so, the network metaphor becomes an important component of the socialization function and hence of institutional thickness which assumes that exchange relations do not depend on the availability of resources but on actors' perceptions about their value and usefulness, and, therefore, the shaping of the exchange process is profoundly influenced by the broad social context.

In this respect, the emergence of the network paradigm is viewed as consistent with economic sociology's criticism about the under-socialized character of rational choice new institutionalism and particularly the functional-neoclassical explanation of the origin of social institutions. This is particularly

evident in Granovetter's 'embeddedness argument' (1985), which emphasizes the social character of human action and stresses the role of networks in generating trust and in establishing expectations and norms.

Within this theoretical framework, social capital has emerged as the second important component of the socialization function. It is theoretically based on a limited rationality model, similar in many respects to Axelrod's evolutionary approach to norms⁸ (Axelrod, 1997), and refers to 'features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated action' (Putnam, R.D, 1993). Trust constitutes the first important form of social capital. It is linked to the volatility and hence uncertainty of modern institutional settings and is seen as a crucial conceptual mechanism to resolve this uncertainty by shaping the relations between partners and facilitating collective action. Social trust in modern complex settings, however, can arise from two related forms of social capital: norms of reciprocity and networks of civic engagement. Social norms transfer the right to control an action from the actor to others because that action has externalities, that is consequences (positive or negative) for others. Norms arise when 'an action has similar externalities for a set of others, yet markets in the rights of control of the action cannot easily be established, and no single actor can profitably engage in an exchange to gain rights of control' (Coleman, J., 1990). The most important norm is generalized reciprocity, which is based on a continuing relationship of exchange, involving mutual expectations that a benefit granted now should be repaid in the future (Coleman, J, 1990). Generalized reciprocity, in turn, is associated with dense networks of social exchange⁹, through which the core relationships between reciprocity, reputation and trust are developed in a mutually reinforcing way (Ostrom, El, 1998). Thus norms, and hence social capital, are sustained by socialization and by sanctions. These norms facilitate the stability of intra-network relations and hence the in-built capacity of institutional networks to learn and adapt to changing circumstances.

Therefore, social capital, being initially itself a by-product of the exchange process, is transformed into a public good, that is a resource for action available to individual actors. In that sense, it is viewed as the appropriate conceptual tool 'for introducing social structure into the rational action paradigm' (Coleman, J, 1988) and hence for bridging the gap between rational or purposive action and social structure (J. Coleman, 1988; El. Ostrom, 1995) and for facilitating the socialization function. Although Coleman's (1990) definition of social capital as 'a set of inherent in the social organization social-structural resources that constitute capital assets for the individual' implies that it refers to individual actors (persons), it has been acknowledged as crucial factor for facilitating collective action among corporate actors as well: 'because purposive organizations can be actors just as persons can, relations among corporate actors can constitute social capital for them as well' (Coleman, J, 1988). Hence, voluntary cooperation is easier in institutional settings that have inherited a substantial stock of social capital, and the pursuit of collective goods is not seen as in contradiction with the pursuit of maximizing individual wealth.

To sum up, social capital and institutional networks constitute important components of the socialization function, by influencing actors' preferences and identities the former, and by structuring the exchange process the latter. Subsequently, social capital constitutes a semi-independent variable (in the

