

**POLICY NETWORKS AND
EUROPEAN GOVERNANCE:
THE EUROPEANISATION OF REGIONAL
POLICY-MAKING IN GERMANY**

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Abstract

This paper tries to complement insights of the policy network literature ('Rhodes model'). It argues that drawing on 'New Institutionalism' can enhance the model's capacity to explain network change. Empirical evidence drawn from East Germany's integration into the European Structural Funds, highlights the importance of network structure and the potential it offers for strategic alliances among key network participants. It supports the claim that institutions such as policy networks can create dynamics which governments find difficult to control. The paper also shows that despite the high degree of domestic institutionalisation that characterises the German federal system, the Structural Funds have been influential in changing both the process and the content of German domestic policy arrangements. Policy networks have been important catalysts for the 'Europeanisation' of domestic policies and the transformation of European governance more generally.

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1. INTRODUCTION ¹

Over the last decades Western European governments have tried to address the problem of the vast complexity of government action which has brought the state to its limits of governability. The belief in an 'omniscient, omnicompetent and omnipotent state' (O'Toole 1993: 52) in welfare and economic management has finally been shed. We can witness attempts by governments to achieve partial disengagement of the state in some spheres, while trying to maintain their grip on the key levers of society and the economy. Governments have become increasingly dependent upon the co-operation of policy actors outside their hierarchical control, and relationships between state actors and non-state actors have become organised in an increasingly pluralistic way. 'New, or at least refashioned, policy delivery mechanisms have emerged, and public-private 'partnership' has become common currency, as governments have attempted to come to terms with the 'hollowing out' of the state' (Stoker and Pyper 1997).

The rise in importance of policy networks reflects this changed relationship between state and society. Multi-level and cross-national networks have become increasingly common institutions which link actors 'from the negotiating table to the shop floor' (Hanf 1994). Public policy-making increasingly takes place in settings of networked actors who necessarily rely on each other and cannot compel compliance on the part of the rest. Policy networks can be conceptualised as an informal institutional response to overcome problems of collective action (Scharpf 1991). They reduce information and transaction costs, diminish uncertainty and can create trust among participants, thus further stabilising relationships. They therefore serve as an appropriate institutional framework for horizontal self-co-ordination between public and private actors, in particular as an increasingly complex and fast-changing policy environment undermines traditional forms of hierarchical co-ordination.² At the European level, such efforts are reflected in the development of concepts such as 'partnership' and 'subsidiarity' which were declared the guiding principles of policy-making in the EU in the late 1980s.

¹ This paper is part of a larger project on European governance and regional policy-making in Germany. The empirical evidence for this paper is based primarily on formal interviews and many informal conversations when working for the Commission's DG XVI in August and September 1997, as well as interviews conducted in Bonn and the new German Länder in July and December of last year. I am very much indebted to all those who shared their experience and expertise with me.

² However, while there can be little doubt that the role of the state has changed as non-state actors have become increasingly important, this does not mean that states no longer dispose of considerable resources. States are still very much capable of pursuing their own interests and play a central part in public policy-making.

The argument below is built on the following assumptions:

1. European integration does not render the nation-state obsolete. European policy initiatives and multi-level network interaction do not marginalise national governments but can change resource dependencies between public and private actors across the different levels of government.
2. Changes in resource dependencies within networks will affect both policy processes and policy outcomes. The structure of a network has a major influence on the logic of interaction between the members of the network.

The paper is divided into three parts: The theoretical *first part* has two objectives: first, to assess the strengths and weaknesses of the ‘policy networks approach’ (Rhodes model) for our understanding of the process of European policy-making/implementation; and second, to combine the strength of the network approach in mapping interdependencies with the recent literature on new institutionalism, building in particular on the strength of new institutionalist approaches to explain institutional change. In doing so, it is hoped to develop policy network analysis in order to make it more useful for future analysis.

The more empirical *second part* of the paper describes and analyses the formation of and changes in regional policy networks in the former Eastern Germany in the period between 1990 and 1996. More specifically, it looks at the negotiations surrounding the approval of the 1994-99 Community Support Framework (CSF) for Germany’s ‘Objective 1’ regions. It will try to assess the impact of these negotiations, as well as of European regional policy principles more generally, on the 1995 reform of the ‘Gemeinschaftsaufgabe’ (GA).³ Special attention is given to changing patterns of network relationships and the effects of network change on policy processes and outcomes.⁴

A final *third part* will address the wider question regarding the implications of European policy principles, such as ‘partnership’, which propagate more inclusive forms of European governance.

³ Gemeinschaftsaufgabe ‘Verbesserung der regionalen Wirtschaftsstruktur’ (‘Joint Task for the Improvement of Regional Economic Structures’: Germany’s regional policy programme).

⁴ The focus of this paper is on network change and its effect on network structures and policy outcomes. It is not the objective of this paper to assess the performance of networks, or policy effectiveness more generally.

2. NETWORKS AS INSTITUTIONS: A CRITIQUE OF THE ‘RHODES MODEL’

2.1 The Policy Networks Approach

2.1.1 *Origins*

The literature on network analysis developed at least partly as a critique of ‘naïve’ pluralism, emphasising that decision-making arenas are ‘generally impenetrable by unrecognised groups or by the general public’ (Richardson and Jordan 1979: 74). In political science, the concept of network has often been used in a mere metaphorical way (Hanf and Scharpf 1978; Katzenstein 1978; Hecllo 1978; Lehmbruch 1984; 1989; Jordan 1981, Keohane and Hoffmann 1991).⁵

Political network analysis found more analytical attention in the UK, where in particular Rhodes (1986a; 1988; 1990; 1995) has written extensively about how national policies can emerge from sectorally-defined networks which link authorities across different levels of government and public with private actors.⁶ Rhodes observed the difficulties that governments had in trying to steer disaggregated structures of interdependent organisations and saw the emergence of network interaction as a common response to such challenges in advanced industrialised societies. He coined the term ‘policy network’ as a typology of interest intermediation between both public and private actors which has received considerable interest in the political science literature of recent years (Van Waarden 1992; Jordan and Schubert 1992; Sciarini 1996).

⁵ The concept generally found more interest among sociologists (Laumann and Pappi 1976; Kriesi 1980; Knoke and Kuklinski 1982; Pappi 1987; Laumann and Knoke 1987) and has also been used by economists using transaction cost approaches (Thompson 1993; Horn 1995).

⁶ Rhodes (1986, 1988, 1995) focuses his analysis of policy networks predominantly on intergovernmental- rather than state/business relations (see also Peters 1992). Others pay more attention to private and semi-public actors while excluding personal relationships (Marin 1990; Mayntz 1994; Pappi 1993). Unlike the approach adopted here, which follows the British network approach or ‘Rhodes Model’ and which is derived from the European literature on inter-organisational relations (see eg. Hanf and Scharpf 1978), the American literature has concentrated on personal relations between key actors rather than structural relations between institutions (Rhodes and Marsh 1992: 7).

2.1.2 Definition

Rhodes defines a policy network as ‘a cluster or complex of organisations connected to each other by resource dependencies and distinguished from other clusters or complexes by breaks in the structure of resource dependencies’.⁷

They are a set of relatively stable relationships which are often of a non-hierarchical and interdependent nature linking a variety of actors, who exchange resources to pursue their interests.⁸ Policy network relationships are stable, i.e. there are regular contacts between the participants (contacts are not ad hoc in nature) and they are usually non-hierarchical, i.e. they are not based on compliance to a single executive power. The central idea behind policy networks is the interdependent ‘exchange of resources’ or ‘resource dependency’.⁹ Actors seek to achieve their goals and to manage dependencies by exchanging resources—such as authority, money or information—with other members of the network. In the words of Anderson:

“A network rests upon a distinctive structure of dependency, which is the product of the distribution of resources among network members and of the rules, both formal and informal, that govern exchange” (1995: 460).¹⁰

Policy networks are typically characterised by interdependence between politicians, bureaucrats and interest representatives. Administrators need political support, legitimacy, information, coalition partners in their competition with other parts of the bureaucracy, and assistance in the implementation of policy.¹¹ Policy networks can

⁷ Based on Benson’s (1982: 148) definition (Rhodes and Marsh 1992: 13).

