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REDESIGNING EUROPE

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Introduction

After a period of rapid progress the European Community has lost momentum and direction. Whereas a short while ago the tide of European integration was running strongly, now the undertow of national interest is once more in evidence. The optimism associated with the Single European Act, the completion of the Single Market and then, the signing of the Maastricht Treaty fuelled expectations of further inexorable advance towards the distant goal of European Union. The revival of anxieties about national sovereignty, precipitated by the Danish referendum in the summer of 1992, dashed these hopes. But perhaps, this was only the catalyst for more deep-seated changes which would have surfaced anyway. The "1992" date for completing the Internal Market, which had come to symbolize the spirit of the drive for European integration, was an anticlimax. Its arrival was overshadowed by other more urgent concerns. On the economic front, recession and rising unemployment coupled with turbulence in foreign exchange markets cast a cloud over the process of monetary integration. On the political front, domestic instabilities in several member states and the continuing uncertainties surrounding ratification of the Maastricht Treaty have almost brought the integration process to a standstill.

Against this background, the debate about "The Shape of the New Europe" (Treverton 1992) needs to be reconsidered to see what light it throws on the evolution of a political system that is subject to these abrupt and unanticipated changes. Recent analyses, based on assertions about the new dynamic of the EC, its renewed momentum and the robustness of the Community method of policy-making now look decidedly overoptimistic. The situation is certainly new, but it is far from obvious that the EC is equipped to deal with it effectively. The protracted and confused debate about the meaning and application of the principle of subsidiarity has revealed differences of outlook and contradictions of aim that make progress towards a new political architecture for the EC seem much more

problematic than it appeared to be only a short time ago.

Cyclical Or Secular Change?

One interpretation of these events is that they are simply the normal ups and downs of the integration process. In this perspective, moodswings from Europessimism to Europhoria and back again should be seen as merely phases in a normal cycle of alternating rapid progress towards European integration and periods in the doldrums when political direction and purpose are lost. There is a grain of truth in this manic depressive image. However, it is becoming increasingly clear that there are also important secular trends which are dramatically changing the context and, therefore, the requirements of European integration.

There is a growing tension between two very different views of the performance and effectiveness of the EC. In one perspective, the EC is one of the most important political developments of the twentieth century. The EC's institutional system has succeeded where other attempts at regional integration have failed. It has achieved far more than any other comparable experiment in international collaboration. Like many important innovations it defies orthodox categorization and conventional classification. The new dynamic of the EC since the mid 1980s has reinforced this view of a proactive system, willing to take on new challenges and seek new responsibilities. The second perspective is less flattering. The EC as an administrative system is generally seen as excessively slow, bureaucratic and centralized in the way it functions. Participants and observers alike find the administrative structures and procedures are often old fashioned and inefficient. Detailed rules and regulations hinder rather than help the execution of policy. The system is fragmented and coordination is difficult to achieve. In contrast with the image of political innovation, the general impression is of an administrative system that has not modernized and moved with the times.

Although apparently contradictory, both of views are correct. The disparity between them poses problems which are bound to become more acute if there is inadequate capacity to meet raised expectations. While there are some positive signs on the management side, the

main responses are predictable. In the face of new and unprecedented problems, old familiar solutions are being prescribed. When the general move towards ratification of the Maastricht Treaty stalled, time-honoured proposals for circumventing the obstacles and "getting the integration process back on course" were soon produced. The usual suspects have been rounded up and paraded for inspection; two speed, variable geometry, à la carte Europe and so on. However, the problems go much deeper and require a much more far-reaching re-examination of theoretical assumptions with particular attention to the design and development of institutional capacities.

The Need for New Theory

The main thesis of this paper is that the EC has not just temporarily run of steam, in a more important sense it has run out of ideas. The ideas that have served to guide the process of integration thus far, are reaching their limits and the institutions, notably the Commission, that have relied upon them are unable to respond adequately to the emerging challenges. A new approach is needed to the task of redesigning Europe and, if it is to be effective, it must pay much more attention to the needs of European public management than has been the case in the past. While the Commission, along with its other responsibilities for policy initiative and as guardian of the Treaties is also responsible for the management of EC policies, the great bulk of executive work is the responsibility of organizations in the Member States. Moreover the role of national administrations in the EC policy process has been consolidated by the conclusion of the debate about subsidiarity at the December 1992 Edinburgh Summit. Despite much ill-informed and inaccurate political rhetoric about the huge "Brussels bureaucracy", the Commission never has and never will take over responsibility for the whole task of administering EC policies. A more realistic vision of its task in European public management is the more subtle one of assuring the effective management of interdependence among the network of organizations involved in administering EC policies.

