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31. Patterns of governance: sectoral and national comparisons

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1 TOWARDS COMPARISON

In these two concluding chapters we attempt to pull the results of the individual chapters and sections together. The comparative issues we address are those originally outlined in Chapter 2. The first main task we have set ourselves is to *evaluate* how well six European states managed to handle a number of key governance challenges that states and other public institutions regularly face: managing decline, reform, innovation and crisis in sectors of society for which the state has taken at least part of the responsibility. In order to do so, we shall examine the results of the 24 empirical studies of state performance across four different policy sectors. Each policy sector was selected to represent a particular governance task, yet at the same time the sectors also constitute different institutional configurations of state, private and international actors, rules and practices as well as environmental contingencies that are likely to influence their 'governability' by national policy makers. Thus we are always comparing countries and policy areas at the same time, although at any one time the emphasis may be on one or the other.

In making this overall assessment of governance successes and failures, we shall differentiate between the programmatic and the political dimensions of state performance. For each sector, we have specified in Chapter 2 the evaluation criteria used, taking into account the intricate nature of each governance challenge. In this chapter we shall systematically check to what extent programmatic and political judgments about performance coincide or diverge. Cases where discrepancies arise between programmatic and political performance are particularly intriguing. As we shall see, this happens more in some sectors than in others, raising questions about the nature of sectoral

governance, or perhaps the nature of the particular governance task they represent. We therefore also address the issue of policy style along the two axes presented in Chapter 2.

Our second objective in these final chapters is to *explain* the patterns of governance success and failure that emerge from the comparative assessment exercise. More specifically, we look at two questions that represent potentially competing hypotheses (Freeman, 1985). The first is: to what extent can idiosyncratic national policy styles be identified consistently across the sectoral cases studied, suggesting that certain states conduct policy in certain typical ways, irrespective of the governance task and sectoral context they face? The second is: to what extent do the four policy sectors studied here bear cross-national institutional resemblances that can account for the success–failure patterns we have found, suggesting that there are certain ways to govern certain sectors irrespective of the country in which the governing takes place? The reality is, as always, more diffuse than these two ideal–typical explanations suggest. In the final chapter we shall try to see just how clear the overall picture is as it emerges from these studies.

In this chapter we summarize the results of each of the sectors separately, both in terms of programmatic and political performance and of policy style. In the next chapter we integrate the sectoral findings into a comparative assessment of governance performance across sectors and nations. There we also reflect upon the yield of this research project in view of the original questions we asked at its outset.

2 MANAGING DECLINE: FROM RESCUING TO RESTRUCTURING NATIONAL STEEL INDUSTRIES

Beyond Decline Management

We have chosen the steel sector as our example of the typical challenges that governments face when a major industry or sector of society experiences decline: a steady and thus relatively foreseeable but robust and therefore perhaps less controllable downturn. This downturn has different dimensions: at the *industrial* level, there is decreasing competitiveness resulting in diminishing profits or even losses, which trigger 'downsizing' and raise the prospect of major firm collapses; at the *societal* level, the economic problems of major industries or strategic firms may generate considerable collective stress in the communities that depend on their survival – industrial workers as a social group, but often also entire towns and regions where these industries are sometimes concentrated; at the *political* level, these circumstances bring about potentially

debilitating tensions as the dominant issues in the policy arena switch from distributive to redistributive, putting pressure on the triangle of government, industry and labour that constitutes the heart of the political arena in traditional sectors such as steel. In our comparative study design, we were interested in how the various national governments coped with decline management. We wanted to study how particular national and sectoral institutional configurations and governance styles affected the nature and the programmatic and political effectiveness of government policies vis-à-vis the steel policy community in this context of decline.

The case studies demonstrated the limitations of this design, in various ways. First, the economic and sociopolitical developments in steel were not monotonously set in the key of decline. The general trend towards increasing competition, declining profitability and major cyclical demand fluctuations was at times punctuated by more manifest symptoms of crisis. These pertained to, among others, insolvencies or other symptoms of imminent collapse of major firms, the publication of corporate plans for rationalization and 'downsizing', or government plans for mergers or the withdrawal of state support. In these cases, the ongoing policy process was put under pressure by shortened time horizons, public protests, industrial action, increased media attention and political controversy. So in practice the management of industrial decline was sometimes intertwined with the management of industrial crisis, with all its paraphernalia of last-minute rescue plans, street disturbances, marathon negotiation sessions and political blame games. On the other hand, and ultimately more important, the management of decline was in most countries eventually redefined as the governance of restructuring and innovation. From trying to salvage endangered plants and established firms, public policy makers in most countries found themselves drawn into collaborating with industry to 'reinvent' steel production and steel governance. This involved schemes to adopt new production methods, penetrate new markets, seek out international alliances and attract investors – worlds apart from the messy politics of 'downsizing'. Thirdly, the original study design put the emphasis squarely on national governments. As Dudley and Richardson point out in the introduction to the steel section, it is impossible to understand steel policy making without taking into account the prominent role of transnational considerations and governance mechanisms, which shaped and constrained national policy options. Steel policy lies at the roots of the institutional history of the EU, and national policy makers in the steel sector had been practising the art of multi-level governance long before political scientists discovered it. In the case studies, the shadow of European governance, and the mixed motives for national policy makers that it entailed, come out clearly, particularly in the British and Spanish cases. Hence the governance challenge in restructuring steel was to create policies that were

viable in the domestic politicoeconomic context and at the same time were in tune with, or at least sustainable in, the European steel policy arena.