⁸ Actors in policy networks are usually individuals in the role of organisation-representatives. This is why organisations can also be considered as network actors (Van Waarden 1992: 33).

⁹ Dependence is understood here to mean a source of constraints upon an organisation.

¹⁰ The initial version of the Rhodes model (Rhodes 1981: 115-25) ‘viewed central-local relations as a ‘game’ in which both central and local participants manoeuvre for advantage. Each deploys its resources [...] to maximise influence over outcomes while trying to avoid becoming dependent on the other ‘players’.

¹¹ Policy-networks are an exchange-based concept, which have been used to overcome the traditional dichotomy of top-down vs. bottom-up implementation. Top-down approaches to implementation research regard implementation above all as a co-ordination problem, i.e. making sure that street-level officials (those in charge of implementation) put political decisions into practice. Top-down approaches tend to neglect the motivation of lower level actors and discrepancies between plan and practice can often be observed as a result. Bottom-up approaches, on the contrary, are less concerned with central objectives but emphasise the motivations and interactions of actors in a policy sector. Bottom-up approaches emphasise that ‘legislative intent is usually sufficiently vague and the amount of hierarchical control within organisations sufficiently weak that street-level implementing officials have very substantial discretion’ (Sabatier 1991: 259).

also help them save on costs of information collection. Interest groups on the other hand desire access to public policy formation and implementation, and concessions in their interests or those of their constituency. Interest groups gain access and influence by building more permanent relations based on trust. These different needs motivate and produce exchanges or transactions and repeated exchanges may become institutionalised in network structures (Van Waarden 1992: 31).

In the European context, for example, resource-dependence relationships characterise the interaction between the Commission, national and sub-national actors in the various stages of EU regional policy-making. Due to the absence of its own implementation machinery in each member state, the Commission is dependent on national and sub-national actors for local expertise, information and the submission of projects. Similarly, national and sub-national actors are often dependent on the European Commission for financial resources, policy decisions and guidance as to how to meet Commission requirements. Regional actors and interest groups obtain from the Commission information on Structural Fund programmes as well as access to other EU policies from which they are generally excluded.¹² Moreover, ‘many regional officials see partnership with the Commission as prestigious and legitimating sub-national power’ (Ansell, Parsons and Darden 1997: 359).¹³

2.1.3 Typology

Attempts to categorise different network types have been numerous, the most prominent being that of the ‘Rhodes model’. Rhodes distinguishes between *policy communities*, characterised by closed membership, shared values, durability and mutual benefits through positive-sum bargaining, and *issue networks*, which consist of large, unstable memberships and are characterised by limited consensus, consultation relationships and zero-sum games. These two types of interest intermediation are seen as the end-points on a continuum. Rhodes also identifies professional networks, intergovernmental networks and producer networks as intermediate structures. He uses the term ‘policy network’ as the generic term encompassing all types (Marsh and Rhodes 1992: 14-5). The Rhodes model recognises that the members of a particular policy network have unequal resources and varying influence over policy. It is possible to identify different levels of influence within a particular policy network, those at the core and those at the periphery, and one can therefore distinguish between the inner and outer circles of a particular policy network (Marsh and Rhodes 1992: 255-6).

¹² However, one should bear in mind that regional actors look much more frequently to their national governments for help than to the Commission. Similarly, national channels remain the major source of Commission information (Ansell, Parsons and Darden 1997: 368).

¹³ However, such resource dependencies are of course not restricted to the European context. In any decentralised political system one can observe a tendency of the strengthening reciprocal resource dependencies between actors of the sub-national and national levels. Parri (1989: 215) notes that relationships between the sub-national and national level are less and less characterised by relationships of autarky and hierarchy but increasingly by greater interdependence and relatively non-hierarchical territorial relationships.

However, as Rhodes later accepts, his model conflates two separate questions, the level of network integration and the particular interest dominating them (Marsh and Rhodes 1992: 21). Rhodes' categorisation, based on variation in the degree of closure and stability between different networks, appears incomplete when faced empirically with a complex web of partly overlapping network structures. Building on aspects of Rhodes' original typology, an attempt will be made in the following, to devise a new conceptualisation of network types and structures.

On a general level one can distinguish between two different types of networks: *lobbying networks* and *policy communities*. Lobbying networks are formed by organisations, pressure groups, and businesses to lobby national government or EU institutions and are often characterised by dominantly unidirectional relations. Relationships between public and private actors are based on consultation rather than on bargaining.¹⁴ In contrast, *policy communities* usually refer to more tightly knit relationships between public and private actors. Such relationships are based on shared values and beliefs. They are stable, highly restricted in membership and interaction among participants is based on bargaining as each participant possesses resources necessary for the functioning of the network. Policy communities tend to have a more formally institutionalised character and are often very durable. Intergovernmental networks refer to exclusive relationships between different levels of government—in the European context, supranational, national and sub-national authorities—and usually constitute a special case of a policy community.¹⁵

If we accept the premise that networks have become common features of how interests are mediated in modern societies, the question remains as to how we conceptualise the interactions between the multiplicity of networks that exist. One can start with the premise that society is divided into several (partly overlapping) *policy areas*, each arena comprised of all public and private actors who share a common interest in a particular policy field (eg.. regional policy) and who regularly exchange resources in order to optimise their mutual relationships. One can further conceptualise each policy area as a *system of policy networks*: a system of several (distinct or overlapping) policy networks, including potentially both lobbying networks and policy communities. This system provides the link between different policy networks within a policy field.¹⁶

The advantage of this conceptualisation over the prominent typology offered by Rhodes (1986a) and others which distinguish between issue networks and policy communities according to the closeness of the relationships involved, is that it highlights the following points: first, that society is made of a web of many partially overlapping policy networks, often several within the same policy area; second, that members of a policy network may be drawn from other policy networks within the

¹⁴ They often (although not always) take the character of what Rhodes and others have termed 'issue networks'.

¹⁵ Ward and Williams (1997: 440-3) distinguish between lobbying/ exchange networks, policy communities and intergovernmental relations networks, taking intergovernmental networks as a distinct and separate category.

¹⁶ The ideas put forward here are partly based on Wilks and Wright's insights on government-industry relations. (Wilks and Wright 1987: 299).

same policy area or even from a different one;¹⁷ third, that even at different stages of one policy process, several different policy networks can be involved (i.e. that decisions taken at different policy stages are not handled by one and the same network), and finally, that the type of network involved at different stages of a policy process can range from tightly knit policy communities to loose lobbying networks.

2.2 The ‘Rhodes Model’: Its Strength and Weaknesses

Pointing to the contributions that network analysis can make, this section will also identify two of its principal shortcomings that have so far limited its usefulness as an analytical tool.

2.2.1 Strengths

The policy networks approach is a powerful tool. It describes and analyses variations in the patterns of interest intermediation and thus helps us to map relationships between public and private actors. In doing so, it can help to explain how the policy agenda is shaped (Rhodes, Bache and George 1996: 370).

Apart from its importance as a descriptive mapping device, it has three further analytical strengths: first, it recognises the importance of non-state actors in European policy-making. It helps us to better understand policy-making in the EU, as it captures the essential character of EU policy-making as a sectorised process, involving multiple public and private, national, transnational and supranational actors (Kassim 1994: 16). A second strength is that it recognises that neither national nor European authorities are monolithic institutions with consistent objectives pursued across all departments or Directorates General (DGs). It is usually departments or sections of departments and not ‘government’ which are involved in a policy network and different departments are unlikely to pursue identical objectives. ‘So, while general government policy constrains departmental responses, it does not determine them. Each department attempts to maximise its autonomy within that overall constraint’ (Marsh and Rhodes 1992: 259). Finally, the ‘policy networks approach’ counters the intergovernmentalist tendency to regard supranational institutions as merely instrumental.

“Intergovernmental bargaining and national interest may continue to characterise EC policy making. The commission’s power of initiative may remain constrained by real politique. None the less, supra-national institutions can change both policy and relationships and must be included among the factors both constraining and providing opportunities for national policy networks, as well as fostering the emergence of trans-national policy networks” (Marsh and Rhodes 1992: 259).

¹⁷ For example, DG IV officials participating in regional policy networks.

While the ‘policy networks approach’ can therefore be very useful in analysing the shaping of the policy agenda, the approach has a number of shortcomings, which mean that it cannot give a satisfactory account of policy-making in EU on its own.