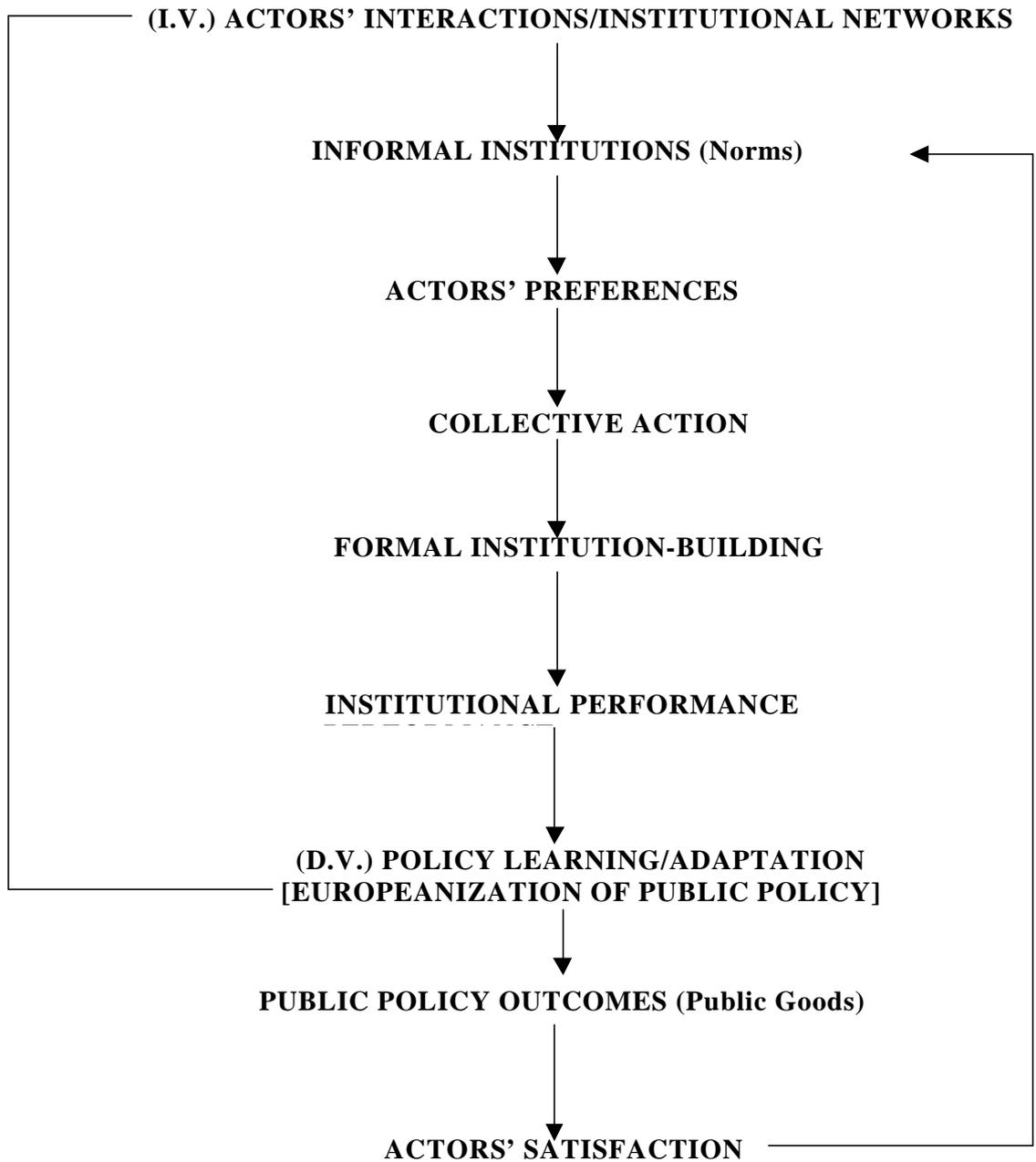
sense that it depends on the exchange process) that, by affecting the formation of actors' preferences, facilitates the stability of intra-network relations and hence the learning and adaptation processes within institutional networks, which, in turn, function as an intervening variable between actors' preferences and policy outcomes. As crucial components of institutional thickness and hence of the learning process, social capital and institutional networks may also be seen as important conceptual tools for bridging the gap between the rational choice and the historical/sociological institutionalist approaches. The latter, without denying the rational and purposive character of human behaviour, emphasize path dependence and unintended consequences as features of institutional development (Rose, R, 1990; Thelen Kathleen and Sven Steinmo, 1992; and Pierson, Paul, 1997) and the role of cultural norms and social appropriateness in affecting individual action (March, J. and J. Olsen, 1989; Checkel, J, 1999, 2001; Cowles and Risse, 2001; DiMaggio P. and W. Powell, 1991). Thus, they view institutions as an independent variable, which affects actors' perceptions about their interests and identities.

