The Open Method of Co-ordination and the European Welfare State

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I. Introduction

Open Method Coordination (OMC) has been treated in the literature as the Lazarus of European integration. Developed at the Lisbon Summit, it has led to the reincarnation of the European Union, both in terms of what it does and how it does it. No longer is the European Union to be centred around the Classic Community Method of supranational management of regulation (CCM). Instead, it is to be a de-centred participatory process in which national governments are no longer controlled and commanded by the imperatives of EC law, but rather commit themselves to review each other’s programmes in the light of a series of mutually agreed standards and of domestic and trans-national participatory processes. The European Council and its surrounding machinery is placed at the heart of the Union’s policy-process, and new types of Union-Member State relations are forged, which are centred less around classical legal prescriptions, and more around diffuse national adaptation to a wide array of transnational norms, whose form and origin varies.

This article will argue, however, that there is a danger in comparing these methods at the level of constitutional abstraction. Each is both a method of governance and a policy process. Neither can be separated from the policy remit they govern. It is perhaps a little too easily forgotten that the CCM has been umbilically attached to realisation of the Single European Market and surrounding areas of market regulation. As a method of market regulation, its failures are well-documented (eg Majone, Dehousse, Joerges, Snyder, Everson 1992), and this has resulted in an on-going process of regulatory reform, which has led, in many cases to more of the same; in others, more centralised procedures, and in others a lighter regulatory touch.

OMC is not part of this process. If the CCM was concerned with establishing a method of governance for the Union’s regulatory function, it is rather concerned with finding a system of governance for the era of the euro where the Union for those areas where it is engaged in redistributive and macro-economic activities. These are less tightly-constrained areas; intrude

2 EC Financial Services Action Plan (COM (99) 232
more into nationally-sensitive policy domains, and are policy areas where, in all jurisdictions, law, classically understood, has a less direct role.

Whilst its remit spills over into one or two other areas, OMC is therefore concerned with providing a constitutional architecture for the European welfare State, no more and no less. As a governance process, OMC provides a new form of institutional ordering by placing the European Council at the heart of the Union’s policy-making. New styles of Union-Member State relations are forged around diffuse national adaptation to a wide array of transnational norms, whose form and origin varies. A new politics of the welfare State emerges in which politics is recast as something not determined by domestic contention but through transnational problem-solving. Finally, a constitutional resettlement occurs in which a decentred, multi-level regime is gauged against the norms of deliberation, knowledge-generation, participation and subsidiarity (Scott & Trubek 2002). As a policy-process, OMC rests upon two sets of dynamics. One is a politics of strategy in which Union processes are to provide a compass for directing and locating national policy-making. The other is a politics of reaction in which the subjects of these guidelines will apply them, believe them and provide constructive feedback on them.

It will be argued that the assumptions behind OMC as a governance process rest upon its operationalisation as a policy process. For the governance model does no more than suggest an architecture of the process through attributing to it a series of static features. For these features to inhere to OMC, the process must follow a certain linear policy dynamic. This will rest upon certain assumptions about how OMC operates as a policy-making process.

In this regard, it will be argued, that as a strategy for reincarnation of the European welfare State, OMC is subservient to the ideologies, path-dependencies and structures of Economic and Monetary Union, as institutionalised in the Best Economic Policy Guidelines (BEPG). As such, it is not a coherent strategy, for all its rhetoric, but a tactical response with limited manoeuvre to the new political economy of the euro zone. Many of the strategies are inchoate, at best, and focus less on substantive policy reform, and more on bureaucratic readjustment.

This dissonance between rhetoric and practice has led to a politics of reaction, where if OMC is to be operational as a strategy, it is likely to fall foul of a number of structures. Embedded systemic and territorial path-dependencies will challenge its co-ordinatory capabilities. The politics of contestation that lie at the heart of welfare policy and political economy limit its
legitimatory potential as they render conflict and difference an integral dimension and corollary of 'problem-solving'.
II. The Open Method of Coordination Introduced

The constitution of the open method of coordination was set out at the Lisbon European Council, 23-24 March 2000. Like all institutional structures, it was concerned, first and foremost, with the realisation of a number of policies, namely the creation of 20 million jobs with the European Union by 2010:

"5. The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an overall strategy aimed at:

preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;

modernising the European social model, investing in people and combating social exclusion;

sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.

6. This strategy is designed to enable the Union to regain the conditions for full employment, and to strengthen regional cohesion in the European Union. The European Council needs to set a goal for full employment in Europe in an emerging new society which is more adapted to the personal choices of women and men. If the measures set out below are implemented against a sound macro-economic background, an average economic growth rate of around 3% should be a realistic prospect for the coming years.

7. Implementing this strategy will be achieved by improving the existing processes, introducing a new open method of coordination at all levels, coupled with a stronger guiding and coordinating role for the European Council to ensure more coherent strategic direction and effective monitoring of progress. A meeting of the European Council to be held every Spring will define the relevant mandates and ensure that they are followed up." 

New institutional arrangements were necessary for such an agenda. Traditional harmonisation of laws in which supranational institutions drew up a corpus of legislation, that was to be applied uniformly, was perceived as too centralised, too communautaire and too rigid. In particular, harmonisation was felt to be inappropriate in three circumstances:

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• The area of work was closely connected with national identity or culture, e.g. culture or education
• The instruments for implementing national policies were so diverse and/or complex that harmonisation seemed disproportionate in relation to the objectives pursued, e.g. employment
• No political will for EC legislation amongst the Member States but there was a desire to make progress together (European Convention 2002).