2.2.2 Weaknesses

As several authors have rightly pointed out, ‘network analysis is not a theory *in stricto sensu*, but rather a tool box for describing and measuring relational configurations and their structural characteristics’ (Kenis and Schneider 1991: 44). Scharpf (1993: 22) suggests that the concept of ‘policy networks’ is strong on description, but weak on explanatory power.¹⁸ Two principal shortcomings are highlighted here. First, the policy networks approach (Rhodes model) does not explain change inside networks, and second, it does not sufficiently account for the role of structure and strategic interaction within networks.¹⁹

Lacking a model of the actor

The policy network concept has traditionally been regarded as a meso-level concept. Marsh and Rhodes (1992: 1) claim that the concept ‘provides a link between the micro-level of analysis, which deals with the role of interests and government in relation to particular policy decisions, and the macro-level, which is concerned with broader questions concerning the distribution of power’ within a society.

But, it is argued here, that it has particularly been the failure of the Rhodes model to distinguish clearly between the different levels of analysis which represent one of its major weaknesses. It is also the main reason why policy network analysis has addressed the question of change in policy networks only tentatively. Networks are subject to change as rules change or as the distribution of resources shifts. Marsh and Rhodes (1992: 257) suggest four categories of factors external to a network—economic/market factors; ideological factors; knowledge/technical factors and institutional factors—as sources for change in networks.

However, Blom-Hansen (1997: 685) points out that the existence of such doubtless important factors alone does not explain how these factors are transformed into changes in networks as change is not brought about by the network itself, but by the actors acting inside these networks.²⁰ Missing a micro-foundation, policy-network analysis falls short of explaining change ‘because the driving force of explanation, the

¹⁸ Criticisms regarding the policy networks approach can be found in: Rhodes (1986); Atkinson and Coleman (1992); Marsh and Rhodes (1992); Schumann (1993); Smith (1993); Dowding (1994); Mills and Saward (1994); Bressers and O’Toole (1994); Kassim (1994); Thatcher (1995); Rhodes, Bache and George (1996).

¹⁹ Rhodes and Marsh (1992: 15) merely point out that this shortcoming is not all that surprising ‘given the emphasis on policy networks as a barrier to change’.

²⁰ This crucial point was already realised (although not followed up) by Marsh and Rhodes who warned against trying to reduce the analysis to a simple (environmental) stimulus—(policy network) response model. ‘Actors in the network shape and construct their ‘world’, choosing whether or not and how to respond’ (1992: 259).

independent variables, are not network characteristics per se but rather characteristics of components within the networks' (Dowding 1995: 137). In other words what the policy networks approach is lacking is an explicit model of the actor.

Underestimating the importance of strategic interactions

The Rhodes model offers little insight into how actors will act inside networks. Being based on an exchange logic, which explains actors' behaviour in terms of the pursuit of resources, policy networks approaches

“emphasise the importance of exchange between organisations as a solution to resource interdependence. Co-operation rests on favourable conditions for exchange, and therefore depends on the particular distribution of resources and resource needs among a set of actors. The emphasis on what individual actors are giving and getting from specific other actors leads to an emphasis on dyadic relations, with more complex ‘networks’ being conceived of as aggregations of dyadic exchanges” (Ansell, Parsons and Darden 1997: 354).

However, looking exclusively at the mutual exchange of resources only shows part of the picture. If one looks at the structure of networks which link participating actors, one finds that structural factors, in particular the potential for coalition building, have important implications for the overall pattern of interaction. The political dynamics of structure and the opportunities for strategic interaction that networks entail have largely been ignored by the policy networks literature.

Much of the criticism encountered by the concept has derived from confusion about what policy network analysis can and cannot do. It does not explain national or EU policy-making. In particular it cannot explain constitutive or history-making decisions of the EU (Bulmer 1994) What it does is to map patterns of relationships between state and non-state actors but as Marsh and Rhodes stress ‘it must be used in conjunction with one of the several theories of the state in order to provide a full explanation of the policy process and its outcomes’ (1992: 268).²¹ It is suggested here that one way of supplementing the policy networks approach is to look at the insights that ‘new institutionalism’ has to offer.

²¹ See also Kenis and Schneider (1991) and Windhoff-Heritier (1994).

2.3 Looking Beyond The Meso-Level: The Contribution of New Institutionalism

Institutionalist approaches try to shed light on the role that institutions play in determining political and social outcomes and were developed as a reaction to behavioural perspectives, which were so highly influential in the 1960s and 1970s (Hall and Taylor 1996: 936). New institutionalism, as it is used here, cuts across the usual sharp divide between rational choice and non-rational choice approaches, drawing instead on research within both traditions which emphasises the significance of historical process (see also Pierson 1996).²²

Political institutions are understood here as referring to ‘formal or informal procedures, routines, norms and conventions embedded in the organisational structure of the polity or political economy’ (Hall and Taylor 1996: 938). Institutions understood in this way do not primarily come about by a particular constitutional act but are the result of social processes, which often reflect the interaction of many decentralised political actors (Kohler-Koch 1997a: 20).

2.3.1 *Conceptualising institutional change*

One of the key strengths of new institutionalism lies in its research emphasis which tries, firstly, to analyse the relationship between institutions and behaviour, and secondly, the determinants of institutional change and innovation (Anderson 1995: 462). New institutionalism explains institutional change firstly, in terms of the strategic pursuit of goals by individuals; secondly, by the fact that institutions affect the behaviour of individuals and finally, by referring to the importance of asymmetric distribution of power within networks.

As to the first point, new institutionalism assumes an explicit model of the actor, one which is instrumental (actor seeks to maximise the attainment of goals) and based on strategic/rational calculations.²³ Individuals make choices regarding their behaviour within institutions and it is these choices which determine the dynamics of institutional change. Due to the distributional effects of institutions, there are (at least potentially) ample incentives for institutional change (Blom-Hansen 1997: 685). It is, therefore, also necessary to look at reasons why institutions such as networks are so resistant to change. From an institutionalist perspective there are several reasons to explain why change is likely to be incremental. As long as the cost of deviation from institutional rules are considered greater than adherence, then individuals/organisations will stick to such rules. However, new institutionalism also stresses the need to analyse social behaviour over time. Network participants might

²² Hence, it includes rational choice analyses that consider issues of institutional evolution as important (Knight 1992; North 1990).

²³ However, behaviour is also seen as bound by an individual’s view of the world. Hall and Taylor (1996: 939) distinguish between the ‘calculus’ approach—which emphasises rational behaviour—and the ‘cultural’ approach, which emphasises the restriction to rationality by an individual’s social context (view of the world). They point to the fact that institutionalists are eclectic in their use of these two approaches.

accept (out of rational deliberation) what they perceive as ‘a bad deal’ in the short term, if they value the medium and long-term advantages of membership.

Secondly, new institutionalism tries to explain change not just by reference to exogenous factors but also points to the importance of incentives created by institutions themselves.²⁴ Institutions affect the identities, self-images and preferences of actors. The basic assumption of new institutionalism is that institutions cannot be regarded as mere arenas for political action. ‘Without denying the importance of both the social context of politics and the motives of individual actors [...] institutional analysis posits a more independent role for political institutions’ (March and Olsen 1989: 17). Institutions are not only affected by society but they also affect it. This provides us with a second explanation why networks can persist beyond their immediate usefulness and purpose.

“Whereas the exchange approach implies that a relationship will last only as long as the favourable terms of exchange persist, the structuralist approach suggests that networks are more sticky.” [...] “This is not only because positive interaction facilitates future interaction, but also because people develop cognitive schema and rules of engagement about whom it is appropriate to interact with and on what basis” (Ansell, Parsons and Darden 1997:356).

Finally, if we accept that policy networks reflect the distribution of power/status/influence of particular interests in a given policy area, than we should expect institutions to change once the relative power of the participating actors changes. New institutionalists, by emphasising the prominent role of asymmetrical distribution of power within institutions, such as networks, go one step further. Institutions may be ‘weapons of coercion and distribution’ (Moe 1990: 213) and institutional development may constitute the means of powerful actors to further decrease their resource dependencies on other actors. New institutionalism therefore suggests that sources for the change of networks can be both exogenous and endogenous to networks.