In the field of the EU structural policy, social capital and institutional networks are considered as important components of the local institutional infrastructure that play an important role in building forms of collective governance at the national and especially at the subnational levels. This is an outcome of the partnership principle, according to which the planning and monitoring procedures of the Operational Programmes (OPs) of the Community Support Frameworks (CSFs) as well as of Community Initiatives (CIs) involve dense, mostly horizontal, policy networks that reflect partnerships among local actors involved in Structural Funds programmes. Social capital, on the other hand, is widely recognized as intrinsic element of the institutional infrastructure that sustain political and technological innovation and competitiveness of European regions (Cooke and Morgan, 1998).

Yet, the arising crucial issue is related to the role of history and path dependence logic in the creation of social capital and hence in the enhancing of the learning process. The inherent in institutional learning evolutionist approach does not contradict the path dependence analysis, since the function of 'learning to cooperate' (Sabel, Ch., 1993) should be considered as a rather evolutionary process and, in that sense, it is familiar with historical institutionalism (Rose, R, 1990; Pierson, Paul, 1996; Bulmer, S., 1998). However, it should be distinguished from the deterministic interpretations of history, since it is based on the process of making collective action a rational choice. Additionally, the notions of civic engagement and strong civil society, based on the presence of social capital, constitute intrinsic elements of Western culture, which cannot be confined within the dualism of the rationality-based models of markets and hierarchies (Finnemore, M. 1996). In this respect, Sabel's optimism¹⁰, based on the notion of "studied trust", is relevant. It points to the bottom-up process for the creation of social capital and hence redefines the role of public policy in encouraging initiatives, rather than imposing collective action and coordination.

FIGURE 1

ACTORS, INSTITUTIONS and LEARNING
in EU PUBLIC POLICY



The structure of the theoretical concepts is depicted in Figure 1. As this structure demonstrates, social norms (social capital), as an important component of the socialization function, play a key role in achieving collective action, by influencing actors' preferences about civic participation and group activity. Thus it functions as a semi-independent variable, in the sense that it depends on the exchange process which takes place within the networks. Collective action, in turn, constitutes an intervening variable for the learning, adaptation and Europeanization processes in public policy, by facilitating formal institution-building, influencing the level of institutional performance and thus determining public policy outcomes. Finally, the Europeanization of public policy contributes to the sustaining and strengthening of the institutional capacity in terms of network structures, while actors' satisfaction with public policy outcomes reinforces again the existing "stock" of social capital endowments.

In sum, social capital and institutional networks are identified as key components of institutional thickness and consequently of the learning and adaptation processes in the European public policy environment, by facilitating collective action among the actors through the processes of political exchange and socialization. In that sense, political exchange and socialization constitute intrinsic elements of the learning process. Thus, social capital and networks should be viewed as crucial conceptual tools for the learning institutional infrastructure and hence for the "goodness of fit" approach to adaptation and Europeanization processes in EU public policy¹¹.

