

'Europeanisation' of Regional Development Policies? Linking the Multi-Level Governance Approach with Theories of Policy Learning and Policy Change

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European Integration online Papers (EIoP) Vol. 2 (1998) N° 4;
<http://eiop.or.at/eiop/texte/1998-004a.htm>

Date of publication in the : 10.6.1998

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Keywords

regional policy, policy analysis, multilevel governance, neo-institutionalism, Germany, political science

Abstract

The article explores the effects of non-regulatory EC policies on policy development at member state level. Taking EC regional policy and a recent reform of German regional policy as examples, it is suggested that the EC context may matter for policy development (1) through changing preferences of actors involved in regional policy-making, (2) through the mobilisation of new actors and the emergence of new actor coalitions in domestic policy domains, and (3) through serving as a source of inspiration for policy-makers looking for alternative policy ideas. In developing such thoughts, the article seeks to understand the influence of supranational factors as an integral part of domestic policy-making (rather than an external constraint). On a more abstract level, the aim is to link contributions from the field of policy analysis with the literature on multi-level governance.

Kurzfassung

Der Beitrag beschäftigt sich mit Auswirkungen nicht-regulativer europäischer Policies auf die Politikentwicklung in den EU-Mitgliedstaaten. Am Beispiel der EG-Regionalpolitik und einer neueren Reform der Regionalpolitik in Deutschland wird argumentiert, daß sich der Einfluß supranationaler Faktoren auf folgende Weise in den mitgliedstaatlichen Politikprozeß überträgt: (1) durch die Änderung von Präferenzen der an der Politikentwicklung beteiligten Akteure, (2) durch die Mobilisierung bislang nicht oder nur marginal beteiligter Akteure und die Herausbildung neuer Akteurskoalitionen in den mitgliedstaatlichen Politikfeldern, und (3) indem EG-Politiken als Inspirationsquelle in Prozessen des 'Politik-Lernens' dienen. Unter Rückgriff auf solche Argumentationsmuster versucht der Beitrag, den Einfluß supranationaler Faktoren als integralen Bestandteil der mitgliedstaatlichen Politikentwicklung zu verstehen (im Gegensatz zur Konzeptualisierung als externe 'constraints'). Auf allgemeinerer Ebene besteht das Ziel darin, politikwissenschaftliche Beiträge zur Frage der Änderung von Politikgehalten mit neueren Forschungen zum europäischen Mehrebenensystem zu verbinden.

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I. Introduction: Policy Change in the Absence of Force?⁽¹⁾

The political science debate on European integration has developed an increasing interest in the question of whether and to what extent domestic politics, political structures and policies are being transformed in the process of European integration (Héritier et al. 1996, Jachtenfuchs/ Kohler-Koch 1996). It is argued that „a general process of disintegration and change of political structures is taking place at the member state level“ (Jachtenfuchs 1997: 5), for example through a changing institutional balance between governments and the civil service, parliaments, and the judiciary. As a result of such developments, a 'transformation of governance' can be observed in the European Union, with the implications for democratic and efficient governing being poorly understood (Kohler-Koch 1996).

One should assume that if governance and institutional structures at the member state level (i.e. *politics* and *polity*) are being transformed, the impact of European integration on domestic *policy* should be even more profound. In fact, European integration is at its very core an endeavour of transforming or 'harmonising' member state policies. In an increasing number of policy areas, the autonomous policy-making powers of member states are transferred to the supranational level or at least constrained by Community⁽²⁾ law; a process which Giandomenico Majone has described as the emergence of a "regulatory state" on the supranational level in Europe (Majone 1994). While the influence of regulatory decisions taken at the supranational level over the course of domestic policy is relatively obvious,⁽³⁾ there are other instances where the effects of the integration process on domestic policy decisions are more subtle. One case in point are the consequences of market liberalisation and the enactment of the 'four freedoms' in the Common Market, through which

certain forms of financing welfare state policies may become unbearable (Scharpf 1996: 133-6). Another example are non-regulatory policies, such as technology policy and the area of 'structural' and regional policy, where the Community has not been given the power to 'harmonise', but is constrained to supplementing and supporting the policies of member states.

The article seeks to explore the question of what effects European 'support' for domestic policies may have for policy development at member state level. Taking EC regional policy, and its main financial instrument, the European Regional Development Fund (ERDF), as an example, the question of a 'Europeanisation' of regional development policies at member state level is explored. More specifically, I will proceed in four steps: Part II gives a short overview on the development of EC regional policy. It will be argued that, due to the peculiar tasks it has to fulfil within the Community system, EC regional policy shows considerable conceptual differences from regional development policies in most member states. Such differences are illustrated in a comparison with Germany's main regional policy instrument at the federal level, the "*Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur*" (GRW). Staying with the example of Germany, part III of the paper discusses a recent reform of the GRW scheme. Observers have pointed out that the reform has meant that several elements of the ERDF have been written into the GRW framework, and have identified „pressure from above and below“, i.e. from the Commission and the German *Länder*, as the main drivers behind the changes (Voelzkow / Hoppe 1996, also see Anderson 1996: 189, Nägele 1996: 296, 310). It will be argued that explaining the episode in terms of „pressure“ exerted by the EC and the *Länder* is empirically and theoretically unsatisfactory. Rather, the question of 'EC' influence on the development of domestic policies should be conceptualised in a differentiated manner. As the literature on multi-level governance in the EU points out, the presence of EC regional policy is best understood as an integral part of domestic policy making (as opposed to an external constraint). The task of part IV of the paper is to link the debate on an emerging multi-level governance in Europe with contributions from the policy-analytical literature. This is again done against the background of GRW reform in Germany. The paper closes with a discussion of the relevance of domestic institutional contexts in explaining policy change under the influence of supranational factors (part V).

II. EC Structural Policy and Domestic Regional Policy

a) The Development of the ERDF

From modest beginnings, EC structural policy has grown to become the second most important spending policy of the Community. It nowadays accounts for roughly a third of its annual expenditure, with most of this money set aside for the ERDF. The subsequent reforms of EC regional policy, most notably in 1988,⁽⁴⁾ were significant in several ways: first, they have reallocated powers among the several territorial levels - the Commission, the member states and regions and localities at the subnational level. They have also installed relatively clear decision-making and implementation rules for EC-funded regional policy schemes (Armstrong 1995, Wislade 1996). The implications of these developments for territorial relations in the member states and the mobilisation of regional interests have been the subject of many recent debates (e.g. Jones/ Keating 1995, Bache 1996, Hooghe 1996, Keating/ Loughlin 1997, Kohler-Koch et al. 1998, Negrier/ Jouve 1998). A second outcome of the several reforms has been a gradual development of policy goals and the conceptual underpinning of EC regional policy. The objective of economic and social 'cohesion' has been given much attention, although its precise meaning remains unspecified (Armstrong 1995: 51-2). On the conceptual level, a strong emphasis has been put on the development of 'endogenous potentials' in the regions (Behrens/ Smyrl 1997). The ERDF framework regulations also demand that the member states should draw up 'integrated', pluri-annual development schemes (as opposed to the financing of single, poorly related projects). Both this 'programming' approach and the focus on 'endogenous development' have followed contemporary regional development theory (Hooghe 1996: 4), and are

seen as an efficient way of combating regional decline.