Although the nature of the governance task in steel policy proved to be more complex, and perhaps less distinctive, than originally envisaged, the case studies bear out one other crucial design assumption, namely that governance does indeed matter for outcomes in the public sector. The various national steel industries and the policy communities associated with them experienced rather different fates, both in programmatic and political terms, and there are sufficient reasons to presume that this had to do with the ways in which they were being governed. As we have noted already, the challenges facing these six countries in this policy area were quite similar, but the outcomes were rather different.

Assessment: Differential Performance

Before we return to this conclusion, let us first document the policy outcomes for the six countries (see Table 31.1). The results suggest that, on the programmatic level, three modalities can be found: countries where restructuring went ahead relatively soon, swift and successful and with minimal political contestation (Sweden, Netherlands, Germany); countries where economic restructuring proceeded effectively but harboured some political costs (Britain, France); and countries where economic restructuring was slower and less comprehensive, and took place against a backdrop of political game playing (Spain). Overall, only one country (Spain) scored negatively on the programmatic indicators. This may be an astounding result, given the size of workforce reductions that took place in the 1970s and 1980s and the devastating effects these have had on the economic and social fabric of the regions involved. It may be more accurate to label steel restructuring as a matter of non-failure than to speak of straightforward success. Especially in truly big steel-producing countries such as France and England, and to some extent Germany, restructuring did involve massive employment losses and major public investments and subsidies. Since even the most successful countries experienced significant reductions in the workforce, this fact alone – however painful and politically volatile it was at the time – cannot be a sufficient reason for a more negative programmatic assessment. The industry experienced technological innovations and international competition that made it essential to achieve major productivity gains. Faced with the choice between long-term survival and short-term maintenance of pre-decline employment levels, policy makers sooner or later preferred the former, even if political and institutional constraints in some countries may have prevented them from saying so timely and publicly.

On the political side, it is perhaps most remarkable that, given the aforementioned workforce reductions and the often very marked regional concentration of the burdens of redundancies, there has not really been a major,

debilitating political crisis on the steel issue in any of the countries. Things were tense on the shop floor and in the affected regions and communities in France and Britain at times, particularly during the early 1980s, but government policies never suffered from enduring national public or parliamentary legitimacy shortfalls. In Germany and Sweden, broad government–industry concertation combined with proactive social and re-employment initiatives effectively mitigated politicization. In the Netherlands, the structural simplicity of the steel sector (one firm only) facilitated pragmatic deal making, in contrast to France, where internecine warfare between the two main steel conglomerates produced an adversarial climate, and relations between communist and socialist partners in Mitterrand's early government were tense. In Spain, the politics of steel were most complex and sensitive: steel restructuring took place in 'nested games' (Tsebelis, 1990) of tripartite (government–industry–unions), intergovernmental (central versus regional governments) and transnational (the 'shadow of the future' of imminent EU accession) bargaining. This was an institutional environment rich in potential 'decision traps' (Scharpf, 1988, 1997), yet policy makers eventually succeeded in overcoming political sensitivities and rent-seeking behaviour, and gradually set the industry on the wider European path of increased productivity and international competitiveness, albeit much later and less vigorously than in other countries.

In the case of steel governance, reaching overall assessments is less straightforward than Table 31.1 might suggest. On the programmatic side, there is the question of how to combine microeconomic rationality (which dictates that policy is successful when the industry is either made viable again or terminated swiftly when this is clearly impossible) with broader social considerations (which workforce reductions are really 'needed' to revitalize an industry). There is also the matter of calculating and valuing the amount of money involved in direct or indirect state support. Figures on this issue are almost by definition controversial, since they are used strategically by steel policy actors at the transnational level when defending or attacking past and planned policy initiatives by national governments. On the political side there is a classic value trade-off problem: do we consider steel policy to be politically successful if major 'downsizing' has taken place without the government getting into trouble for letting that happen (as in Britain)? Or should we rather emphasize the social dimension of restructuring and tie political success to the capacity of governments to mitigate effectively the 'pain' of restructuring, for example by insisting on a slow pace and attendant social programmes (as in the early stages of the Spanish case) or by proactive re-employment and 'reskilling' strategies (as in Sweden and Germany)? We have tried to steer a middle course here and include both logics of evaluation side by side without prioritizing one over the other.