In these areas there was to be a Europeanization of national policy-making, concerned with securing three values. The first, compatibility, required national policies not to have negative effects for the other Member States or the achievement of the objectives of the Union. The second, consistency, entailed that national policies were to enhance each other’s effectiveness. Finally, national government performance was to converge. This new institutional framework was to be applied to the European Employment Pact; coordination of economic policy and improvement of the interaction between wage developments and monetary, budget and fiscal policy; improvement of labour market efficiency and structural reform of the goods, services and capital markets. In addition, the method was to be extended to a number of other fields – the information society, research policy, enterprise, education and vocational training, combating social exclusion, immigration policy, and sustainable development.\(^5\) The institutional frameworks that were to govern these areas were to be marked by the following features

**The Fixing of Pan Union Guidelines:** Guidelines and targets will be set for each policy sector in which OMC is applied with specific timetables to be set for the achieving the goals which they set in the short, medium and long terms.

**The Development of National Action Plans in the Light of EU Guidelines:** National action plans are established setting out specific targets and adopting specific measures in such a way as to translate these EU guidelines into national and regional policies, whilst retaining the freedom to take into account national and regional differences.

**Regular Benchmarking and Peer Review:** Quantitative and qualitative indicators and benchmarks are to be established as a means of comparing best practice. The implementation of national action plans is to be regularly reviewed within the Council in the light of these and the pan-Union guidelines.

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\(^5\) This was added by the Göteborg European Council, 15 June 2001.
Partnership: Regional and local government, as well as the social partners and civil society, will be actively involved in the development and review of national action plans. Such processes will be carried out in the light of 'best practices on managing change' devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs.

Public Private Networking: Implementation of OMC will rely primarily on the private sector, as well as on public-private partnerships. It will depend on mobilising the resources available on the markets, as well as on efforts by Member States. The Union's role will be to act as an 'enabling State' which provides is to act as a catalyst in this process, by establishing an effective framework for mobilising and bringing together available resources.

III. The Subsequent History of OMC

At the Barcelona European Council, held in March 2002, the European Council endorsed a review of the Strategy carried out by the Commission (EC Commission 2002a). Its central points are that:

- Delivery of the Lisbon goals depended upon a 3 per cent growth rate, which, in the economic climate since 11 September has proved problematic.
- It is early days for most areas of OMC. The Commission was still in the process of formulating draft guidelines.
- Progress in some areas, notably structural reform of capital markets - the so-called Cardiff Process - was being held back by a failure to agree legislation at the EC level.

The European Council endorsed this curate's egg of a document. But if the second year report of the Commission is 'Slow Start, but signs of progress' then there are already ominous signs emerging. The formulation of guidelines has, it appeared, been more drawn-out and complex than might have been anticipated. The Barcelona European Council expressed impatience and stated that focus must now move to implementation and away from simple annual elaboration of guidelines.® In December 2002, UNICE published a report in which it was heavily critical of the Lisbon Strategy, arguing that it had resulted in little structural reform (UNICE 2002). Others expressed concern, meanwhile, at the lack of progress in addressing welfare reform and the absence of any meaningful strategy in the area (EAPN 2002).

This was reflected in an increased pessimism in institutional pessimism about OMC. In its Report to the 2003 Spring European Council, the Commission assessment was downbeat across all policy sectors. On employment, the Commission noted that despite 5 years of the European Employment Strategy there was little evidence of any significant structural reform. There had been some reform of product service and capital markets in areas covered by EC internal market legislation, but weak implementation overall. The cooperation in knowledge, research and development and innovation had been weak. Progress on social cohesion was difficult to measure, as there was an absence of clear data. The Sustainable Development Strategy still revolved around legislation rather than economic instruments (EC Commission 2003). Both the European Socialist Party and the European Social Programme, meanwhile, issued statements indicating that they believed the Lisbon Strategy was focussing insufficiently on jobs, growth and environmental and social goals (PES 2003; Social Platform 2003). The British and Finnish Prime Ministers issued a joint letter stating that structural reform and economic performance had been modest (United Kingdom Government 2003).

The reasons for this become more apparent if the performance of OMC is broken up into the various headings.

**Drawing up of Pan-Union Guidelines:** The most developed and detailed, by some way, are the Broad Guidelines on Economic Policies by the Member States (BEPGs). These are tailored individually for member States, discussed extensively and subject to considerable monitoring. These, it will be remembered, draw on a similar methodology to OMC and incorporate many of the criteria developed elsewhere in Lisbon. Their basis lies not in Lisbon but in the commitment developed at Maastricht in Article 99(2) EC to coordinate national economic policy and in the subsequent commitment in the Stability and Growth Pact to maintain budgets close to balance or in surplus (Artis & Buti 2000).

Following these are those set out in the European Employment Strategy. These are less wide-ranging than the BEPGs. They focus on elements of employment policy - improving employability; developing a culture of entrepreneurship; promoting the adaptability of firms and modernising work organising, and strengthening of equal opportunities. Yet there is a clear defined and reflexive strategy which has evolved over time to encompass certain 'horizontal objectives', notably development of life-long learning, and a broader policy community by attempting to involve the Social Partners in the defining, implementing and evaluating of the Guidelines. They are less detailed and wide-ranging than the BEPGs, and

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7 For the latest see Decision 2002/549/EC on the broad guidelines of the economic policies of the Member States and the Community, OJ 2002, L 182/1
are required to be compatible with the BEPGs. Whilst evaluation of national action plans to meet the Guidelines takes place, country-specific guidelines are not provided (Article 128 EC). Like the BEPGs, the Employment Strategy has a longer-lineage than OMC, dating back to the Luxembourg European Council in 1997 (Magnus Johansen 1999).