A third peculiar feature of EC regional policy are the 'co-ordination' measures that have been revamped with each of the reforms. The most notable example are again the 1988 changes, which brought not only a strengthened vertical co-ordination (the 'partnership' between different territorial levels), but also a much stronger horizontal co-ordination (across policy areas). The ERDF and the other structural funds (the European Social Fund, ESF, and the guidance section of the agricultural fund, EAGGF) were combined in order to achieve certain priority objectives. Three of these had a regional dimension.⁽⁵⁾ While the ERDF is the most important fund in terms of available finance, none of the regional objectives is to be achieved by the ERDF alone. Both the ESF and the EAGGF contribute to the mitigation of regional problems. The co-ordination among these funds (and between supranational and domestic spending for regional policy) is through pluri-annual regional development plans negotiated between the Commission and the respective member state. The plans set economic development priorities for each region, and explain the use of the several sources of aid in attaining these goals. In addition, the Community has operated a system of 'regional impact assessment' since 1979, through which the effects of other Community policies on the spatial development of EC regions are monitored. The consequences have not only been a greater consideration of the 'cohesion' objective in areas such as EC technology policy,⁽⁶⁾ but also a gradual opening of the structural funds, and the ERDF in particular, for support to research and development, environmental protection, large infrastructure developments and other things.

During the past 20 years, EC regional policy has thus become increasingly differentiated and has developed into a whole bundle of policies that are relevant to spatial economic development. Although the ERDF (like more traditional regional policy schemes) still focuses on industrial investment support and infrastructure development in the disadvantaged regions, there are virtually no restrictions in the definition of what constitutes 'infrastructures' and 'industrial investment'. In the realm of infrastructures, which traditionally take up a large share of the ERDF (Armstrong 1995: 46), „no infrastructure needed for regional development is excluded“⁽⁷⁾, which means that support can be given to measures as diverse as the restoration of industrial wasteland, the development of "education and health infrastructures", "vocational training infrastructures outside the compulsory education system", sewage and waste water treatment plants, and tourism projects. ERDF aid for investments is less vague through its focus on job creation or the maintenance of existing jobs, but again has very little restrictions as regards specific measures. A third priority is the development of "regional endogenous potentials“, which mainly seeks to create a business environment that is conducive to the success of small and medium-sized enterprises (SME). This means that the ERDF may support schemes that have no direct relation to investments (such as the temporary recruitment of managerial staff, the establishment of business information services, vocational training and other things).⁽⁸⁾

b) The ERDF and National Policies

The extraordinary breadth of the ERDF concept is not only welcome to the Commission, which has successfully used the concept of 'cohesion' as a vehicle of extending its powers into new policy areas, but also to the member states. As part of the 'vertical' co-ordination between the Community and member states, the concept of the ERDF is to support domestic policies rather than developing into a 'second pillar' of regional aid. Hence, member states have to fit European money into existing national schemes, i.e. no European aid can be released unless there is a domestic policy which can be topped up by ERDF aid.⁽⁹⁾ As particularly the southern member states and Ireland have often found it difficult to accommodate the growing resources of the structural funds within the relatively narrow realm of 'traditional' regional policy, a flexible ERDF approach helps to release all available financial

resources from Brussels. It can therefore be argued that the broad ERDF concept is the flipside of the huge increases in financial resources since the 1988 reforms. However, the extraordinary breadth of the ERDF concept and the strong emphasis on measures to foster 'endogenous development' have led to conflicts with member states having a more narrow perception of what is conducive to 'regional development'. The problem can be nicely illustrated in the case of Germany. Its main regional policy scheme, the *Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur* (GRW), is far more restrictive in terms of what measures can be supported. Although there would be no problem to accommodate all ERDF funding within the GRW framework (Lichtblau 1995: 386),(10) there has been a long and ongoing debate in Germany over the coupling of ERDF with the GRW scheme. Several actors within Germany have demanded a decoupling of the two aid systems (Anderson 1992, 1996; Nägele 1996), and this debate had a decisive impact on the reform of the GRW scheme mentioned in the introduction. Before the problem is explained in the next section, a short assessment of the main differences between the ERDF and the GRW scheme will be given.

c) The Case of the German GRW

As regards conceptual foundations, the GRW identifies a lack of employment chances and a limited production capacity or productivity of existing firms as the main reason for the economic problems of lagging regions. Therefore, the GRW has the stimulation of investments by the private and the public sector (rather than a better exploitation of regional potentials for 'endogenous development') as its main aim. A second, equally important cornerstone of the GRW is the so-called "export-basis-theory", which states that self-sustaining growth is triggered primarily by enterprises that "export" their goods beyond individual regions. It is argued that such enterprises are able to generate additional income for the region through the revenues of their exports, whereas business that serve only the smaller regional market will not normally do so. Consequently, support focuses on the strengthening of the 'export basis' of a region, i.e. on firms that are big enough to serve larger than regional markets. It is assumed that when such firms expand, they will demand additional goods or services in the regional market, thus strengthening their local suppliers (and, ultimately, the whole region) through 'trickle down'-effects (Ewringmann et al. 1986, Pohle 1995).

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Despite its „serious theoretical flaws“ (Scharff 1993: 52), the export-basis-theory has survived as the main justification of the GRW concept up to the present day. As a result, the main instrument of the GRW are capital grants to firms which have the potential or actual capacity to export beyond regional markets. Such firms may receive a subvention covering a certain amount of the capital costs for their investments. Furthermore, public investments into local 'economy-related' infrastructures within these regions are supported from which enterprises fulfilling the criteria would (potentially) be able to profit. Vocational training, R & D measures, and measures to improve living conditions, upon which the EC's regional policy lays emphasis, cannot be given support in their own right, but only as supporting measures to the kind of investments mentioned above.(11)

III. The 1996 GRW reform

The preceding section has sought to demonstrate some of the main differences between Germany's and the EC's approach towards the problem of regional development. Such differences proved to be influential for a recent reform of the GRW scheme. The 1996 reform can be seen as the most important development within the GRW framework since its inception (Tetsch/ Benterbusch/ Letixerant 1996), and has brought a relaxation of several of the scheme's requirements.(12) In particular, a much stronger focus on small and medium-sized enterprises has been introduced.