With this caveat in mind, we can now compare the political and programmatic outcomes for each country, and identify any asymmetries. This is done in

Table 31.1 Managing decline and restructuring in the steel industry: outcome assessment

	France	Germany	Netherlands	Spain	Sweden	UK
Programmatic dimension	+/–	+	+	–	+	+
Public money spent on restructuring and flanking measures	Major state investments and subsidies	Major subsidization between 1975 and 1985, thereafter sharp decline	Relatively moderate subsidization; more substantial state ownership	Major state subsidies and expensive 'crisis packages' over >20-year period	Major state spending on restructuring plans	Significant state support initially, but relatively quick move to self-sufficiency
Viability of the industry after restructuring	Slow but steady efficiency gains and reduction of indebtedness	Successful diversification strategies and stable profitability	Successful internationalization and diversification	Slow and low efficiency gains; loss of domestic market share to foreigners	Successful restoration of competitive industry	BS (now merged with Dutch Hoogovens) as strong corporation
Employment losses	High workforce reductions during crisis periods (>50%)	Significant workforce reductions in 1970s, later stabilization and successful reskilling	Comparatively low workforce reductions during crisis periods (<25%)	Eventually high workforce reductions	Successful proactive re-employment strategies	Major workforce reductions in 1960s–80s but not since privatization in 1988
Political dimension	+/–	+	+	+/–	+	+/–
Absence of political crisis	Major tensions and policization during crises	Consensualist corporatism	Public–private partnership; union cooperation	High politics (intergovernmental and EU context)	No partisan politics re state role in decline management	Consensual policy making; later state–BS rift
Fair distribution of 'pain'	Strong regional variations	Regional variations in re-employment strategies	Unilocation; aborted regionalized production	Affected regions hard hit; decreasing social policies	Initially very, later less active state safety net	Affected regions hard hit
Current political status of steel industry	Steel remains 'national champion'	Steel no longer a national but a regional political issue	Depoliticized:steel as ordinary economic sector	Politics of attrition: steel community split open	Steel no longer a 'strategic industry'	Steel no longer a 'strategic industry'

Figure 31.1, which shows Spain to be the single most problematic overall case, and Sweden, Germany and the Netherlands to have been relatively successful in meeting the combined challenges of decline and restructuring in the steel industry. A clear asymmetry between programmatic and political performance can be seen in Spain. Programmatic failure manifested itself in a tardy and incomplete restructuring of what has long been an inefficient and uncompetitive steel industry, yet it did not produce political fatalities. This was probably due to the gradualist, and initially consensual, approach to restructuring. Painful decisions were not so much made as they were forced upon policy makers during crisis episodes. Moreover, throughout the entire process delicate intergovernmental bargaining took place between Madrid and the state capitals of the country's steel regions, mitigating the inflammatory potential of this issue in the Spanish federalist system. In Britain, too, there is some degree of discrepancy between the programmatic and the political outcomes, but of an opposite nature. There was programmatic success in reviving and privatizing British Steel, yet this success was marred by the subsequent souring of the political atmosphere in the once so consensual steel policy community. This discrepancy is explained by Dudley and Richardson as the gradual growing

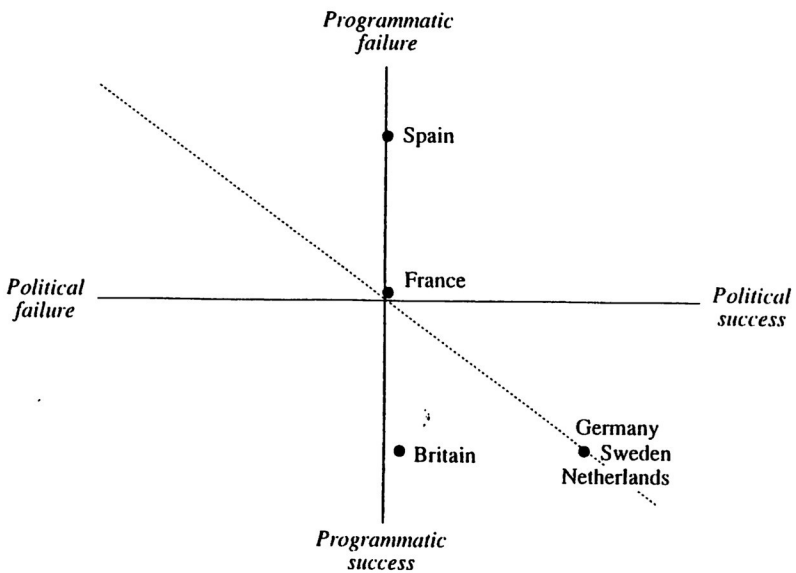


Figure 31.1 Managing decline and restructuring in the steel sector: an integrated assessment

apart of the state and BS management in terms of the policy frames they used in looking at steel policy issues: BS managers adopted a squarely market-oriented, maximum competition framework, whereas the government could not and would not completely ignore the broader industrial and trade policy context in which steel issues were being negotiated at the EU level, and sometimes took positions that were anathema to BS interests and desires. These tensions amounted eventually to what Dudley and Richardson describe as a 'breakdown' in governance, that is the political failure in the wake of privatization to adapt the institutional structure of steel politics to the changed ownership and market conditions.