As this suggests, the context of EC policy management shares the general assumptions of a bureaucratic politics model. Whatever else it is, the European public management is an interorganizational process. "The component units of a government administrative

apparatus are assumed to be quasi-autonomous actors with their own goals, which they pursue through the policy making process. Many or most of those goals may be held in common with other organizations in government, though some are confined to a particular organization" (Peters, 1992, p. 115). While the bureaucratic politics model fits the general circumstances of the EC policy process, it is not a tightly specified model. For example, it is unclear how much it assumes a hierarchical framework and how much it assumes scope for interorganizational negotiation and bargaining (Bendor and Hammond, 1992). This is not necessarily a disadvantage. One of the frequently repeated observations about the EC is that it does not fit into conventional classifications. It is much easier to say what it is not than to say what it is. It is not a federation nor an intergovernmental organization nor a parliamentary regime. Because it has characteristics of both domestic and international politics, models derived from one or the other fail to do justice to its unique characteristics. A bureaucratic politics model has the merit of allowing for alternative institutional designs to match different circumstances and giving policy makers the opportunity to decide among them. European integration may generate new designs rather than reenact an existing programme.

It is not just current unexpected failure that calls for a review of the theory of integration, the achievements stemming from the Single European Act also require a new explanation. As Keohane and Hoffmann (1991) observed: "The unexpected success of European institutional change in the mid-1980s makes a more general theoretical point, which could be reinforced by the collapse of the Soviet empire in Eastern Europe in 1989. Because informed observers failed to anticipate such a centralization of Community policy making any more than they later forecast the reunification of Germany and democratization in Eastern Europe, our efforts to explain Europe's institutional dynamism should be viewed with skepticism. What was unpredicted by analysts working with established theories cannot, in general, be adequately explained post hoc through the use of such theories."

They went on to conclude that the response should be to seek a new theory to analyze and guide the development of the EC. "As this expansion and strengthening of the Community continues, it will become increasingly important for scholars to understand its origins and dynamics. In view of our failure to predict developments using older theories, perhaps a

new interpretation of joint European decision making should be invented, discarding loaded terms such as "supranationality" and "spillover," and drawing instead on contemporary theories of strategic choice in collective situations, or recent attempts to understand institutional innovation."

Even if neofunctionalist theories have often been misunderstood and misrepresented, it is evident that they cannot explain the discontinuities of the integration process. Theories cannot be turned on and off like a tap when they do not fit the facts. And, the process of integration is clearly not an automatic one. It does not have an inherent dynamic that assures steady progress towards a preordained goal. It is a process that, increasingly, has to be designed and managed to deal with structural as well as incremental change. But, aside from its inadequacies as an explanatory tool, neofunctionalist theory provides a weak basis for prescribing how the EC should develop.

The Management Deficit

One of the most serious shortcomings at present is the lack of any serious analysis of how to equip the EC to handle the new tasks and responsibilities that have been laid upon it. There is no discussion about the requirements of effective European public management comparable to the intense political debates about the future relations among the European institutions and between them and the Member States. Attention has concentrated on the implications of alternative constitutional designs for remedying the EC's widely-recognized "democratic deficit". But the administrative workloads created by the integration process have generally received scant attention. This has recently begun to change as the reorganization of customs services has got underway and the challenges of managing the Single Market, identified by the Sutherland Committee (1992), have begun to be addressed. Nevertheless, it remains the case that the EC has a serious "management deficit" (Metcalfe 1992). The implication of the management deficit would be less worrying if there were ready-made solutions to the emerging challenges of managing integration, or a tradition within the EC of developing new administrative capacities to back up increasingly ambitious political objectives. Unfortunately, neither of these conditions is met. The tasks the EC is undertaking are unprecedented. They require an

innovative approach, rather than imitation or adaptation of management models developed elsewhere. Redesigning Europe depends on redesigning the institutions and processes for managing integration.

This is an assertion that raises some extremely delicate theoretical and practical problems. The European Commission, a key actor in determining the effectiveness of the whole system, does not have a history and tradition of management modernization. Nor is there a well-developed body of literature which analyses its functioning from the standpoint of contemporary management theory. Indeed, in all its essential characteristics as an organization it has changed remarkably little since it was created. The Spierenberg report (1979) proposed reforms of the Commission's organization but was not followed up. The Commission escaped the impact of public management reforms that national administrations in the Member States experienced in the 1980s. Its responsibilities for initiating EC policy; managing the consultative and investigative processes that lead up to policy proposals, overall responsibility for policy execution; managing the consultative and investigative processes that lead up to policy proposals; overall responsibility for policy execution; managing the EC's finances and budget; and its supervisory role as guardian of the treaties; have remained basically the same. After describing the current functions and structure of the Commission, Ludlow observed that: "Much of the analysis of the Commission's functions and organization in the previous section could have been made at almost any point over the past twenty to thirty years. The basic characteristics of the institution have not been transformed; they have evolved. A functionary who had been absent from Brussels for twenty years would return to find much, both good and bad, that was familiar about the institution. By the same token,students can still derive a great deal of insight into the present-day Commission by reading books and articles written fifteen to twenty years ago." (Ludlow 1991 108-9)

If the environment of the Commission and the tasks it is called on to perform displayed a high degree of continuity and stability there would be little cause for concern. But these are not the conditions in which it operates. The Commission was originally created to serve a relatively homogeneous Community of Six with low unemployment and rapid economic growth in a tense but stable Cold War environment. It now has to meet the

needs of a more diversified Community of Twelve in a more turbulent environment, struggling with intractable economic problems and the transitional problems of the unfreezing of the Cold War. Moreover, in this fluid and uncertain situation the Commission can expect no respite. Its tasks will become more difficult rather than easier. Assuming some resolution of the ratification problems of Maastricht, the Commission will have to address the twin problems of deepening and widening the Community during the rest of the 1990s. Unless reforms are initiated, the management deficit will widen substantially, with serious consequences for the cohesion and credibility of the EC.