Environmental improvements (such as the renewal of local water provision networks, and the clearing-up of derelict industrial sites), and the tourism industry can now be supported in their own right, i.e. without the demonstration of a clear benefit to 'exporting' industries. Programmes in the areas of vocational training, research and development, the improvement of 'human capital', and professional consultancy can now also be supported by GRW money. The requirement that 'exporting' business has to be the primary beneficiary has also been abolished with respect to GRW-supported infrastructure investment. Finally, the 'programme approach' as applied in ERDF schemes will operate in the future, and the development of 'integrated' development schemes at subregional level can be supported by the GRW. The German *Länder* as the implementing actors of regional policy are required to promote the development of such schemes in the assisted areas, and to give some priority to areas where an agreed strategy is in place. The development schemes are also intended to serve as the main vehicles for a stronger co-ordination between the GRW and other policies relevant to spatial development. Schemes that are carried through under the 'new' GRW rules are intended to take better account of the goals of other policies, and vice versa. The concrete stipulations regarding co-ordination, however, remain relatively vague (ibid.: 58-99).

The outcome of the GRW reform has been interpreted as a remarkable, though limited "opening" of the GRW in relation to the ERDF (Voelzkow / Hoppe 1996), and other observers judge that e.g. the introduction of the programme approach is a clear sign of EC regional policy principles being taken aboard the GRW (Nägele 1996: 296, 310).⁽¹³⁾ It has also been argued that the overhaul of the GRW was a result of „pressure from above and below“, i.e. from the Commission and the *Länder* (Voelzkow/ Hoppe 1996, also see Anderson 1996: 189).

The background to such assessments are the negotiations between Bonn and Brussels over the 1994-1999 Objective 1 aid programmes for East Germany, during which the long-standing debate over a possible decoupling of the ERDF from the GRW framework (Anderson 1992) gained new momentum. As mentioned above, ERDF aid has to be channelled through national policy schemes. While the Bund had managed to distribute the first tranche of ERDF for the East (1990-93) exclusively through the GRW (Toepel 1996: 11), the debates concerning the coupling of the two schemes in the 1994-99 period were more intense. The *Bund* position was that ERDF aid should be targeted exclusively onto GRW-supported measures (investments and improvement of infrastructures). The Commission, however, „put great emphasis on making use of the widest possible range of initiatives which can be given support through the structural funds" (Lammert 1995: 21, also see Nägele 1996: 213-23), i.e. a use of ERDF money for measures which were ineligible under GRW rules. The European Commission and many of the German *Länder* also criticised the GRW criteria as being too "restrictive" and „no longer up-to-date“ (Frankfurter Allgemeine Zeitung, 22.6.1994: 15, also see Anderson 1996: 187).

During 1993 and early 1994, the conflict crystallised around the question of whether either the coupling of ERDF and GRW would be loosened, or whether the GRW criteria would be relaxed in order to allow for the financing of a broader array of measures through the GRW. In the latter scenario, the position of the GRW scheme, in particular its co-ordination in regional policy,⁽¹⁴⁾ would have been reinforced, while in the latter scenario the importance of the GRW scheme would have decreased. In the course of events, the 1993 decision to keep East Germany wholly eligible under Objective 1, and to double its allocations from the structural funds proved to be decisive (see Anderson 1996: 181-6). Given the largely increased amount of ERDF aid channelled to the East German *Länder*, the *Bund* had a vital interest in avoiding a separation of the GRW and the ERDF schemes, as had happened in West Germany in the 1980s.⁽¹⁵⁾ In March 1994, prior to the end of the negotiations over the use of ERDF aid for East Germany, but after the decision to double the ERDF allocation for the new *Länder*, it was therefore decided that the GRW system and its criteria for awarding aid should come under review. One of the main aims of the resulting changes described above was to safeguard that ERDF aid under Objective 1 could in future be administered through the GRW scheme (Tetsch 1994, 179-80, Tetsch/ Benterbusch/ Letixerant 1996: 58-9). The goal,

however, was not fully accomplished. In further negotiations between the Commission, the *Bund* and the *Länder*, the *Bund* had to concede that from 1995/96 onwards, the ERDF would be able to support schemes outside the GRW framework, although the money should 'chiefly' be used within GRW-assisted areas (Frankfurter Allgemeine Zeitung, 22.6.1994: 15). This can be interpreted as a success of Commission and *Länder* against the *Bund*, which had demanded full congruence of GRW and ERDF assisted areas (Voelzkow / Hoppe 1996: 123, Die Zeit, 13.5.1994: 28).(16)

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While it would be tempting to interpret these changes as a result of pressure 'from above and below', there are several caveats. First, it should be noted that the consequences of the changes are limited. On the one hand, the conceptual and theoretical foundations of the German GRW remain largely unchanged. Neither the export-basis-concept nor the focus on industrial investments has been weakened considerably. It should also be noted that the changes have not yet been finalised in the GRW law, but are regarded as an 'experiment' that will come under review when the current framework plan is phased out in 1998.(17)

Second, the idea of 'endogenous development', the stronger focus on SME, and the drafting of regional policy schemes in regional or local actor networks is not new to the German regional policy scene. Regional conferences have been operative in North Rhine -Westphalia and Lower Saxony since the 1980s and have been introduced in Saxony-Anhalt with the change to a Social Democrat-led government in 1994 (Krafft/ Ulrich 1993, Nägele 1996: 244-7). The focus on SME has also been present in many of the German *Länder*, either through their own regional policy schemes, or through a flexible interpretation of the GRW rules (Clemens/ Icks 1996, Nägele 1996: 228-82). There has also been a relaxation of some GRW rules in the East prior to the 1996 changes. In particular, the criteria for demonstrating the ability of a firm to export beyond the borders of a single region (the so-called 'primary effect') were softened. Since 1991, the GRW can also support the use of professional consultants in the elaboration of regional development plans (see Henseler-Unger 1992 and Nägele 1996: 202-8 for a full discussion).(18) Hence, it is difficult to establish a causal relationship between the ERDF model and the GRW changes, although many of the newly introduced measures show a resemblance to the ERDF.

Third, besides the political dynamic surrounding the coupling of the GRW and the ERDF, there were also clear economic reasons for a reform of the GRW. Originally devised for the relatively smaller-scale regional problems in the West German economy, the scheme seems to have failed in tackling the most serious problems of East Germany.(19) Because the majority of East German firms lacked both marketable products and sufficient capital to invest, the GRW turned out to support mainly branch plants of West German and international firms that were not particularly well integrated in the regional economies of Eastern Germany. There were strong reservations both on the sides of economists and the Eastern *Länder* about whether these investments would help to bring sustainable growth to East Germany. An additional problem were the policies of the *Treuhandanstalt* (THA), which managed the majority of East German firms and only slowly started to weaken its emphasis on putting firms to the 'market test' at the earliest possible date (as opposed to economic rehabilitation with the help of public money) (Priewe 1994). The lack of investments from East German firms also crippled the second instrument of the GRW, namely the development of 'local economy-related' infrastructures. The greenfield industrial estates and service parks, that had been built with the massive help of GRW funds in many East German towns, remained half empty and did not achieve much growth effects (Die Zeit, 13.5.1994: 28). Hence, the GRW reform took place in a situation of deep economic crisis and policy dissatisfaction in the East. Such a situation is known to be particularly conducive to policy reorientations (Hood 1994, Dolowitz/ Marsh 1996). Hence, the presence of EC regional policy as an alternative policy conception may have been more important

than any EC 'pressure' that may have occurred (Ziegler 1995: 210-11).

