The Variable Geometry of Policy Styles:
Italy from weak to stronger state?

Marco Brunazzo
Vincent Della Sala
(University of Trento)

Paper presented to the European Union Studies Association Conference,
Montreal, 17-19 May 2007

Draft version. Please do not cite without authors' permission.

Contact: brunazzo@soc.unitn.it
vincent.dellasala@soc.unitn.it

It is now nearly 25 years since the publication of *Policy Styles in Western Europe*, edited by Jeremy Richardson, which set out to compare European states by the "styles" that defined their approach to policy making. It was a systematic attempt to explore the ways in which the "standard operating procedures" in making decisions about policy could shape their content. It is perhaps no coincidence that a similar amount of time has elapsed since authors began to speak of a continuum of weak and strong states that reflected their capacity to shape policy outputs. Much has since happened with respect not only to policy content but also to how it has come to be understood; perhaps even more has happened to the capacity of modern states. Paradoxically, institutional arguments, which the policy styles and state capacity approaches helped establish, have assumed a central position in policy and political studies, despite the widespread consensus that the capacity and centrality of states have been challenged, if not undermined, by the growing porosity of national borders. This is especially the case in Europe where national borders are the most porous, if not already outright dismantled. The leads us to question whether the notion of policy styles, and its attendant concepts, remain useful tools in understanding the dynamics of public policy in contemporary Europe. The paper argues that they are but uses the concepts in a different way. Rather than look at them as the factors that shape policy, we will ask whether the growing porosity of national borders, particularly acute in the case of the European Union, has a significant effect on policy styles and state capacity.

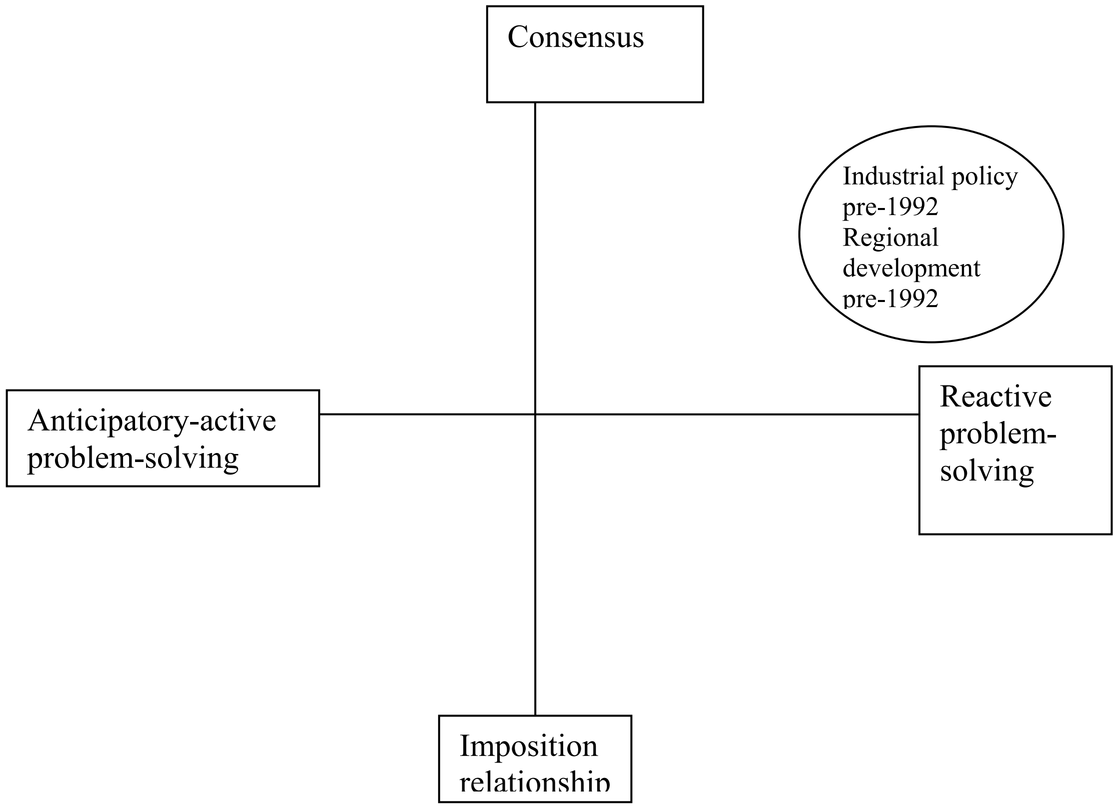
The paper will argue that the Richardson et al. schema provides a useful way of assessing state capacity and classifying states along a weak-strong continuum. With this as our starting point, we will try to assess the extent to which dynamics of European integration may affect policy styles and consequently state capacity. Our argument, using the Italian case, is that Europeanization has helped consolidate the variable geometry of policy styles; that is, that we can identify different policy styles between policy sectors. Indeed, one of the consequences of European integration is that it may strengthen the state in some sectors while not having the same effect in others. Italy was characterised in the 1980s as having a weak state that was easily penetrated by societal and political interests. It will ask whether state institutions continue to be penetrated by societal and political interests; or whether European integration has re-defined state capacity so that it is now better able to define and pursue interests not only at the European level but also domestically. If the latter is the case, then perhaps we need to begin to think of new ways of defining policy styles.

The paper will be divided into four parts. The first will briefly re-visit the discussion of policy styles and link it more directly to that of state capacity. The second will make the connection between the burgeoning work on Europeanization and how it may provide some claims to be explored with respect to policy styles. The final two sections will explore two policy areas – regional development and industrial policy – in Italy to point out the emerging variable geometry of policy styles.

Policy Styles and Strengthening States

It is no coincidence that the discussion of policy styles began at about the same time as there emerged a concern with "bringing the state back in" when assessing political and policy outcomes. Institutions mattered and in the case of policy styles, they mattered to the extent that they shaped the way in which the ability of societal actors to penetrate decision-making structures was central to the content of decision-making, as were the institutions that made policy. Richardson et al. were interested in exploring whether there was an emerging convergence of "standard operating procedures for making and implementing policies" (Richardson, Gustafsson, and Jordan 1982). More specifically, they catalogued states along two axes that captured the essential features of these standard operation procedures, or policy styles (see Figure 1). These were distinguished by the extent to which policy was the result of a consensual decision-making style or whether it was imposed by state structures; and whether decision-making was reactive or proactive in approaching policy problems and issues.

Figure 1



Source: Richardson et al: 13.