In the third category must be set out the Sustainable Development Strategy, which was adopted at the Göteborg European Council in June 2001. It involves development of national action plans which not only take account of environmental impacts in decision-making, but which address a series of themes, notably climate change, sustainable transport, public health and management of natural resources. Whilst a series of concrete targets have been set, these are less detailed than under the EES or BEPGs. Indicators have, as yet, not been developed by the Commission and there are no requirements for Member States to present national action plans for actual discussion. Furthermore, whilst the Sustainable Development Strategy can be said to a genuine OMC, unlike the other two discussed, it is misleading to see it as such. For it builds up a mode of governance established in 1993 in the Fifth Action Plan on the Environment and Sustainable Development and continued in the Sixth Environment Action Plan, which is not dissimilar from OMC in that it sets a series of broad EU targets and guidelines, and then commits Member States to involving civil society and market players in the meeting of these targets. It therefore follows pre-existing trajectories, path-dependencies and institutional patterns. What is notable is that it does not build upon these. Thus the SDS is really a redescription of the Sixth Action Plan in that it does not carry any of the features that distinguish OMC from it, notably feed-back and review of national policies.

In the fourth category comes the OMC against poverty and social exclusion. A series of objectives have been set. These are, however, very broad. They include facilitating participation in employment and access to all resources; preventing the risks of exclusion; helping the most vulnerable, and mobilising the relevant bodies. These objectives are very general, however. Whilst indicators have been established, no quantitative targets or benchmarks are set. Instead, there is merely a requirement that Member States develop national action plans in these areas.⁹

Fifthly, there are a number of areas, but which are subject to wide-scale benchmarking. These include e-learning, investment in education, early school leavers, graduates in mathematics, science and technology, upper secondary education attainment and participation in life long

⁹ The most recent outline are contained in a Communication from the Social Protection Committee to COREPER on 25 November 2002, Doc 14164/02, Rev 1.
learning. In such cases, there is no strategy as such. Rather international excellence and the average of the ‘three best’ performing States are set as a standard of excellence.\textsuperscript{10}

Finally, there have been two areas, immigration\textsuperscript{11} and pensions,\textsuperscript{12} where proposals for OMC have been made, but there has been little further development.

**Transformation of National Practices in the Light of Union Guidelines.** Detailed constraints have applied to Member States only in the case of the European Employment Strategy and BEPGs. In its Five Year Report on the European Employment Strategy, the Commission noted that there had been the development of new policy paradigms; there was increased policy convergence and some policy-learning. It noted, however, there were few transformative effects in those Member States where there was already either a strong pre-existing convergence or divergence with the guidelines, and that these guidelines had led to some unanticipated effects (EC Commission 2002c). The position with regard to BEPGs was less positive. The Commission assessed national progress in implementing country-specific BEPGs across three areas – public finances, labour markets and product markets. It measured progress as either good, some or limited. Only two States, Sweden and Denmark were considered to have ‘good’ progress in more than one of these fields, and none in all three fields. In addition, two Member States, Germany and Austria, were regarded as having made only ‘limited’ progress in two areas (EC Commission 2003, 39). These results have been confirmed by independent research by the Center for European Reform, who noted both that it was the OMC elements of the Lisbon Strategy that had, hitherto, produced the most disappointing results, and that it was the performance by the large economies of France, Germany and Italy that provided most cause for concern (Murray 2003)

**Participation in Government:** A central feature of the ‘new constitutionalist’ praise for OMC are the perceived opportunities it offers for participatory democracy (Scott & Trubek 2002; Gerstenberg 2003). Evidence here is particularly disappointing. The Commission notes in its Five Year Review of the European Employment Strategy – an area with established institutional actors – that participation has generally been weak (2002c). There is little evidence, furthermore, that, since 1993, either the Fifth or Sixth Environment Action Plans have served to mobilise civil society or broaden decision-making.

\textsuperscript{10} For analysis of these see EC Commission, *European benchmarks in education and training* COM (2002) 629 final
\textsuperscript{11} EC Commission, *Proposal for Open Method Coordination on Immigration* COM (2001) 387
Responses to this crisis seem disjointed. A number of Heads of State have published communiqués, but the policy responses are disjointed and represent different ideological priorities. The German and French Governments issued a joint letter in which they state that Europe should not become some form of laboratory for regulation; that there should be some further market liberalisation, but nothing that imperils Services of General Economic Interest (United Kingdom Government 2003a). The British and Finnish Governments, by contrast, argue for wide-ranging structural reform and market liberalisation, as an antidote. Agreement focuses only on the establishment of a High-Level Review Body, paralleling the Hartz Commission in Germany, to review labour markets (United Kingdom Government 2003). The sheer ephemerality of the measure apart, it represents also a damming indictment on the European Employment Strategy, the predecessor of OMC to develop a coherent approach after five years operation.

III. The Strategic Assumptions of OMC

As a politics of strategisation, the Lisbon Process embodies three dimensions. There is a strategy of evaluation regarding the improvement of the processes of regulation; a strategy of coordination proposing common actions and emphasise the interdependencies and solidarities between participants; and a strategy of interpretation seeking to secure a common interpretation of the processes amongst participants.

A precondition for any of these to occur is the presence of two forms of power. There must be a ‘power of place’. The developer of the strategy must have a freedom from its environment that serves as a base from which it can consolidate existing advantages and plan future actions. A precondition of OMC is therefore an autonomous European sphere of action that is distinctively European in nature – one that enables Union policy-making to distinguish itself from national or international processes and which has the ability to exercise systematic and reflexive control over its environment. Without this it is not a strategy but a tactical rationalisation of broader, more powerful processes. There must also a be ‘power of knowledge’. A strategy is dependent upon a collective intelligence that ‘can transform foreign forces into objects that can be observed and measured, and thus control and “include” them within its scope of vision’ (de Certeau 1984: 34-39).