A final caveat concerns the 'pressure from above and below' argument and its implicit notions of a diminishing importance of the nation state in a 'Europe of the Regions' (Conzelmann 1996). While it is true that the Commission and the *Länder* took part in the reform debate, they were by no means the only actors involved. Among others, one of the business confederations (*Deutscher Industrie- und Handelstag*, DIHT), the trade unions (*Deutscher Gewerkschaftsbund*, DGB) and the German section of the *World Wildlife Fund* (WWF) participated in the discussion on a development of the GRW scheme (DGB 1994, DIHT 1995, *Die Zeit* 13.5.1994: 28). More interestingly, several branches of the national government (including the ministries of Research, Environment, Education, and Spatial Planning and Urban Development) argued the case of a decoupling of ERDF and GRW, or, alternatively, the 'opening' of the GRW towards measures funded by the ERDF (Nägele 1996: 215 and 220-1, Tetsch/ Benterbusch/ Letixerant 1996: 47). The Federal Economics Ministry, with the support of the Economics Ministries at *Länder* level, has in the past sought to keep firm control over the use of ERDF funds, and the only way to do so is to channel these funds through 'its' scheme, the GRW. It is quite clear that the ministries opposed to the continued allocation of the ERDF through the GRW scheme would have profited from a 'decoupling' of the two schemes or an 'opening' of the GRW. (20) Such a move would have made funds available for schemes run by these ministries, and, by implication, would also have strengthened their position within the regional policy domain in general (Anderson 1996: 177 n.13 and 186-7). (21) It therefore seems safe to say that the lines of conflict not only ran between the federal and the regional tier, but also between single departments. The solution that was found (greater discretion for the East German *Länder* to use ERDF funds outside the GRW, and a limited reform of the GRW scheme) is in the interest of at least parts of the national administration. There is also much truth in Anderson's assessment that "the overhaul of the GA [the GRW framework, TC] is in many respects a federal attempt to reassert control over its relations with the *Länder*, in this case by coaxing them back into the national policy fold" (1996: 190). Seen that way, the GRW changes are not unambiguously to the detriment of federal control over regional policy.

In sum, a more differentiated explanation should be able to incorporate the following points: First, although the change of the GRW rules is remarkable, there is also a considerable stickiness of the GRW scheme. Given that one option discussed was the complete abolition of the GRW scheme (Tetsch/ Benterbusch/ Letixerant 1996: 58-60), the changes appear to be relatively marginal and to the benefit of at least parts of the federal level. Second, although there seems to have been a certain pressure exerted by the Commission to bring the GRW scheme closer to the European model, this pressure would not have been very powerful in the absence of pre-existing vertical (between *Bund* and *Länder*) and horizontal conflicts (between the Economics Ministries at *Bund* and *Länder* level and other departments) regarding the use of the ERDF and its coupling with the GRW scheme. These conflicts were partially dynamized and accentuated by the demands of the Commission that the GRW should be 'opened'. Hence, it may be more appropriate to see the main effect of the supranational context on domestic regional policy in the dynamization of an existing conflict at the domestic level (as opposed to a functionalist logic of pressure to adapt). In the course of events, this conflict also mobilised new actors. The regional policy domain was 'crowded' by actors that had not taken a particular interest in regional policy matters before. It therefore became more difficult for the Economics Ministries to keep control over the use of ERDF funds. The debate over an alleged 'restrictiveness' of the GRW scheme, and the demands to decouple the ERDF from it, are indicative of this development. Finally, the change of the GRW rules was also triggered by economic crises in East Germany, and the limitations of the GRW in addressing these problems. In this situation of policy dissatisfaction, the quest for alternative policy solutions began, and in the course of events, the

European model was conceived by some as a noteworthy alternative. Again, the presence of EC regional policy seems to have worked in a rather more indirect way than the 'pressure' argument would one have to believe.

IV. The supranational context of domestic policy-making and the need for an alternative approach

The conclusion to be drawn is that one has to find a differentiated way of explaining the 1996 GRW reform, and the significance of supranational factors for it. The idea that EC influence on domestic policies works primarily through direct 'pressure' by the Commission is rooted in an outmoded conceptualisation of the European Union and the political processes within it. Distinguishing between the 'supranational' and the 'domestic' spheres and asking what sorts of 'pressure' are exerted upwards or downwards (i.e. between the Commission and the member states) is not a promising way forward. The very limited empirical evidence presented above suggests that an approach is needed that goes beyond this distinction and seeks to conceptualise EC influence as an integral part of domestic policy-making (rather than understanding it as a pressure exerted 'from the outside').

a) 'Multi-Level Governance' and Policy Change

The remainder of this paper suggests that the most promising way forward is to link the notion of 'multi-level governance' within the European Union (Marks 1993; Jachtenfuchs/ Kohler-Koch 1996) with policy-analytical approaches (Dye 1995, Parsons 1995). The central notion of the multi-level governance literature is that within the emerging Euro-polity, "[p]olitical arenas are interconnected rather than nested. ... The clear separation between domestic and international politics ... is blurred under multi-level governance. States ... share, rather than monopolise, control over many activities that take place in their respective territories" (Marks / Hooghe / Blank 1996: 96). The central point here is that although the political arenas of "the nation state" or "Brussels" are still there in a formal sense (i.e. as government structures relating to territories), the possibilities of governments for unilateral control is limited. Hence, there is a growing gap between "government" in the Weberian sense of formal state structures endowed with legitimate and unchallenged authority over a territorially defined society, and "governance" in the sense of the production of collective goods. While state authority in the former sense has remained largely unchallenged through the integration process, state authority in the latter sense has increasingly been eroded due to the multiple involvement of supranational and/ or subnational players (Zürn 1996, Rhodes 1997). The notion of multi-level governance seems to mirror on a theoretical level some of the empirical observations made in the previous chapter. Yet, while the idea of a multilevel political system may render a relatively good description of policy-making within the Community, its analytical and explanatory powers are limited (Pierson 1996: 125).

The limitations of conventional policy-analytical approaches are of a different sort. While their explanatory power is greater due to a clear identification of the variables driving policy change, the point of reference traditionally is the nation state. Ten years ago, Manfred G. Schmidt criticised main stream policy-analytical approaches for usually starting from a "domestic politics hypothesis", according to which international factors have only very limited influence on domestic policies (Schmidt 1988, 25-6). Although nowadays there is much more awareness of the relevance of international factors e.g. for the agenda-setting and problem definition stages within the policy process, for many authors "the fact remains that the power of decision and the capacity and will to implement remains largely located within nation states" (Parsons 1995: 242). Again, while this may

be true in a formal sense (i.e. if one looks at divisions of power between supra- or international institutions and national governments), it tells us very little about the way in which politics at the domestic level may become dynamized through the presence of multi-level governance. The literature on multi-level governance suggests that although the locus of decision-making still is the nation state, the politics within that policy arena may be heavily influenced by the EC context (Marks/ Hooghe/ Blank 1996).