Structuring Multi-Level Governance in European Public Policy

Under the above considerations, the theoretical model of a learning institutional infrastructure in the multi-level system of governance in European public policy is based on the presence of multiple networks at any level of governance. At the supranational level, the EU Commission fulfils its legislative and regulatory functions in an institutional environment dominated by dense networks consisting of Commission officials, scientific experts, private interests, NGOs and other key sectoral actors. The concept of 'loose couplings' has been used to describe the conditions that permit (actor and structure) adaptability and reform (Heinelt et al. 2002). Phenomena of differentiation, it is argued, reflect the autonomy of the units (or parts) of the system and permit area-related opportunities for autonomous institutional evolution and organizational learning. At the same time, a number of coherence mechanisms¹² - by securing that individual and collective actors are still related to each other - are presenting options for 'coupling' and guarantee the adaptability of the overall (multi-level) structure (Heinelt et al. 2002). Yet, the role of the 'coherence mechanisms' in preventing governance failure points to the malleability of the reform process by - individual and collective - actors and stresses the importance of actors' actions through vetoes and blockades. This system of policy-making, characterized by the building up of "*policy communities*" and subsequently of *collective identities* in each policy area as the outcome of the *comitology* system of decision-taking, reflects the tension between the corporatist and pluralist models of interest representation at the supranational level of governance. The latter, however, seems to be dominant especially after the completion of the internal market.

At the domestic (state-society, subnational) level of governance collective learning requires the presence of functional networks. Functional networks, which tend to have a horizontal rather than a vertical structure and facilitate collective action by combining governmental and sectoral local actors and thus shaping the public/private relations and incorporating multiple type of resources, are considered as providing the appropriate organizational structure for learning and adaptation. Where there is lack of this type of networks, as in the centralized member states, the adopted adjustment strategies are usually driven by the central state administrative structure and therefore, irrespective of their effectiveness and efficiency, inhibit rather than facilitate the bottom-up learning and adaptation processes.

Yet, the Europeanization of public policy is considered a fundamental change in the system parameters that represents simultaneously a threat to the pre-existing institutional arrangements in both the economic and political spheres, and an opportunity for institution-building and network-creation, especially in the less-favoured Obj. 1 regions. In particular, by challenging embedded structures and well-established interests at the sub-national level, the Structural Funds programmes and the EU norms in the environment policy cause instability in the intra-network relations, which leads to the resistance to change on the part of some organizations for which change means loss of security and power. On the other hand, the EU programmes and initiatives open up the process of institutional restructuring, especially in member states/regions with poor institutional infrastructure, by weakening the position of firmly established interests. This process facilitates the building of new institutions, because under specific conditions which are relevant to the Obj. 1 regions, the process of institution-building presupposes the redundancy of the old institutional infrastructure (Storper, 1995). Thus, the presence of multiple and collective leadership roles within the network can prevent the de-stabilization of the intra-network relations, while, simultaneously, the collective response to the crisis can effectively moderate the repercussions of the changes. Moreover, since institutional learning and adaptation are mainly processes of 'waking up and catching up' (Sabel, 1994:137) and therefore usually undermine the stability of relations between the transacting institutional actors, an effective leadership functions as moderator of the tensions between learning and monitoring of the power relations that the changes may engender. Defined in this way, leadership requires the decentralization of power and responsibility and a high level of involvement of the participants. On the other hand, trust provides the glue that cements and re-stabilizes the relations among the actors and enhances the capacity of institutional networks to adapt to changing conditions.

The diagram of Figure 2 illustrates the way in which learning institutional networks at both the supranational and domestic (state-society, sub-national) levels, based on the processes of exchange and socialization, can facilitate collective learning and adaptation within the multi-level governance structure of European regional and environment policies. In particular, the graph reveals the way in which the interactions at both the supranational and domestic levels of governance should be shaped. At the supranational level a plethora of networks between public, private and civil society actors around the EU Commission corresponds to a rather pluralistic, albeit with considerable elements of corporatism, policy-making environment. At the domestic level the focus is on the subnational and state-society institutional infrastructure. There is a group of actors (sub-national functional network) linked with strong ties, while some of them (3,4,5) are loosely connected with other peripheral actors. This structure of interactions

reflects both the need for leadership, involving public and private actors, and the importance of the linkages with other peripheral actors for access to new resources (information, knowledge, new ideas).

Furthermore, the graph demonstrates the distribution of power among the actors based on the process of exchange, whereby an actor's power is strengthened by his/her ability to combine external, as well as internal linkages and, therefore, access to multiple resources. The distribution of power within the network plays a key role in shaping the intra-regional interactions and achieving collective action. Finally, the role of social capital is to facilitate collective action among the actors through the socialization process, which involves their active participation in the provision of public goods and services.