Paradoxically, it is probably a good thing that the Commission has escaped the attentions of 1980s public management reformers. Much of the thinking on which national regional and local public management reforms have been based is not very relevant to the unique needs and circumstances of the Commission and, through it, European public management as a whole. There is no obvious and relevant private sector parallel. This said, the challenges of positive integration are too great and too urgent to retreat into the view that the Commission is sui generis and therefore not a suitable case for organizational analysis or management reform. To put the problems in perspective it is useful to draw on Ernst Haas' stimulating and provocative comparative analysis of change in international organizations. The models of change he proposed highlight salient issues and explore them in depth. Haas proposed three models of organizational change. Following well-established precedent he developed these models as ideal types with the usual caveats that they are neither ideal nor typical.

The first model "incremental growth", is the progressive accumulation and growth of programmes without change in the basic dynamics or form of organization. The second model of "turbulent non-growth" is a disintegrative process of loss of organizational coherence and breakdown. His third model of "managed interdependence" involves the re examination and revision of organizational objectives in the light of changing views about the problems to be solved and the realignment of organizational activities to serve redefined purposes. These three models of change are linked to Haas's primary concern with adaptation in international organizations. Incremental growth is an adaptive process, turbulent non-growth is maladaptive and managed interdependence a learning process.

Although Haas had little to say about the EC as such in his analysis, in commenting more generally on regional organizations, as distinct from "organizations with a universal membership and global mission" , he observed; "It is safe to say, however, that none of the common markets or free trade areas has managed to follow anything resembling the managed-interdependence model, with the occasional exception of the European Community" (Haas, p. 157). Even if this is true of the past, it will be increasingly difficult to ensure the effectiveness of the EC in the future if the nettle of managed interdependence is not grasped. Managing interdependence is a defining feature of the EC policy process in the broader, bureaucratic politics, sense that policy outcomes are the results of interaction among numerous separate but functionally interdependent organizations. The fact that these organizations are located at different levels of government and in different national systems with their own cultures, structures and traditions as well as in the core European institutions themselves adds to the complexity of the tasks the Commission is expected to perform. The debate about the principle of subsidiarity in the EC, with its emphasis on defining separate spheres of responsibility and activity should not distract attention from the vital role that collaboration with organizations in the Member States plays in the formation and implementation of EC policies.

From Negative Integration to Positive Integration

The management deficit is not solely attributable to shortcomings of the Commission. Its main source is inadequate capacities for operational management and interorganizational coordination. Nor would reforming the Commission resolve the problems, though it is probably a necessary condition for doing so. Redesigning Europe has more to do with the external dimension of the Commission's role in relation to the other organizations in the management of EC policies than simply with its internal functioning. European public management is distinctive in requiring the deliberate development of multinational policy communities and the creation of governance structures to harness them to common purposes. These are new and difficult challenges and to see why they have not been clearly recognized until now it is necessary to point some contrasts between the recent past and the future.

The EC was able to make rapid progress in the last few years because the Single Market programme played to its institutional strengths and masked (temporarily) its weaknesses. First, the EC is much better suited to policy invention than innovation - more so after the Single European Act. New policy concepts are much more easily formulated and approved than followed up and implemented. Under Delors' leadership, the Commission's right of initiative enabled progress to be made in inventing new policies and setting ambitious new goals. But the capacities for institutional innovation required to give effect to bold strokes of leadership are often lacking and the mechanisms for developing them are weak. Monetary Union, to mention only one major project is not going to plan. Yet, to disregard the problems of innovation is to fall into the familiar trap of assuming that public management is merely a routine process of putting well-defined, preconceived, policies into effect through an established bureaucratic machine. Even if such a model of management were not outmoded in most governmental contexts, it is clear that its assumptions are at odds with the realities of European public management. Often policies require a great deal of development and elaboration at the implementation stage. This is familiar enough, but the orthodox model of Community administration tends to ignore it. In addition, there is no guarantee that the organizations responsible for administering policies in the Member States are up to the job. Since the Commission has no specific legal competence in the public administration field its ability to act to deal with such deficiencies is limited.

Second, it is impossible to avoid the conclusion that the EC is moving from a phase of negative integration to a phase of positive integration in which the difficult and politically uncomfortable issues of institutional innovation will become more pressing and important.The political appeal of "1992" rested on the attractions of deregulation, removing barriers and obstacles to trade among the economies of the Member States and in the phrase of the Cecchini report (1988) eradicating the "costs of non-Europe". The benefits of the Single Market depended on dismantling legal and institutional obstacles to the operation of market forces. But markets do not operate in an institutional vacuum. They require a firm framework of governance. The counterpoint to the removal of national obstacles to trade is the design and construction of institutional frameworks at the EC level to ensure product safety, environmental protection, competition and the many other values

that underpin the operation of modern economies. Eradicating the costs of non-Europe is not pure economic gain. The benefits must be weighed against the important, but less politically palatable, "costs of Europe" in the form of investments in institutional infrastructure that management of EC policies requires.