While the contributions to the Richardson et al. volume did not make specific references to the notions of strong and weak states, there were clearly important links between the arguments about policy styles and those that distinguished states by their capacity to impose decisions and avoid penetration by societal interests in the making of policy (Ikenberry 1986). For instance, one of the central pillars of the policy style typology – that is, the extent to which states can impose policy choices as opposed to the search for a broad consensus – is very similar to the argument made by Peter Katzenstein which essentially assessed state capacity on the basis of the centralization of decision-making within a few parts of the executive and therefore less likely to be subject to the interests of particular groups (Katzenstein 1978). State capacity, and thus state strength, has been associated with its ability to penetrate society (or, in turn, to avoid being penetrated) and to impose its political decisions (Mann 1984). The strong state/weak state literature provided a useful typology by which to understand policy decisions; however, its central emphasis on the relationship between state and society is better served if it is complemented by a consideration of the capacity of the state to define what it wants; or to use the policy style approach, whether it anticipates or reacts to policy challenges.

Combining the two axes provides a simple and neat way of classifying state capacity, with the horizontal axis illustrating, from left to right, those states that could define what they want; and, vertically, placing those states along a spectrum that illustrates those states that could get what they want. At one end of the first spectrum, we find states that take a rational approach to policy-making, with centralized decision-making structures and which have clearly defined objectives. At the other end, more reactive approaches tend to be incremental, with conflicts over goals and with limited options available to states (Richardson, Gustafsson, and Jordan 1982). If we defined strong states as those that had the capacity to "steer" society in directions they wanted (Chandler and Bakvis 1989) and which could control territory and people in such a way that it defined society's preferences, then we would probably find them in the bottom left-hand quadrant of figure 1. States would get progressively weaker in the bottom right-hand and top left-hand quadrants as these describe states that are either: not very good at defining policy issues and responses but still have the capacity to impose a solution on societal interests (bottom right); or states that could somehow define and anticipate policy choices despite having to engage in an extensive dialogue with societal actors. The weakest states would be found in the top right-hand quadrant, those that are so penetrated by societal interests that all policy is the result of extensive negotiation and compromise; and, correspondingly, do not have the capacity to anticipate policy challenges.

Italy has traditionally been put in this last quadrant as it has fragmented decision-making structures, with numerous access point for societal interests, thus favouring a consensual approach to policy-making (Posner 1978; Ranci 1987). Additionally, a weak and divided executive, mapped onto an institutional and constitutional architecture that placed a premium on representation rather than system effectiveness produced a policy-policy-making style that assured "surviving without governing". It was characterised by incrementalism, little consensus on policy objectives and deep social divisions (Di Palma 1977) so that governments rarely anticipated policy challenges and even more rarely could define their preferences and the terms of the political and policy debate.

The earlier discussion of policy styles and state capacity provided a rather static picture of state-society relations and of approaches to solving policy issues; that is, policy styles and state capacity were taken as givens and used to explain different policy outputs. In the subsequent period, there has been a veritable explosion in policy analysis literature, especially in the European Union. This has included a concern with how strong weak and strong states have fared with respect to transnational pressures (Ikpe 2007; Quaglia and Maes 2004). Less attention has been paid to asking how state capacity might be affected by exogenous pressures. There is an extensive literature that has asked whether states are in crisis, decline or enhanced by greater interdependence (Cerny 1997; Evans 1997; Garrett 2000; Weiss 2005). The debate, while fruitful, has tended to deal with all states in the same way. It might be more useful to begin to examine whether different kinds of states are affected in different ways; and whether their capacity differs across policy areas.

As numerous authors have pointed out, it is perhaps too simplistic to talk about general state capacity and, therefore, policy styles, in a comprehensive fashion (Atkinson and Coleman 1989; Weiss 1998). Rather, we can identify different policy sectors – perhaps security policy – in which states may be better able to impose their preferences, alongside other areas, such as budgetary policies, in which society is less penetrable and which states have less capacity to anticipate policies and impose them. Atkinson and Coleman traced different policy styles and different forms of state capacity according to the type of policy network that was formed in different sectors. The same approach might be used to examine the ways in which a common set of external pressures – in this case, what might be described as Europeanization – might affect policy style and state capacity in different policy areas.

Europeanization and policy styles

The concept of Europeanization has become one of the most widely used in European studies since the 1990s. The reason for this success is that Europeanization is a way of conceptualizing relations between EU institutions and member states and, in particular, looking at how the presence of the former changes the functioning of the latter. Even if literature on Europeanization is extremely broad and differentiated, a minimal tentative definition of the concept can be the following: a process of construction of supranational institutions and public policies at the European level and their consequent diffusion on national political systems (Graziano 2004). If this is true, it is plausible that not only Europeanization does concern public policies *per se*, but concerns also how decisions are taken, from the institutional point of view; and more generally, from the policy styles point of view. In other words, Europeanization can affect both the axes on which policy styles can be classified, the consensual vs. the impositional role of the state, and the reactive vs. proactive approach to policy problems.

Even if definition of Europeanization very rarely takes into account the question of policy styles, a brief excursus shows that the dimension of "the standard operating procedures" in making decisions in public policies is never considered. For example, in the first definition of Europeanization, that proposed by Ladrech (1994), Europeanization is defined "an incremental process reorienting the direction and shape of politics to the degree that EC political and economic dynamics become part of the *organisational logic* of national logic of national politics and policy-making" (emphasis added).

In a widely-cited paper, Radaelli (2000a, 4) offers a more articulated definition, making specific reference to policy-making styles. He claims that Europeanization includes: "processes of (a) construction, (b) diffusion, (c) institutionalisation of formal and informal rules, procedures, policy paradigms, *styles, 'ways of doing things'* and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structures and public policies" (emphasis added). For this reason, Dyson e Goetz (2002, 2) wrote that the concept of Europeanization "is sometimes used narrowly to refer to implementation of EU legislation or more broadly to capture policy transfer and learning within the EU. It is sometimes used to identify the *shift of national policy paradigms and instruments* to the EU level. (Other)… times it is used in a narrower way to refer to its effects at the domestic level… or in a more expansive way to include effects on discourse and identities as well as structures and polities at the domestic level". Finally, Risse et al. (2001, 3) point out the importance of the process of Europeanization in shaping participation and features of actors and networks of actors participating in policy-making. In fact, they define Europeanization as "the emergence and development at the European level of distinct structures of governance, that is, of political, legal, and social institutions associated with political problem solving that formalize *interactions among the actors*, and of policy networks specializing in the creation of authoritative European rules".

