Competing Policy Frames in EU Policy Making: The Rise of Free Market Ideas in EU Steel Policy 1985-1996

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Abstract

EU steel policy offers a particularly good example of how policy ideas can be transposed from the national to the supranational level via advocacy coalitions and policy entrepreneurs. The Treaty of Paris, which founded the European Coal and Steel Community in 1951, gave steel a firm institutional base, and made it a 'special case' within the European Community. Although the Treaty was a hybrid in which liberal principles rested somewhat uneasily against the potential powers given to the High Authority, in the 1970s and early 1980s the Commission adopted a highly interventionist policy in response to the deep crisis in European steel. Consequently, it might have been expected that rival free market ideas would encounter great difficulty in altering the dominant policy frame, but in the late 1980s and 1990s these have successfully infiltrated the steel sector. This article describes and analyses this process, particularly with regard to the effects of the ideological push given to free markets by the Thatcher government in Britain in the 1980s, and a change in the French industrial culture which played an important part in shifting the balance of power in European steel policy.

Kurzfassung

Die EU-Stahlpolitik stellt ein besonders gutes Beispiel dafür dar, wie durch 'advocacy coalitions' und 'policy entrepreneurs' politische Ideen von der nationalen auf die supranationale Ebene übertragen werden können. Der Pariser Vertrag, der die Europäische Gemeinschaft für Kohle und Stahl 1951 gründete, gab der Stahlpolitik eine feste institutionelle Grundlage und machte sie zu einem 'Sonderfall' in der Europäischen Gemeinschaft. Obwohl der Vertrag eine Mischform darstellt, wo liberale Grundsätze mit Eingriffspotentialen der Hohen Behörde teils uneindeutig nebeneinander stehen, verfolgte die Kommission in den 1970er und frühen 1980er Jahren eine hochgradig interventionistische Politik als Antwort auf die tiefe Krise der europäischen Stahlindustrie. Demzufolge hätte erwartet werden können, daß die konkurrierenden marktwirtschaftlichen Ideen große Schwierigkeiten haben würden, das dominante Politikverständnis ('policy frame') zu verändern; doch in den späten 1980er und 1990er Jahren hat marktwirtschaftliches Denken nichtsdestotrotz Einzug in den Stahlsektor gehalten. Dieser Artikel beschreibt und analysiert diesen Prozeß, vor allem in Hinblick auf die Auswirkungen des ideologischen Antriebs durch die britische Regierung Thatcher in den 1980er Jahren, sowie in Hinblick auf die Veränderung der französischen Industriekultur, die einen wichtigen Beitrag zur Verlagerung des Machtgleichgewichts in der europäischen Stahlpolitik leistete.

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1. The Steel 'Frame'

Steel illustrates the intriguing relationship between ideas, interests, individuals, institutions (Peters, 1996) and the manner in which issues are 'framed'. Rein and Schön define 'framing' as a way of selecting, organising, interpreting, and making sense of a complex reality so as to provide guideposts for knowing, analysing, persuading, and acting. Consequently, a 'frame' is a perspective from which an amorphous, ill defined problematic situation can be made sense of and acted upon (Rein and Schön 1991, p. 263). For action to take place, a variety of political actors need to be mobilised in some form of change or 'advocacy' coalition. Thus, Sabatier defines advocacy coalitions as consisting not only of interest groups, administrative agencies and legislative committees, but also including journalists, analysts and researchers with an interest in the policy sector (Sabatier 1988, p. 138. Also see Sabatier and Jenkins-Smith 1993). The members of the advocacy coalition, therefore, have the potential capacity to transpose their ideas and values from one policy arena to another. In this context, the European Coal and Steel Community (ECSC) represents a particularly interesting case study because of the extent to which certain key individuals have played an important role during periods of crisis and change in carrying policy frames from national to supranational arenas. Consequently, these *policy entrepreneurs* have been willing to invest time, energy and reputation in the hope of a future return (Kingdon 1995, p. 122).

European steel policy over the past four decades, therefore, represents an excellent example of how policy ideas can be transposed from the national to the supranational level. For many years, most of the significant policy initiatives, and the values which underpinned them, were French in origin. In the past decade, however, EU steel policy has been infiltrated with considerable success by free market ideas and values. Although these developments can be attributed to a number of sources, a vitally important element was the ideological push given to free markets by the Thatcher government in Britain in the 1980s. Significantly, since the mid 1980s, the French industrial culture has itself taken on a more free market complexion. Consequently, in the 1990s, this conversion has played an important part in shifting the balance of power in European steel policy away from the former dominant interventionist ideas.

At the heart of European steel policy is the 'image' of the industry (Baumgartner and Jones 1991 and 1993) as a 'special case', due to the foundation of the European Coal and Steel Community (ECSC) and the signing of the Treaty of Paris in 1951. The key role of the steel industry in the foundation of the European institutions, together with its traditional status as a strategic industry, has allowed it to be given particular attention by the European Commission, and for national governments and the steel companies themselves to believe that, in times of crisis, a pan-European solution is required. There is something of a paradox here, for steel remains an EU industry where national interests are strong, and there is still considerable political resistance to cross-national alliances. This mix of national interest and supranational policy makes steel fertile ground for political debate. This does not mean, however, that the policy area is necessarily the 'organized anarchy' of the 'garbage can' model into which various kinds of problems and solutions are dumped by participants as they are generated (Cohen et al 1972). Instead, in the case of steel, it is possible to identify certain key ideas and values which underpin the policy framework. Put simply, over the past decade an emerging cross-national advocacy coalition (although with much of the original ideological impetus coming from Britain) has sought to overthrow the established 'frame' of steel as an industry which justifies cartelisation and a heavy reliance on state aid in times of trouble. These values had gained particular ascendancy during the crisis years for the E

CSC steel industry of the 1970s and early 1980s. In its place, the free market advocates seek an industry where cross-border alliances are common; companies are market driven and largely separate themselves from the interests of the state.