Policy Learning and Evolving Policy Styles

Of all the four sectors studied in this volume, steel policy is the one that evolved most gradually, over two decades or more. On the other end of the continuum sits HIV/AIDS policy, where the key governance challenge was clearly concentrated in time and space, and quick responses were essential, even if this became clear in part only in retrospect (see further). The management of innovation in the banking sector in most countries was speeded up by technological developments, the rapid emergence of new financial services, a global trend towards deregulation, and finally the occurrence of 'accidents' (that is, individual banks threatening to go under) that required immediate responses (see below). The management of reform in health care is, like steel policy, a continuing affair, but in this study we have chosen to focus on individual reform attempts regarding the position of medical professionals, which tended to be processed in less than a decade.

The drawn-out nature of decline management and restructuring in steel policy has an important consequence for the analysis of policy styles: it allowed plenty of opportunity for learning from experience, and produced changes of style in one country over time (see Olsen and Peters, 1996; Rose, 1993; Hall, 1993; Sabatier and Jenkins-Smith, 1993). In three of the six cases, France, Spain and the UK, there is clear evidence of stylistic changes (see Figure 31.2). In France, the early problems of the steel industry were met by classic Keynesian forms of government intervention: major financial support, production-oriented reorganization plans and nationalizations. When industrial decline persisted, new plans and firm reconfigurations were experimented with, with varying degrees of success. Sometimes, new policy initiatives were launched more as a matter of political expedience (electoral cycles were important here) than as deliberate learning. Over time, the French state moved from a classic anticipatory and imposed style towards a more reactive and more consensual mode. In Spain, the policy paradigm of steel policy makers and some of the corporate managers slowly but surely moved from Keynesian interventionism to market liberalism,

but this frame change was neither universal nor uncontroversial in the classic corporatist setting of the Spanish steel community, which is why the leading advocates of more ambitious restructuring had to tread carefully and sometimes had to wait for crises (cyclical downturns) and external forces (EU accession negotiations) as windows of opportunity to gain support for politically painful moves (Kingdon, 1984; Keeler, 1993; cf. Boin and 't Hart, 2000). In the UK, BS management proved rapid learners and were among the first, along with Hoogovens management in the Netherlands, to fully embrace neoliberal norms of free trade, competition and, most importantly, a bias against government subsidization and intervention in the industry. It is perhaps not exaggerated to claim that, in the British case, the Conservative government was moved along the path to privatization by the industry instead of vice versa. When privatization occurred, it posed unforeseen challenges to the prevailing modes of governance, initiating a search for new institutions and interaction patterns that has yet to end.

In contrast, in Germany, the Netherlands and Sweden, the policy style remained relatively constant. In Sweden, both social-democratic and liberal governments adopted a mix of proactive decline management combined with an emphasis on creating the conditions for renewed international competitiveness of the industry as a whole. The eventual privatization of SSAB therefore

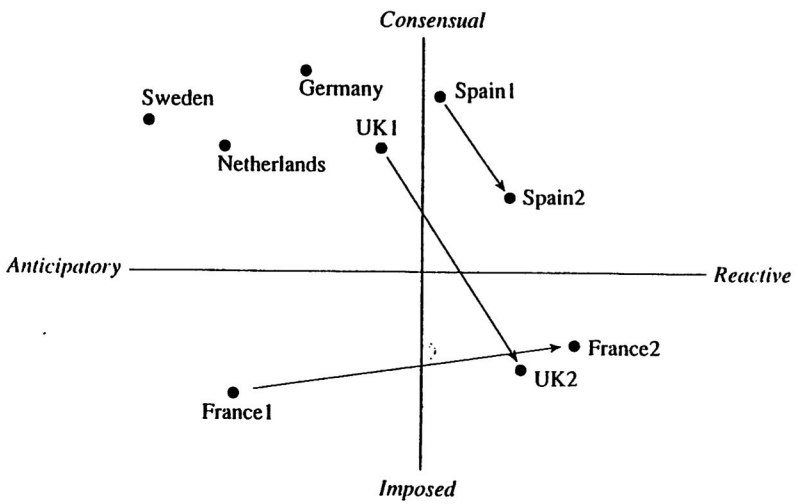


Figure 31.2 Managing decline and restructuring in the steel industry: national policy styles

constituted less of an institutional rupture than the privatisation of BS did in Britain. The Swedish state did evolve in its attitude towards the management of the social consequences of decline: whereas central government had in the early stages of the process projected itself as the first and last resort of communities distressed by plant closures, by the late 1980s it had extricated itself from that role, leaving subnational authorities and networks of local actors to fill the gap. In Holland and Germany, the modus operandi of government was most robust. In Germany, corporatist consultation has been and still is the predominant mechanism of managing the steel sector. The Dutch found their unique blend of 'laissez-faire interventionism', as Schenk calls it in his chapter, to be working well. This was made easy by the fact that 'the steel industry' consisted of one firm only, and a relatively well-run and forward-looking one. In other words, the Dutch government was never really faced with the kinds of political trade-offs and risks that French and Spanish policy makers had to struggle with, since Hoogovens withstood the crises of the 1970s and 1980s much better, and took successful initiatives to hedge its bets (aluminium production, strategic alliances), therefore reducing the burdens of 'downsizing'.