Conclusion

This paper, based on existing evidence from EU public policy, has attempted to show the role of the learning capacity in facilitating the processes of both institutional and policy adaptation within the multi-level system of governance of the European Union. Within this framework, social capital and institutional networks are identified as crucial conceptual tools for the learning and adaptation processes, by facilitating collective action among the actors through the processes of exchange and socialization. In particular, while the main contribution of the network paradigm is the mapping of the exchange process among the actors, because of its capacity for capturing the system of institutional interactions and interdependencies and therefore the specifics of the broad structural environment, it is viewed as an important component of the socialization function as well. On the other hand, although social capital has been primarily conceived of as a by-product of the exchange process, through its transformation into a public good/resource available to individual actors, it influences the process of preference formation, thus constituting a crucial tool for the socialization function.

Being conceptualized as the key tools of the socialization function within the learning process, social capital and institutional networks are introduced by this paper as the appropriate concepts for softening the fundamental assumptions of rational choice institutionalism, which attributes protagonistic role to actors' preferences and views EU institutions as merely an intervening variable between the preferences of the member states governments and specific policy outcomes. Within this theoretical framework, the concept of social capital plays a key role as a semi-independent variable, which, being based on the exchange process, affects crucially the shaping of actors' preferences and interests and subsequently the system of interactions. Institutional networks, on the other hand, functions as intervening variable between actors' preferences and policy outcomes, thus structuring the exchange process. Thus, the learning approach, while accepting the fundamental merit of the rational choice approach, that is the role of interactions among the actors and subsequently of the exchange process in achieving collective action and building collective governance within the EU, does not overlook the impact of the broad institutional environment on actors' preferences through the socialization function. In this respect, the learning approach may be seen as an attempt to reconcile the rational choice and the sociological/historical approaches to integration in Europe.