To a considerable extent, steel interests in the late 1980s and 1990s have been shaped by the development of a counter culture to the previously accepted norm. In this context, Radaelli makes the important point that the study of organisations sheds light upon the *symbolic use* of information. The acts of producing and using information in organisational decision-making have the symbolic value of expressing the perceived rational foundations of choices (Radaelli 1997, p.16. Original emphasis). As we have noted elsewhere, the manner in which new ideas and values may sweep through a policy sector can give the policy process an episodic appearance, and transcend concepts of more stable policy communities and policy networks (Maloney and Richardson 1995, Dudley and Richardson 1996). As we have noted also, however, established ideas and 'frames' are not necessarily overthrown totally (Dudley and Richardson 1996, p. 81). This is so in the case of European steel, where by the mid 1990s, despite the ascendancy of the free market culture, the image of steel as a special case survives in pockets at the national and supranational levels.

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The second section of this article will outline briefly how the established 'framing' of steel policy evolved in the earlier years of the ECSC. Section three will describe how the Davignon Plan of the early 1980s represented a significant departure for the ECSC in developing a *dirigiste* system of production quotas and price controls. Sections four to six will then examine how a new advocacy coalition, in the late 1980s and 1990s, achieved significant success in changing the manner in which the steel issue is 'framed'. The conclusion will briefly discuss the important question of the inter-relationship between ideas, individuals, interests, institutions and policy change.

2. The ECSC and Steel as a 'Special Case'

As Spierenburg and Poideven point out, in retrospect the early years of the ECSC can be seen as something of a Golden Age (Spierenburg and Poidevin 1994, p. 651). It could be said that the concept of the ECSC itself rested on the idea that all means should be sought to avoid a repeat of the horror of two twentieth century world wars. There was particular power, therefore, in the image of steel, one of the principal tools of war, being harnessed for peace. The idea of the ECSC was largely the brainchild of French Foreign Minister, Robert Schuman, and Jean Monnet, at that time General Commissioner of the French Plan. Monnet, who became the first President of the High Authority of the ECSC, is an excellent example of a policy entrepreneur who, while himself not holding high political office, could turn visionary ideas into practical politics. The initiative for the ECSC from Paris indicated an understandable fear of the unbridled power of German industry, and so the initial task for the High Authority would be to secure in the shortest possible time the modernisation of production and the improvement of its quality; the supply of coal and steel on identical terms to the French and German markets as well as to the markets of other member countries; the joint development of exports to other countries; and the equalisation and improvement of the living conditions of workers in these industries, (from Spierenburg and Poidevin 1994, p. 9).

As Tsoukalis and Strauss point out, the decision to integrate the coal and steel sectors was very closely linked with the functionalist approach to European integration. The drafters of the Treaty of Paris, which founded the ECSC in 1951, therefore hoped to minimise nationalist opposition to the plan while at the same time laying the foundations for further economic integration in the future (Tsoukalis and Strauss 1986, pp. 188-89). The Treaty of Paris was a distinctive hybrid in which liberal principles rested somewhat uneasily against the extensive powers given to the High Authority (Tsoukalis and Strauss 1986, p. 189). Quoting Hallstein, Tsoukalis and Strauss describe the system set up by the Paris Treaty as one of regulated competition, with provisions made for central crisis management. From the outset, therefore, there was an ambivalence about the Treaty which allowed it to be given different interpretations at different times. In addition, there was also the endemic paradox of the degree of central control which would be required in order to create a genuine common market. These twin tensions were to run like a thread through the development of the ECSC over the following five decades. Consequently, by the 1990s the Treaty itself became widely identified as a policy problem which acted as a constraint on the creation of a free market.

It is important to note, however, that the Paris Treaty bestowed on the steel industry a vital institutional and political identity. Consequently, the ECSC remained in being even after the signing of the Treaty of Rome in 1957, although in 1967 the High Authority was merged with the Commissions of the European Economic and European Atomic Energy Communities. In the event, the 1950s and 1960s, despite the endemic cyclical character of steel demand, were relatively tranquil ones politically for the ECSC, particularly compared with what was to come in the 1970s and 1980s. The problem was, as Spierenburg and Poideven point out, that the High Authority was unable to dismantle certain cartels under Section 65 of the Treaty of Paris, as French and German interests became increasingly obstructive (Spierenburg and Poidevin 1994, p. 653). Although they note that the Treaty of Paris generally precluded the High Authority taking more drastic action (Spierenburg and Poidevin 1994, p. 654), it could be said that a general consensus had been achieved in the way the issue was 'framed'. Hence, steel was a 'special case' which was setting an example to Europe in creating a common market. On the other hand, governments perceived national steel industries to be of strategic importance, and so these 'champions' should be left alone, even if some of their practices were decidedly uncompetitive.

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3. The Davignon Era 1977-1985

From 1975 until the late 1980s the EC steel industry entered a period of deep crisis caused by a steep decline in demand and consequent over capacity. In response, the Commission adopted an increasingly interventionist policy. This presented a window of opportunity for any policy entrepreneur and the Commission was quick to exploit it. The power of the High Authority had remained largely in abeyance, but now the Commission was pushed to the political forefront. To some extent, the depth of the crisis united all national governments and steel companies in a sense that quite *dirigiste* policy instruments, in the form of official controls on output and prices, were required. At the same time, behind this apparent policy consensus, there were contrasting perceptions of how the steel issue should be framed. On one side stood West Germany, with the largest EC steel industry, where the companies were mainly privately owned. To the West German government and the powerful steel companies the crisis was seen as an excellent opportunity for the European industry to restructure itself via radical changes in subsidy policies, particularly in countries such as Britain and Italy, where the Germans considered the largely publicly owned companies were unfairly subsidised.

On the other side stood France, where the influential Jacques Ferry, as President of the European steelmakers' group, Eurofer, put pressure on the Commission to declare a state of 'manifest crisis' under Article 58 of the Treaty of Paris. This allowed the Commission to set production quotas. In addition, Article 61 allowed the fixing of minimum prices, if a crisis has occurred or is imminent. Ferry himself sought the ultimate regulatory control of a World Steel Pact (Dudley and Richardson 1990, p. 188). As Hayward notes, in the 1960s and 1970s, Ferry, as President of the trade association the Chambre Syndicale de la Sidérurgie Francaise (CSSF), made this power base an indispensable intermediary for planning change in the steel industry and securing favourable financial terms from the government (Hayward 1986, p. 506). Ferry, therefore, can be seen as another key policy entrepreneur, seeking to transfer the policy paradigm of cartelisation and protectionism from Paris to Brussels. Ironically, when the French steel industry fell into deep financial crisis in the late 1970s, so the French government lost faith in Ferry and the steel companies, and took a more direct interest in the industry. This culminated in the nationalisation by the socialist government of the two principal companies, Usinor and Sacilor, in 1981 (Hayward 1986, p. 522).