Explaining Success and Failure: From Governments to Governance

Taken together, the steel case studies provide few surprises for students of comparative public policy in western Europe. Most states' policy styles conformed, at least initially, to the general expectations formulated in Chapter 2. The most interesting analytical questions are:

(a) why were there policy style changes over time in some countries,
(b) why did some states perform better than others, and
(c) why were there discrepancies between programmatic and political performance, notably in Britain and Spain?

Explaining policy style changes

Why did three of the states studied here change their approach to governing the steel sector in the course of the last 30 years, and why did three others refrain from doing so? A straightforward explanation might be that the former showed the capability to learn from experience, and the others did not. The evidence suggests, however, that the reverse holds true: the three that did *not* change their governance style were also the most successful in meeting the combined challenges of managing decline and restructuring. Moreover, lack of style change did not necessarily mean an absence of learning. For example, Schenk shows that Dutch policy makers in the Ministry of Economic Affairs based their approach to steel governance in part on experiences gained with other forms of industrial policy, including conspicuous failures in trying to rescue other sunset

industries. Pierre does the same for Sweden: the recommendations of the royal commission that formed the core of the steel policy strategy were heavily influenced by the lessons from decline management in shipbuilding. Instrumental learning did take place in both these countries, but in France, Spain and the UK learning went further and affected the fundamentals of the prevailing steel policy paradigm, including the institutional logic of state–industry relationships in the sector. In our view it was not so much the better capability but rather the more strongly felt need to change approach that prompted these states to adapt their policy approaches more profoundly. Two types of stimuli may have triggered this. The first was situational pressures: the cyclical slumps in global demand and the increasing foreign competition revealed that the steel industries of France, Spain and the UK were simply in worse shape than some of their European counterparts. The second was trial-and-error dynamics: especially in France and Spain, the early policy responses to decline just did not do enough to put the sector back on its feet. In France, grand plans came to naught, and there were some costly and politically sensitive failures, whereas in Spain the actors in the steel arena slowly became aware of the costs of the policy immobility that resulted from rent-seeking corporatism and tenuous intergovernmental relations. In the UK, the situation was different: its brand of consensualism went a long way in managing the sharp decline of the industry in the 1970s and 1980s. As Dudley and Richardson argue, the need to rethink the governance approach arose, not because of failure, but because of governance success: in privatizing a now successful and strong British Steel, the British government unwittingly altered the structure of the policy community for good. It now found itself confronted by an assertive, even aggressive corporate player that had become progressively less dependent upon concertation with the government, and more upon keeping up with global market changes.

Explaining differential performance

Why did some states fare better than others in the transformation of their national steel industries? It would be far too simple to ascribe this simply to the superior capacity of the policy makers or the government agencies in question. As in the other sectors, policy successes and failures are made by a mixture of 'virtu' and 'fortuna', that is, prudent governance and external forces that elude the policy makers' grasp (Dror, 1986). More specifically, policy makers in steel as well as in the other sectors operate within more or less given institutional contexts with set rules, roles, policy frames and power relationships. These facilitate and constrain the policy choices they can feasibly make, as well as the likelihood that their policies are successfully implemented. Policy makers are, moreover, always confronted by things that happen in their political, economic and international environment which they cannot influence but which impinge upon their policy spaces. In that sense, successful governance is always a combined product of good sense and good luck.

Taking this into account, the case studies suggest four crucial factors that influenced the course and outcomes of steel governance in the six countries studied. As pointed out above, the structure of the industry varied greatly from country to country: the number of key firms, their location, their embeddedness in the regional or national industrial self-image and strategy. Doing business with one firm only or within a well-organized government–industry consultative framework is much more simple than dealing with various, unorganized and mutually competitive firms or conglomerates. Secondly, the political structure has an impact: in federal systems, the territorial politics of restructuring are potentially more complex and risky to national policy makers than in a unitary system. The difference between Spain and Germany is interesting with respect to both these factors: both countries had heavy concentrations of steel production in two regions and both are federal systems; yet the crucial difference between them was the presence of a well-functioning consultative, corporatist structure in Germany that served to counteract the dangers of policy paralysis, whereas in Spain the restructuring process was slowed down because it was lacking such an institutional framework at the sectoral level.

The prevailing policy ideas among government (both national and subnational), industry and unions are also quite important. The crucial question there is when and to what extent these players shifted from a conservationist desire to preserve firms and jobs by means of government subsidies and protectionism towards the neoliberal position that restoring competitiveness by productivity gains and product innovation was the key to the long-term survival of the industry, even if this came at the cost of plant closures, job losses and liquidation of non-performing firms. In Spain, some of the national policy makers converted to neoliberal thinking much earlier than most of their counterparts in the steel sector. In Britain, in contrast, BS seemed to be leading even the Conservative government in this respect. In Holland and Germany, the policy ideas of the key actors appear to have been more in tune throughout the process. In Sweden, there was broad consensus at the national level but, given the dispersed nature of the industry, central government found itself in delicate talks with regional and local authorities who were less prone to adopt the micro-economic point of view and simply feared the consequences of the impending closure of major local employers. In France, there were definite mismatches of policy ideas not only between the government and the industry, but within each of them.