Any strategy is therefore dependent upon the presence of a large number of different forms of resource. Information is central to the development of any kind of knowledge-formation capacity. Organisational, resources are central for transforming this into a coherent and
reflexive system of knowledge. Ideological for purposes of visioning and evaluation. Finally, some cooptive resources must be present to generate normative expectations capable of steering common behaviour. In all these areas, OMC is weak.

(a) The Organisational Capacities of OMC: A European Style of Policy-Making?

At the heart of the Lisbon Strategy lies a huge discrepancy in institutional resources. In the field of employment policy and BEPGs the resources of the Commission are available for the preparation of draft Guidelines. Similarly the Göteborg Guidelines on Sustainable Development draw heavily on the Commission’s work on the Sixth Action Plan. More generally, it is often forgotten how much of the Lisbon Strategy is to be realised through the Classic Community Method of legislation. In its 2002 Review of the Lisbon Strategy, there were therefore 57 legislative acts or proposals for legislation that fell within classic EC competence compared with 35 initiatives for benchmarking (EC Commission 2002a; our calculation).

In other areas of OMC the European Council is pitted as the strategic brain. It is to have ‘a pre- eminent guiding and coordinating role to ensure overall coherence and the effective monitoring of progress.’ It therefore sets the overall guidelines that act as the compass of the whole process. The challenges of such a role seem considerable given that what is called for is the steering of macroeconomic and redistributive policy across the Union. It is with bemusement and even amusement that this is all going to be done once a year in the Spring. It appears that Europe truly is going to be built within a day. Aware of the limits of its institutional resources, the European Council therefore asked at Lisbon for the Commission to organise both upstream and downstream from that meeting by draw up an annual synthesis report on progress, using structural indicators to be agreed, relating to employment, innovation, economic reform and social cohesion.

In terms of policy effectiveness, there was the problem that the Commission does not devote much resources to those policy sectors that form the core of OMC. Its role was, furthermore not to act as a form of surrogate COREPER, acting as the brain for the Council through setting the agenda, creating roadmaps and directing debates. This led to a ‘strategy deficit’. The Commission’s formal constraints prevented it acting as a brain for the process. The European Council’s temporal constraints prevented it, however from acting out that role. This has led to two difficulties. It has ideologically skewed the process so that economic policy

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13 Lisbon European Council, para 36.
coordination has been developed, whilst the coordination of welfare politics has not (PES 2003, Social Action Platform 2003). It has also given the process an ad hoc feel, with little overall vision, coherence or explicit policy prioritisation (EC Commission 2002b).

The first step to address this was taken at the Seville European Council in June 1992. The General Affairs Council (to be renamed the General Affairs and External Relations Council; GAERC) is to be given a more central role in the preparation for the Spring European Council. Its role is to act as a form of surrogate of COREPER. This involves drawing up the agenda in a manner that distinguishes between items to be approved without debate and those for discussion. For any items for discussion which are either to lead to the definition of political guidelines or to decisions, a brief outline paper will be provided setting out the issues to be debated and the options available.

A second step has been proposed by the Commission. It suggests a more active role for itself in following-up the process. Following the Spring European Council it will propose a Guidelines Package, which would include both general and country-specific recommendations. This would be submitted to the various Council formations for consideration, and to the European Parliament for its opinion, before resubmitting the Guidelines to the European Council. To ensure temporal consistency, this Package would, in principle, cover a three year period from April 2003, which would only be reissued each year to take account of new developments. (EC Commission 2002b).

If the status quo is an agenda-setting deficit, these two proposals suggest competition for agenda-setting. The Commission vision is one where it locates itself at the centre of the process. This is reinforced by its being able to present annual guidelines as merely 'technical' updates, and therefore within its remit. Yet, how this is going to be accepted by the GAERC which is responsible for the preparation of the Spring meeting is unclear. If it rejects Commission interpretations of the Guidelines, there is no fall-back position or clear consensus on division of responsibilities. It might be argued that Commission analysis understates the role of the GAERC within OMC, which arguably repositions Foreign Ministries at the hub of decision-making on welfare and macroeconomics. Yet problems of specialisation lead to questions over where these will obtain their policy solutions and how these will be evaluated. In such instances, temporal constraints and shortage of expertise usually leads actors to adopting generic off-the-peg solutions ill-suited to local circumstances or new contemporary demands (Boli 1987, Meyer 1997).

14 Conclusions of the European Council, 21 & 22 June 2002, Annex II.
(b) A European Politics of Knowledge: Certain tools and microprocesses are central for government. The most obvious are statistics. One of the mantras of the governmentality literature is that the creation of a statistics about a phenomenon that renders it governable by presenting qualities and features that enable it to be governed (Shore 2000: 26-32). Pan-European statistics on the European population, its health, its demographics, its education and the like are central to OMC; establishing any systematic arena of government concentrates more on the micro-processes of OMC. Yet a perennial criticism of EUROSTAT is that its data continues to be too vague and differences between national statistical data too great for accurate data to be provided too policy-makers. In like vein, the European Commission admitted that it had failed to work out those structural indicators that it was required to develop to Lisbon, thereby being not in a position to assess progress at Barcelona in a number of key areas (EC Commission 2002). Whilst it has been quite easy to develop benchmarks – procedures have been developed in research and development, employment, enterprise policy, jobs in the information society, social inclusion – the quality and seriousness of these are untested. (EC Commission 2002a: Annex 1). Some are wide-ranging, other extremely technical and drawn up by experts. How effective or reflexive any are as feedback mechanisms is still an open-question.