²⁴ Beate Kohler-Koch uses the term reflexive institutionalism. While interests define politics, the definition of one’s own interests derives from conceptions of politically appropriate behaviour, which are passed on by institutions (1997: 229-30).

2.3.2 *Realising the importance of strategic interactions within networks*

In the previous section it was pointed out how institutions shape the preferences of actors while at the same time limiting their choices. The structural network approach uses institutionalist insights to explain how actors choose among alternative strategies in their interactions with other network participants.²⁵

“Actors follow strategies both vis-à-vis networks, and within networks themselves. They create and/or use networks to satisfy their needs, interests and goals, and they develop strategies to manage their interdependencies” (Van Waarden 1992: 37).

Actors can use networks to pursue various strategies. If we assume the existence of three principal actors in regional policy networks (eg. Commission, national government, region), these triadic relationships create opportunities for shifting alliances, as relations between any two actors are affected by the existence of the third actor.

“[T]his triadic pattern embeds each actor in a pattern of cross-cutting relationships that we call dual networks. The essence of duality is that the relationship between any two actors is always conditioned by the existence of a second network that links them to a common third party” (Ansell, Parsons and Darden 1997: 357).²⁶

The overall pattern of interactions is not one of stable co-operation but of frequently shifting alliances within the triad. Regions try to secure Commission support against their own national government or seek alliance with their national government to build a common front against the Commission. However, there are also cases when national governments and the Commission find it opportune to co-operate to the exclusion of, or in opposition to, the sub-national level. Hence, this perspective sees the third party in terms of a critical audience which can confer legitimacy on role claims or who can play a critical brokerage role between parties. It sees networks as structural channels through which political mobilisation and coalition-building take place and networks themselves ‘become resources in political conflicts’ (Ansell, Parsons and Darden 1997: 355-6).

²⁵ The following ideas draw on Ansell, Parsons and Darden (1997) whose approach is informed by sociological network theory (Knoke (1994); Wellmann and Berkowitz (1988); Berkowitz (1982)). Their approach builds on a structuralist logic of networks rather than on the exchange logic adopted by the policy networks literature. ‘Exchange logic explains actors’ behaviour in terms of the pursuit of resources. Networks arise through mutually beneficial exchange of goods, services and information. Structuralist logic does not deny that actors pursue favourable opportunities for exchange, but analyses their actions in the first place in terms of relative structural positions in the network. The structure of networks linking actors, [...], has important implications for their overall patterns of interaction (Ansell, Parsons and Darden 1997: 349). It is argued here that exchange and structuralist perspectives are complementary rather than contradictory (see also Cook and Whitmeyer (1992)).

²⁶ The concept of dual networks has also been used by Mazey and Richardson, 1993; Hooghe and Keating, 1994; Keating and Jones, 1995.

2.3.3 *Linking the meso- with the macro-level*

New institutionalism is well suited to analyse macro-meso institutional interaction (Bulmer 1994: 370), thus linking the meso-level concept of policy networks with high (constitutional) politics (the macro-level). Institutional development does not have to be top down; sometimes developments in a particular policy area force treaty making to catch up with the changes on the ground.

Strategic alliances, such as those described above, introduce a dynamic element into policy networks. One can expect that such triadic relationships are likely to increase the relative autonomy of the Commission and sub-national authorities, as each of the three actors has an interest in mobilising third parties in order to preserve its strategic options (Ansell, Parsons and Darden 1997: 358).²⁷

The case study below, will be informed by the following four sets of questions:

1. What policy networks emerged in Eastern Germany after unification as a result of the new *Länder's* integration into the Structural Funds? How did this happen? How have these networks changed since then (1990-96 period)? Why have they changed?
2. Can one find support for the assertion of strategic relationships within networks? For strategic shifts in alliances?
3. What has been the impact of such changes in regional policy networks on the regional policy process and its content/outcome? Have German regional policy institutions become 'Europeanised'?
4. How does the German system of co-operative federalism interact with European demands for 'partnership'? To what extent is the idea of 'partnership' or 'co-operative government' reflected in the actual organisation of politics? To what extent do network changes reflect a shift in European governance?

²⁷ While they agree that states enjoy less control over EU politics than they once did, Ansell, Parson and Darden show not only that states remain central actors, but that both sub- and supranational actors have an interest in keeping it that way. 'Precisely because no two levels of EU governance will always have shared interests over time, they will all defend their 'dual networks'. In the long term, this theoretical point suggests the stability of a 'middle ground' between strict inter-governmentalism and a strongly federal Europe (Ansell, Parsons and Darden 1997: 350).

3. 'EUROPEANISATION' THROUGH POLICY NETWORKS? INTEGRATING EAST GERMANY INTO THE STRUCTURAL FUNDS

3.1 Background

The empirical part of this paper examines regional policy-making and implementation in the new German *Länder* since unification. Particular attention is paid to the integration of the former GDR into the European Regional Development Fund (ERDF), the largest of the three Structural Funds.²⁸

3.1.1 *The ERDF Since the 1988 Reforms*

In the case of the European Structural Funds, four policy-making/implementation arenas²⁹ can be identified.³⁰

1. *Decision-making arena*

1a) Creating the budgetary envelope

At this stage decisions regarding financial redistribution among the Member States are made. It is characteristic of European (regional) policy that such decisions are taken before policy goals or questions of institutional design have been addressed (Marks 1996: 389). This stage is dominated by bargaining between member state governments.³¹ The Commission plays a limited but important role as an agenda setter, putting forward an overarching budget proposal.

1b) Institutional design and decisions on eligibility

At this second stage of the decision-making arena, member states, again acting on a proposal of the Commission, determine in general terms, the aims of European policy. They also decide, in broad terms, how monies should be spent, who should benefit and to what extent. The last two exercises in this vein, in 1988 and 1993, 'clearly reflected the blueprints that the Commission drew up'. (Marks 1996: 393). As to deciding on eligibility, the Council has substantial leverage and can make decisions in the spirit of 'side-payments' or 'juste retour', rather than having to stick to objective

²⁸ The other two being the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF).

²⁹ It is assumed that one should not separate the two stages of policy-making/ design and implementation, as the two are closely connected/ feed back into each other. In earlier work on policy implementation, it has been pointed out that while policies undoubtedly shape actions, they are also 'continuously transformed by implementing actions that simultaneously alter resources and objectives' (Majone and Wildavsky 1979).

³⁰ For different categorisations see Marks (1996) and Staeck (1996).

³¹ Marks (1992) described this bargaining process as an elaborate system of side payments.

criteria.³² Sub-national actors are usually barred from direct participation at both stages of the decision-making arena. However, in the second stage, they lobby their own government as well as the Commission which compiles an initial list of potentially eligible candidates.

2. *Planning and negotiating arena*

Two parts of the planning arena can be identified.

2a) Development of the regional development plans

Officially, negotiations take place between the Commission and the Federal Ministry of Economics. Real planning, however, is done in the *Länder* who submit these plans to the Commission via their national government. De facto, the Federal Government plays the role of an interlocutor between the Commission and the *Länder*. The *Länder* sometimes allow the involvement of sub-regional actors (Conzelmann 1995).

2b) Negotiating the Community Support Framework (CSF)

At this stage, the regional development plans are used as the basis to negotiate quasi-contracts, so-called 'Community Support Frameworks' (CSFs), between the Commission and the Federal Government. Legally, it is the Federal Government and not the *Länder*, which is responsible for the fulfilment of these contracts. Once the CSF is agreed, the *Länder* write the 'Operational Programmes' (OPs), which detail the specific funding strategies of each region. They are also subject to approval by the Commission. In this second arena, the Commission therefore constitutes a crucial actor.

3. *Implementation arena*

It is at this stage where the actual process of implementing individual projects takes place. Here, the most important actors are to be found at the *Land* level. The implementation arena is characterised by the existence of sub-networks which are made up of semi-public institutions, local government departments and think tanks. The glue that keeps these sub-networks together is the mutual interest in maximising the take-up of money granted by the EU. While the *Länder* clearly run the show in this arena, the Commission acts as a consultant in the background and also has to approve large individual projects. The role of the national government is generally limited to providing some of the co-financing required for structural fund projects. Both in the planning and the implementation arena, the 'Office of the Permanent Representation of the Federal German Republic at the European Commission' in Brussels plays a particularly important role as interlocutor between the EU institutions and the Federal Government.