Finally, the quality of corporate management is a factor that cannot be underestimated. Internationally oriented, forward-looking firm managers played a pivotal role in the British, Dutch and Swedish restructuring processes, whereas in France and Spain the steel bosses were more likely to be quasi-political figures. They seemed at times less interested in improving their firms' competitiveness than in maintaining the political networks necessary to sustain the

inflow of government subsidies and to keep in place cushy but economically ultimately unviable protective belts. The steel case shows that, for better or for worse, what company managers think and do may have a crucial impact on the programmatic and indirectly also the political success of industrial policy. The same goes for the impact of supranational policy makers, notably the European Commission. Dudley and Richardson are therefore right to stress the importance of looking beyond 'government' and focusing squarely on 'governance' in analysing the evolution of the European steel industry and steel policy.

Explaining an assessment asymmetry

In Chapter 2 we have formulated five tentative hypotheses that help explain why programmatic successes may not always be political successes, and vice versa. These referred to the impact of political structure, political culture, policy frames, the type of governance task, and the symbolic potential of the issues in question. In the steel sector, unlike what we will see later on in the finance and HIV sectors, the asymmetric case that needs explanation is Spain. The political culture hypothesis appears to be most relevant here. The programmatic shortcomings of steel policy never became a major political issue because of the consensual approach to 'downsizing' and restructuring that the government had opted for in the early 1980s. Since all of the key players were involved in the policy-making process, and were sometimes able to exercise de facto veto powers against proposals for change they did not like, they were not free to criticize the resulting policy stalemates and soft compromises that emerged. Moreover, the broader political context in which steel restructuring took place for a long time conduced to moderation in attacking the government: the continuing process of transition to democracy, the application for EC membership, and the strong political dominance of the social–democratic party, particularly during the first two Gonzales governments.

3 MANAGING REFORM: CONTROLLING THE MEDICAL PROFESSION

Controlling Institutional Gatekeepers

Health care is a key sector in the modern welfare state, in terms of budgetary importance, public interest and political focus. Within this vital sector, the medical profession has a pivotal role. In most of the countries studied, doctors traditionally have been well organized, they exercise large professional and political powers, and their professional interests are firmly established in the legal, political and financial systems. They are among the most important formal

and informal gatekeepers of the medical system. Any attempt to reform the medical sector at large will have to reckon with their institutional dominance. In most countries, a reform of the health sector in practice is tantamount to a reform of the institutional powers of the medical profession. The studies presented in this sector therefore focused on a key episode in the reform of the medical profession in the last two decades of the twentieth century. Each study started with the same research question: what did the policy episode do to the power of these institutional gatekeepers?

Within this broad framework, however, the nature and the context of these reform attempts varied. By contrast with the HIV and blood supply crises, which struck the health sector at approximately the same time, the specific governance challenges for the national health authorities in these reform cases were not always similar.

In Germany, France, the Netherlands and the UK, the attempts to control the professional dominance of the medical profession were basically driven by a desire to contain the increasing costs of health care. Each of the reform attempts studied in these countries was only one of a series of more or less successful attempts at financial or professional reform. In Germany, France, the Netherlands and the UK, the policy goals and the policy history were quite comparable – even though the institutional structure and political context were quite different, as has been explained by Moran in his introduction to Part III.

The reform attempts in Spain and Sweden were driven by different motives. In these countries, the government tried to increase the accessibility and quality of primary health care. In Spain, the socialist government aimed at a structural and comprehensive reform of the inefficient and fragmented Francoist system of health care. Thus the issue was not cost control in a well-established sector of the welfare state, but the very establishment of a modern, efficient and equitable system of public health care in the first place. In that respect, the Spanish reforms were by far the most ambitious and far-reaching. In Sweden, the Liberal Party intended to extend and improve the system of public health care which had already been introduced in the late 1960s. In these countries the reform attempts therefore did not focus primarily on the financial structures, but on the institutional make-up of the sector at large.

However, what was crucial in each of these cases for the success of the reform attempts was the power of the medical profession to resist these institutional reforms and, likewise, the political capability of the state to prevail over these well-organized interests.

Assessment: Incremental Successes, Radical Failures

How did each country fare in controlling and reforming the medical profession? In Table 31.2 the programmatic dimension of success and failure is assessed on

the basis of various indicators. First, we have looked at the duration of the reform attempt. This was based on the assumption that swiftness is an important element of reform capabilities. Moreover, it can be an indicator of the power of the medical profession to halt or hinder reform attempts. The longer it takes to get the reform proposal accepted, if at all, the smaller the power of the health authorities to manage the reform of the medical profession. It is not a very solid indicator because time is a relative notion in the context of reform. The demarcation of the reform period is particularly arbitrary, as was already mentioned in the introduction to Part III. In the cases of Germany, France, the Netherlands and the UK, we see a series of attempts to reform the medical sector, starting in the early 1980s. In each of these countries only one particular attempt was chosen for analysis. These reform proposals more or less built upon the earlier attempts at reform, both in substantive and political terms. Elements of earlier proposals were incorporated in these new reform attempts and political actors saw the new proposal as another episode in a continuing story of reform. In some of these countries the picture would have looked quite different if an entire series of attempts at reform, undertaken by successive governments, had been taken as the unit of analysis, as has more or less been done in the Spanish case.