A pragmatic way of linking the explanatory strengths of policy-analytical approaches with the descriptive accuracy of the multi-level governance literature is to ask how the presence of multi-level governance may influence the variables considered crucial by conventional policy-analytical literature. Two major approaches towards policy change dominate the discussion, namely conflict- based and knowledge- or learning-based approaches (Hecló 1974, Hall 1989, Hall 1993, Hood 1994, Parsons 1995, Radaelli 1995). These approaches see two major sets of variables as crucial for the explanation of policy change, namely power and preferences on the one side and knowledge and information on the other.

The idea that variables such as the preferences and relative power of actors and the knowledge and ideas upon which policy design rests, are susceptible to international influences, is, of course, not new. For instance, the exchange of knowledge and ideas across borders, and processes of cross-border policy learning are much discussed phenomena (e.g. Rose 1991, Bennett/ Howlett 1992, Dolowitz/ Marsh 1996). The so-called 'second image reversed' debate in International Relations (e.g. Gourevitch 1978, Katzenstein 1978, Frieden 1991, Keohane/ Milner 1996) suggests that the international environment can also have an effect on the factors that are considered as crucial by power-based approaches, namely the coalitions that particular actors enter on the basis of shared interests, and the relative power they can bring to bear within the domestic political process (also see Bennett 1991). Yet, this literature derives its hypotheses mainly from the facts of increasing international movements of capital, goods and technology and an increasingly fast dispersion of new knowledge across borders. The question whether the presence of a supranational redistributive policy has comparable effects on domestic policies, i.e. is able to influence actor constellations, preferences and the knowledge-base of policies, is somewhat different.(22)

In the remainder of this article, I will discuss power- and knowledge-based approaches towards the question of policy change in the context of the European system of multi-level governance.(23) My aim is to enter into systematic speculation on the relevance of the supranational context for domestic policy development rather than developing a full-fledged explanatory model. Empirical illustrations will again be taken from EC regional policy and the case of GRW reform in Germany.

b) Power and Preferences

Pluralist, marxist and elitist models of policy-making have argued that policy-making can be portrayed as a matter of reconciling the conflicting preferences of rational actors, each of them striving for an outcome that will best serve his interest. If one accepts such a view, one should roughly be able to explain the shape of policy as a result of the different directions in which actors (or coalitions of actors) are pulling, and how much force each of these coalitions can bring to bear. Hence, a change of policy can either be explained by changing preferences of single actors (this will normally apply only to central actors with the capacity to enforce and implement a change of policies unilaterally), or by the emergence of new actor coalitions, which alters the distribution of power within the policy domain.

To some extent, the distinction between a change in actor constellations and a change in preferences is arbitrary, because the formation of new coalitions will normally be the product of a convergence of individual preferences. Yet, it is heuristically useful to keep changing preferences and changing actor coalitions apart. The German experience suggests that the role of the EC is different for both processes. As regards *changing actor constellations*, the EC context seems to matter both through the mobilisation of previously unorganised actors, and through the formation of new coalitions within the national policy domain. The European funds present an opportunity for hitherto marginalised actors to gain financial support for projects of particular interest to them, and to increase their salience in the regional policy field in general (Kohler-Koch 1996). In the context of GRW reform in Germany, the clearest example are those previously uninvolved actors that have entered the regional policy domain, such as the federal transport and environment ministries. As explained above, these newly mobilised actors allied with the East German *Länder* and the Commission and were pitted against the Federal Economics Ministry, and also some of the Economics Ministries on *Länder* level, who sought to defend the status quo of the GRW.

Two EC-related explanations can be found for the emergence of that new actor coalition: first, the Commission to some extent has gained the role of a policy-entrepreneur in domestic regional policy in Germany. This was done by criticising the established GRW approach as 'out of date' (Frankfurter Allgemeine Zeitung, 22.6.1994: 15), and, at the same time, by pointing out the perspective of having certain regional policy measures that were non-eligible under GRW rules funded by the ERDF. Actors such as the East German *Länder* were specifically asked by the Commission about their preferences in regional policy and were informed about alternative funding possibilities (Die Zeit, 13.5.1994: 28). Although the independent capacities of the Commission to upset existing structures and policies must not be over-emphasised, it seems to have played a role in mobilising previously uninvolved actors and in aggregating their demands.⁽²⁴⁾ It must not be overlooked, however, that the Commission could not have played the role of policy entrepreneur in the absence of the financial resources distributed through the ERDF. The mobilisation of previously unorganised actors (i.e. their participation in the discussion on regional policy reform as opposed to prior non-activity) can be interpreted as a *change of preferences* caused by the prospect of gaining easier access to financial resources from the ERDF. The previously uninvolved actors mentioned above may have been interested in shaping regional policies before, but obviously have chosen not to do so because of the limited resources available. Yet, as soon as Brussels began to support environmental and large-scale infrastructure projects, and as soon as money started to flow into East Germany, the stakes to be gained were much higher. Hence, influencing how ERDF money and national co-financing funds were spent became a much more rewarding option. To the extent that the GRW framework restricted the possible uses to which the funds could be put, it seems plausible that a change of these restrictions was demanded. A change of preferences can also be observed in the position of the Federal Economics Ministry, which finally gave up its opposition to changes. One important explanation is that with the advent of European funds after unification, and their huge increase in 1994, the control over ERDF spending became a greater priority than the coherence of the domestic policy framework, which had traditionally been highly valued (Tetsch 1994, Anderson 1996: 177, n.13). As explained above, the relaxation of some of the rules was the price to be paid for the (re-) installation of the GRW as the prime vehicle for ERDF funding (Tetsch/ Benterbusch/ Letixerant 1996: 58). In addition, the supporters of reforms could argue that EC spending was delayed because of the unhappiness of Brussels with the GRW as the main national instrument to support ERDF funds (Frankfurter Allgemeine Zeitung, 30.3.1994: 14).⁽²⁵⁾ Sticking to the status quo of the GRW therefore appeared increasingly counterproductive. The actors demanding a change of the GRW criteria were able to redress the balance between the conflicting goals of preserving the coherence of the GRW policy framework and the facilitation of financial transfers from Brussels (Die Zeit, 13.5.1994: 28).