Having said this, how does Europeanization affect the different dimensions of national policies and policy-making? Börzel and Risse (2003) point out the importance of the degree of fit/misfit between supranational and national policies. Where there is a misfit, an adaptational pressure takes place, whose force varies according to the presence of mediating factors. These are, firstly, the number of veto points and the existence of supporting formal institutions in the case of a redistribution of resources; and the presence of norm entrepreneurs and cooperative informal institutions in the case of norm internationalization. The EU has three instruments in order to create an adaptational dynamic: an explicit pressure in the case in which the European policy-making triggers domestic change "by prescribing concrete institutional requirements with which member states must comply"; a more implicit pressure, when "European legislation… affects domestic arrangements by altering the domestic rules of the game" (like the domestic opportunity structures); and, finally, a 'weakest' form of pressure, when European policy "affects domestic arrangements… by *altering the beliefs and expectations* of domestic actors" (Knill and Lehmkuhl 1999).

Finally, Radaelli (2000) identifies four different state reactions to EU-induced changes. The first reaction is inertia, that corresponds to a lack of change. Generally speaking, inertia takes place when the misfit is too high to generate a reform. The second reaction is absorption, which indicates change as adaptation, that is to say an accommodation of policy requirement without real modification of the logic of political behaviour and of the policy's essential framework and structure. Even if these last dimensions are called into question, we witness the third reaction to the Europeanization pressure, transformation. Finally, Europeanization can also produce retrenchment. In this case, a national policy can become less European than before.

Research on public policies has quite often taken into account the problem of convergence or divergence of national policies under EU pressure. In particular, Liefferink and Jordan (2005) considered the impact of Europeanization on the content of national policy (e.g. the introduction of new and the adaptation of existing standards), on the policy structure (e.g. the institutions involved in policy-making), and on the underlying goals and principles of policies (e.g. the affirmation of new ideas or the reform of the old ones). This last dimension is particularly interesting for the topic we want to address, since "this is where the content and the (empirically much more elusive) *style* of policy meet" (Liefferink and Jordan 2005, 107).

Empirical research has shown that it is hard to speak about convergence of national policies around a unique "European" model. Sociological institutionalist theory, which argues that organizations become more isomorphic with the environment in which they operate and seek to be successful by following norms that are widely recognized to be appropriate and legitimate, does not seem to be very useful in explaining different outcomes. The lack of empirical evidence about the convergence between national and European policies can be related to the fact that national responses to European policies are decided in the context of national decision-making procedures, traditions and structures. In other words, pre-existence of national policy styles influences or filters the outputs and outcomes of European policies at the national level. However, even if there is not a convergence around a unique policy model and style, this does not mean that the EU does not alter the national policy model and style. Literature has also paid less attention to the question of state capacity in specific policy sectors. Moreover, the Italian case shows that not only is EU influence present, but also that it can vary from policy to policy.

Industrial Policy in Euroland Italy: From a weak to a less weak state?

Economic governance in post-war Italy does not fall into the same trajectory that might describe other industrialised states; that is, from a consensus and implementation of Keynesianism to a gradual transition (or even a rupture with the past) of liberal market-oriented approaches. Rather, there has never been a true and clear commitment to either as Italy's post-war macroeconomic policy regime has been a constant tug of war between classical liberals and proponent of statism, Italian style (Locke 1995). The absence of a clear policy direction was the result not only from the lack of a hegemonic idea on economic governance but also the output of a policy style that was shaped by a weak state. Fragile government coalitions, with few legislative instruments available to the executive, were easy prey for societal interests to sway the shape and implementation of macroeconomic governance.

Porous policy-making mechanisms became most apparent by the early 1970s when economic growth began to give way to stagflation, severely inhibiting the neo-classical emphasis on a tight monetary policy; as well as undermining the statist claim that public ownership of select few vital industries could ensure economic growth. The 1970s saw the incremental increase in state holdings as governments took over failing firms, from foodstuffs to automobiles, in an attempt to appease trade unions and other stakeholders, which increasingly included political parties. Industrial policy, such as it was, consisted primarily of state intervention and ownership layered on top of a public sector that was increasingly beginning to affect public finances in a negative way (Bianchi 2002). It seemed easier for the state to take over firms than for governments to tackle to social and political costs of closing down industries that were no longer competitive. The paradox was that a highly consensual and incremental industrial policy produced extensive state intervention; and the more the state intervened, the greater was the penetration of societal and political interests in economic governance.

Government decision-making in industrial policy was also diffused throughout different ministries. There was a Ministry of Industry whose mandate included planning and coordination of policy. But it had to contend with an extensive state machinery that focuses specifically on development in the South, which dealt with strategic questions of industrialization in the less developed part of the country. In addition, there was a Ministry of State Holdings that managed the broad portfolio of industrial assets in state hands; and these in turn were part of large holding companies that had a degree of managerial autonomy as well as being a central shareholder in state-held firms (Coltorti 1993). The Treasury also played a role as it was the primary shareholder in many of the state-held companies. Finally, the firms themselves, in this form of state capitalism, also had managerial autonomy while responding to the strategic decisions of their shareholder(s); in this case, the Italian state.

There were attempts, beginning in the 1980s, to change the policy style, at least with respect to how government approached industrial issues. The main development here was law 675 of 1977, which created the Inter-ministerial Committee for Industrial Coordination (CIPI). The aim was to coordinate industrial strategy and perhaps follow statist principles similar to those in France (Locke 1995). The attempt to rationalise decision-making is interesting with respect to the two axes that assess policy styles and state capacity. On the one hand, it could be seen as an attempt to more from more passive to pro-active decision-making, with governments setting out industrial strategies before crises forced their hand. On the other hand, the CIPI also called for extensive participation by societal actors, including trade unions and employers' associations. The attempt at further rationalization continued into the 1990s, when the functions of the CIPI were collapsed into the Inter-ministerial Committee for Economic Planning (Presidential Decree n.373, 20 April 1994). Industrial strategy would be part of a more comprehensive approach to macroeconomic policy. But here again, societal input was guaranteed through the 1993 agreements, which called for concertation between government and the social partners (trade unions and employers) for the practically all major macroeconomic policy-making.

The 1980s also saw the first attempts to introduce more market-oriented criteria in making choices in industrial policy, including the first attempts at privatization. What is important for our discussion is that relying on markets was seen not only as an economic decision, but also one that would bypass the problems of having extensive intervention by a weak state that had little capacity to plan and was easily penetrated. However, it was this same state that had to make the strategic choices about what strategies to pursue, what to privatise, who to sell to and so on. The case of the privatization of Alfa Romeo in the early 1980s was indicative of this dilemma (Cassese, Bianchi, and Della Sala 1988). The takeover bid by American auto producer Ford was rejected in favour of that by FIAT, seemingly to keep a traditional national firm in Italian hands as well as support FIAT's industrial strategy to expand into the more high end market. Arguably, so long as policy-making was caught in the irony of extensive intervention by a weak state, even bold attempts at economic liberalization (which the measures of the 1980s were not) would be subject to political and social pressures.