The call by France for greater control of the industry from Brussels was echoed in a number of other EC countries. In particular, Britain and Italy had both implemented over-optimistic and expansionist capital investment plans, so that by the late 1970s, with demand falling, both industries were heavily subsidised. Even in West Germany, as Esser and Väth point out, an analysis of political crisis management must distinguish between the Saarland, where the situation was very serious, and the Ruhr, where at least until the early 1980s, it was possible to meet the problems by private measures of modernisation and rationalisation (Esser and Väth 1986, p. 636).

It is important to note, therefore, that , notwithstanding the doubts of the West Germans, when the crisis deepened, there was a political consensus that steel was undoubtedly a 'special case' which required particular attention by the Commission. Mény and Wright express well the chief features of the dominant interventionist paradigm during the late 1970s and early 1980s:

> In the first place, major corporate crises inevitably invite increasing State interventionism. Secondly, such interventionism invariably leads to the blurring of the distinction between public and private sector decision-making .... Third, once the State becomes involved in any sector it is extremely difficult for it to withdraw — even if it proclaims its intention of doing so. Fourth, once involved, State interventionism not infrequently moves from providing a general framework of regulation and direction to interference of a persistent, detailed and specific nature. Fifth, whilst there were differences in the tactics and some of the policies pursued, the management of the crisis reveals increasing convergence in the strategies employed by the European States.
> (Mény and Wright 1986, p. 91)

This analysis provides an excellent summary of how the steel issue came to be 'framed' during these years, and the apparent parameters of the policy choices, i.e. basically, although cartelisation was linked to capacity and subsidy cuts, the French interventionist style of policy 'frame' gained the ascendancy, with all that implied in terms of detailed policy instruments.

To a significant extent, these principles were embodied in the figure of the E C Industry Commissioner 1977-85, the Belgian, Etienne Davignon. The ECSC had been founded largely on the principle of bringing together France and Germany, but now there was a mutual distrust between the two countries. The Commission thus faced the Herculean task of constructing some sort of cartel (if not officially acknowledged as such), which could restrict output and hold prices while a rationalisation of the industry took place, together with greater control over trade (Dudley and Richardson 1990, p. 187). Davignon responded to pleas for help from national governments and steel companies, but to a far greater extent than before or since, he provided leadership from Brussels to the whole industry. In this respect Davignon represented something more than a policy entrepreneur. Davignon earned himself the sobriquet of 'Stevie Wonder' (an image which he himself promoted), who could be relied upon to negotiate a deal where others had failed. Davignon, therefore, acquired the image of a policy broker, although there was no doubt that he favoured the interventionist approach. This was demonstrated particularly in his work in the electronics industry, where he initiated a number of research programmes (see Lawton 1996).

Between 1977 and 1980 Davignon gradually tightened the regulatory regime and also concluded important bilateral trade agreements with steel importers. By 1980, however, there was great pressure on Davignon to declare an official state of 'Manifest Crisis'. Only the West Germans held out, but eventually their agreement was obtained in the Council of Ministers by exempting a number of products from the official controls and also granting them an improved deal on output quotas. The new Davignon regime consisted of mandatory output and voluntary price controls, but the West German government was determined to link this regime with setting a deadline for government aid to national steel industries to end. In 1981, agreement was achieved to cease subsidies in the EEC by the end of 1985. Davignon had to accept a compromise between competing policy 'frames'. As is often the case in EU regulatory politics, allowing more *time* in the implementation process was a way of reaching a compromise, a sort of 'front loading of benefits and rear loading of costs' approach to EU policy-making. Consequently, the new Steel Aid Code allowed the binding Treaty provisions to be side-stepped provided that 'systematic and specific' restructuring plans financed by contributions from the Member States were accompanied by reductions in production capacity (Glais 1995, p.230).

Somewhat paradoxically, the campaign to end subsidies by 1986 was supported strongly by the British government. The government led by Margaret Thatcher had been elected in 1979 with a strong ideological commitment to free market policies, notwithstanding the fact that it was still pouring billions of pounds into the state owned British Steel Corporation (BSC) in order to protect it from complete financial collapse. This massive support was to continue into the mid 1980s, with no expectation that the money would ever be repaid. Even in the depths of recession, however, and despite being a keen supporter of the Davignon Plan, British ministers were lending their support to an alternative 'frame'. In a sense, this illustrates the rather clever policy style of the Thatcher administration — it had a notion of where it wanted to get, yet recognised that apparently inconsistant policies had to be pursued, meanwhile. In a fine illustration of the 'nested game' approach (Tsebelis 1990) this long term goal was echoed at the BSC through two Chairmen in particular. First, Sir Ian MacGregor, Chairman from 1980-1983, and, more significantly, Sir Robert Scholey, Chairman from 1986-92, and also President of Eurofer 1985-1990. Glorying in the sobriquet of 'Black Bob', Scholey promoted an image of himself as a tough manager who would brook no opposition to his plans to steer BSC to profitability. He became the dominant figure in

British steel policy in the 1980s, and increasingly espoused Thatcherite principles. He also became a key policy entrepreneur in seeking to transfer these values to other European national steel industries and to the Commission. Consequently, his principal aim was to return the BSC to the private sector. Unlike West Germany, therefore, the British commitment to the free market in steel during the early to mid 1980s was based more on policy principle than special interest. In that sense, its 'frame' was possibly more aceptable transnationally, especially as it was consistent with a much broader shift in intellectual fashion in Western Europe in favour of a reduced role for the state, privatisation and deregulation.