In sum, the presence of an additional (supranational) layer of regional policy in Germany seems to have had three effects: first, new actors have been drawn into the regional policy domain. Actors that

have previously taken little or no interest in the policies for supporting investments and infrastructure developments have become involved in the GRW reform discussion. Second, and partly as a result, new actor coalitions have formed along pre-existing lines of conflict. Actors which stood to benefit from a relaxation of the GRW rules (or a decoupling of GRW and ERDF, respectively) have coalesced, sometimes with the active involvement of Commission representatives. Such activities of the Commission seem to come close to 'policy entrepreneurship', due to its active critique of the existing GRW scheme and its support in the mobilisation of new actors. Third, there has been a (however limited) EC-induced shift of preferences on the side of *Bund* policy-makers. In order to reinforce the position of the GRW as the prime destination for ERDF funds, the coalition defending the status quo has accepted a greater openness of the GRW scheme for measures beyond its traditional remit, and the scheme has been brought closer to the more encompassing philosophy of regional development as embedded in the ERDF (Tetsch/ Benterbusch/ Letixerant 1996: 76). Taken together, all three trends point to a decreasing possibility of unilateral control over domestic policies in the context of multi-level governance.

c) Knowledge and Ideas

Knowledge-based models of policy change do not dismiss the basic idea of power-based approaches that policies can be seen as the product of the preferences of self-interested actors and the power resources that these actors or coalitions of actors can command. They hold, however, that by assuming self-interested behaviour of each actor, the theoretically and empirically important question of how preferences come to be defined in the first place is bracketed (Hecló 1974, Hall 1993). It is pointed out that the answer to this question partly lies in the way in which every single actor perceives or 'constructs' his world, and on the basis of which information he decides about possible action strategies. Policy change therefore may result not only from changing preferences and the dynamics of actor coalitions, but also from changing perceptions of how the policy problem in question is to be defined, and what the appropriate solutions are. Hence, the appearance of 'new' knowledge about the problem at hand can change the course of policy through processes of 'policy learning' (Bennett/ Howlett 1992). An emerging consensus on appropriate solutions can also decrease the level of conflict between different actors, so that the explanatory value of power and preferences is qualified.

Seen in the light of GRW reform in Germany, the relevance of the EC context for changing problem perceptions, or the formation of an ideational consensus upon which new policies can be built, seems to be limited. As has been argued above, the newly introduced elements (such as the formulation of subregionally agreed integrated development programmes and a greater recognition of the relevance of 'human capital', research and development and environmental improvements for regional development) are not indicative of a fundamental change of the problem definition and/ or the ideational underpinning of the GRW scheme.⁽²⁶⁾ However, the EC's regional policy seems to have served as an inspiration for domestic policy makers looking for new ideas. In this respect, EC regional policy has served as a laboratory, in which new and unconventional approaches to regional policies could be tested out before they were suggested as alternative courses of action in the national policy debate.

The system of supranational co-funding and the principle of multi-annual development programmes in EC regional policy have a double significance here. First, due to the involvement of a variety of actors in the implementation of EC regional policy, numerous players can assemble experiences with new forms of policy. The need to devise and implement pluri-annual programmes entails a continuous discussion of policy goals, policy criteria etc. The result may not only be a discussion of

implementation problems, but also of (supranational and domestic) policies themselves (Heinelt 1996: 16-8). Second, the system installs a direct competition between supranational and national approaches towards regional development policy. The EC with its multiple meetings of policy-makers and experts has created a hothouse for processes of 'lesson-drawing' from other countries (Rose 1991). As explained by Rose, "[t]he Single European Market will create competition between programmes. If programmes in industry, employment, transportation, or other fields appear more effective, then a national government must ask: Could that programme work in our country?" (1991: 19). It is quite obvious that for some of the dissatisfied actors in East Germany the ERDF approach seemed to be more appropriate to tackle the economic hardship in the East. Empirically, however, it is extraordinarily difficult to show that the EC context actually induced processes of policy learning and questioning the ideational basis of domestic policies (cf. Bennett/ Howlett 1992: 292-4).

V. Conclusion: The Relevance of Domestic Institutional Contexts

The aim of this article has been mainly theoretical. Starting from the experience of regional policy reform in Germany, I have suggested different ways of assessing the significance of supranational factors for the development of domestic regional policy. It has been argued that the idea of 'pressure from above' as the main driver of policy change within the European Community is rooted in an outmoded conceptualisation of the European polity. As suggested by the literature on multi-level governance, the presence of EC regional policy should be seen as an integral part of domestic policy making (rather than as an external constraint). Yet, the ability of conventional policy-analytical approaches to take account of such multi-level political processes seems to be limited. The second part of the article suggested that it is not necessary to devise completely new analytical concepts. Rather, the existing approaches towards the question of policy change need to be refined against the background of multi-level governance. Drawing from the experience of GRW reform in Germany, it has been argued that the EC context may dynamize domestic politics and may matter for policy development (1) through changing preferences of actors involved in regional policy-making (e.g. through redressing orders of preferences at the national level), (2) through the mobilisation of new actor coalitions in domestic politics (revolving around pre-existing lines of conflict in domestic politics and the differential effects of multi-level governance on domestic actors), and (3) through serving as a source of inspiration for policy-makers looking for alternative policy ideas.

Because these thoughts have been developed against the background of just one episode of domestic policy change, the general validity of my arguments is limited. There are several peculiar features of the German polity and of the institutional structures within its regional policy domain that were conducive to the processes observed above: First, there were pre-existing conflicts between the *Bund* and the *Länder*, but also between several ministerial departments at the national level over a coupling of the ERDF with the GRW scheme. Such conflicts were dynamized by the increased flow of resources into East Germany, and the economic hardship experienced by the East German regions. Although there has been some active policy entrepreneurship of the Commission regarding the GRW scheme, it seems unlikely that such involvement could be successful in the absence of pre-existing conflicts. Second, the federal nature of the German polity and the tradition of departmental policy-making (*Ressortprinzip*) has meant that strong diverging interests and powerful contenders for control over the use of ERDF aid were present. These alternative centres of power were able to question both the focus of ERDF aid on GRW-supported schemes and the GRW criteria themselves, and served as 'cradles' of new actor coalitions in the regional policy domain.

Third, the GRW scheme is peculiar in that it serves not only as a regional policy instrument, but also as a device for the co-ordination of regional policies at *Länder* level (see above, note 13). Because its function is not just the distribution of a given amount of resources, reforms of the GRW framework entail tricky questions about power and competence in the regional policy domain. Hence, the changes of the GRW in 1996 remained relatively minor, given that it was also discussed to abolish the scheme completely. The prime reason for the retention of the scheme was that the GRW has in the past served as a device for uniting the Bund and the Länder in maintaining a common position against the Commission (Tetsch/ Benterbusch/ Letixerant 1996: 58-60; also see Anderson 1996: n.31, Nägele 1996: 315).(27)

As a result of such peculiarities, further cases of regional policy change both in Germany and in other EU member states have to be researched before the level of speculation can be left. Yet, the reservations about the possibility to abstract from the episode of GRW reform in Germany do not necessarily invalidate the explanatory patterns discussed above. Rather, they are a reminder that the institutional context of policy-making in individual member states has to be taken into account when discussing the question of domestic policy change under the influence of supranational factors. This context may 'matter' in four different ways: First, the challenges posed by the presence of EC regional policy are likely to be rather different, according to the respective country-specific variables (Conzelmann 1995). For instance, the emphasis of EC regional policy on the stimulation of potentials for endogenous development has been part of British regional policy since 1984 (Armstrong/ Taylor 1993); and should therefore not pose a major problem in the UK context. In contrast, the EC requirement to draw up schemes on a pluri-annual basis and in partnership with subnational actors sits uneasily with the more centralist tradition of British regional policy (Bache 1996). In the Netherlands, the recent move to phase out discriminatory regional policy schemes in favour of a policy to strengthen the competitiveness of *all* Dutch regions is in contrast with the Commission's conviction that certain regions should receive more help than others (Oosterhaven 1996: 530).