Paradoxically, the more extensive the policy coordination, the greater the demands on the information-gathering process, as more detailed feedback mechanisms have to be instigated. Gaps in the process have therefore emerged in areas of more intensive coordination. The dependence of Eurostat on reports from national statistical offices has been hampered by different statistical methods and, in some cases, lax reporting. The Commission was therefore unable to assess progress at Barcelona in a number of key areas (EC Commission 2002). The Sustainable Development Strategy has been hampered, by contrast, by the Commission’s failure to develop appropriate indicators (Baldock 2002).

Even where the Union has the power to develop indicators, it often does not have the knowledge-systems available to relate performance to results – something essential for the development of any strategy. Thus the Union has set itself a target of 70 per cent employment by 2010. This is premised upon 3 per cent growth. Yet work by IMF economists suggests the assumptions that one will lead to the other are misleading, and probably unfounded. For some States, almost certainly, growth levels will have to be higher to reach those targets (Morelli et al. 2002)
(c) The Ideological Limits of the Lisbon Process: The Lisbon Process takes place in the shadow of the Stability and Growth Pact. It is, first, a process negatively constrained by the fiscal procedures of the Excessive Deficit Procedure. Certain options in welfare politics are simply not open. This leads, in part, to mutton being dressed up as lamb. Particularly in the field of employment policy and social inclusion, policies that amount to little more than administrative reform or rejigging of measurement procedures are presented as substantial because more far more reaching alternatives are not available (de la Porte & Pochet 2001).

More subversively, the Lisbon Process leads to a transformation of the politics of the welfare state whereby it becomes less centred around a discourse of social citizenship and more around economic growth and competitiveness. This is witnessed in the growth and growth of the BEPGs. These are required to take account of the guidelines established by the Lisbon Process. The result has not been so much an economic policy sensitive to social concerns as a colonisation of the welfare state by the economic policy making process. In the 2002 BEPGs as part of the commitment to ensure growth and stability-oriented conditions, member states are required to ensure wage increases do not exceed increases in productivity or the demands of local labour markets. The goals of structural reform of labour markets including tax and benefit systems ‘to make work pay.’ These include reforms to introduce conditionality of benefits, reducing incentives for early retirement, and promoting more ‘flexible’ labour regulation.15

The consequence of the structural imbalances in the strategy process is an organisational structure with a relatively incoherent set of welfare targets and a strong neo-liberal policy dynamic. It rewards two types of States – those committed to a neoliberal agenda and those who already meet it welfare targets and have no need for convergence. In the light of this, this part of the paper moves towards an analysis of the ‘politics of reaction’.

IV. The Politics of Reaction

The term ‘reaction’ is used in two distinct ways. First, it denotes the way in which national governments have responded to the ‘open method’, both in the way in which they have provided information to the peer-group driven standard-setting and in the way in which they have responded to the policy guidelines in terms of adapting domestic policies. Second, it uses ‘reaction’ by drawing on Albert Hirschman’s six ways in which systems react (by ways of rhetoric) to challenges for change (Hirschman 1991).

The varying forms of institutional constellations within the EU suggest that not only policy needs but also institutional reaction will be highly varied – something that has already proved to be the case with the implementation of EU regulatory regimes. The assumption that the open method provides for a problem-solving method based on persistent differences that receive disciplined and collaborative exploration sets high demands on the policy-making processes (and is arguably based on an idealised social scientist view on the emergence of the OMC that does not reflect the OMC’s Realpolitik). Following Hirschman, we distinguish between three ‘reactionary responses’ (futility, jeopardy, perversity) and three ‘progressive responses’ (historical inevitability, mutual reinforcement, impending peril). This section documents ‘reactionary’ and ‘progressive’ reactions in turn.

Futility responses are characterised by the complete absence of any noticeable impact of any initiative. The ‘open method’ is associated with a number futility characteristics, such as its enforceability, its target-setting and its questionable, but potential effectiveness in opening national policy domains in a coherent way. Each of these elements is discussed in turn.

Tools of peer-group pressure and benchmarking are widely held to be insufficient to motivate any intended policy change. The only exception to this is when domestic cleavages utilise ‘open method’ guidelines and norms to consolidate their own policy positions in the domestic political landscape. In cases of non-achievement of the agreed benchmarks, there is little enforcement power. Furthermore, given the vague nature of benchmarks, there is substantial scope for creative compliance without the need to tackle substantive policy issues. Similar to national benchmarking exercises, the adopted targets of the open method rival each other in terms of vagueness and are likely to be exposed to regular change and amendment, thus making any comparison over time futile. There is at best mixed evidence, in the EU-specific context and more generally, that benchmarking offers a tool to maintain the momentum for advancing policy-making; regardless of, in the EU case, whether they emerge as ‘hard’ or ‘soft’ versions of ‘open methods’.16 Instead, there has been a constant stream of new types of benchmarks and targets following the ‘headline initiative-ites’ of European summit meetings. The ever increasing number of targets, partly replacing, partly overlapping, but mostly adding to the reporting duties of member states reduces the likelihood of a concentrated and sustained focus on any individual policy initiative. This problem was also

16 Trubek and Mosher (2002: 45) note the limited number of changes in employment policies, with those member states indicating some policy change, showing a more enthusiastic response to specific and uncontroversial measures (such as in preventative and active unemployment policy) than in broad and politically contested policy domains (such as tax).
diagnosed by the European Commission that called in its five year review of the Employment Strategy for a simplification and clarification of the objectives of the employment guidelines (European Commission 2002c)