The distinction between negative integration and positive integration needs to be clearly understood. "Negative integration can be defined as the removal of barriers or other distortions in transactions among economic agents in the member states. This gives many economic and social problems a Community dimension, while at the same time depriving the member states of some of the policy instruments with which they hitherto tried to deal with them. Hence the need for positive integration, bringing common institutions and instruments to make laws and policies to meet objectives beyond that of an undistorted single market." (Pinder, pp. 107-8).

As this shows, there is a complementarity of a very specific kind between negative and positive integration. Micro level market activity requires a macro level framework. The removal of barriers and obstacles at the national level has to be complemented by the creation of new governance structures at the EC level if the Single Market is to function effectively. Until recently, the positive integration aspects were glossed over because the "1992" programme was an example of remarkably skilful political management. It proposed a detailed and specific set of tasks and a definite timetable for implementation. It gathered business support by documenting the "costs of non-Europe" attributable to non tariff barriers and the fragmentation of the national markets. Above all, it presented the case for change in politically palatable terms of negative integration; free markets, deregulation, and less government. It made change politically feasible without ensuring that it was administratively feasible. There is little in the political rhetoric of deregulation and the removal of costly burdens on business and barriers to trade, to suggest a need for better management. However administrative reality is significantly at odds with political rhetoric. The completion of the Internal Market requires a considerable (and far from complete) investment in institution-building to create and manage the EC framework within which European business will operate. Such institutional frameworks do not come into existence spontaneously. They involve designing and managing large-scale structural

changes in interorganizational relations from a Community perspective.

Design Parameters and Assumptions

At a descriptive level EC policy management fits within the framework of a bureaucratic politics model. From a design perspective it is important to keep in mind a number of parameters which constrain the range of feasible options. Design parameters can be grouped under four headings; the demands of deepening the Community; the commitment to widening the Community; the implications of subsidiarity; the size of the Commission. Deutsch's (1970) basic distinction between integration loads and integration capabilities can be employed to give an analytical focus. The first two parameters both relate to positive integration and the tasks they create contribute to the integration loads of the Community. The latter two parameters establish constraints on the distribution (though not the form or size) of integration capabilities. The balance, or match, between integration capabilities and loads is a crucial determinant of the capacity of the Community to steer its development.

Deepening the Community to fulfil legal obligations and achieve policy objectives will require the development of new administrative systems capable of operating to comparable standards across the whole of the Community. The faster the process of deepening proceeds the greater the requirement to create, upgrade and consolidate EC wide systems. The Sutherland Committee's report on the implementation of the Single Market has provided a foretaste of the complexities of constructing and operating Community-wide administrative systems - showing at the same time how much remains to be done before the framework for managing the Single Market is completed. As this implies, the expression "completing the Internal Market" has served its political purpose of motivating national governments to establish the legal foundations. But in a managerial sense the Internal Market is not an edifice to be finalized, it is a going concern, continually changing and generating new governance problems.

Widening the Community by incorporating new Member States also adds to integration loads. The increase is not merely a consequence of increasing numbers. It is also a

function of political and administrative diversity. The complexity of the tasks of integration increases as the administrative culture and traditions of the organizations that have to work in parallel and in cooperation diverge. More time, resources and effort are needed to ensure consistency and effective coordination in this multicultural context than in a system with a common culture and administrative tradition. In addition, the current group of candidate countries such as Austria, Finland and Sweden have well developed national administrations. If Central and East European countries seek membership in the future questions will have to be asked about their ability to cope with the administrative workloads generated by a Community which may have moved quite a long way from its present position.

The potential for increasing integration loads is considerable even on modest assumptions about the progress of deepening and widening in the coming years. If nothing is done, the management deficit will grow rather than diminish. But increasing the integration capabilities to match greater integration loads is problematic because of the second pair of design parameters mentioned earlier, the principle of subsidiarity and the size of the Commission. Even after the Edinburgh Summit of December 1992 it is hard to see what the principle of subsidiarity will mean in specific terms for the practice of European public administration. In general it confirms what has always been EC doctrine, the reliance on national and subnational governments to administer Community policies. In a negative sense this design parameter excludes the development of competitive administrative structures responsible directly to the Commission. The Commission will have to work through a system of indirect administration. Although this is in the spirit of much current management thinking about the virtues of decentralization it also raises more complex and difficult issues because unlike a conventional multidivisional business corporation (which is often the implicit model for many public management reforms) the administration of Community policies is an interorganizational process and not a process contained within a unitary hierarchical system.

Moreover, even if the Commission sought to centralize and increase its control it would be unable to do so. The Commission is much too small an organization to become involved in large-scale operational management tasks. The staffs of Directorates General

responsible for large policy areas are numbered in hundreds rather than thousands. The prospects of growth in size to a higher order of magnitude are nil. It is inconceivable that national governments which, for a decade or more, have been endeavouring to reduce the size of their own civil services and have committed themselves the doctrine of subsidiarity, will sanction a large increase in the staff of the Commission.