The different challenges posed by the EC context are rooted in different institutional and cognitive contexts at the national level, and these contexts also matter. Domestic institutions(28) can partially explain what goals actors pursue, and which coalitions they are likely to enter; hence any analysis asking for the effects of the supranational context on actor preferences and coalition formation must not neglect the effect of existing institutional contexts on these variables. As explained by Keohane and Milner, „political institutions can block and refract the effects of internationalization“ (1996: 4). Furthermore, not only institutional, but also cognitive contexts may be important in shaping the way in which supranational factors come to be felt in domestic politics. Hall explains that

“many complex sets of ideas are ambiguous and far from immediately comprehensible. In these cases, interpretation is a necessary prerequisite to understanding; and to make such interpretations, individuals tend to refer to an existing stock of knowledge that is generally conditioned by prior historical experience. Hence, the same set of ideas can be interpreted quite differently in settings where the relevant historical experiences diverge” (Hall 1989: 370).

Hence, all three of the explanatory patterns discussed above are likely to be fractured according to national context.

A third effect of domestic institutional contexts is that they are likely to determine the way in which alternative policy conceptions are used in the national debate. National institutional settings and national 'policy styles' (Richardson 1982, Freeman 1985) influence whether the process of policy change is more likely to advance through unilateral imposition, processes of consensus-oriented problem-solving, or pluralistic political conflict. Where a government possesses the institutional powers to address economic problems without regard to entrenched interests and distributory

consequences of policy decisions, the function of EC regional policy as a source of inspiration may bear a relatively larger significance. Policy-makers engaged in 'lesson-drawing' (Rose 1991) may turn to the EC model and may push through 'appropriate' solutions domestically.⁽²⁹⁾ In cases like Germany, where the GRW system causes much regional policy to be decided in closed-door negotiations between civil servants from the federal and the state level (Klemmer 1982), policy change is only likely where the problem definition and the ideas about appropriate solutions of a multitude of actors change. Yet, as distributional consequences are likely to enter the considerations in multi-actor settings, policy change is less likely on the basis of assumptions about the greater effectiveness of an alternative policy alone. Accordingly, the influence of the supranational context on preferences and coalition building is likely to have a stronger effect, and the impartial and unbiased use of knowledge is unlikely.

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Fourth, and partly linked to the last argument, the trajectories of policy change are likely to differ between countries. Policies may fulfil different roles in different national settings; e.g. the co-ordination role typical for the GRW scheme in federal Germany. Where a policy scheme is linked with questions of intra-state power or is attached to strong vested interests (as is the case with the Federal Economics Ministry as a 'sponsor' of the GRW scheme in Germany), the obstacles to policy change are higher. Consequently, a refurbishing of the existing scheme may be more likely than its complete abolishment. In countries with a less stronger *Ressortprinzip* than Germany, existing policy schemes are likely to be less 'sticky'. The discussion over the appropriateness of policy schemes tends not to be confused with debates over power and influence. As a result, schemes may be refurbished or abolished more easily, and ERDF funds may be channelled into alternative policy schemes with lesser political conflict.⁽³⁰⁾

With the Community getting more involved into spending programmes for research and development, transport infrastructures, and, possibly, employment, it is not unlikely that processes reminiscent of the ones described in this article may be found in a variety of policy areas. The goal of this article has been to present a heuristical model with which processes of policy change under the influence of supranational factors may be analysed. In any case, it seems important not to see the EC solely in terms of an external constraint on policy development. Rather, the influence of supranational factors may be felt both in terms of a context that dynamizes political processes, and in terms of an active involvement of the Commission (and, possibly, other supranational actors) in the domestic policy-making arena.

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Endnotes

(*) Previous versions of this paper have been presented at the 5th Biennial Conference of ECSA - USA (Seattle, May/ June 1997) and at a workshop on "Regional Integration and Multilevel Governance", convened by William Wallace and Alberta Sbragia under the auspices of the 25th Joint Sessions of the European Consortium for Political Research at Bern, February/ March 1997. Apart from the two convenors of the ECPR workshop, I would like to thank Ian Bache, Tanja Börzel, Jeffrey Checkel, Jakob Edler, Andre Kaiser, Michèle Knodt, Hans-Joachim Knopf, Gary Marks, and two anonymous reviewers for the EIoP for valuable comments on earlier drafts. The usual disclaimers apply. I am grateful for financial support from the British Foreign and Commonwealth Office (British Chevening Scholarship), the Gottlieb Daimler und Carl Benz-Stiftung (Ladenburg/ Germany), and the Evangelisches Studienwerk Villigst e.V. (Schwerte/ Germany). Furthermore, I would like to thank practitioners in Germany and the UK, who agreed to be interviewed for this research.

(1) The paper is part of a Mannheim-based PhD research project that tackles the question of a 'Europeanisation' of regional development policies on a comparative basis. The development of the direction and course of regional and urban policies in the UK and Germany are compared for the period 1984-1996, and the significance of supranational factors for these developments is assessed. The empirical basis are documentary analysis and elite interviewing. The project is supervised by Prof. Beate Kohler-Koch (Mannheim).

(2) The term European Community (EC) is used throughout the paper, due to its interest in (redistributive) policies of the 'first pillar'. My arguments are not intended to cover the areas of the Common Foreign and Security Policy nor of Co-operation in Justice and Home Affairs.

(3) This is due to the legal obligation of member states to comply with Community law. For an interesting discussion on domestic repercussions of European regulatory decisions on environmental protection and on health and safety at work see Eichener 1996. His argument rests on the assumption that supranational regulation will entail certain adaptation costs at the national level; hence the central puzzle is why member states have agreed to relatively high standards of regulation at the European level (as opposed to lowest common denominator agreements; also see Héritier et al. 1996). The difference to the analysis presented here is that Eichener can bracket the question of the precise extent of necessary adaptation at the domestic level due to the regulatory nature of the policy areas chosen. Although two of the explanations that Eichener finds for the agreement of member states are limited knowledge of the consequences of decisions, and trust in slow and lax implementation (1996: 274-7), the formal differences between regulatory and non-regulatory policy areas should not be overlooked. In non-regulatory policy areas, adaptation costs occurring domestically are much clearer. See, for instance, Gary Marks's argument that the agreement of member states to the 1988 reforms of the structural funds can partially be explained by the fact that wealthier member states expected the possible implications for their regional policies to be relatively minor (1993: 401).