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Notes

- ¹ The term refers to the way in which the outcomes of intergovernmental bargains and in particular the 1988 reform of the Structural Funds can, as perfectly as neofunctionalist theory would have predicted, lead to the mobilization of the dynamics of the system, and in this particular case to “multilevel governance” (see Marks Gary, et.al, 1996a, and M. Pollack, 1995).
- ² Although significant variation from one policy area to another is considered as the main feature of the EU policy-making structures and practices, it has been argued that the EU institutional structure is more federal than unitary and its policy-making processes more pluralist than statist (Schmidt, V. 1997). In that respect, it has been predicted, that the more centralized and unitary member states is likely to face stronger adaptational pressures than the decentralized and federal ones (*ibid.*).
- ³ New institutionalism has emerged relatively recently in EU studies, “borrowed” from political science, as a new and perhaps dominant theoretical framework of regional integration (see Aspinwall, M. and Gerald Schneider, 2001).
- ⁴ Institutions constitute a crucial component of this equation, a synopsis of which is: Actors’ preferences x Institutions = Policy Outcomes
- ⁵ Adr. Windhoff-Heritier's (1991) notion of institution as 'restriction and opportunity' shows the compatibility between new institutionalism and rational choice approach and hence it may be seen as the foundation of rational choice institutionalism (see also Keith Dowding, 1994; James Coleman, 1988; Moe, Terry, 1990; and G. Peters, 1999).
- ⁶ Richardson attempts to introduce the notion of ‘epistemic communities’, originally conceptualized in the field of international relations (P. Haas, 1992), within the EU policy-making. Given that the concept of ‘epistemic communities’ refers to the uncertainty of international actors and thus points to the role of knowledge and information flows in facilitating co-operative relations, it is familiar with the learning approach to regional integration in Europe (see Richardson, 1996; Peter Haas, 1992; Checkel, 1999; and B. Kohler-Koch, 1996).
- ⁷ The impact of the 1988 reforms of the Structural Funds on the redistribution of power between the levels of government, by strengthening the role of the subnational level and establishing direct linkages between supranational, national and subnational authorities through their role in managing and monitoring Operational Programmes (OPs) of the Community Support Frameworks (CSFs) constitute a characteristic case of unintended consequences initialized by institutional or policy reforms at the EU level. Moreover, the core of these reforms remained almost unchanged even after the 1993 reform put forward after the negotiations over the 1994-99 Structural Funds programme (see Pollack 1995).
- ⁸ R. Axelrod's (1997:40-68) evolutionary approach to norms is based on a ‘limited rationality’ model which assumes that when actors make choices within complex institutional and social settings, they are more likely to use the ‘trial-and-error’ approach rather than a fully rational choice approach based on short-term calculations of utility maximization. Thus, individual actors tend to make long-term choices based on adaptation of their behaviour to successful paradigms of the environment rather than short-term, methodological individualism calculations-based choices. Within this framework, while norms may emerge through interactions among small number of players, they endure and become dominant through other actors’ adaptive behaviour. In this way, the most effective norms are more likely to survive over time. Among the mechanisms used for the enforcement and strengthening of norms (i.e. law, internalization, dominance) the most important is a specific mechanism called “metanorms”. This mechanism is based on the willingness of cooperating actors to punish not only the violators of a norm, but also those who do not enforce the norm, namely they do not participate in the punishment of the violators. As it is obvious, sanctions and reputation are the most important components of the metanorms mechanism. The function of the metanorms mechanism is better understood by reference to paradigms from the area of international relations (i.e. Yugoslavia).
- ⁹ It should be noted that generalized reciprocity as a form of social capital constitutes the most important prerequisite for the process of political exchange. Given that the norm is rooted in the complexities of the social exchange in broad sense, it is considered as a crucial function in which the process of political exchange is embedded. Thus, in the field of regional policy, generalized reciprocity, by

sustaining the process of political exchange among the actors at the regional level, is viewed as a precondition for network creation and institution-building (see Cooke and Morgan, 1998).

¹⁰ C. Sabel's notion of *studied trust* constitutes his rather optimistic answer to the question. *Studied trust* refers to a 'kind of consensus and the associated forms of economic transactions' that theoretically result from *associative* or *cooperative* or *autopoietic* -that is self-creating- *reflexive* systems. These are systems in which 'the logic governing the development of each of the elements is constantly reshaped by the development of all the others: the parts reflect the whole and vice versa'. Sabel's optimistic view on the creation of trust is based on the hypothesis that 'trust is a constitutive - hence in principle extensive- feature of social life' (see Sabel, Ch. 1993).

¹¹ However, as Dr. J. Grote suggested during the project's workshop and conference at the LSE, the notion of network as it is employed in the theoretical framework of governance needs to be understood as a mainly ethnocentric concept, in the sense that it is closely related to the country-specific broad institutional environment. Thus its applicability and usefulness may be strongly constrained by qualitative features of the countries' institutional infrastructure in terms of institutional capacity and therefore its appropriateness as an analytical tool may vary accordingly. In particular, there is evidence to suggest that the degree of validity and hence applicability of the network analysis is rather high in institutionally developed societies and relatively low in the less developed ones. What Dr. Grote's intervention implies for the research project, is that the relevance of the traditional models of social organization, namely state and market, should not be easily overlooked by the research, given that the reform of any of these may have to be subject of careful consideration with regard to the necessary for the participating countries "investment" in institution-building. Moreover, these reforms may involve a combination of traditional and new organizational structures, such as network development. This may be proved a necessity, especially for the CEECs.

¹² Coherence mechanisms include:

- a) Accepted rules and norms for the exchange of information and co-ordination of actions (procedural norms);
- b) Shared values relevant in negotiations;
- c) Anticipation of a possible authoritative final decision of a not directly involved authority (shadow of hierarchy).