³² See eg. the inclusion of Flevoland and the Highlands and Islands in 1993.

4. *Monitoring and evaluation arena*

Monitoring is to a large extent done in the monitoring committees which are set up in each assisted region. They are chaired by the Federal Ministry of Economics, with the Commission and the *Länder* being the other participants. Each monitoring committee has a subcommittee, which is chaired by the *Land* and where much of the preliminary work is done. These sub-committees include a number of social partners. Evaluation of the implementation process and its impacts is done both ex-ante and ex-post. External consultants who are chosen by the *Länder* and approved by the Commission play an important part in the evaluation process.³³

The 1988 reforms of the Structural Funds, which laid down the procedural requirements of the policy-making arenas outlined above, also introduced four important principles. According to these principles, European regional policy is to be conducted in programmes rather than in individual projects ('programming'), it is to be prioritised according to the level of underdevelopment ('concentration'),³⁴ and community funding is expected to be explicitly additional rather than being a substitute for national funds ('additionality'). Finally, and most importantly in the context of this research, the 'partnership' principle was introduced in order to be able to cope better with the steering problems of the complex EU political system.³⁵

The development of the 'partnership' principle can be seen as the main device for institutionalising policy networks in European policy-making (Conzelmann 1995: 138). 'Partnership' institutionalises direct contacts between the Commission and non-central government actors including, regional and local authorities, local action groups and local businesses.

The reform of the Structural Funds has had an important impact as it has significantly improved the Commission's legal, administrative and financial capabilities vis-à-vis member governments in this policy area. It also offered sub-national actors an alternative source of funding, moral support, models of development, and channels of access (Anderson 1996: 165-6). It is against the background of the reform of the Structural Funds and the principles it laid down, that the following analysis of East German regional policy networks is carried out.

³³ Arena 2, 3 and 4 are also referred to as the three 'programming arenas'.

³⁴ In the case of the ERDF one distinguishes between 'Objective 1 areas' (underdeveloped regions), 'Objective 2 areas' (regions in industrial decline) and 'Objective 5b areas' (underdeveloped rural regions).

³⁵ 'Partnership' as defined in regulation No 208/93 of the Structural Funds Regulations recognises that the numerous actors involved in regional policy implementation require co-ordination in order to realise the benefits of co-operation. One can distinguish between vertical partnership—involvement of sub-national authorities in the European decision making process—and horizontal partnership, the involvement of the social partners.

3.1.2 Unification and the EU's Initial Response

In the immediate post-unification the German government was faced with the question of how to incorporate the new *Länder* into the GA and the Structural Funds. Bonn decided to integrate the new *Länder* in the GA (with some special provisions) rather than to devise a second tier regional policy system for the former GDR. At the Dublin Summit in April 1990, Chancellor Kohl made the offer to waive Structural Funds' assistance for the ex-GDR as he was worried that Germany would have to agree to an increase in the EU's overall budget in return (Anderson 1996: 178-9). However, the Commission did not take up this suggestion and it was decided instead to help Eastern Germany with a lump-sum payment of 3 billion ECU for the period 1991-93 and to integrate the new German *Länder* properly into the Structural Fund system with the 1994-1999 funding period. The negotiations for the East German 'Objective 1' CSF proved very contentious. The issues were the Commission's demand for a decrease in the area coverage in Western Germany, and the wish of the new German *Länder* to use Structural Fund money outside the German regional policy framework (the GA), a controversy which became to be known as the issue of 'decoupling'. It is these CSF negotiations and the impact they had on the later reform of the GA in 1995 which will be discussed next.

3.2 The Negotiations of the East German 'Community Support Framework'

Even before the new German *Länder* became truly integrated into the Structural Funds, the European Union triggered an important domestic response when, between 1991 and 1993, the new *Länder* followed the example of the West German *Länder* and set up regional offices in Brussels. These offices facilitated direct contacts with the Commission and other EU institutions.³⁶ Whereas the establishment of such offices in the case of the West German *Länder* in the late 1980s caused considerable rifts with Bonn, such tensions were largely absent in the early 1990s.³⁷

3.2.1 The three levels of government and their diverging interests

It is necessary to emphasise that actors at different levels of government pursue a number of partly competing or at least diverging objectives. As the Commission itself has pointed out, 'partnership' 'brought together authorities, which did not necessarily share the same views at the outset' (quoted in Marks 1992: 5). One important source of conflict can be found in the fact that the Commission's actions are guided by Community-wide cohesion objectives, which are often at odds with regional policy objectives viewed from a national or regional perspective. Although European regional policy is to support national regional policy efforts (Title XIV, Article 130a-c

³⁶ Four of the five new German *Länder* established their representations in the former East German embassy in Brussels.

³⁷ In the late 1980s, the federal level, in particular the German Foreign Office, was concerned about what it saw as the development of *Länder* para-diplomacy, i.e. the dilution of the exclusively federal constitutional prerogative to represent the Federal Republic abroad.

TEU), national authorities have in the past complained about the Commission's interference in their domestic affairs.

In Germany, this has been particularly true with regard to attempts by the Commission to limit the size of areas eligible for public assistance, as the Commission is charged with Community-wide state aid control under the EU competition regime. At the time of the 1993 CSF negotiation, the Federal Ministry of Economics in Bonn insisted that Structural Fund expenditure in Germany should be subject to GA and not Community assistance criteria, as it hoped to create a single, unitary administrative process in the light of the infant bureaucracy in the new *Länder* (Anderson 1996: 181).³⁸ In contrast, the *Länder* generally were favourably poised towards the European criteria which tended to be wider than the German ones, therefore allowing for the support of a broader variety of projects. This was a particular concern of the Eastern German *Länder* who were concerned that they might be unable to put forward enough suitable projects (under the GA criteria) to take up all the Structural Fund monies assigned to them.³⁹

3.2.2 *The controversy over 'decoupling'*

The Maastricht Treaty negotiations sparked an intense and effective lobbying campaign by the East German *Länder* for 'Objective 1' status, targeting Brussels, Bonn and the old *Länder* as well as other 'Objective 1' regions (Anderson 1996: 180). At the Lisbon summit in June 1992 the heads of governments agreed that the five new *Länder* and East Berlin would be classified as 'Objective 1' regions for the 1994-99 period. According to the final agreement, Eastern Germany was to receive approximately ECU 14 billion over this period.

Once the new *Länder* had obtained 'Objective 1' status a severe conflict broke out between Bonn and Brussels over negotiations of the East German CSF.⁴⁰ As already mentioned, the bone of contention was whether ERDF funds should be routed exclusively through the GA and disbursed according to its aid criteria, or to allow parts of the EU funds to decouple from the GA, allowing them to be used according to wider EU criteria.

³⁸ Let alone its belief in the superior effectiveness of established national eligibility criteria.

³⁹ When looking at the interests of sub-national authorities an important distinction should be made between their structural and their material interests. The *Länder* share structural demands for increased participation aimed at tilting resource dependencies in their favour. However, the *Länder's* material demands and their eligibility as to EU aid differ substantially, commonly placing *Länder* in competition with each other. Also, while structural interests demand concessions from the Federal Government, the achievement of material interests often rely on the support of the Federal Government in the Council (the most important access for regional interests in the EU decision-making arena (Morass 1994: 79). Moreover, the importance of symbolism in sub-national action against the Federal Government or the Commission should also be noted.

⁴⁰ More specifically, the conflict was between, on the one side, most network participants from the new *Länder* and the Commission, who believed that the support framework of the GA was too narrow; and on the other side, the Federal Ministry of Economics, supported by some economics ministries of the new *Länder* who called for EU money to be exclusively spent within the GA framework like it had been done with the Commission's lump-sum payment over the 1991-93 period.

Some of the new *Länder*, in particularly Saxony, were very unhappy that the GA support framework was much narrower than that for EU money and that, as a consequence, they were not allowed to use EU money in areas such as R&D, training and non-business related infrastructure. The Commission openly supported the *Länder* in their quest to decouple EU money from the GA. The director of DG XVI, in charge of the negotiations with the German government, refused to approve the German 'Objective 1' CSF and thus withheld the flow of money way into 1994, when the German Federal Government (under mounting pressure from the Eastern *Länder* which were waiting for their money) finally made concessions on this point.⁴¹ The official in the Federal Ministry of Economics responsible for the GA commented on these events as follows:

“The Commission pursues a strategy of widening its own activities in regional policy. [...] The Commission is not prepared to limit its role to the support of national regional policies but aims to push through its own priorities” (Tetsch 1994: 175).