Breaking out of this vicious circle would require either a cataclysmic change in the political landscape or an exogenous shock to the system. In the case of industrial policy, the major transformations in the party system and the parties themselves in the 1990s had only a limited effect. There was no emergent political force that had a clear strategy to meet the challenges of an increasingly global marketplace and, more importantly, of making Italian firms competitive once the devaluation instrument would be dismantled with the start of the Euro. The new parties were often just a remixing of the old; more importantly, none of them seemed intent on presenting a clear industrial strategy that could respond to new challenges and possibly take on vested interests such as trade unions, local authorities and even Italian financial institutions. Pressure for rationalization in policy-making came from below in the form of a abrogative referendum in which 94% of voters (with a participation rate of almost 75%) voting to abolish the Ministry for State Holdings.

The referendum to abolish the Ministry was just one part of broader process in which decision-making in industrial policy has been restructured in the last two decades. Under pressure from the EU and, partly as a result of the 1994 referendum, the large state holding institutions such as the Institute for Industrial Reconstruction (IRI), were dismantled by the end of the 1990s. Seen as the architect for Italy's industrial miracle in the immediate post- war period, it had become, by the 1980s, a drain on public resources as it was the repository of failing firms that fell into state hands. Its dissolution was supposed to be emblematic of the end of state intervention and state-led development, and the disembedding of industrial policy from political considerations and calculations. Alongside the shutting the down of the primary institution for regional development, the Cassa per il Mezzogiorno, the end of state holdings seemed to be a step in the direction of consolidating – at least at the ministerial level – decision-making.

The process continued with the election of the centre-right Berlusconi government in 2001. The Ministry of Industry was restructured into the Ministry for Productive Activity; this in turn was changed again in 2006 with the new centre-left government of Romano Prodi. It became the Ministry for Economic Development, absorbing the important Department for Cohesion and Development Policy that had been part of the Ministry of the Economy. There have been successive attempts, then to create some degree of centralization within the executive to coordinate industrial policy, including those dealing with regional development. However, even the new Economic Development ministry must contend with a degree of fragmentation. For instance, the Economic Ministry continues to be an important share-holder (in some cases with only a golden share) in some key assets. Moreover, in some highly politicised cases, such as the highway operator Autostrade, Alitalia and Telecom Italia, a range of ministers took centre stage. For instance, in the case of the proposed sale of Autostrade, privatised in 1999, to a Spanish firm agreed to by the Berlusconi government in April 2006, it was the Public Works minister in the Prodi government who took a central role in ensuring that the deal would collapse. The Prodi government, especially the Minister for Economic Development, claimed that it wanted to increase foreign direct investment into Italy; yet, there were constant interventions by the government as a whole, or parts of it, to scuttle deals that would lead to major firms falling into foreign hands. Despite attempts to place the coordination of industrial policy in the hands of a ministry with a broad mandate of economic development, decision-making remains fragmented and must contend with little consensus on objectives and means.

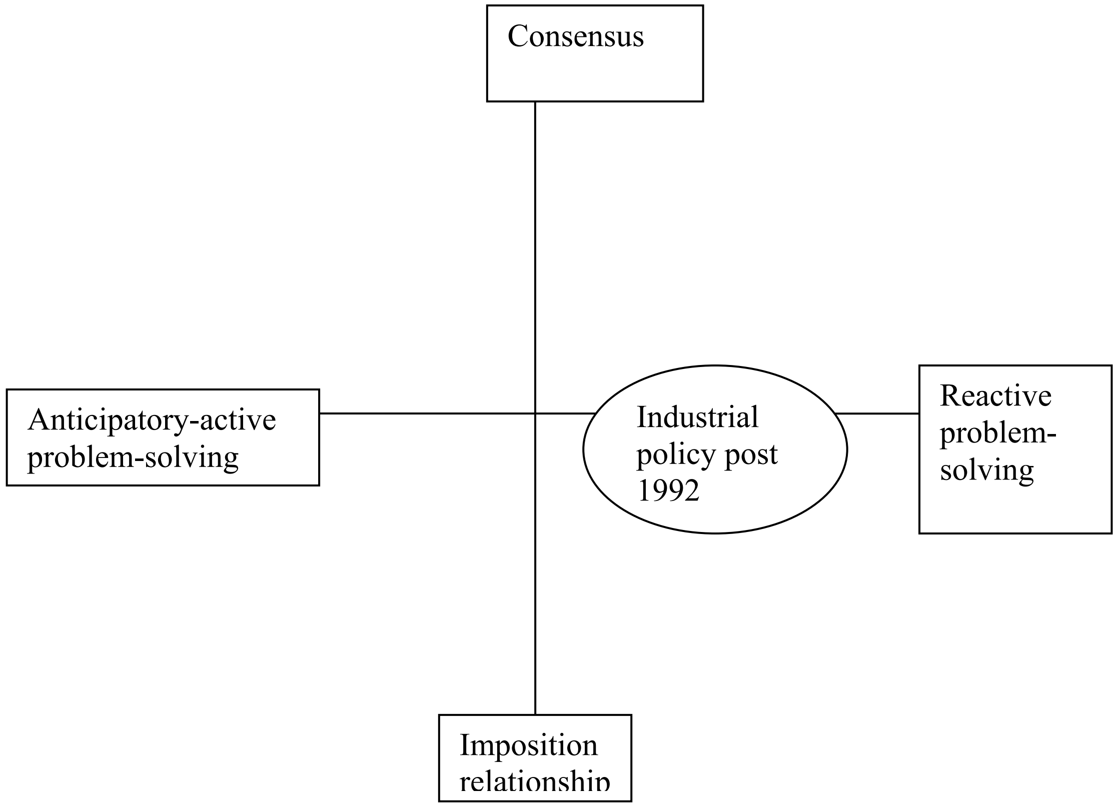
One of the potential sources of change to policy styles and state capacity was privatization. Transferring the ownership of firms was not simply a question of shifting the public-private balance, but also one of disembedding politics from strategic industrial choices. It needs to be pointed out that the debate centred entirely on the ownership of firms and not on their control; a change to the latter was not necessarily guaranteed by that to the former. Italy's privatization record in the 1990s and the current decade is amongst the most impressive in the EU, with receipts from firms sold back to the public going a long way towards improving public finances in the mid-1990s. This leads to the question of whether privatization was a sign, as well as a cause, of a policy-making style which reflected a determined government strategy that was imposed on societal actors. Are there signs that industrial policy in Italy is now the product of, if not a strong state, at least one that is less weak than it was twenty-five years ago? It is useful to look at the case of telecommunications, and more specifically Telecom Italia, to see whether the answer to the query is an affirmative one.