In 1983, the Davignon regime was tightened still further, with the introduction of mandatory price controls. However, the Industry Commissioner was encountering great difficulty in agreeing rationalisation plans with national governments, where in most countries there was considerable domestic discontent at the prospect of widespread steelworks closures. In essence, the needs of international politics and domestic politics were in conflict, in a classic two level game (Putnam 1988). Davignon departed the Commission in early 1985, and in the event his plan was dismantled over the following four years. Operating and investment subsidies ceased at the end of 1985, and henceforth continued only for the purposes of restructuring, environmental protection and research and development. This revised Steel Aid Code was to become the subject of endless arguments as to what exactly constitutes legitimate state aid. Minimum prices were also abolished at the end of 1985, although output quotas remained on the vast majority of products. The years which followed saw something of a power vacuum in European steel policy. Interminable discussions between national governments, companies and the Commission on capacity cuts failed to reach a conclusion, and in 1988 output quotas were finally abolished. However, several countries, including Germany, were decidedly reluctant to abandon Article 58. Apart from direct financial benefits, it could be said that the regime allowed ministers to place responsibility for politically embarrassing steelworks' closures on the shoulders of the EC.

For a period, Davignon had succeeded in creating a genuine policy community (Richardson and Jordan 1979) in European steel, with consensus achieved through a process of mutual adjustment and accommodation between the Commission, Eurofer, and the Council of Ministers. Underlying this coalition was a policy 'frame' specifying the relationship between the state and steel, and steel as a 'special case'. By the late 1980s this policy community was breaking up, while the 'frame' which sustained it was also being challenged by an alternative 'frame' espoused by a burgeoning new advocacy coalition. By the mid-1990s, it is possible to discern the emergence of a new and more fragmented policy community, but operating on very different principles.

4. The Breakdown of a Policy Community 1985-1989

The Davignon Plan and its associated policy community were undermined for a number of reasons. First, there were significant exogenous factors, particularly the inherently cyclical character of the steel industry. By the late 1980s the general European industrial climate was improving, and so the sense of deep crisis overhanging the steel companies was lifted. Companies such as the BSC and Usinor Sacilor (the two had merged in 1987) began to make profits after years of catastrophic losses, and so less need was seen for restructuring and price and output controls.

Another exogenous factor pushing the industry away from protectionism was the EC commitment to a Single Market by 1993. As Lord emphasises, the Single Market programme always sought to redirect state aids rather than abolish them, and the whole drift of EU policy has been to subject these state aids to commonly agreed principles and disciplines (Lord 1996, pp. 223-4). This was certainly true of steel. Nevertheless, the move towards a Single Market did have considerable symbolic importance, and played a part in moving the steel industry towards a new set of values.

In addition, as Hayward emphasises, the accelerating decline of traditional industries and, more recently, of defence-related industries in the context of the end of the Cold War meant that industrial patriotism exerted a declining hold on the business, bureaucratic and political decision-makers. The notion that every state should have independent control over its national 'industrial base' seemed less compelling as commercial considerations began to predominate (Hayward 1995, p.350).

A more endogenous instrument of change could be described in terms of Wildavsky's classic dictum of policy as its own cause (Wildavsky 1979, pp. 62-85). Particularly within the Commission, there was a degree of disillusionment with the obstructive attitudes of national governments and steel companies to the prospect of works closures. Quite simply, the existing policy instruments ran up against national sovereignty. Consequently, a growing determination that the industry should be left to sort out its own problems developed. This was particularly evident in the case of Davignon's successor as Industry Commissioner, Karl-Heinz Narjes (assisted by the Competition Commissioner, Peter Sutherland), who was much less inclined to adopt the role of a 'Mr. fix-it'. In particular, there was growing impatience with the Italians, where the heavily subsidised state owned Finsider was restructured, and the supposedly profitable sections floated off into a new company, Ilva. Nevertheless, the Italian government still requested permission to pump over £3 billion of aid into this restructuring, with only vague commitments to major works closures. Under pressure from West Germany, the Commission launched an inquiry into the Italian plans, designed to impose much stricter conditions for allowing aid. Eventually, Brussels allowed the Italians to give two thirds of the aid, but with the remainder only payable two years later if the Commission was satisfied with implementation of restructuring plans. The Italian case indicated that, although the Commission wished to instigate change in at least some countries, the old interventionist 'frame' (held in place by domestic pressures) had by no means been abandoned.

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The Italian situation could be contrasted with Britain, where the BSC was privatised in 1988, becoming British Steel (BS), albeit after approximately £8 billion of public money had been pumped into the BSC to prevent it from total collapse. However, by the late 1980s it had undergone a massive restructuring, with the numbers employed reduced from 207,000 in 1977, to 52,000 in 1987. The Thatcher government therefore took great pride in returning this former 'lame duck' industry to the private sector, and presented the event as proof of the success of its industrial and economic policies. As a result, it became a potential member of an advocacy coalition for change and an ally for the Commission in its attempt to advance the new policy 'frame'.

Fortuitously, changes in personnel facilitated the advancement of the alternative policy frame. Thus, Sir Leon Brittan, the former Conservative Secretary for Trade and Industry, was appointed as the new Competition Commissioner in Brussels in 1988. Brittan was a policy entrepreneur, but was also a political heavyweight and was able to carry the Thatcher Government's fervour for reduced state intervention more effectively to the supranational level. In that sense, Brittan proved to be the ideal bridge between the national and supranational levels and a key member of the new coalition.

Brittan's position within the Commission was strengthened by a restructuring which took place on his appointment. Martin Bangemann, a former West German finance minister, was given the Industry brief, but also negotiated for himself the responsibility as Internal Market Commissioner. This dual role somewhat diluted the importance of Industry, and also diverted some of Bangemann's attention. This enabled Brittan to take a more assertive role on competition matters, particularly in sectors such as steel, where the establishment of free markets was still a long way off. In this context, Brittan was very mindful of steel's status as a 'special case', and saw that it could be employed as a test case for the adoption of free market values. Bangemann, himself, was a much more pragmatic politician than Brittan. Although the former was by no means unsympathetic to free market ideas, he also saw the need for an official industrial policy on the grounds of practical politics, and also to assist European industry in its inter-continental battles with the US and Asia. Thus, in criticising the free market ideologists such as Brittan, Bangemann declared that an industrial policy must accept things as they are and not as policy makers might wish them to be (Bangemann 1992, p.21). Nevertheless, it was Brittan who involved himself more in the details of steel policy than Bangemann, who tended to favour the broad brush approach. Consequently, DGIV, the Competition Directorate, asserted itself on steel matters to a much higher degree over DGIII, the Industry Directorate, than in former years. As Menon and Hayward point out, the various Directorates-General not only enjoy considerable autonomy, but they have also developed their own distinctive administrative cultures and traditions, which are reflected in the different ways they go about the task of formulating policy (Menon and Hayward 1996, p. 272).