The text of the East German CSF now explicitly allows the new *Länder* to use EU money outside the GA.⁴² With the encouragement of the Commission the Eastern *Länder* won this victory, managing to 'escape the confines of the federal regional policy regime' (Anderson 1996: 188). The Eastern *Länder* profited substantially from the support the Commission lent to regional priorities which diverged from national priorities in regional development. It seems clear that the new *Länder* are unlikely to have got their way over de-coupling if they had not mobilised Commission support against the Bonn government, or more precisely, against the Federal Ministry of Economics in charge of the GA.⁴³

However, the alliance between the *Länder* and the Commission observed in this case is not the only one feasible.⁴⁴ *Länder* officials have also sought closer contacts with Bonn on issues such as area designation in an attempt to limit growing resource

⁴¹ The position taken by the Commission is reminiscent of its strategy over the 'RECHAR' dispute with the British government. See McAleavey (1993).

⁴² Saxony, Brandenburg and Mecklenburg West Pommern have all 'decoupled'. Saxony uses more than fifty percent of its 'Objective 1' receipts outside the GA. This means that ERDF money is no longer exclusively managed by the Economics Ministries. Dependent on the particular project, other ministries, such as those for the Environment or Transport, now also participate in the implementation of ERDF projects.

⁴³ The Economic Ministries of some East German *Länder* joined forces with the Federal Ministry of Economics at the time, as they were interested in remaining the sole guardians of ERDF money coming from Brussels. However, the broad overall picture, as one of *Länder* interests diverging from those of the national government, remains valid.

⁴⁴ There are other examples for such strategic alliances in areas such as state aids (where a coalition of national actors tend to ally against DGIV) or cross-border co-operation (where the Federal Government and Commission officials frequently face diverging interest from sub-national authorities). The two cases are scrutinised as part of the author's ongoing PhD research. Empirical evidence drawn from Germany, supports Ansell, Parsons and Darden's assertion that 'the overall pattern is not that of three levels of actors engaged in policy-network co-operation, but of constantly shifting alliances within the triad. We see incidents of successful national-sub-national alliances, followed by successful EU-sub-national alliances, within the same region' (1997: 350).

dependency on the Commission. A powerful Commission is as likely to be seen as a threat by the *Länder*, as it is seen as a potential ally against the Bonn government.

3.3 ‘Europeanisation’ Through Changes in Policy Networks?

Structural Fund principles introduced with the 1988 reforms as well as the admission of sub-national actors from eastern Germany to domestic policy networks has affected the balance of resource dependencies among participants in German regional policy networks. Such changes in turn, have had an impact on both process and outcomes of regional policy-making in Germany.⁴⁵

3.3.1 *Effects on Process*

This section looks at regional policy networks in Germany and in particular at those in East Germany since unification. It addresses the question of how resource dependencies have changed within those networks. It examines this question against the background of:

- first, the 1988 reform of the Structural Funds and in particular the introduction of the principle of partnership.
- second, EU regional policy activities in Germany since unification.

The analysis will be undertaken by looking at three key structural network dimensions: i) number and type of actors, ii) openness/closeness and iii) power relations.⁴⁶

i) Number and type of actors

This dimension refers to the size of the network and the type of participants. Policy networks often involve state agencies—political or administrative—and usually also organisations of civil society. These may be interest groups, political parties or research organisations (Van Waarden 1992: 33). The selection of actors is of crucial importance, as the number and type of actors influence the shape relations take within the network. A network, which includes both business groups and trade unions, can be expected to lead to different interactions than one that only includes business interests (Van Waarden 1992: 37).

Looking at German regional policy networks one finds that, in general, the number of actors participating has increased since the reform of the Structural Funds in 1988. The partnership concept has made it clear that EU regional policy is supposed to be run not just by the Commission and the national governments. Sub-national authorities and non-governmental actors (social partners and other interest groups) have become recognised members of German regional policy networks. Regional

⁴⁵ One has to be aware that it might sometimes be impossible to separate unification effects from those effects emanating from the Structural Funds.

⁴⁶ For a more detailed set of network dimensions see Van Waarden (1992).

policy 'Round Tables' and regional conferences have become a more common phenomenon in the planning, implementation and evaluation arenas and many of their regular participants (such as mayors, local civil servants, representatives from regional companies and research institutes) have come to constitute a second tier of regular participants to supplement the networks' core groups.⁴⁷

ii) *Openness/Closeness*

Linked to the former dimension, this one refers to how easily new actors are admitted into the network. In general, European regional policy networks are characterised by their relative closeness. Access is restricted to actors who possess functional legitimisation or specific knowledge or information (Staeck 1996: 103). Restricted access to networks allows participants to get to know each other and to build more stable relationships.

German regional policy networks are no exception in that they are also characterised by relative closeness. However, in the German case it is necessary to distinguish between access for the *Länder*, other sub-national authorities and the social partners. With regard to the *Länder*, networks have become more open, in particular those in the programming arenas. After unification the new *Länder* learned quickly how to establish direct contacts with the Commission, such as through regional representations in Brussels.

As to the districts and communes below *Land* level, the experience has been rather different. There has been a great reluctance on the part of the *Länder* to grant those authorities access to the networks. Among these authorities, the feeling is very much that subsidiarity and the talk about (vertical) 'partnership' stops at the *Land* level.

Regarding the role of the social partners, the experience has been somewhat mixed. After the personal intervention of Commissioner Wulf-Mathies (she wrote a highly critical letter to the heads of governments of the new *Länder*), the social partners obtained more widespread access to networks in the monitoring and evaluation arena. Several social partners also took up a seat in the monitoring sub-committees of the East German 'Objective 1' regions.

However, there is a widespread feeling among many network participants, irrespective of the level of government to which they belong, that institutions such as the monitoring committees are perhaps not the best places for the social partners to become involved. The nature of these committees is a highly technical one and all important decisions are usually taken in other networks, in particular those of the planning arena. Dwindling attendance by the social partners in the committees and continuing calls from the social partners to become involved at earlier stages of the programming process are evidence for this.

⁴⁷ One example of such 'Round Tables' is the series of high profile 'European Round Tables' on Structural Fund implementation in East Germany, which were hosted by the European Commission and the European Parliament in each of the five new German *Länder* and Berlin in 1994 and 1995 (Piehl 1995).

iii) *Power Relations*

The issue of power relations addresses the question of whether one can identify one or several key actors in a policy network. As noted earlier, policy networks are power relationships which are a function of the distribution of resources and needs among the actors (Van Waarden 1992: 36). One should keep in mind, however, that the relative influence of actors differs greatly across the different policy-making arenas and stages identified earlier.⁴⁸

During the early 1990s, the German Federal Government was without much doubt the central actor in all East German regional policy networks. On the one hand, this was due to unification which increased the number of *Länder* from 11 to 16. *Länder* interests became more heterogeneous and, as a result, made horizontal co-operation between the *Länder* more difficult. In the East, the new *Länder*, with their lack of administrative experience and expertise, were relying heavily on information and general support by the federal government, in particular the Federal Ministry of Economics in Bonn. The lack of administrative capacity at the *Land* and at local level in the new *Länder* also limited the potential role for direct Commission participation during the first phase of EU assistance. Anderson claims:

“although the structure of interactions between Brussels, Bonn, and the eastern *Länder* mimicked those found in the western parts of Germany, their content was marked by complete regional dependence on the centre” (1996: 179).

Since the start of the 1994-99 funding period, the new *Länder* have become important network participants with regard to the implementation of ‘Objective 1’ funding. With their enhanced role within these networks (a role which was further strengthened as they decreased their resource dependence on the Federal Government by establishing direct links with EU institutions), network relations have moved from having been mostly bilateral (between the Federal Governments and the Commission) immediately after unification, to more multilateral relationships.