Italy's largest telecommunications provider was privatised by the centre-left government of in 1997, in what was trumpeted as one of the largest transfers from the public to the private sphere. Bringing close to $12 billion (US) to the state coffers, it was part of a broader restructuring in the sector in preparation for the liberalization as a result of decisions taken at the European Union level. The government was able to secure that the company remained controlled by Italian concerns, creating a none-member syndicate that promised no major changes for a two year period. Despite this promise, the company was quickly immersed in controversy as its first chairperson, Guido Rossi, who had close ties to the government, resigned only a month after privatization. His successor, Gian Mario Rossignolo, fared little better as he antagonised trade unions with a leaked plan to seek out labour concessions. The company fell to Franco Bernabè, who began to seek an alliance with Deutsche Telekom in 1999. However, the idea that the leading Italian firm in an industry central to the new economy would fall into foreign hands (and one still under German state control) was politically sensitive and unacceptable in many government circles. The result was that a rival bid made by a group of Italian investors one-fifth of the size of Telecom Italia was engineered partly by the government of Massimo D'Alema. Telecom Italia went from being a healthy company with little debt to one that was now heavily indebted as a result of its takeover bid; but the political objective of making sure it remained in Italian hands was achieved.

We can race ahead in our story to 2006, with the company now controlled by industrial giant Pirelli but still carrying a heavy debt load that was the result not of an investment strategy but of decisions to sell parts of the company to Italian investors who had little capital of their own. In September 2006, there are reports in the press that Pirelli wanted to spin off and sell TI's mobile and fixed line assets, and to concentrate on broadband technology. The logic of the industrial strategy is not important here (it represented a dramatic reversal of an earlier decision, leading investors and analysts to wonder whether there was any long-term strategy); what is interesting is the political reaction to the announcement. The immediate concern was that the assets would be bought by foreign investors, once again raising the spectre of a leading Italian firm falling into foreign hands. A document drafted by the chief economic advisor to the Prime Minister, Romano Prodi, was leaked to the press. It contained a series of responses that the government might provide to the TI strategy, including re-nationalization of at least the fixed network. Prodi denied that the document was part of the government's thinking on what to do with respect to the Pirelli decision. In the end Pirelli abandoned its plans but stirred further controversy in April 2007, when it announced that it was considering a bid from American company AT&T and one of its Mexican partners. Once again, political alarm bells sounded and the American firm removed its bid, citing worries about political interference. A new buyer was found in an investors syndicate of Italian banks and a Spanish telecommunications company that would guarantee the

What is important in this story is trying to assess the extent to which governments were able to clearly define what were the state's policy interests in the sector, how governments made and implemented decisions and whether these were imposed by the state or the result of the penetration of societal interests. As Mark Thatcher has argued, "predatory political parties" were responsible for blocking attempts until the 1990s to reform the telecommunications sector in Italy; but that change occurred rapidly in the mid-1990s (Thatcher 2004). Privatization was only one part of a change in policy that included liberalization of markets and services as well as an important role for independent regulatory agencies. This was partly presented as a shift dictated by new European rules, so there was some degree of blame shifting when met with domestic resistance. The fact that any decisions on ownership and control of the company would be subject to not only competition authorities but also security regulators and the independent authority that monitors the telecommunications industry. One consequence is that it has made it easier for governments to insulate themselves from societal pressures by arguing that any solution would have to abide by European rules. In other words, there were now fewer veto points for actors to access and a greater capacity for governments to impose solutions. In this sense, we can say that in this case, Italy has moved up along the Richardson et al. vertical axis.

Figure 2



The case of Telecom Italia suggests that, in the case of industrial policy, it is less apparent that there has been a move on the horizontal spectrum in the direction of more rational, focused decision-making; in other words, governments do not exhibit a greater capacity to define what they want. Here, despite the attempts to rationalise decision-making, there is only marginally more clarity in defining what are the state's strategic interests. For instance, the centre-left governments from 1996-2001 staked industrial policy around privatization and using the receipts from the sale of government assets to help public finances meet the Maastricht convergence criteria. However, once the objective of entry into Euro was met, the singularity of purpose was lost. The centre-right governments of 2001-2006 saw industrial strategy through large public works projects such as high speed railroads and a bridge across the Strait of Messina to connect Sicily to the Continent. It faced stiff resistance from environmental groups and local interests affected by some of these large projects.

The centre-left government that came to power in 2006 has placed competitiveness and liberalization at the centre of its economic strategy. Yet its early record on industry has been, at best, mixed. It has responded to pressure to prevent domestic firms from falling into foreign hands. Taking its lead from the French, with its renewed attempt to have state led industrial development with the Beffa Report, the Economic Development ministry is to target key sectors that it would like to see developed. So while there is a great deal of rhetoric about how having markets decide which industries to develop and who is to own them, the Prodi government has not hesitated to continue to intervene in response to pressures within its own coalition and from within trade union and financial sectors.

Governments have been able to impose decisions in industrial policy that they have been able to present as a European commitment to which there was no alternative, such as the dismantling of IRI, liberalization in some key sectors and even privatization. But Europe has provided less clarity on key questions about who is to control industrial firms and how so that not very much has changed with respect to how firms are run in Italy. A few major industrial and financial groups, all with close ties to political power, continue to control major industrial firms. The external pressures on industrial policy have not provided the clear reference points that has been the case in monetary or even fiscal policy. The space that has been left to governments has only highlighted the incapacity of the state to define what it wants in the sector.

Cohesion Policy in Italy: From a weak to a stronger state?

As in the case of industrial policy, regional development policy in Italy has, for a long period of time, elements that characterise a public policy typical of a weak state. It was shaped by the persistence of socio-economic divergence between large areas of the country, in particular that between the regions of the North, the home of the richest and most industrialised parts of the country, and the South, largely rural and agricultural. Consequently, regional development policy became synonymous with the Extraordinary Intervention for the South, created in the wake of war in 1950 and based on the Tennessee Valley Authority, which had managed water and energy resources and agricultural and industrial development in the Tennessee Valley in the 1930s (La Spina 2003, 200).

The Intervention for the South was extraordinary on two fronts. The first was quantitative in that funds were in addition to those allocated for depressed regions; the second was qualitative in that the funds were managed by procedures different from those generally used and by specific institutions such as the Fund for the South. (Annesi 1996; La Spina 2003). Although not without its success stories, the Intervention became, by the 1980s, characterised by policy-making described typically as consensual if not clientelistic. Beyond its natural role in helping depressed areas, it became an essential instrument used by political parties to mobilise electoral support. As a result, the parties exercised a great deal of control over the Intervention; this within the context of a national government incapable of turning off the financial taps that were running in the absence of clear planning that established identifiable priorities. Institutionally, there were a number of ministries that were responsible for the policy. Alongside the Ministry for the South, important roles were assumed by the Ministry for the Budget, the Treasury, as well as for Agriculture and Transport as many forms of intervention were aimed at improving infrastructure. Given this growing fragmentation of decision-making and the role of political interests, the Intervention was destined to conflict with the nascent Community cohesion policy.