Organizational Learning and Interorganizational Networks

On quite different grounds, even if it were possible to increase the size of the Commission and (magically) resolve all the problems of assimilating large numbers of new staff into the organization, it would not be desirable to do so. It is more important to rethink the way the Commission exercises its management functions than to give it more resources without changing its modus operandi. A different approach to European public management is needed to tackle the management deficit. Within the parameters discussed above it is possible to see ways of generating options by basing designs on two sets of assumptions related to the theme of managing interdependence that have come to prominence recently in the management literature; organizational networks and organizational learning.

The concepts of organizational learning and organizational networking are very fashionable in management thinking at the moment. In business, the rapid pace of technological innovation and the pressures of global competition are forcing companies to become more adaptive and more collaborative. At a broader level, Porter (1990) showed that long term competitive advantage in industries is a function of sustained competition and collaborative learning in networks of diverse but interdependent organizations rather than the results of the unaided efforts of competing firms. Of course, organizational learning and networking are by no means new ideas in themselves. A classic statement was Schon's (1971) formulation of the tasks of government as a learning system. "If government is to learn to solve new public problems, it must also learn to create the systems for doing so and to discard the structure and mechanisms grown up around old problems. The need is not merely to cope with a particular set of new problems, or to discard the organizational vestiges of a particular form of governmental activity which happen at present to be

particularly cumbersome. It is to design and bring into being the institutional processes through which new problems can be confronted and old structures continually discarded." (Schon, 1971, p. 116).

Redesigning Europe involves just such a process of designing new frameworks of governance and developing capacities to dealing with new problems. These capacities cannot simply be located within the EC institutions; they must be distributed throughout the networks involved in the EC policy process. From a theoretical standpoint, this process of institutional design raises many of the issues of steering interorganizational networks that have been discussed in organization theory, particularly in relation to the problems of dealing with structural change and coping with turbulent environments (Emery and Trist, 1965; Metcalfe, 1974, 1978; Haas 1976). The key issue is whether the players in the game of bureaucratic politics can recognize the difference between incremental change, which can be dealt with by the interaction of micro strategies within the existing rules of the game, and structural problems, which require a much more collaborative approach at the macro level to redefine the rules of the game.

For such a process to operate effectively it is important to be able to reframe the problems of managing interdependence in ways which allow for different interpretations of subsidiarity and also give full weight to the problems of interorganizational coordination.

Managing Interdependence: Subsidiarity and Coordination

There is little new that can be said on the subject of subsidiarity as such. Though it is important not to overstate its significance, the basic meaning of subsidiarity is quite clear. The principle is that administrative responsibilities should be exercised at the lowest appropriate level, without unnecessary layers of bureaucracy. In this respect, subsidiarity has much in common with many of the reform initiatives over the last decade; to modernize public administration through decentralization, delegation, deregulation, contracting-out privatization and the creation of agencies. As with these other reform initiatives, real difficulties arise in interpreting and applying the general principle in practice. The definition begs the important questions about what is "appropriate" and what

is "unnecessary". The difficulties of application are compounded by the specific complexities of EC administration. Whereas management reforms at the national or subnational levels have taken place in a more or less established institutional context, the current developments in the EC are as much about the future design of the system as a whole as the improvement of operational performance in defined and limited areas.

Three Models of European Public Management

The definition of subsidiarity takes on different meanings depending on the model of European public management employed. Three models of European public management; separation of powers, centre periphery, pluralist; can be distinguished. In each case the role of the Commission and its relations with national administrations are different.

1. **Separation of Powers**. The first model assumes that it is possible to draw clear and unambiguous boundaries between mutually exclusive spheres of responsibility and competence. Once established, the separation of powers allows the independent pursuit of their objectives by the administrations concerned without the need to coordinate or link their operations and policies with others. Here, the Commission has direct responsibility within its own sphere.

2. **Centre-Periphery**. The second model involves a division of administrative responsibilities within an overall schema which is centrally defined. The centre is the source of policies and defines not only policies but who is responsible for their execution. The important relationships in the system are hierarchical and the functioning of the system depends heavily on effective central direction and steering. Coordination of the system depends on central supervision of the performance of units at the periphery. This is the conventional model in which the Commission operates primarily through legal and other rule making processes.

3. **Pluralist**. The third model starts from the assumption that there is a plurality of organizations with separate tasks and management responsibilities. But there is also a recognition of interdependence and common purpose. Individual organizations have specialized roles within the organizational division of labour. The functioning of the system depends on creating and managing partnerships among organizations. A great deal of coordination is the direct management of interdependence among organizations, rather than coordination by means of hierarchical supervision. Coordination depends on joint recognition of responsibility for the functioning of the system rather than requiring central control. The role of the Commission is much more directed towards developing administrative capacities, building networks and providing a capacity for interorganizational learning.

Subsidiarity means different things in each case. With separation of powers, it means **the right to independent action**. In a centre-periphery model it means that lower levels are **subsidiaries, exercising delegated authority** but subject to central direction. In the pluralist model subsidiarity means that rights to act independently are recognized but **responsibilities for managing interdependence** are also accepted. Different organizations are formally autonomous but functionally interdependent.