However, a word of caution seems appropriate at this point. The German Federal Government remains in many aspects the central actor in most networks. It chairs most of the important meetings, it sets the agenda for these meetings, etc.⁴⁹ Despite the defeat over ‘decoupling’, Anderson (1996) claims that Bonn did not experience any appreciable increase in resource dependence on sub-national network participants.

⁴⁸ Tömmel (1994) suggests that only the Commission plays an important role in all arenas and stages.

⁴⁹ However, there is no consensus on this point. Tömmel, argues that the Commission has a position of structural dominance, while the member states are pushed in a dependent position. She claims that this dominance does not stem from a formally superior position within a hierarchical structure but results from the indirect mechanisms the EU can use to steer and influence ‘lower’ levels of government. It gives monetary incentives, exerts ex-ante influence through the ‘programming principle’ and exerts ex-post influence by being a member of a large number of committees. Moreover, there are numerous informal contacts between DGXVI and the national actors in charge of regional policy implementation, enabling the Commission to play multiple roles as consultant, initiator and censor (Tömmel 1994: 418ff.).

A recent study conducted at the University of Mannheim found that even in corporatist Germany, where interest groups have substantial resources and are regarded as very active, the most important actors in regional policy networks are ministries and semi-public institutions. No interest group, chamber or trade union is part of this central group (Kohler-Koch 1997b: 241).⁵⁰ This is equally true in the East German case where, despite the high profile intervention of Commissioner Wulf-Mathies, the input of the social partner is still very limited.

This means that supranational–sub-national partnerships heralded by the 1988 reform have substantiated only partially with regard to ‘vertical partnerships’. It has helped the mobilisation of the *Länder* while doing little for other sub-national authorities. ‘Horizontal partnerships’ between public authorities and the social partners were initiated but fell short of high expectations.⁵¹ However, more generally, what has become clear already is that German regional policy networks are characterised by relatively closed membership and durability of relationships, thus fulfilling the criteria for policy communities referred to earlier.⁵²

Table 1 tries to summarise the current state of affairs of German regional policy networks by looking at the three structural network dimensions across the policy-making arenas identified earlier.

⁵⁰ With regard to Germany, the multi-country study drew its conclusion from research of two West German *Länder* (Baden-Württemberg and Lower Saxony). It concluded that the introduction of the principle of (horizontal) partnership, accompanied by the setting up of a variety of planning, consulting and monitoring committees does not seem to have substantially changed the relationship between politics and society (Kohler-Koch 1997: 241).

⁵¹ With regard to the social partners one could argue that in some cases the demand for ‘partnership’ merely led to the ‘instrumentalisation’ of the social partners by the Federal Government.

⁵² In the following we will continue to use the more common generic term ‘policy network’ when referring to German regional ‘policy communities’.

Table 1**Structural network dimensions across the main policy-making arenas: Germany and the ERDF**

Policy-making Arena	Policy-making Sub-Arena	Number & Type of actors	Openness/ Closeness	Key Actors (power relations)
Arena 1: Decision-making	'Budgetary Envelope'	<i>Very few</i> (national and supranational authorities)	Closed	National government
	'Institutional Design'	<i>Very few</i> (national and supranational authorities)	Closed	Commission
Arena 2: Planning and Negotiating	Planning (RDPs)	<i>Few</i> (supranational, national and sub-national (regional) authorities)	Semi-closed	<i>Länder</i> , Commission
	Negotiating (CSFs & OPs)	<i>Very few</i> (national and supranational authorities)	Relatively Closed	Commission, National Government, (<i>Länder</i>)
Arena 3: Implementation	n.a.	<i>Many</i> (supranational, national, sub-national (regional and local), semi-public institutions, private actors (firms))	Relatively open	<i>Länder</i>
Arena 4: Monitoring and Evaluation	n.a.	<i>Few</i> (supranational, national and sub-national authorities; social partners)	Semi-closed	National government, <i>Länder</i> , Commission.

RDPs: Regional Development Plans; CSFs: Community Support Frameworks; OPs: Operational Programmes

3.3.2 Effects on Outcomes: The Reform of the GA

So far, the paper has tried to show that East German regional policy networks have indeed changed and in turn have affected the *process* of policy-making. One can observe a greater involvement of the *Länder* in all aspects of programming. Also, although to a much smaller extent, there has been greater involvement of other sub-national actors, including the social partners. This section will address the question of whether network change also matters with regard to the *content* of policy, i.e. policy outcomes. The case to be examined is the reform of the German regional policy framework (GA) in 1995. It will be argued that the 1995 GA reform left the fundamental principles of the German regional policy in place. However, changes which have taken place have to be interpreted as having been influenced considerably by European regional policy principles, in particular those of 'additionality' and 'partnership'.⁵³

⁵³ Voelzkow and Hoppe go even further and interpret some changes as 'concessions to Brussels' (Voelzkow and Hoppe 1996: 124).

As already mentioned, during the early 1990s criticism of the GA increased, culminating in the row over the East German CSF. Specific criticism voiced referred to:

- the GA's support framework, which was considered as too narrowly focused on investment support;
- insufficient participation of the social partners;
- lacking responsiveness to demands for the regionalisation of regional policy; and
- the system being generally too bureaucratic and lacking co-ordination with other policy fields.

To account for the long and protracted process which finally culminated in the reform goes beyond the scope of this paper. While the reform left the fundamental character of the GA as a specialised instrument for regional economic assistance (focusing on investment grants and infrastructure assistance) intact, four important changes to the GA will be highlighted here:⁵⁴

- first, the eligibility criteria for investment grants were widened and are now also available for certain non-investment projects such as consultancy, training, and R&D;
- second, GA support opportunities for business-related infrastructure were also broadened (and now include some which are not at all business related);
- third, GA money can now be used to co-finance the *Länder's* own (integrated) regional development programmes under the condition that GA money does not crowd out *Länder* funds; and
- finally, while not being part of the formal changes introduced, one has been able to observe the institutionalisation of meetings of the Federal Economics Ministry and the social partners and sub-*Länder* authorities, meetings which now take place regularly before major GA decisions are taken.⁵⁵

All of these changes appear partly to have been influenced by the European Structural Funds. Regarding the first two, the perceived narrowness of GA criteria (when compared to Structural Funds criteria) was the principal sticking point during the CSF negotiations. The widening of GA criteria now allows the *Länder* to utilise EU Structural Fund money on a much broader basis within the GA Framework. As a consequence, previously excluded federal and *Länder* agencies have gained access to European regional policy networks, reinforcing the networks' increasingly multilateral character. Moreover, the condition attached to the new provision which allows GA monies to be spent on the *Länder's* own regional policy programmes, follows the logic of the 'additionality' principle of the Structural Funds (Nägele 1996). Finally, the institutionalisation of meetings between the Federal Ministry of Economics with sub-*Länder* authorities and social partners is, if not influenced by it directly, in the spirit of the 'partnership' principle.

⁵⁴ For a more comprehensive treatment of the reform see Yuill, Allen, Bachtler, Clement and Wishlade (1995) and Yuill, Bachtler and Wishlade (1996).

⁵⁵ Interview at the Federal Ministry of Economics, Bonn, 20/11/97.

In summing up, we will go back to this section's principal question: Have European regional policy principles emanating from the 1988 reform of the Structural Funds and the designation of the former GDR as an 'Objective 1' region resulted in a reordering of resource dependencies within Germany's regional policy network and the 'Europeanisation' of regional policy-making in Germany?⁵⁶

This question can be answered in the affirmative. Looking at the important role that the new German *Länder* were able to play over the issue of 'decoupling' makes it clear that resource dependencies since unification have shifted considerably in their favour.⁵⁷ While financially still highly dependent on Bonn, the new German *Länder* were able to benefit from the support of the Commission which made their voice heard inside German regional policy networks. There can be little doubt that their stand on the 'de-coupling' issue intensified the pressures on the GA to reform. This supports Anderson's hypothesis that

“to the extent that the EU acts, intentionally or otherwise, to diminish the resource dependence of sub-national actors on their central government, it may enable groups to redefine their exchange relationships within the network”.

He continues:

“The EU, through its capacity to make and enforce binding rules on the individual states, and to distribute tangible policy benefits and costs to actors at the national and sub-national level, can restructure domestic policy networks by altering the internal distribution of resources among members, and thus their level of interdependence” (Anderson 1996: 165).

The above case supports the assertion that European regional policy initiatives can promote sub-national empowerment.