The need to set clearer and more precise guidelines becomes evident when considering goals such as ‘lifelong learning’, ‘increased employment in services’, ‘modernising social protection’, or ‘promoting social inclusion’. Whether such vagueness can be described as ‘open’ is debatable, but it is more than doubtful that such reference indicators coupled to national policy initiatives will induce policy and belief convergence or cause problems in terms of compliance ‘reporting’. It is also questionable how ‘open’ the process of selection the European standards and national targets is: does such a process include the consideration of all available policy options in the light of a full and ‘rational’ assessment and ranking of policy problems and solutions or are such processes associated with summit grandstanding and peppered with references to latest policy fads and fashions? Furthermore, the adoption of European standards and national targets also reflects more typical package deals with some issues reflecting particular ‘Anglo-Saxon’ interests, while also pleasing more ‘technology-innovation’ and ‘employment’ friendly French policy preferences.

Similarly, the belief that cross-national benchmarking opens up national self-referential policy-making processes seems rather naïve given the substantial variations in national starting positions and institutional arrangements as illustrated in the ‘varieties of capitalism’ literature (Hall and Soskice 2001, Scharpf and Schmidt 2000). Instead the so-called National Action Plans have been mostly characterised by the restating of more or less well-known government policies, biased attention (and filtering) to particular policy areas and a neglect of ex post (and cross-national) evaluation (Goetschey 2000). Furthermore, the peer group review process hardly provides for extensive ‘review’ given the short timespan allocated for each country’s assessment.\(^\text{17}\) Arguably, given the diversity of welfare state arrangements across member states, any ‘open method ‘initiative’ is most likely to remain at this ‘thin’ or ‘superficial’ level.\(^\text{18}\) In the longer term, the initial futility of the ‘open method’ as illustrated in this section is likely to invite a ‘futility double whammy’: the limited impact of

\(^{17}\) While the OECD utilises a similar procedures with peer group review led by two member state reviewers, the OECD processes rely on longer ‘testing’ periods and conversations prior to the ‘peer’ evaluation. Arguably the main effect is in enhancing the defence preparations of the member state under review rather than the level of interaction or potential learning effects.

\(^{18}\) It is noticeable that two out of three key ‘active labour market policies’ recorded for Germany by the European Commission to have been directly related to the EES have been initiated by domestic political triggers (number fiddling by the Federal Employment Agency and the Social Democrat/Green government’s interest in developing a ‘social dialogue’ with the trade unions, a measure that had failed previously under the Christian-Democrat government. The content of these measures also did not seem to be directly informed by the EES.
the initial policy initiatives is likely to encourage the increased prescription of policy tools and approaches, thereby undermining the fundamental basis of the 'open method', namely the potential for nationally diverse responses and applications that encourage cross-sectoral and cross-national policy learning, while also in the light of welfare state differences, becoming increasingly differential and potentially divisive in their impact at the national level.

The 'open method' also presents a futile attempt to introduce 'openness' in terms of participation given its emphasis on learning and mutual adjustment across policy elites. Despite commitments by the Social Protection Committee to include societal actors, it did not represent a clear institutionalisation of 'open access'. Instead, the 'open method' seems to be relying on already established societal actors, thereby asserting existing power structures and cleavages rather than encouraging wider 'openness' (see also Wincott, forthcoming). However, and also linked to the point about absent enforcement powers, it is most unlikely that peer group pressure (even by closed elite networks) will be sufficient to hold states' policies to account in a transnational arena. As is the case in any national administration, 'rudeness' and 'frankness' in policy evaluation are not widespread and the futility of 'naming and shaming (or celebrating)' is also, if not more so, most likely to apply to negotiations at the EU level, in particular in less salient policy domains (such as the Cardiff process) in contrast to debates about broad economic policy. Whether however high salience debates on broad economic policy allow for learning and peer review instead of grandstanding and adversarial confrontations is debatable.

Jeopardy responses claim that the pursuit of (desirable) policies is likely to sacrifice existing policy advances, for example by setting potential precedents. The 'open method' may therefore represent the appropriate response towards market enabling and welfare state policies which are strongly linked to claims of national sovereignty and welfare state diversity, their existence, however, threatens the continued development of supranational decision-making modes in other policy domains, or, and arguably more importantly, presents a threat to the acquis itself (and the underlying principles of the acquis). Peer group pressure and Commission reporting may, more than European Court of Justice infringement rulings, cause populist outrage at the national level and thereby undermine wider public support for the European Union. One example was the public shaming of Ireland's Fianna Fail-led government for its expansionary and tax-cutting 2001 budget, which was deemed inconsistent with the Broad Economic Policy Guidelines. A similar case is the reluctance of France (which contrasts with the behaviour of Portugal and, to a lesser extent, Germany) to comply with the guidelines. Furthermore, even if the European standards would encourage substantial activity at the national level in specific policy areas (apart from the
national co-ordination of preparatory work), any national initiative is likely to set off a whole chain of further (and nationally distinct) policy effects, leading to "policy as their own cause" effects which may induce more national diversity than convergence. Such a pattern would potentially undermine the overarching OMC objective of creating 'consistent' economic policies. Finally, should 'openness' be utilised to encourage the introduction of advanced heterogeneity into the policy process (an admittedly unlikely scenario), one consequence is likely to be the reduction of learning effects obtainable from processes that encourage the continuous interaction of state officials.