We have also looked at the level of ambition that was achieved. Did the authorities manage to reach the goals they had set themselves in these reform proposals? And how ambitious were these goals? Did they aim at incremental adjustments or did they go for structural reforms? We have also distinguished between short-term and long-term successes to get a more subtle assessment of what happened. In the Spanish case, for example, the federal government met strong resistance when it initially launched its ambitious proposals. It subsequently changed its reform strategy and moderated its proposals, which in the long run led to a successful implementation of the proposals in most of the regions. On the other hand, Burau, in discussing the German case, and Trappenburg and De Groot in discussing the Dutch, express doubts whether the initially successful reforms of the national health ministers Seehofer and Borst prove to be sufficient in the long run. They managed to achieve the policy goals they had set themselves, but it remains to be seen whether this will lead to structural cost containment in the health sector. In most countries structural factors, such as ageing and technological change, are at work which will jeopardize incremental attempts to contain the cost of medical care. A long-term assessment of the reform attempts is difficult to make in these countries, as the stories are still unfolding. However, it may very well be that in the long run the Seehofer and Borst reforms indeed will turn out to be just a minor episode in a much longer story of cost containment.

The third programmatic indicator looks at the reduction of professional dominance. What did the episode do to the financial and clinical autonomy of

Table 31.2 Managing reform, controlling the medical profession: outcome assessment

	France[1]	Germany	Netherlands	Spain	Sweden	UK[2]
Programmatic dimension	–	++	+	+	– –	+
Length of reform attempt	Long (1970–99)	Short (1/1/1992–1/1/1993)	Medium (1994–8)	Long (1982–93	Medium (1992–5)	Long (1989–97)
Achieved level of ambition:						
Short-term	+/–	++	+	+/–	–	+
Long-term	– – (policy paralysis)	+/–	+/–	++ (except two regions)	n.a.	n.a.
Reduction of professional dominance (financial, clinical political)	– – Traditional remuneration system and clinical autonomy intact; political stalemate	++ Limits to self-administration; reduction clinical autonomy; shift of power to state	+ Output pricing; employment relations; more guidelines	++ Shift from private practice to public health care centres	n.a. (Failed plan aimed to increase autonomy)	+ Professional autonomy challenged by managerial function; insider role of associations weakened
Political dimension	?	++	+	–/++	–	+/–
Political consequences	?	Increased legitimacy of state governance	Political credit to minister (short-term)	Short-term: fierce political battle; two ministers step down; electoral costs. Long-term: strong increase in public satisfaction; erosion of opposition	Strong opposition; electoral losses	No direct adverse consequences; some electoral damage in the long run

Notes:
1. The French study focused more on the entire series of health care reforms than on one particular attempt to control the medical profession. The assessment should be interpreted accordingly.
2. For the UK only the introduction of the purchaser/provider split is represented, because this was the single most important reform attempt in that case.

individual doctors in health institutions and to the political power of their professional associations? Did the health authorities indeed manage to get more control over these institutional gatekeepers? This is the most solid measure of the overall capability of government to reform the medical profession.

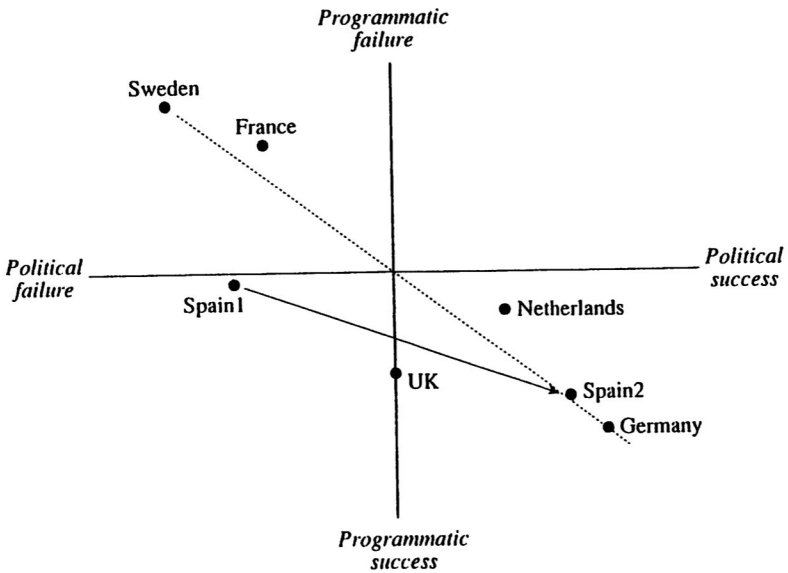
The overall picture of the cases studied here is positive. Except for Sweden and France, the attempts to reform the financial or institutional make-up of the medical sector were quite successful. In France, the state has failed in recent decades to reform the ambulatory care system in general and the institutional arrangements for the medical profession in particular. Despite some major attempts at reform, French medical professions have managed to defend the status quo with regard to its financial and clinical autonomy. In spite of its political powers, the French state is tied to path dependency and has not been able to achieve lasting institutional changes.