A large part of the political controversy about subsidiarity revolves around which of these models should apply. But there is no reason why European public administration should exclude any of them. Why foreclose future options? Separation of powers, centre-periphery and pluralist models are not mutually exclusive general solutions; they are options that can be considered as more or less useful in dealing with specific problems. Whenever a new problem arises the possible application of each or even some combination of them can be considered in designing an appropriate administrative system. Subsidiarity poses the question "Who does what?" with a built-in bias towards dispersing responsibilities and avoiding creating unnecessary levels of organization. Answering the "Who does what?" question involves both a diagnosis of tasks and an assessment of management capacities. To establish where responsibilities should be exercised it is necessary to be clear what needs to be done and also whether the requisite capacities are in place. With twelve national administrations (at the moment) to be included, care is

needed to ensure that capacities exist to ensure equivalent standards throughout the Community. This is not just a technical matter. If the system is to work effectively, each national administration must have confidence in the capacities of the others to perform to standard and also to cooperate fully. In this context, the principle of subsidiarity is implicitly or explicitly counterposed to a "principle" of integration or coordination. The priority it has been given is a legitimate response to long-standing criticisms of over-centralization, bureaucratization and the tendency to overload EC regulations with excessive detail that actually hampers administration. But in the real world of European public administration coordination needs to be considered along with it. When decisions have been made about "who does what?", the effective management of interdependence requires consideration is given to the complementary question "who coordinates with whom?"

Building Coordination Capacities: Hierarchies and Partnerships

Even supposing that clear and unambiguous judgements are made about "who does what?" this is only the start of designing a system of European public management. As well as the division of labour among ministries, agencies and other organizations, private as well as public, there is a need to provide for coordination to ensure coherence and consistency. Despite the vogue for agencies, it is generally the case that several, and perhaps many, organizations have to work together and collaborate with each other to ensure efficient and effective policy implementation. Patterns of interdependence need to be identified and appropriate coordination arrangements instituted. Even the most rigorous application of the principle of subsidiarity cannot erase the need for coordination.

Inadequate coordination capacities are a major source, if not the major source, of the management deficit. Part of the reason is a general lack of awareness and skills in managing interdependence. Part of the reason is mistrust and lack of confidence among different national administrations and between them and the Commission. To avoid increasing the doubts and suspicions it is important to add immediately that highlighting the need for coordination is not a means of reintroducing centralized control through the back door. Though, it would be naive to think that there is a realistic organizational choice

between completely decentralized and completely centralized systems of administration. All workable patterns of European public management will require a balance between centralization and decentralization. The recent report of the high-level group established by Commissioners Bangemann and van Miert and chaired by Mr Peter Sutherland on the framework for administering the Internal Market (The Internal Market After 1992: Meeting the Challenge) includes proposals for both centralized and decentralized patterns of administration adapted to different tasks and circumstances. Even so, it remains the case that one of the most common views of coordination is that it is a separate function performed by a third party with supervisory authority. It is assumed that coordination requires a central coordinator. This view of coordination is often extended to include the promulgation of rules and the introduction of means of enforcing them. As an element of a centre periphery model it fits closely with the legalistic culture of the Commission.

A pluralistic, interorganizational network, requires more complex and diversified coordination capacities than a simple hierarchy. In the context of European public management coordination needs to be seen in broader and more flexible terms than this because so much responsibility is devolved on lower levels of government. Sometimes a central authority is needed to assure the integrity of an administrative system. However, it is inefficient to insist always on coordination through central control when other methods are available. When many organizations are involved, coordination depends to a very great extent on the constituent organizations themselves. Coordination takes place without a coordinator. Organizations manage their interdependence by establishing partnerships and working relationships as well as being hierarchically related.

The Policy Coordination Scale

Although its importance to governmental performance is widely recognized, coordination is usually discussed in a very imprecise way. Using the results of research conducted at EIPA it is now possible to put the measurement of coordination capacities and the identification of coordination needs on a more systematic basis. The means of doing so is a scale developed in a study of policy coordination in all twelve Member States which has wider potential applications. The Policy Coordination Scale is a Guttman scale. The novel

contribution of the scale is to differentiate the main components of coordination and put them in a clearly defined order which relates directly to managerial concerns. It can be visualized as a series of steps, which add new coordination functions in a specific logical sequence. It must be emphasized at once that these levels do not refer to different levels in an organizational hierarchy of authority. In fact the main purpose of the scale is to provide a means of measuring and diagnosing coordination capacities and needs between rather than within organizations. Each step in the scale represents a set of linkages between organizations in a policy network. Some hierarchical relationships are involved, but as will become clear, effective coordination makes extensive use of lateral relationships, voluntary cooperation and partnerships among organizations.

The scale consists of nine steps, each introducing an additional coordination function. The dimension on which the steps are located runs from a clear separation of powers among organizations to a totally integrated system. At the lower end, individual organizations formulate their own policies within their sphere of competence and act independently. At the upper end, an overall strategy presupposes the resolution of all problems of interorganizational coordination within a unitary hierarchy. In all systems of government the official "myth" is that all coordination functions are performed. But in practice there are significant differences which mean that the actual capacity for coordination is significantly below the maximum.