A number of factors came together in the late 1980s, therefore. First, a viable policy 'frame' had emerged which was consistent with a broad 'mood change' in Europe and beyond. Secondly, an advocacy coalition had begun to develop, consisting of some member states, Commission officials, and parts of the steel industry itself. Thirdly, personnel changes facilitated the transference of policy learning and ideas from the national to the supranational level. Finally, the balance of inter-institutional competition (i.e. between competing Directorates General in the Commission) had shifted. All of these factors facilitated an erosion of the power and structure of the old policy community and its hitherto dominant policy 'frames'.

5. The Early 1990s: New 'Policy Fashions', Policy Transfer and the Rise of the Free Market Policy 'Frame'

Early in 1989, Brittan set out his new policy 'frame' when he declared that the Commission would undertake a critical examination of new forms of government subsidies and existing schemes, which he said had 'grown rather Topsy like, out of control'. In the future, the market and not state aids would be allowed to rationalise the industrial structure (*Financial Times*, 11:3:89).

Significantly, there were signs that the values espoused by Brittan were now reaching some unexpected arenas as the new policy fashion for privatisation spread. Given the key role of France in creating the ECSC, and in shaping the direction of policy in the 1970s through the policy entrepreneurship of Ferry, it was of particular political significance that industrial policy had taken new directions in that country. As Daley argues, the Socialists came to power in 1981 with a policy of large scale nationalization and democratization of French industry. Within a short period of time, however, this policy had created its own set of problems in the form of inflation, pressure on the currency, and trade deficits. Consequently:

> After 1983, the Socialists substituted investment for redistribution, private initiative for nationalization, and Europe for domestic markets. "Modernization" replaced socialism as the dominant rhetoric.
> (Daley 1996, p. 148)

In steel, this change was consolidated in 1986 when the newly elected Right government commissioned an inquiry into the industry. This resulted in the unification of Usinor and Sacilor, and the appointment of Francis Mer as the Chairman of the new company (Daley 1996, p. 153). Mer held much more entrepreneurial business values than former key French policy-makers such as Ferry. Significantly, the French government had consulted BSC Chairman, Sir Robert Scholey, about the appointment of Mer (a rather unusual example of policy transfer), and over the following years the two Chairmen kept in close informal contact (interview with Sir Robert Scholey 4:11:96). Although Mer could not be described as a Thatcherite on the lines of Scholey, preferring a more consensual approach to change, he did institute policies at Usinor and Sacilor which had strong echoes of those carried out at BSC and the privatised BS. These included becoming a low-cost producer of increasingly higher value-added materials; a sharp reduction in the size of the workforce (e.g. employees in the French steel industry fell from 87,100 in 1984 to 48,100 in 1990); an aggressive move to grab market share for steel and steel products; and the internationalization of its commerce (Daley 1996, pp. 153-6). In the 1990s, this transnational convergence of policy led BS and Usinor Sacilor to campaign vigorously against steel subsidies in other European countries, and to form a powerful alliance against official controls on the lines of the Davigion Plan. Mer's long term aim was to see Usinor Sacilor follow BS into the private sector. Initially, this goal was not shared by President Mitterrand, but in 1995 Usinor Sacilor was privatised as part of a large scale French privatisation programme. Cohen makes the important point that the policy of 'neither ... nor' (ni ... ni) pursued during the period 1988 to 1993 by the French government and which involved a freeze in both the nationalization and privatization of French companies, was nothing more than a set of techniques to disguise the impecuniousness of the state. It coincided with the moment when the logic of the industrial state and the shareholder state was freed from, or even come into contraduction with, an institutional context (the EC) that has become hostile to so-called Colbertism (Cohen 1995, p. 24). Mer expressed well the changing European (and particularly French) industrial culture:

> When you are facing a crisis there are only three solutions: The US solution is typically capitalist: the owner pays. The Japanese solution is typically Japanese: the customer pays. And the European solution is typically European: the state pays. In Europe now, however, we are trying to reach something between the US and Japanese solutions. (*Financial Times*, 26:4:89)

Thus, at least some key sections of the main *interest* in this policy sector — the steel industry itself — had begun to change its preferences in response to changing fashions and circumstances in classic interest group fashion (Heinz et al 1993).

As ever the 'purposeful opportunist' (Cram, 1994), in 1990 the Commission produced a key document which outlined what it saw as the future of the steel industry, and was designed to act as a blueprint for policy over the next five years (EC Commission, 1990). The report declared that steel was becoming a business like any other, and that the way forward was through the free market. Emphasising what it saw as the new European industrial culture, it claimed that there was a new dynamism on the part of steel management. The ideas of management had undergone a fundamental reappraisal, which should generate the right strategies for the future. Significantly, Industry Directorate officials made a big contribution to the preparation of this report. This reflected their own weariness and disillusionment with the years of negotiating and imposing output quotas, and their belief that the steel companies should undergo a change of heart. It could also be said that work on the report itself was a means of occupying officials who now had less to do after the years of 'manifest crisis'.

Brittan, together with sympathetic officials, nevertheless recognised steel's continuing institutional importance within the EC by seeking in 1990 the radical step of abolishing the Treaty of Paris, which was not due to expire until 2002. Surprisingly, BS was the one major steel company which supported abolition, but while several companies agreed that Article 60, which governs price competition, should be abolished, few were prepared to forego the provision for a 'state of manifest crisis' to be declared. Crucially, the German government came out against Brittan, and abolition plans were abandoned. In the stark confrontation between the old and new policy 'frames', national governments and the majority of steel companies were still not prepared to forego the industry's ultimate status as a 'special case'. Clearly, the policy discourse had shifted fundamentally, but there were still the usual constraints in place.