(4) I do not deal with the evolution of EC regional policy here. For recent contributions on the topic see Armstrong (1995), Pollack (1995), and Allen (1996). A further valuable source are the regular overviews of EC regional policy that are given since the 10th (1990) edition of the annual publication „European Regional Incentives“ (Yuill et al. 1980-97; also see Wislade 1996).

(5) These are the Objectives 1 (development of structurally backward regions), 2 (conversion of regions in industrial decline), and 5 b (development of rural areas). With the accession of Austria, Finland and Sweden in 1995, a new regional Objective 6 (aid for sparsely populated regions) has been introduced.

(6) The EC's technology policy sits uneasily between the goal of cohesion within Community

borders and the goal to attain technological excellence on a global scale. See Starbatty/ Vetterlein 1989, Kohler-Koch/ Edler 1998.

(7) Information from the Commission's webpage on grants and loans in the European Community <<http://europa.eu.int/comm/sg/aides/en/p1ch1.htm>>.

(8) Ibid.

(9) There is the exemption of the so-called 'Community Initiatives', which operate in greater independence from national schemes. However, with roughly 9 per cent of expenditure set aside for these initiatives, their financial and political significance is limited.

(10) This is true for both the periods before and after unification. Although Germany's receipts from the ERDF have increased considerably since 1990, the moneys funnelled to East Germany via the GRW has increased even faster (ibid.).

(11) As will be explained in more detail below, these requirements have been partially relaxed in East Germany. It is important to note, however, that the main conceptual cornerstones of the GRW have remained in force in both the East and the West. For discussions, see Henseler-Unger 1992, Lichtblau 1995: 78-86, Nägele 1996: 202-8).

(12) 24. Rahmenplan der Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur; BT-Drs. 13/1376.

(13) Other areas where an influence of the ERDF upon the new policy design may be assumed are the stronger focus on SME, the better support for measures not directly related to industrial investment, and the stronger cross-departmental coordination.

(14) The prime aim of such co-ordination efforts is to integrate the *Länder's* own initiatives in the field of regional policy (the so-called *Landesförderung*) into a common framework, and to avoid competitive bidding between the *Länder* for mobile investment. The co-ordination function is reached by co-funding arrangements between *Bund* and *Länder* (the *Länder* can get federal support only for schemes within GRW-assisted areas), and consensus-oriented decisionmaking rules. In addition, there are certain maximum thresholds for aid given by any German Land, thus securing that the wealthier German *Länder* do not outbid their weaker counterparts in the competition for mobile investment (see Ewringmann et al. 1986).

(15) In the 'old' Federal Republic, the coupling of ERDF and GRW was ended in 1988, with declining industrial regions such as the Saarland and North-Rhine Westphalia being the forerunners of this development (Anderson 1992, Conzelmann 1995: 146-8, Nägele 1996: 46-50 and 139-41).

(16) The East German *Länder* have responded quite differently to the possibility for a decoupling of ERDF and GRW. While Saxony uses around 60 per cent of its ERDF allocations outside the GRW framework, the percentage for Berlin and Brandenburg is much smaller (20-25 per cent). Mecklenburg-West Pomerania, Thuringia, and Saxony-Anhalt use no or only very small amounts of ERDF outside the GRW framework (Toepel 1996: 31).

(17) 24. Rahmenplan der Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur; BT-Drs. 13/1376, p. 15. Both the 25th and the 26th Rahmenplan have not made any changes so far. See 26. Rahmenplan der Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur; BT-Drs. 13/7205.

(18) Further flexibility in the East was attained through the initial renunciation of spatial or sectoral

concentration of the scheme (*ibid.*).

(19) After unification, the GRW was hastily transferred to the East, with little time (and willingness) on the side of *Bund* policy-makers to consider alternative policy conceptions (Nägele 1996).

(20) Such discussions stem from Germany's strong tradition of departmental policy making (*Ressortprinzip*), in which each department is in charge of relatively clearly defined tasks, with little policy co-ordination across departments. See Pohle 1995a and Tetsch/ Benterbusch/ Letixerant 1996: 20-5 for a discussion of the co-ordination of the GRW with other sectoral policies.

(21) Consequently, officials from the *Bund* Economics Ministry argued that "the critique concerning the alleged restrictiveness of the GRW criteria ... in essence is an effort to alter the existing distribution of moneys, i.e. a battle over scarce resources" (Tetsch 1994: 179, my translation).

(22) There are several contributions that tackle the question of changing actor constellations and preferences at the domestic level, most of them referring to EC regional policy and using the policy networks approach (Anderson 1990, Conzelmann 1995, Bache/ George/ Rhodes 1996, Anderson 1996, Conzelmann 1996a, Heinelt/ Smith 1996). None of these studies has explicitly tackled the question of domestic policy change. See, however the contributions of Voelzkow/ Hoppe (1996) and Anderson (1996).

(23) I agree with Heclo (1974) that the two approaches can and should be used in a complementary rather than conflicting fashion (e.g. Hall 1993, Hood 1994, Parsons 1995, Radaelli 1995).

(24) See Hood 1994, p. 9-10 for a discussion of the importance of policy entrepreneurship for policy change.

(25) The Commission is highly critical if member states seek to focus ERDF-funded development programmes on physical infrastructures (such as roads), i.e. use the ERDF to support traditional-style regional policies, which are still in place in many member states (Yuill et al. 1997). Although Brussels does not have much possibilities to withhold funds completely, payments may be delayed until DG XVI is satisfied that certain Community criteria are met, such as the inclusion of regional actors, a focus on endogenous development, or the recognition of environmental needs. See Ansell/ Parsons/ Darden 1997: 364-6 with several examples of prolonged negotiations between Brussels and national capitals over the use of ERDF funds.

(26) This is not surprising, given that regional policy is a policy area with an abundance of competing concepts and theoretical approaches, and with notorious insecurity regarding the causes for the decline of regional economies. In addition, there is a tendency to use knowledge and information selectively and strategically, because they can be used to support demands for a particular distribution of available funds (MacLennan/ Parr 1979, Wannop 1991).

(27) This is another example of shifting alliances within the triadic relationship Commission - member state - regions. Commission and regions are not necessarily allies in 'sandwiching' the nation state. See the interesting discussion of Ansell/ Parsons/ Darden (1997).

(28) I adopt Hall's broad definition of institutions as „the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and the economy“ (1986: 19). For discussions of 'New Institutional' thought relevant to the present article see Evans/ Rueschemeyer/ Skocpol 1985, March/ Olsen 1989, Thelen/ Steinmo 1992).

(29) They may, however, also choose to ignore the EC as a pool of knowledge; and one important question is which scenario may apply under what conditions.

(30) This seems to be the case in the UK, where the Single Regeneration Budget scheme (managed by the Department of the Environment) has by and by replaced the Department for Trade and Industry-managed Regional Selective Assistance as the prime recipient of ERDF funding (interview sources).

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