One of the favourite occupations of academic observers is that of the 'Greek chorus' underlining the inherent folly, futility and unpredictability of all human affairs, in particular the widespread occurrence of perversity, namely the achievement of the opposite of intended policy outcomes (Hood 1998: 208-19). Such 'fatal remedies' (Sieber 1981) are likely to occur in a number of issues. One example of such fatal remedies is functional disruption (the unintentional destruction of system requirements). In the case of the 'open method' the existence of explicit reporting and 'soft' and 'tough' sanctioning regimes could very well develop into such a pattern as it encourages member states to change their behaviour from voluntary compliance to purposefully 'cheaters', thereby undermining the basis of previous problem-solving efforts. Similarly, the 'open method' is likely to lead to exploitation by activities by opponents to policy initiatives to achieve the opposite of the intended purpose. In this case, rather than encouraging learning via peer review and repetitive and structured interaction, member states respond in self-interested ways at the EU- and national levels that undermine the underlying assumptions of the 'open method'. A further (well-known) problem with benchmarking and reporting requirements is goal displacement. Thus, instead of reporting in open and honest ways, member states comply with these requirements in biased and creative ways that defeat the steering capacity of the open method's policy instruments.

As already noted, there are also some substantial issues with the member state's responses to potential challenge and sanction. Such 'offended' responses are likely to be characterised by hostility and may encourage more long-lasting adversarial relationships. As the various examples of the Stability Pact have shown, member states dislike finger-pointing and peer group criticism, leading to widespread criticism of the initial bargains.\textsuperscript{19} A different, but related response to pressures and sanction-threats has been defined as classification. Intended badges of stigma could easily turn into badges of honour or vice versa. For example,

\textsuperscript{19} Such hostile reactions may even enhance the deepening of cleavages within the European Commission, for example Commission President Prodi's comments about the 'stupidity' of the Stability Pact.
hostile relationships with other member states or, more likely, towards the European Commission would be turned into electoral assets.

A third way in which national states are likely to react in ‘perverse’ ways to the open method is by causing policy frustration or, more significantly, wider policy failure. For example, in the case of over-commitment, the grandstanding and headline hunting of European Council meetings is likely to lead to periods of heightened anxiety and activity on particular policy initiatives that overstretch the various member states’ capacity by setting unrealisable objectives. Disillusionment effects with the failing effectiveness of Union-level policy-setting could then be turned into a general aversion to taking any form of EU action in particular policy domains. At the same time, the open method’s emphasis on vague or poorly assessed policy goals or unachievable targets may deflect attention from substantive policy problems. Thus, the fulfilment of particular criteria concerning supply-side employment initiatives and Internet connection benchmarks may very well placate policy attention and therefore deflect from substantive policy debates.

While ‘arguments of reaction’ highlight mainly the resistant responses to policy initiatives, a persuasive story can also be provided when focusing on so-called progressive arguments. Such kind of arguments are utilised to advocate particular policy ideas and programmes. The following paragraphs highlight a variety of arguments that suggest that the ‘open method’ is a ‘progressive’ policy instrument. For example, the ‘open method’ may be billed as an example of historical inevitable policy initiative. Regardless of opposition and alternative policy solutions, the proposed and embarked on policy path is inevitable given its functional necessity and superiority regardless of cynical comments about presentational hype and gloss. Regarding the ‘open method’, the EU is arguably developing the appropriate instruments for the challenges at hand, namely those of the declining legitimacy of its supranational institutions, the gridlock produced by traditional legislative and regulatory Community measures, and those of tackling nationally distinct policy domains. Both make the search for national, albeit co-ordinated policies more attractive, in particular in domains with likely negative ‘externalities’ of uncoordinated policy activity. Given national distinctiveness of welfare states, effective policy responses are only possible when allowing for diverse responses to agreed policy goals.

At the same time, the ‘open method’ arguably mutually reinforces other contemporary policy developments across the EU member states, ranging from the increasing emphasis on social pacts at the national level that sought to establish supply-side oriented social and employment policies at the national level (Teague 1999), rearrangements in national employment policies,
themes pronounced in the 2000 White Paper on European Governments and it also drew on
the increasing emphasis in legislative initiatives to rely on so-called co-regulation, self-
regulation and voluntarism. Furthermore, the theme of national policy response also fitted
well with the notion of subsidiarity (Héritier 2002). The ‘open method’ also seemed to be
compatible with ‘soft law’ in the European integration process (Sisson and Marginson 2001)
and the move in regulatory instruments away from ‘command and control’ to more hybrid
instruments, especially in environmental policy (for example in the fields of noise pollution,
safety at sea, maritime pollution and the broad 6th Environmental Action Programme).

Finally, impending peril arguments highlight the dangers should the ‘open method’ be
undermined. Arguably, the European Union faced a substantial legitimacy crisis, expressed
not only by the resignation of the Santer Commission, but also the referenda results in
Denmark, Ireland, Norway and France throughout the past decade and the record abstention
to the 1998 European Parliament elections. In the light of such public disillusionment,
member state hostility to further delegation of competencies in national sensitive policy areas,
any other emphasis than relying on EU-wide standards responded to by diverse member state
policy initiatives would further undermine the popular support in the European Union.

Where are the emperor’s clothes or does Lazarus fly?
The open method leaves open a number of important questions. One certainty was that its
scope had increased in a number of policy areas and that it emphasised the importance of EU-
member state policy adjustment according to Council guidelines and Council peer-group
pressure. Furthermore, its scope seemed concentrated on two policy domains, social policy
and fiscal co-ordination. Both domains were characterised by high national sensitivity
towards any supranational integration. OMC did not represent a fundamentally ‘new’
mechanism, but built incrementally on existing initiatives, in particular in the employment
policy area. At the same time, it set only very vague standards in the social policy area, while
the ‘hard’ economic policy domain (‘hard’ being defined according to the existence of
sanctions) was characterised by recurring attempts by member states to challenge the
definition and scope of the Stability and Growth Pact.