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6. When Two Policy Frames Collide

Nevertheless, the years 1988-91 were halcyon days for the free market advocates. The policy 'frame' had become established in Brussels, and was beginning to gain ground in countries such as France, where other policy frames had traditionally predominated. From 1991, however, external economic forces intruded again in the form of a new recession. Steel prices slumped, and the companies began to make significant losses. Once more, therefore, in times of trouble, the steel companies sought the protection of the familiar policy 'frame' and demanded Commission intervention. For some of the steelmakers, free markets were excellent when times were good, but not so attractive when the going got tough! By now, also, the situation had become complicated by entirely exogenous factors — the end of the cold war, and the reunification of Germany. Many of the steelworks of the former East Germany were heavy loss makers, and so required large scale subsidies to pay for restructuring. These companies could be contrasted with the privately owned steelworks in the former West Germany, which suspected that subsidised steel from the East could undermine their own position. Consequently, the German government had to qualify its support for the new policy 'frame' and, therefore, became a less reliable member of the reformist advocacy coalition.

Within the Commission itself, although the free market 'frame' generally predominated, the recession encouraged a somewhat more pragmatic approach to steel policy. In this sense the Commission also became a somewhat less reliable partner in the new advocacy coalition. Thus, rising unemployment represented a competing 'problem stream' (Kingdon 1995,pp90-115) which policy makers felt the need to address. Also, personnel changes again played a significant role, particularly in an organisation (or at least multi-organisation, Pressman and Wildavsky 1973,pp87-124) such as the Commission, where the policy initiation process is quite heavily dependent on the nationality and background of individual bureaucrats.

Superficially, it might have appeared that the scene was set for a new Davignon Plan, but now the old policy community could not be reconstructed. Other members of the advocacy coalition stood firm. Thus the British, French and former West German steel companies, all opposed the old subsidy system. Even though many of them were still suffering in the recession, the free market policy 'frame' had 'captured' them, and prevented them from sanctioning new subsidies. On the other hand, steel companies from eastern Germany, Italy, Spain and Portugal, sought permission for nearly £5.33 billion in fresh subsidies, and in return were prepared to offer five million tonnes of capacity cuts. In a sense, neither the old advocacy coalition nor the new advocacy coalition could secure what Heretier terms a 'home run' (Héritier 1996) and each demanded and got side payments as part of the deal. Side payments to the old coalition were in fact allowed under Article 95 of the Paris Treaty, which provides a loophole for the EU to exempt subsidy plans from the stricter provisions of the Treaty, and in December 1993 the Council of Ministers voted to allow through the £5.33 billion subsidies. Strict monitoring conditions were imposed, and ministers declared that on no account would any further subsidies be granted. The companies in the 'free market coaliton' were incensed. In retaliation to their opposition, Bangemann warned that £183 million intended to help pay for redundancies and safeguards to limit exports from eastern Europe would be withdrawn if they did not volunteer capacity cuts. However, they were not to be deterred by these threats. (It should be noted that it was now steel companies, rather than national governments, which were negotiating on capacity cuts, reflecting another important shift in values from a decade earlier).

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The problem was that the Commission considered that EU crude steel over-capacity stood at 30 million tonnes, and as the subsidised steelmakers had offered only five million tonnes reduction, that left the unsubsidised companies to reduce their capacity by another 25 million tonnes. The Commission itself had been reluctant to become directly involved in the politically sensitive question of exactly where the capacity cuts should fall. Instead, it had tried to adopt an essentially consensual, rather than an impositional policy style (Richardson 1982) and had invited Fernand Braun, a former Industry Directorate official, to consult individual steel companies on this matter. As special steel envoy, Braun encountered difficulties in persuading companies to commit themselves to definite cuts, but eventually he suggested, albeit rather tentatively, that the industry was prepared to cut up to 25.8 million tonnes in crude steel capacity, and 17.9 million tonnes in rolled products. This was not so far short of the 30 million tonnes of crude steel and the 19 million tonnes in rolled steel sought by the Commission, but unfortunately successful implementation of the Braun plan required a high degree of transnational co-ordination and political will at both EU and national levels. This was demonstrably lacking, as Bangemann and Van Miert were not prepared to play the role of Davignon and declare a state of 'Manifest Crisis', while the companies themselves were split between the state aid and free market coalitions.

As is often the case within the Commission, different Directorates General are approaching the same problem using contradictory policy 'frames' (for examples see Mazey and Richardson 1993; Christiansen 1997). These rival 'frames' lead them to advocate rival policy solutions and to organise and mobilise rival advocacy coalitions. Thus, the confrontation between the rival policy 'frames' was demonstrated starkly by a deep split within the Commission in 1994. At a meeting of the Commissioners in May of that year, Van Miert recommended acceptance of a restructuring plan for the privately owned Bresciani steel mills of northern Italy. Van Miert's proposal was challenged by Sir Leon Brittan, who claimed that the state aid offered to the Bresciani mills in return for the capacity cuts contravened European law. On a vote, the Commission backed Brittan's view by eleven votes to four (perhaps significantly, Bangemann was not present at the meeting) (*Financial Times*, 20:5:94). This reverse dealt an almost terminal blow to the Braun plan, and was a political humiliation for Van Miert himself. It was not so much the Bresciani issue itself (indeed, typical of the Commission's policy style, a deal was struck on these closures later in the year), that was important in broad policy terms, but the political symbolism of such an open and clear cut defeat, indicating that the old coalition was in a terminal phase and could not withstand the new policy fashion for removing subsidies.

At this point, Van Miert declared that the plan was dead, and refused to have anything more to do with it. Delors and Bangemann did attempt to revive the plan, but to no avail. By now many of the steel companies were in any case coming out of the worst of the recession, and steel's traditional cyclical character was once again appearing to 'solve' the problems which public policy had, hitherto, failed to solve. This facilitated an expansion of the new reformist advocacy coalition as more actors began to see advantages to them in the new policy 'frame'. By 1994, the Commission had been looking for a reduced commitment to cuts in capacity of 19 million tonnes, but the companies had offered only 15.5 million tonnes (short of the figure originally suggested by Braun). Consequently, in November 1994, the Commission finally abandoned its restructuring plan. The Commission perhaps lacked a figure with the negotiating skills of a Davignon, but, by now, the old interventionist policy 'frame' could in any case not unite the industry, especially after Brittan had challenged and defeated the former dominant style of 'framing' policy.