As to the impact on the GA, it is not suggested here that pressures arising out of the Structural Funds were the only reason for the reform. A more general feeling that the system should be simplified, as well as the desire to develop a more unified support system for the whole of Germany (getting rid of the numerous exceptions which existed for the new *Länder*), certainly played a role too. Moreover, one should also keep in mind Marsh and Rhodes' cautionary remark that '[p]olicy networks alone will never provide an adequate account of policy change, because such networks are but one component of any such explanation' (1992: 260-1).

However, given the kind of changes made to the GA, it is hard not to come to the conclusion that certain aspects of the reform tried specifically to make the coupling of Structural Fund money with the GA more attractive to the *Länder*, while other aspects

⁵⁶ Europeanisation is understood here as the impact of European policy initiatives on national and sub-national policy networks, leading to a reflection of European policy principles in the structure and the decisions of these networks.

⁵⁷ The outcome of the dispute over 'decoupling' and the changes it brought to German domestic institutions is even more extraordinary if one considers the key role played by the weakest participants in the German regional policy network, the new German *Länder*, in bringing these changes about. No similar changes took place when the Western *Länder* de-coupled in the late 1980s.

of the reform were influenced by European regional policy principles such as those of ‘additionality’ and ‘partnership’. The empirical evidence, therefore, points quite clearly to the ‘Europeanisation’ of both the process and content of regional policy-making in Germany.⁵⁸

4. FROM TERRITORIAL POLITICS TO ‘PARTNERSHIP GOVERNANCE’?

Having confirmed the widespread existence and the importance of policy networks on policy processes and outcomes, a final question that will be addressed here is that of the wider implications of policy-making through policy networks for European governance. Bennington puts the question very succinctly, asking

“whether Europeanisation entails no more of a shift of institutional and political power to Brussels—in effect the addition of another vertical tier of traditional governmental representation—or the transformation of governance into a new more federalistic and pluralistic form, involving a more important horizontal dimension, in the form of overlapping spheres of influence and engagement?” (Bennington 1994: 33)

Apart from being seen as a form of interest mediation, policy networks can also be regarded as a specific form of governance—as a specific form of public policy interaction, characterised by non-hierarchical co-ordination between public and private actors with distinctive, but interdependent interests, who strive to solve problems of collective action.⁵⁹ The principle behind this particular use of the network concept is the assumption that neither the relationship between the different levels of government nor between public and private actors is zero-sum in nature (Parri 1989; Hooghe and Keating 1994; Keating and Hooghe 1996).

Seen in this way, policy networks, standing for a changed relationship between state and society, represent an alternative to the two traditional forms of governance:

⁵⁸ As to the significance of these empirical findings, it has generally been argued that processes of ‘Europeanisation’ are facilitated by federal structures, like those we find in Germany, as actors have considerable experience with co-operative decision-making (see eg. Conzelmann 1995). However, interviews suggest that Commission officials found it easier to implant the idea of ‘partnership’ into regions of the highly centralised UK system than in Germany. Officials compared their task of encouraging co-operation of sub-national actors in the UK with ‘moving into an empty space’. In contrast, the knee-jerk reaction of German sub-national actors would generally be to look for already existing domestic institutions first. There is, therefore, a strong case to be made for the initially counter-intuitive claim that obstacles to ‘Europeanisation’ might be greater rather than smaller in a federal state. This argument underlines the significance of the empirical findings outlined above. The final test, however, will come once Structural Fund money ceases to flow. Only then, it will become clear whether ‘Europeanisation’ has had any long-term effects.

⁵⁹ Börzel (1997: 4) speaks of the ‘governance school’ or ‘Max-Planck School’ comprising authors such as Wellmann (1988); Kenis and Schneider (1991); Kooiman (1993); Mayntz (1994); Marin and Mayntz (1991); Gales (1995) and Grande (1994) who go beyond using networks as a mere analytical concept.

hierarchy and markets. Policy networks can help to overcome weaknesses of these two traditional forms of governance. Markets can produce negative externalities (market failure) while hierarchical governance can lead to the exploitation of the minority by the majority (Scharpf 1992). Similarly, policy-making through horizontal self-co-ordination in bargaining systems can also produce sub-optimal outcomes (prisoner's dilemma). Policy networks can help to overcome such problems of horizontal co-ordination by combining the autonomy of actors typical for markets with the ability of hierarchies to pursue selected goals (Börzel 1997).

Moreover, Scharpf (1991) suggests that 'overlapping membership' in several networks can help to change the decision-making style that dominates interaction within a policy area from 'bargaining' to 'problem-solving' (the latter often being regarded as the optimal logic of interaction). Ward and Williams (1997) provide some evidence for such a shift in their analysis of EU environmental policy networks. They note a 'shifting [of] the emphasis from reactive lobbying to proactive policy networks' and they see a potential 'shift away from ad hoc reactive lobbying towards more formalised and stabilised relations' (Ward and Williams 1997: 460-61).⁶⁰

The 'Europeanisation' of domestic policy-making, as was illustrated in the German case, can be perceived as a process which fosters the emergence of a new form of 'partnership governance', a concept which suits the EU's system of 'governance without government' (Ruggi 1993). However, there might be an inherent tension between this concept of 'partnership governance' and another important paradigm that the EU propagates, the 'welfare through competition' paradigm, which is perhaps most clearly articulated in the 1993 White Paper (Commission of the European Communities 1993). While the former strengthens the influence and autonomy of sub-state actors, the latter, which demands the subordination of regions under the EU's competition/state-aid control regime, limits regional autonomy.⁶¹

Nonetheless, the EU does constitute an opportunity structure. It offers additional resources thus affecting resource dependencies between different levels of government and between the public and the private sphere. It also fosters a perceived need for non-hierarchical patterns of co-ordination. In doing so, the Commission encourages the dissemination of policy networks as a mode of governance, and in the process affects the ideas and beliefs of both national and sub-national actors about how efficient governance can be achieved (Kohler-Koch 1996). The significance of networks for changes in European governance therefore underlines the new institutionalist claim that political institutions can significantly affect social behaviour.

5. CONCLUSIONS

⁶⁰ Already the initial Rhodes model seems to suggest this shift from a bargaining approach to a problem-solving approach, describing relationships between the various levels of government as 'shifting from pluralistic bargaining to corporatism' (Rhodes and Marsh 1992: 11).

⁶¹ See also Kohler-Koch 1997: 229-30).

This paper has tried to complement rather than to contradict the insights of the ‘policy network’ literature (‘Rhodes model’). It has been argued that drawing on insights from new institutionalism can enhance the model’s currently limited explanatory power. New institutionalism can provide the ‘policy networks approach’ with an explicit model of the actor, thus strengthening its capacity to explain network change. Moreover, new institutionalism emphasises the influence of power relations and network structure on policy outcomes. In highlighting the dynamics of strategic alliances within networks, it conceptualises policy networks as a form of multi-level governance.

Empirical evidence drawn from East German regional policy networks, supports the new institutionalist emphasis on the importance of network structure and the potential it offers for strategic alliances among key network participants. In the case of East Germany’s integration into the Structural Funds, the creation of close ties between the Commission and the East German *Länder* enhanced the ability of both to pursue and achieve interests which rivalled those of the Bonn government. It supports the claim that institutions such as policy networks can create dynamics which governments find difficult to control.

When trying to assess the influence of European policy on German regional policy networks, it was shown that, despite the high degree of domestic institutionalisation that characterises the German federal system, the Structural Funds did shift resource dependencies between the participants of these networks. As regional policy networks have become more open and more multilateral, it is not only the *process* of regional policy-making in Germany which has changed as a result. A number of changes introduced with the 1995 reform of the GA, support the claim that the *content* of German domestic policy arrangements are subject to the forces of ‘Europeanisation’ too. Policy networks appear to have been important catalysts for accelerating the ‘Europeanisation’ of domestic policies.

Finally, it has been argued that by promoting European policy principles such as ‘partnership’, the Commission actively encourages the transformation of governance in both the European as well as in domestic arenas and that in the regional policy field the first signs of this transformation are already visible.

The continued importance of bargaining relationships, such as those highlighted during the negotiations of the East German CSF, call for further research on the relationship between such bargaining relationships and emerging forms of ‘partnership governance’.

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