The steps on the scale are summarized below:

POLICY COORDINATION SCALE

9. Overall Strategy
8. Establishing Priorities
7. Setting Parameters for Action
6. Arbitration of Policy Differences
5. Search for Agreement on Policies
4. Avoiding Divergences among Organizations
3. Consultation with other Organizations (Feedback)
2. Communication to other Organizations (Information Exchange)
1. Independent Organizational Decision-Making

Some general properties of the scale need to be explained. (More details are given in the Appendix). The scale is uni-dimensional, qualitative and cumulative. This means that higher level coordination functions do not "float in mid air". They depend on the existence of the lower steps. For example, without communication (level 2) none of the higher levels can occur. The potential level of effective coordination depends therefore on **all** the subordinate steps being in place. Attempts to establish common priorities (level 8) where consultation processes are poor or arbitration decisions are constantly challenged will be unsuccessful.

In practice it is not always necessary to use the full potential of available coordination capacity. If coordination problems can be resolved by, for example, consultation (level 3) there is no need to activate higher level coordination processes. How coordination is achieved in a particular case is a matter of management judgement. The important point is that the potential should be there to be activated if necessary. This scale can be used in different ways and for different purposes. It may be used by an independent analyst as a tool of measurement to define the (qualitative) level of coordination in a particular system.

The accompanying diagram shows the levels of coordination capacity in the twelve Member States which were identified using this method. It may also be used to identify the coordination component of the management deficit. If for example, an arbitration capacity (level 6) were taken as a desirable minimum for effective national government coordination half the existing Member States would fail this test.

The rationale that underlies the scale is that stable and effective coordination depends on **developing capacities from the bottom up**. Any inadequacies or ambiguities which affect lower levels of coordination capacity will adversely affect, if not entirely undermine the performance of higher levels of coordination. Higher levels are ineffective if lower level functions are unsatisfactorily performed. But coordination capacities must be **diagnosed and designed from a macro perspective**. The design of information flows, consultation processes, etc. will vary depending on whether the aim is to establish common priorities (level 8) or whether arbitration (level 6) is regarded as sufficient. It is not the case that more coordination is better. Coordination between organizations, and especially between organizations in different countries is expensive and often demanding of the time and attention of high-level staff. It is important that the minimum amount of coordination necessary to ensure effective performance and mutual confidence is provided.

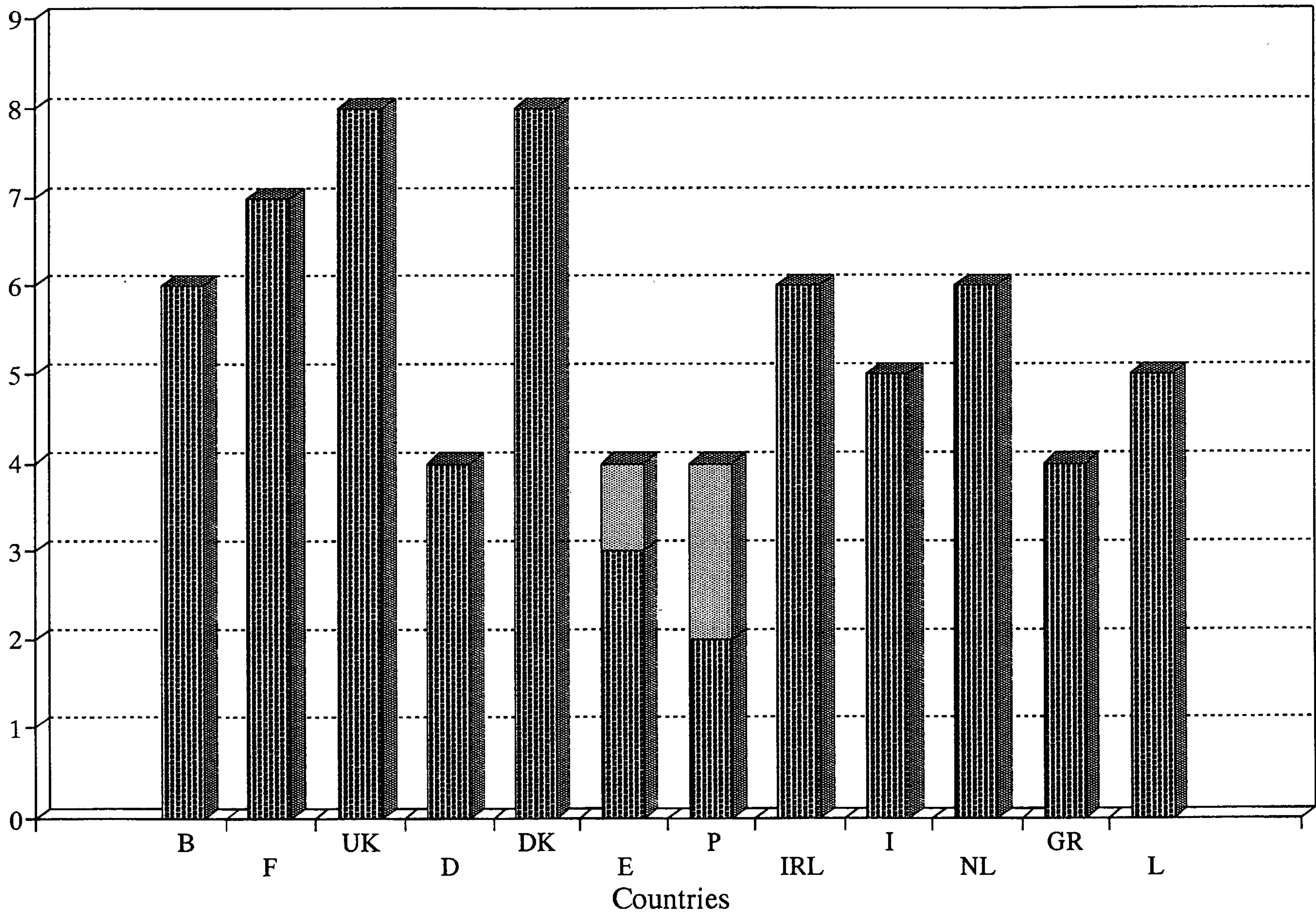
How does this way of analyzing coordination capacities relate to subsidiarity? Subsidiarity is part of it. It is incorporated in the first level of the scale where decisions and judgements are made about the division of responsibilities among the organizations involved. The other levels of the scale represent networks of communication, consultation etc. which are required to ensure the efficient and effective functioning of the whole system, taking into account the interdependence of the parts.