It is common in many examples of policy cycles (housing, health, transport policies are all typical examples) that a new policy 'frame' begins, itself, to take on the characteristics of conventional wisdom. Typical of this 'mood change' (King 1985) was a statement by Rod Beddows, a steel consultant. He questioned the approach of trying to reduce capacity as a solution to the industry's ills. He believed that this was a symptom of the real problem — namely, state intervention via subsidies propping up uneconomic steelmakers:

> The Commission's plan was a non-solution to a non-problem. Until the notion of state intervention in all its forms is removed, you won't get a healthy industry.
> (*Financial Times*, 26:10:94)

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Here, therefore, we see a good example of the 're-framing' of an issue. According to Beddows, the 'problem' was not the Commission's failure to co-ordinate the industry, but the inability of national governments to see steel as anything other than a 'special case'. Paradoxically, however, to apostles of free markets such as Sir Leon Brittan, the creation of fair competition actually required a considerable degree of intervention, as had indeed been the case with Mrs Thatcher's government. It managed to do less only by doing more! (Richardson 1994). As with the Thatcher government, a coincidence of views began to emerge whereby governments began to realise that they had to toughen the stance towards subsidising industries and that privatisation might be the ultimate solution. Consequently, people in the industry began to see the benefits — possibly via a process of learning from other industries which had been privatised (Maloney and Richardson 1985).

As in other industries, Britain was seen as something of a 'model' and this facilitated policy transfer. Thus there is no doubt that, in the years following the sale of the BSC, privatisation has come to be seen as a policy 'solution' to the steel 'problem' within the EU and further afield. In addition to Usinor Sacilor, a particular landmark was the piecemeal privatisation of Ilva in Italy. Privatisation has also taken place in Portugal, while Spain (like Italy, a country with a tradition of state intervention in steel) is also moving towards privatisation of its largest steel company. In addition, many of the eastern European countries see the British Steel case as a model to be followed (without perhaps understanding the huge amounts of public money which were required to give British Steel its 'freedom'). From the perspective of national governments, there is also the important point that, as the massive EU restructuring works its way through, so the steel industry has less tendency to be politically salient. For example, in the 1990s the closures of the Bagnoli plant in southern Italy, and the Ravenscraig works in Scotland, removed particularly sensitive regional issues from the domestic agenda of the respective countries.

Away from the political spotlight, there is also the question of changes in management culture, i.e. like political ideas, management values can cross national borders. Here, we see again in France the crucial development of a more free market and consumer led culture. For example, Guy Dollé, Executive Vice President of Strategy Corporate Planning and International Affairs for Usinor Sacilor, blames twenty years of subsidies and other forms of state aid as being in large part responsible for the depth of the recent slumps (although he cites Usinor Sacilor as an exception to the rule that a state owned company could not be run like a private sector company) (Dollé 1996, p.3). In contrast, he believes that managers of privately owned steel companies will be influenced by three factors in particular: fair competition will reward success and sanction failure; strategy will be under the constant scrutiny of the stock market and analysts; and strategy will be client driven, rather than internally negotiated (Dollé 1996, p.13).

Thus, one of the most important conditions for successful implementation of a new public policy' frame' is when it becomes internalised in those organisations responsible for actual implementation. As in religion, the convert is often the most enthusiastic follower of the faith. For example, as Beauman observes, Usinor Sacilor reduced its French workforce in its core steelmaking, rolling and processing activities by sixty per cent between 1984 and 1994 (Beauman 1996). Consequently, the restructuring of Usinor Sacilor under constructive state ownership gave British Steel a very powerful competitor. Ironically, however, it can be argued that these changes in organisational culture of Usinor Sacilor were themselves influenced by the example of the BSC in the 1970s and 1980s and are a good example of transnational policy learning within the EU (Beauman 1996, p.30). They also had profound political effects on European steel policy, for the refusal of Usinor Sacilor, as Europe's largest steelmaker, to participate in the Braun — Van Miert crisis plan of 1993-94, played a significant part in ensuring its defeat. A key member of the old advocacy coalition had, in fact, defected to the new one and this might be seen as a pivotal move in the policy process.

To the advocates of the free market the events of the 1990s are a stepping stone to an even more radical and ambitious policy 'frame', also consistent with a fashionable meta-policy — namely, global regulation. Thus, in 1996, Sir Leon Brittan set out his own vision for the steel industry. In claiming that the EU is itself one of the most open markets in the world, Sir Leon outlined his objective for a Multilateral Steel Agreement (MSA) and also voiced his fears for the future:

> Let us be quite clear. A failure to agree an MSA eliminating all tariff and non-tariff barriers over a number of years, and containing strict disciplines banning state subsidies, could renew calls for government assistance, which would in turn be followed by requests for protection, and we get back to the same old vicious circle which would be in nobody's interests.
> (Brittan 1996, p.6)

For Brittan, therefore, the Treaty of Paris is an anachronism which has served its historic purpose. He sees 2002 as a year when steel finally ceases to be a 'special case' and joins the real world. This objective depends on a policy 'image' of steel as a multinational business in a free market, with the state kept at a safe arm's-length distance, and regulation on a global scale. The reality, however, is by no means so clear cut. Although privatisation has become a popular policy solution the large majority of EU governments have kept ownership within national borders. It appears that governments remain reluctant to relinquish all potential national control over an industry which is still considered of strategic national importance, such as for defence purposes. This protection of national interests is indicated by the difficulties British Steel has encountered in buying into steel companies in Europe and the US. It could also be said that the large German steel companies have been resistant to takeovers by companies from other EU countries. Thus, other policy frames are still in place although they are inconsistant with the values of the new 'frame'.

On the MSA itself, there is still a long road to travel before truly fair trade is established. For example, during the 1990s the large integrated US steel companies have lobbied with some success for the imposition of duties on imported steel from a number of countries, including many in the EU. The US companies claim unfair competition on the grounds of state aids, but there remains a powerful culture of protectionism within their ranks. In contrast, the still expanding US mini mill sector (which generally produces steel more cheaply than the large integrated works) is more favourably disposed towards the free market. The EU has also been involved in long running disputes on alleged dumping by companies in eastern Europe, and exports from Russia and the Ukraine to the EU are subject to quota agreements until the end of 2001.