Graziano (2003) illustrates how the Intervention's objectives, principles, instruments and procedures differed significantly from those of cohesion policy. While European intervention, after reforms in 1988, were clearly defined as were the areas destined for help, Extraordinary Intervention aimed generally at "economic and social progress for southern Italy" (Art. 1, Law 10 August 1950). The law did not provide any further guidance on the type of planning measures nor on the areas that required more helps than others; and it did not provide any indication of what criteria would be used to assess success. The differing organizing principles also presented a possible conflict. For instance, with Extraordinary Intervention, there was no provision for additionality according to which beneficiaries (the regions and the local governments, in particular) would co-finance projects; nor was there any reference to planning, which would program intervention over an extended period to limit fragmentation and ensure cohesion. Finally, the Extraordinary Intervention left no room for partnerships, both vertical and horizontal, that allowed for the widespread participation of all interested actors; now for concentration, which would ensure that certain issues and problems would be given direct attention. By the end of the 1980s, it was clear that there was a high degree of misfit between the Intervention and European cohesion policy.

Bull e Baudner (2004) divide into three periods the process of change that was begun with the abolition of the Intervention with Law 488/1992. The first is between 1988 and 1992, and coincides with the abolition of the Intervention, which had become "politically and morally inconvenient" (Cafiero 1994). The abolition can be traced to both economic and political factors.

The former were linked primarily to the lack of positive results, especially given the amount of economic resources that had been invested in the South. The latter referred primarily to the emergence of new political movements, such as the Northern League, whose political rhetoric signalled the end of a consensus on extraordinary intervention for the South. Moreover, the decline of the traditional parties (especially the Christian Democrats, who came to symbolise the southern clientelism for a host of reasons), the abolition through referenda of the Ministry of Agriculture and that for State Holdings and the start of criminal proceedings for corruption contributed to making it difficult to continue to justify the Extraordinary Intervention.

Europeanization's effect began to take hold even if just in the form of a constraint; the national and regional authorities have more than a little difficulty drafting the Community Support Framework (CSF), betraying Italian inefficiency (especially in the South). Once the CSFs were approved, the southern regions struggled to spend the structural funds. This was because the cohesion policy changed the logic of funding regional development spending. Whereas the Extraordinary Intervention was based on "funds in search of a project", the cohesion policy was based on the reverse form of "projects in search of funds". It should come as no surprise that. "the Community "challenge" was not met with the required commitment, as previous habits died hard and actors were used to a system that was much more generous in its funding and much more lax in the rules to manage it" (La Spina 2003, 266). Beyond the direct Europeanization effect on the Extraordinary Intervention, an indirect effect on regional development policy came through the Maastricht treaty, which required a major transformation in the management of public finances and the beginning of economic recovery (Fabbrini e Brunazzo 2003).

Essentially, the Europeanization effect was limited between 1988 and 1992. The southern regions did not perceive the paradigmatic change that had taken place (in some cases, they even try to hamper it) and even if the national government was aware of the challenge ahead, it remained wary of involving the regions in decision-making processes. This was, then, a period of negative integration, with Europeanization leading to the crisis of a policy paradigm without replacing them (Bull e Baudner 2004).

The second period encompassed the period from 1992 to 1996 and was characterised by an attempt to reform regional development policy with the creation (albeit in a disorganised and inorganic way) of new policy instruments. These put an emphasis, for the first time, on negotiations between the regions and the central government; and were at the origins of "negotiated planning", which referred to "agreed upon regulation between relevant public and private sector actors for the implementation of various forms of intervention, with a specific developmental aim, and which require an overall assessment of the activity carried out (Law n.104, 7 April 1995). The result was that in the 1995-6 period, a number of decision-making instruments were created that included: programmatic accords, programmatic contracts, programmatic agreements, territorial pacts and area contracts.

The lack of an organic reform plan went hand-in-hand with the lack of national coordination in regional policy. The task was carried out only partially by the Treasury ministry and the Inter-ministerial Committee on Economic Planning. It also highlighted the failure of the "control room" experiment, which was the result of an agreement between the Minister for the Budget, Rainer Masera and the European Commissioner for Regional Policy at the time, Moniker Wulf-Mathies. It was meant to have been an instrument for coordination of and support to initiatives that come from the Community level (Carzaniga 1998). Again in this period, Italy has problems in spending funds allocated to it, despite the fact that CSFs had clearly improved in their capacity to spend towards the end of the 1994-99 period (La Spina 2003, 268-271).

Between 1992 and 1996, Europeanization is carried out primarily through, on the one hand, competition policy and the privatization and dissolution of IRI, which played an instrumental role in providing loans for development in the South; and, on the other hand, the abolition of tax deductions for the South that was requested by the Commission. In this period as well, then, Europeanization comes through a process of negative integration; that is, through the dismantling of national provisions in the context of an emerging regional development policy.