Implications for the Commission

The move from negative to positive integration seems likely to force the Commission to undertake a rethink of its management methods for the first time. What this paper has sought to show is that the tasks of management reform need to be seen in a broader perspective than has been the case with many public management reforms at the national

level. The Commission's management tasks must be seen in the context of the interorganizational networks in which it is located and through which it must seek to achieve results. The criteria by which it should be judged in the future are more concerned with its ability to design and develop new structures of governance in which large numbers of organizations throughout the EC are involved in formulating and implementing European policies. In this sense, redesigning Europe requires that the Commission itself acquires a new set of core competences for ensuring both an appropriate organizational division of labour and effective means of coordination. But it cannot do this alone. The process is essentially collaborative. The task of redesigning Europe is a participative process of Community development.

EC POLICY COORDINATION IN MEMBER STATES



APPENDIX

Definitions of Levels in the Policy Coordination Scale

1. Independent Ministerial Decision-Making

   The first level is where each ministry retains autonomy and independence of action. Individual ministries formulate their own policy positions without reference to what other departments are doing. They rely on their own legal or political prerogatives and treat European policy-making as a functionally specialized activity.

2. Communication to Other Ministries

   Communication among ministries is the first step beyond independent action by individual ministries. Even though ministries preserve their decision-making autonomy, there may be norms and conventions within government which oblige them to inform other ministries of what they are doing. At this level of the scale reliable and accepted channels of regular communication exist. Ministries ensure that other ministries know what they are doing. More or less formalized information systems, computer networks and informal "grapevines" are specific means of reporting and acquiring information.

3. Consultation with Other Ministries

   Communication is two-way rather than one-way. As well as informing other ministries of what they are doing, individual ministries can consult other ministries in the process of formulating their own policies. This influence process may be quite extensive without infringing a ministry's autonomy. Consultation provides feedback from a variety of sources to a ministry which can then build this into its own thinking and decision-making.

4. Avoiding Divergences Among Ministries

   Governments seek to "speak with one voice". Therefore, mechanisms develop to avoid open divergences of view among ministries involved in negotiating processes. Before making public commitments, ministries clear their lines. They

do so by discussion and direct contact prior to defining policies and negotiating positions. Negative coordination such as this may not do more than hide disagreements from outsiders, but even that is an important pressure on officials to "get their act together".

5. Interministerial Search for Agreement

Instead of negative coordination to avoid revealing differences, ministries can work together more positively to achieve consensus on common objectives and complementary policies. This more intensive positive interministerial coordination is more demanding and pro-active than (level 4) negative coordination. But it is still essentially a voluntary process in which ministries engage because they recognize their interdependence and a mutual interest in resolving policy uncertainties and differences.

6. Arbitration of Interministerial Differences

Where interministerial differences of view cannot be resolved by the horizontal coordination processes defined at levels 2 to 5, central machinery for arbitration is needed. Third party arbitration resolves conflicts that ministries have not been able to solve for themselves. Again, this is negative coordination because the process of arbitration is essentially a reactive response to specific problems that have not been resolved by the lower level processes. The difference may be viewed as handing a dispute to a judge rather than settling out of court.

7. Setting Parameters for Ministries

The centre may play a more active role by setting parameters (such as budget constraints) on the discretion of ministries. These limits may still leave ministries with a large measure of latitude within a common set of resource or policy constraints. Level 7 coordination defines what ministries must not do rather than prescribing what they should do.

8. Establishing Governmental Priorities

The centre of government may play a more positive role by laying down main lines

of policy. Clear governmental priorities give a definite pattern and direction to the work of ministries and a clear set of expectations about how interministerial differences should be resolved. Common priorities provide a coherent framework for ministerial and interministerial policy formulation. At the same time, their formulation and elaboration depends on the effective functioning of the lower level coordination functions.

9. Overall Governmental Strategy

This is a limiting case. Government is treated as a totally unified policy-making system in which ministries are merely technically convenient instruments for elaborating and implementing a strategy based on the best available information and a well-defined objective function. Basic choices are made and handed down to ministries. But policy formulation still depends on interministerial coordination. This limiting case is included for the sake of completeness rather than because it is attainable in practice.

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REDESIGNING EUROPE

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