There is also the question of 'one last subsidy' as a policy instrument. In trying to implement the new 'frame', the Commission has to make concessions and hence agree to subsidies for steel companies and airlines for 'one last time'. In 1995, British Steel protested strongly about the request to the Commission by the Irish Government to provide £39 million to Irish Steel to refinance its debts as part of a privatisation deal. When the EU gave permission, BS said that it would take the case to the European Court of Justice. BS also sought a more robust Steel Aid Code than the one which expired in 1996. In fact, however, the new Steel Aid Code, which runs until the expiry of the Treaty of Paris in 2002, is slightly more accommodating than its predecessor in the matter of allowing the payment of subsidies for the construction of modern steelworks to replace old works which are less technologically advanced and friendly to the environment. BS might support the free market 'frame', but the real world was not necessarily so accommodating. Moreover, competing new 'frames' are available to policy-makers. For example, in criticising the development of EU policy, and defending capital investment in the steel industry even during periods of recession, Masi argues that European policy-makers should beware of the dangers of abandoning strategies that strengthened Europe *vis-a-vis* the United States — namely, a concern for a longer term market presence rather than an obsession with short-term return on investment (Masi 1995, p.149). This suggests an alternative frame to the free market, where state intervention assisting large scale capital development can strengthen the EU steel industry against its global competitors.

There also remains within the steel industry a long established schizophrenic quality, where 'image' does not necessarily match reality. For example, in 1994 British Steel was fined £24 million by the Commission for its part in a cartel selling beams to the construction industry!

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7. Conclusion: Hegemonic Frames or Messy Compromise?

European steel policy offers a notable example of how alternative ideas, and consequent policy 'frames', can infiltrate an apparently stable sector with well established institutional structures and values. In the early 1980s, it was possible to construct a policy community in a time of crisis based on a distinctive underlying set of values which held a strong advocacy coalition together. When the crisis returned in the 1990s, however, the interests had split into two camps, with differing values and consequent different perceptions of how the issue should be 'framed'. These values were not obviously linked to self interest. In the 1980s, for example, the British steel industry developed strong free market values even in a time of crisis, and the same could be said of the French steel industry in the 1990s. The free market idea was transmitted from one policy arena to another, and became the dominant frame in Brussels, with the assistance of agents of change such as Sir Leon Brittan. Nevertheless, the previously dominant frame of steel as a 'special case' retains at least some of its strength in other arenas such as Italy and Spain, although even here, by the mid 1990s, through privatisation and changes in management culture, there were signs that free market ideas were gaining a greater hold in the 'framing' of policy.

In analysing the anatomy of this policy change, therefore, it is vitally important to understand the means whereby an issue is 'framed'. Hence, a crucial factor in understanding the policy 'frame' is to appreciate how the transmission of ideas and values across policy arenas can play a decisive role in shifting dominant 'frames'. These shifts can give the policy process an episodic character, which cannot be explained solely in terms of the evolution of a policy network of particular interests (Maloney and Richardson 1995, p.174). Similarly, Baumgartner and Jones argue that the interaction between image and venue can result in a process of punctuated equilibria, whereby a period of stability is replaced by one of rapid dramatic and non-incremental change (Baumgartner and Jones

1993, p.18). In the case of steel, a crucial discontinuity in policy took place in the late 1980s, when the Commission began to adopt a new policy 'frame' — from an industry closely wedded to the state, to one which should aim to strike out on its own and embrace the free market.

Schön and Rein refer to 'policy discourse', and point out that interpersonal discourse must also have an institutional locus within some large social system. Thus policy forums have their own rules of the game (Schön and Rein , 1994, pp. 31-32). In the case of steel, the Treaty of Paris provided the (albeit flexible) rules of the game, and to some extent still shapes the policy 'frame'. Not surprisingly, the free market advocates have sought abolition of the Treaty of Paris, for they recognise that its continued existence to some extent inhibits the effective implementation of the new policy frame by institutionalising the values of the old advocacy coalition.

Nevertheless, not only institutions structure debate, determine access to decision-making and constrain policy choices. Problems themselves, and the development of ideas for their solution, are significant constraints on the degree of choice which policy actors possess (Mazey and Richardson 1997). Drake makes the important point that Jean Monnet seemed to believe in the leadership *both* of men of vision, *and* of institutions and structures: men of vision would provide the vital *élan* required at times to alter circumstances, break bottlenecks and strangleholds, but would be structured in such attempts by older, and therefore wiser and knowing institutions (Drake 1995, pp. 141-142). This image of individuals and institutions counterbalancing each other appears to be particularly apposite in the case of the ECSC. Individuals such as Monnet himself, Schuman, Ferry, Davignon, Scholey, Mer and Brittan have all played an important role in the introduction of ideas as policy solutions, and their transference from one policy arena to another. On the other hand, there is the abiding presence of the Treaty of Paris, which although open to varying interpretations, tends to act as a stabilising factor on the EU. It should be noted however that, ultimately, institutions are instruments rather than agents of stability and change. They have no guarantee of permanence, and have no separate existence beyond the individuals who inhabit them. Awareness of this hard reality is likely to increase as the Treaty of Paris approaches the end of its life. The result could still be at least one more fundamental debate on the extent to which steel should retain its status as a 'special case' (see MacShane 1996, p. 45). Alternatively, the demise of the Treaty of Paris may create a vacuum which will allow key policy entrepreneurs to impose their ideas on events.

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In the 1990s, European steel has been infiltrated by a powerful and distinctive policy 'frame'. The free market advocates are seeking not only to frame reality, but in the long run to change its whole shape. The final outcome of the battle between competing frames is difficult to predict. At the theoretical level, Schön and Rein suggest that there is much scope for compromise between competing frames in the case of what they term 'situated policy practice' (Schön and Rein 1994, p.176). Here, competing frames are situated in '... the fruitful mire of an actual policy arena' from which resolution of frame conflict is possible. There is some evidence, in the steel case, that the kind of compromise between competing frames predicted by Schön and Rein has emerged, to some degree. However, the particular institutional setting within the EU (essentially, a multi-arena setting) provides opportunities for old battles to continue on different arenas or venues. Thus, at the time of writing (July 1997) there are reports of bitter controversy over the Belgian Government's plan to rescue the ailing Belgium steel company Clabecq. In response to the plan, the UK Steel Association has invoked a clause in the new steel aid code which allows the Commission to freeze any subsidies while an investigation is pending (*European Voice*, June 19, 1997). As is often the case in the EU, the devil is in the implementation (Richardson 1996, p.278-294).

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Endnotes

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