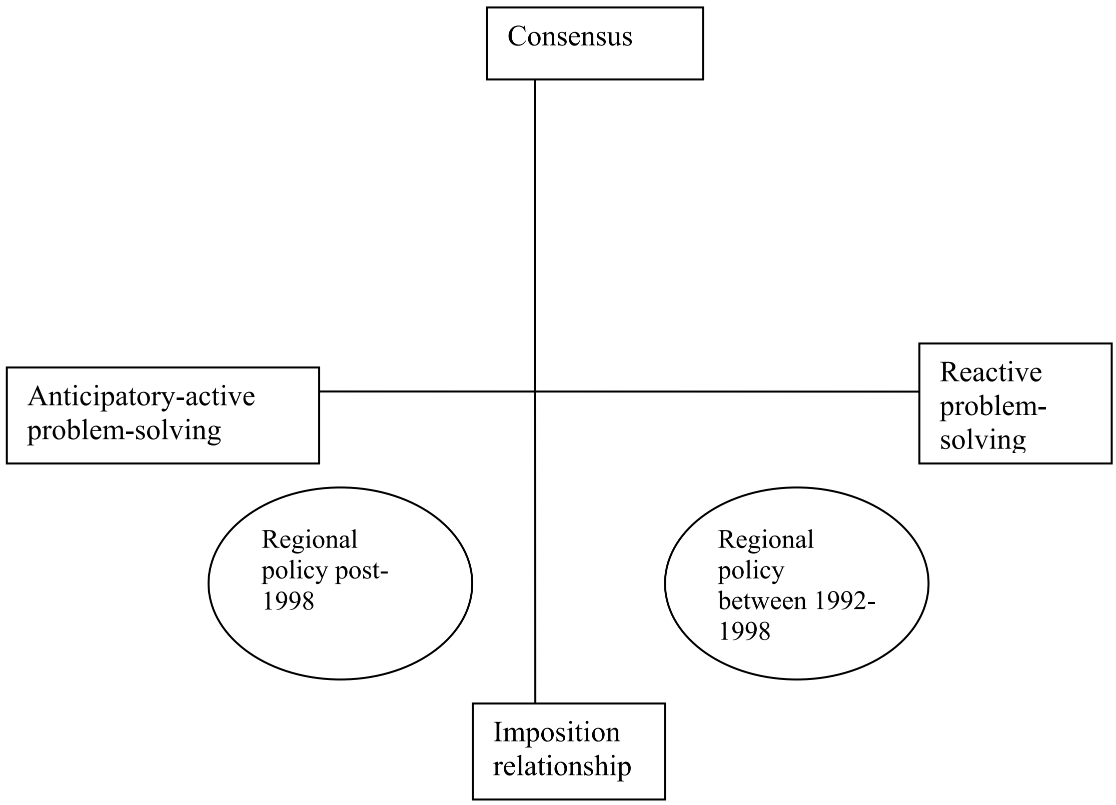
The third period, from 1996 to 2000, is one of reformulation of policy for the South that took place within an environment of political stability. Even in the aftermath of the crisis of the Prodi government in 1998, successive centre-left governments did not alter by very much the guidelines to policy for the South. The first novel item of substance was the creation of the Department for Development Policies (DPS) in 1998. It was designed as a support structure that aimed to improve the planning capacity of the regions with respect to regional development and Community cohesion policies (Barca 1998).The DPS acted as a coalition-builder between various national and sub-national actors, as well as the coordinator for any measures aimed at the South (La Spina 2003, 285; Graziano 2003, 106-107). Thanks to the reforming thrust of the DPS, national development policy instruments were co-ordinated with those of European regional development policy; and the capacity to attract and spend funds was strengthened through the introduction of specific performance awards, with selection criteria that were even more stringent than those of the Community.

This broad reform of national development policy occurs contemporaneously with two other factors. The first refers to the decreasing role of previous veto players, particularly political parties, which, as mentioned previously, sought to discretional spending in the allocation of the Extraordinary Intervention funds (Graziano 2003). The second factor was the emergence of a coalition favourable to Europeanization; indeed, a coalition that exploits the pressure coming from Europe to carry out an institutional project. As Vassallo argues, “The existence of Community pressures would not, on its own, produce this rationalization. For this to occur, it was crucial that there was a solid political leadership in the Ministry of the Treasury, that of Ciampi, supported by an equally authoritative administrative leadership, that of the director of the Treasury [ndr, Mario Draghi]” Vassallo (2000, 313). Fabrizio Barca, the DPS head, claims that, “The system of Community structural funds, because of the opportunity for integration amongst the forms of intervention inherent to it, because of the relative flexibility of its objectives and because of the international logic of the rules it allows to be introduced, lends itself to be used to carry out a transformation of regional development policy. Moreover, the planning of public investments with Community funds allows for the design for a systems of rules that has two features: decisions may be made by a partnership involving four levels of government – supranational, national, regional, local – without generally needing new laws; once the rules have been established, their re-negotiation is exceedingly costly as it involves the international level. For these reasons, the opportunity was not lost (2000, 42)”.

The reformed policy was called “new planning” to indicate the eclipse of the strategic void of the first half of the 1990s; and, at the same time, a new approach to the problems of retarded development that was based on giving a central place to the mobilization of knowledge of all relevant actors, on close attention to evaluation and assessment at each stage of decision-making, on the decentralization of decision-making and on multi-year intervention plans (Ministero del Tesoro 1998). In this third period, Europeanization produces positive integration in that makes a significant contribution to the formulation of a new policy paradigm. European pressure acted as a constraint, pushing for change, but also as an opportunity for reform, especially for those actors prepared to exploit its benefits. However, without favourable domestic conditions, Europeanization would have accomplished little on its own. Bull e Baudner argue, Europeanization acts as a catalyst at the domestic level which reinforces, more that causes, internal change (2004, 1072-1073). ì

The policy learning and reform process begun at the national level also has an impact on Italy’s capacity to act in Brussels. On the one hand, favoured the identification of a national interest much more readily than in the past. On the other hand, it helped contribute to and widen Italian participation in the reform of cohesion policy (Brunazzo 2007).

Figure 3



Conclusion

Even after 25 years, the book edited by Jeremy Richardson seems to be very useful. The two axes defining different policy styles can be interesting instruments in the definition of a space in which different "standard operating procedures" can be placed and conceptualised. However, our paper has reached two partially different conclusions. The first is that it is now difficult to speak about a single national policy style. As the Italian case shows, there is no doubt that, generally speaking, for a long time Italy was considered a weak state captured by societal interests with a consensual policy making and with a reactive (rather than anticipatory) problem-solving. But a more accurate analysis showed that policy styles differ across policy sectors. Since the beginning of the 1990s, Italian policy style in regional policy is more similar to that of a strong state rather than to a weak state, as the case of industrial policy shows.

The second conclusion is that policy styles vary across time. The economic crises of 1992 and the signature of the Treaty of Maastricht have created a pressure for relevant reforms in Italy which have contributed to the definition of new policy styles. The case of regional policy clearly shows this trend, but one can reach this conclusion also looking at the case of industrial policy, where changes, although limited, did take place. Europeanization is one of the factors that can influence national policy styles. It can change redistribution of political and economic resources by lowering veto points, fostering change through formal institutions, creating cooperative informal institutions or empowering norms entrepreneurs. Certainly, even pressure of Europeanization is far from producing isomorphism between countries (creating similar policies and policy styles) or across policy sectors inside the same country. This two conclusions lead us to speak about a variable geometry of policy styles rather than of single national policy styles.

Bibliography

Annesi, Massimo 1990. Il 'sistema di interventi ordinari nelle aree depresse del territorio nazionale'. In *Gli interventi nelle aree depresse del territorio nazionale*, edited by M. Annesi and D. Piazza, Bologna: il Mulino.

Atkinson, Michael M., and William D. Coleman. 1989. Strong States and Weak States: Sectoral Policy Networks in Advanced Capitalist Economies. *British Journal of Political Science,* 19, (1):47-67.

Barca, Fabrizio. 1998. Obiettivi e assetto del Dipartimento per le politiche di sviluppo e coesione (DPS). *Economia italiana*, 3:603-624.