Four questions related to the impact on the EU policy-making process remain. First,
while the ‘open method’ emphasised the procedural aspect of policy learning and converging
policy preferences rather than setting clear prescribed policy outcomes, did it represent an
emphasis on more flexible policy instruments in a European Union where member states were
more mature and did not longer require supranational authority to enforce their commitments?
If our account is correct, then there is little reason to believe so. Instead the OMC seems to
have developed in the context of one particular economic policy coalition that required a 'modern' sounding set of instruments to overcome potential hostility to a US-type economic policy reform agenda, that wanted to displace the Commission as the central standard-setting organisation and that was not overly interested in the institutional complexity of EU policy and law.

Second, did the emphasis on national responses towards common problems due to the differential nature of national economies and their exposure to the Single Market and the single currency represent an appropriate response as any supranational response would face inevitable 'mismatch' with national necessities; or did it represent a pleasing of national and distinct policy agendas intended to avoid any supranational or transnational enforcement? Put differently, was the member state emphasis on shared policy priorities and standards pure empty rhetoric?

Third, was the 'open method' to be regarded as a realisation that the true basis of legitimacy remained at the national level or did it represent an exclusion of societal and non-member state countries from the increased elite networking inherent in mutual learning and peer-pressure activities as prescribed by the 'open method'. Both of these dynamics were at work in the OMC, given the launch and the central oversight (in terms of the broad headline targets) being at the highest level of member state representation, in the Council, while the technical work (and the box-ticking of the various initiatives that were to obtain the broad goals) was undertaken within the networks of national officials.

Finally, what dynamics would emerge from the initial spread of the 'open method'. Did it represent the revenge of the national state in that it placed the Council at the heart of the economic policy strategy or did it allow for the introduction of the creeping agenda of the European Commission?

While these questions require further investigation, the 'open method' also represents challenges to the literature on EU policy-processes. As has already been noted, for some it represented the functional response of member states eager to maintain authority over particular sensitive and nationally diverse policy areas in the face of externalities provoked by other EU-policies, in particular anticipated effects from the single currency. The sensitivity of the policy domains was arguably also one reason why delegation did not take place in form of delegation to supranational institutions, but in terms of transnationalising target-setting with limited enforcement powers, thereby reducing the possibility of unexpected consequences (as identified by Pierson 1996). For others, the 'open method' is best described in terms of
'multi-level governance' and the increasing 'networkisation' and 'fusion' (Wessels 1997) of national and EU policy-making. However, while such accounts seek to describe the supposed *sui generis* nature of the EU, they do not provide an explanation as to why the 'open method' occurred in the first place and what its effects may be (without having to rely on other, mainly functional explanations). We have suggested that the European standard-setting was mainly oriented towards motivating domestic policy reforms (if at all) and were hardly oriented towards creating a 'learning community' of member state politicians and officials.

One further key challenge for the academic literature on 'open method' is to point to the likely consequences of this process. Here the literature makes many references to the literatures on 'soft' and 'hard' law, on 'policy transfer', 'benchmarking' and 'policy learning' as well as on 'post-regulation'. While references to growth industries in alternative sub-disciplines, such has 'governance' (Rhodes 1997, Pierre 2000) or 'policy transfer' (Dolowitz and Marsh 1996, 2000 and Rose 1993) offer potential paths for cross-disciplinary interaction, this requires a more critical exploration of these much referenced literatures and a more critical application to the origins and the practice of the various shades of OMC across policy domains. At present the key works lack definitional clarity and suffer from weak analytical foundations (for the 'policy transfer' literature example, see James and Lodge 2003) and it is unlikely that the mere referencing to these literatures will enhance our understanding of the 'open method'. A clearer commitment to established, interdisciplinary approaches, such as institutionalism (in its many stripes) would, for example, point to the inherent difficulties associated with 'policy transfer' (Lodge 2003). These various institutionalist schools could point to path dependencies (North 1990, Pierson 2000) or limited searches according to standards of appropriateness, depending on resource dependencies, mimicry in the face of uncertainty or particularly biases due to different trajectories of professionalisation. Regardless of such objections, the high demands of the OMC on policy-makers require further exploration, in particular by those who regard the OMC as a substantially innovative and potentially powerful instrument; in particular, given substantial evidence of turf-fights and non-learning in national government (as within any organisation and most of all university departments), why should there be grounds for so much optimism about 'learning' and 'preference adjustment' when it comes to the level of the European Union?

In sum, much has been and is being written about the 'open method' and as in any area of rapidly expanding interest, the rightful interest in the terminology and associated policy initiatives has centred more on description and commentary than on critical evaluation. This paper claims that the 'open method' does not represent a mode which necessarily provides for more effective and 'democratic' governance than other, more traditional
institutional modes which may or may not be applicable in the particular policy domains where the ‘open method’ enjoys prominence. Similarly, the open method may or may not be appropriate for expanding into further areas of EU policy-making. Thus, while there are many ‘naked emperor’ attributes linked to the ‘open method’, it nevertheless raises important questions. This paper was not intended to damn the open method of co-ordination. It has sought to encourage further probing into the open method itself and to encourage more thorough questioning than a preference on indulging in self-referential referencing of a literature which may be good at describing government rhetoric, but may be poor at explanation.
Bibliography