Barca, Fabrizio. 2000. Una politica per la competitività territoriale: spunti teorici e disegno istituzionale, paper presented to the Conferenza Annuale della Società Italiana degli Economisti, Cagliari, 26-28 october.

Bianchi, Patrizio. 2002. *La rincorsa frenata: L'industria italiana dall'unità nazionale all'unificazione europea*. Bologna: Il Mulino.

Börzel, Tanja and Thomas Risse. 2003, *Conceptualizing the Domestic Impact of Europe*. In *The Politics of Europeanization*, edited by K. Featherston e C. Radaelli, Oxford: Oxford University Press.

Brunazzo, Marco. 2007. Da 'policy taker' a 'policy shaper': l'europeizzazione della politica di coesione dell'Italia. *Rivista Italiana di scienza Politica*, 37, 2.

Bull, Martin e Joerg Baudner. 2004. Europeanization and Italian Policy for the Mezzogiorno. *Journal of European Public Policy*, 11 (6):1058-1076.

Cafiero, Salvatore. 1994. Tra la crisi dell'intervento straordinario e l'avvio dell'intervento ordinario per le aree depresse. *Rivista economica del Mezzogiorno*, 1:7-14.

Carzaniga, Antonio (1998), Una sintesi su cosa dovrebbe essere la Cabina di regia nazionale, *Le istituzioni del federalismo*, 19 (1):105-108.

Cassese, Sabino, Patrizio Bianchi, and Vincent Della Sala. 1988. Privatisation in Italy: Aims and Constraints. *West European Politics* 11 (4):87-100.

Cerny, Philip G. 1997. Paradoxes of the Competition State: The Dynamics of Political Globalization. *Government and Opposition* 32 (2):249-274.

Chandler, William, and Herman Bakvis. 1989. Federalism and the Strong-State/Weak-State Conundrum: Canadian Economic Policymaking in Comparative Perspective. *Publius* 19 (Winter):59-78.

Coltorti, Fulvio. 1993. Phases of Italian Industrial Development and the Relationship between the Public and Private Sectors. In *Industrial Policy in Italy, 1945-1990*, edited by M. Baldassarri. New York: St. Martin's Press.

Di Palma, Giuseppe. 1977. *Surviving Without Governing*. Berkeley: University of California Press.

Dyson, Kenneth and Klaus Goetz. 2002. *Germany and Europe: Beyond Congruence*, paper presentated to the Conference 'Germany and Europe, A Europeanised Germany?', British Academy, 11 March.

Evans, Peter. 1997. The Eclipse of the State? Reflections on Stateness in an Era of Globalization. *World Politics* 50 (1):62-87.

Fabbrini, Sergio and Marco Brunazzo. 2003. Federalizing Italy. The Convergent Effects of Europeanization and Domestic Mobilization. *Regional and Federal Studies*, 13 (1):100-120.

Garrett, Geoffrey. 2000. Shrinking States? Globalization and National Autonomy. In *The Political Economy of Globalization*, edited by N. Woods. Basingstoke: Macmillan.

Graziano, Paolo (2003), La nuova politica regionale italiana. Il ruolo dell'europeizzazione. In *L'europeizzazione dell'Italia. L'impatto dell'Unione Europea sulle istituzioni e le politiche italiane*, edited by S. Fabbrini, Rome-Bari, Laterza.
Graziano, Paolo. 2004. *Europeizzazione e politiche pubbliche italiane. Coesione e lavoro a confronto*, Bologna: Il Mulino.
Ikenberry, G.John. 1986. The irony of state strength: comparative responses to the oil shocks in the 1970s. *International Organization* 40 (1):105-138.
Ikpe, Eka. 2007. Challenging the discourse on fragile states. *Conflict, Security and Development* 7 (1):85-124.
Katzenstein, Peter, ed. 1978. *Between Power and Plenty*. Madison: University of Wisconsin Press.
Knill, Christophe and Dirk Lehmkhul. 1999. How European Matters: Different Mechanism of Europeanization. *European Integration online Papers*, 3 (7).
Ladrech, Robert. 1994. Europeanization of Domestic Politics and Institutions. The Case of France, *Journal of Common Market Studies*, 32 (1):69-88.
La Spina, Antonio. 2003. *La politica per il Mezzogiorno*. Bologna: il Mulino.
Liefferink, Dunacan, and andrew Jordan. 2005. An 'Ever Closer Union' of National Policy? The Convergence of National Environmental Policy in the European Union. *European Environment*, 15:102-113.
Locke, Richard M. 1995. *Remaking the Italian Economy*. Ithaca: Cornell University Press.
Mann, Michael. 1984. The Autonomous Power of the State: Its Origins, Mechanisms and Results. *Archives Européenes de Sociologie* 25:185-213.
Posner, Alan. 1978. Italy: Dependence and Political Fragmentation. In *Between Power and Plenty*, edited by P. Katzenstein. Madison: University of Wisconsin Press.
Quaglia, Lucia, and Ivo Maes. 2004. France and Italy's Policies on European Monetary Integration: a comparison of 'strong' and 'weak' states. *Comparative European Politics* 2 (1):51-72.
Radaelli, Claudio M. 2000. Whiter Europeanization? Concept Stretching and Substantive Change, *European Integration online Papers*, 4 (8).
Ranci, Pippo. 1987. Italy: the weak state. In *Managing Industrial Change in Western Europe*, edited by F. Duchene and G. Shepherd. London: Frances Pinter.
Richardson, Jeremy, Gunnel Gustafsson, and Grant Jordan. 1982. The Concept of Policy Style. In *Policy Styles in Western Europe*, edited by J. Richardson. London: George Allen & Unwin.
Risse Thomas, Maria Green Cowles e Jim Caporaso. 2000. Europeanization and Domestic Change: Introduction. In *Transforming Europe. Europeanization and Domestic Change*, edited by M. Green Cowles, J. Caporaso and T. Risse, Ithaca: Cornell University Press.
Thatcher, Mark. 2004. Varieties of Capitalism in an Internationalized World: Domestic Institutional Change in European Telecommunications. *Comparative Political Studies* 37 (7):751-780.
Vassallo, Salvatore. 2000. La politica di bilancio: le condizioni e gli effetti istituzionali della convergenza. In C*ondannata al successo? L'Italia nell'Europa integrata*, edited by G. Di Palma, S. Fabbrini and G. Freddi, Bologna: Il Mulino.
Weiss, Linda. 2005. The State-augmenting Effects of Globalisation. *New Political Economy* 10, (3):345-353.
Weiss, Linda. 1998. *The Myth of the Powerless State*. Ithaca, NY: Cornell University Press.