Given the power of the medical profession in Germany and the bleak history of health care reform, the *Gesundheitsstrukturgesetz* was an unqualified and impromptu success, at least in the short term. It contained many far-reaching reform measures, which minister Seehofer managed to get politically accepted in an unusually short time span. It was widely heralded as a successful and speedy reform both by political actors and by policy analysts. As yet, it is still less certain whether all of these structural reforms will be implemented and effective in the long run. Likewise, in the Netherlands, minister Borst was quite successful in her short-term attempts to control the medical specialists when compared with her, often far more ambitious, predecessors. With regard to the first two indicators, the assessment of the Spanish reform attempts produces diametrically opposite results. Initially, the socialist government was not very successful with its radical proposals for a comprehensive system of public health care. It subsequently modified its proposals and adjusted its political strategy. In the long run, Spanish policy makers achieved considerable successes and managed to establish an extensive system of public primary health care in most of the regions. In Sweden, the family doctor scheme, which aimed to attract more doctors to primary health care through the introduction of private practices and market elements, and thereby to enhance the access to family doctors in rural areas, was a downright failure. None of its ambitions were reached and most of the reforms were repealed as soon as their most ardent political sponsor, the Liberal Party, left the government. Finally, in the UK the introduction of the 'purchaser/provider split' in the 1990s was a successful attempt to improve the professional and financial accountability of general practitioners.

Strikingly, in most of the countries studied the professional dominance of doctors and their associations within the medical institutions was reduced to a greater or lesser extent. In most countries the financial and clinical autonomy of individual doctors has decreased through the introduction of fixed diagnosis-related and lump-sum payments, employment relations and fixed contracts

instead of private practice, medical guidelines and clinical models. Increased managerial control of the working conditions of doctors also weighs in. In many countries the professional associations experienced a loss of institutional power. Insurance funds, GP fundholders, health authorities and general managers have seriously challenged their insider role in the governance of the sector. The only exceptions are Sweden, where most doctors are already publicly employed and where the Liberal Party actually intended to increase their economic freedom (albeit against their will), and France, where the medical associations seem to have managed, to some extent, to defend the institutional status quo.

What is even more important, given the governance challenge at stake here, is that in all of the countries – again with the exception of France – the collective power of doctors vis-à-vis the state seems to have been reduced. All authors report a diminishing political power of the professional medical associations. In most countries the influence of the medical associations on the policy process has weakened, often as a result of internal divisions within the medical profession itself. Even in Sweden, according to Garpenby, the collective voice



Note: The dotted line indicates full symmetry between programmatic and political outcomes.

Figure 31.3 Managing reform of the medical profession: an integrated assessment

of the profession is weaker at the end of the 1990s than it was at the beginning of the decade.

Table 31.2 also provides an assessment of the political success and failure of the reform attempts. The political outcomes are more or less symmetrical with the programmatic outcomes, as can be observed from Figure 31.3. This is not very surprising, given the inherently political nature of the governance challenge at stake here. The reform of an entrenched profession is not a technocratic but a political enterprise. Crucial for its success is not the technical quality of the policy proposal, but the amount of political support it receives, not only in the sector itself, but also in the political realm and with the public at large. Policy makers therefore have to invest in political alliances and to deploy strategies for depoliticization and political risk management. Political aptitude, therefore, is an important element of programmatic success and programmatic successes eventually can be transformed into political capital.

Overall, Figure 31.3 confirms the optimistic vision of governance, represented by Candide in the first chapter and by our null hypothesis in the second chapter. Policy makers who succeed in substantive programmatic reforms, such as Seehofer in Germany and the socialists in Spain, are rewarded by an increase in political legitimacy and public satisfaction, according to our authors.

Policy Style: From 'Blueprint' to 'Bright Idea'

On the issue of national policy styles, the picture is less clear. Figure 31.4 gives the policy style configuration for the cases of health reform. This configuration does not confirm the hypothesized national policy styles, with the exception of the Netherlands and the UK. However, it is questionable whether the cases studied here were representative for either the national or the sectoral policy style. Several authors note that the policy-making style in the specific case was at odds with the usual style.

We see a shift in policy style in a number of countries. In Germany, for example, the policy style at the federal political level was strongly consensual, as was to be expected. Minister Seehofer invested much energy in the creation of a cross-party political consensus. However, in stark contrast with the previous reform attempts and with the hypothesized corporatist policy style, the lobbyists for the medical professional organizations and for other interest groups were almost completely excluded from the policy-making arena. The consensual style only applied to political actors. In the Netherlands, Borst used a consensual and incremental approach which left ample room for self-regulation. This is in line with the hypothesized Dutch policy style. Again, this was in stark contrast with the approach of some of her predecessors who had confronted the health sector with detailed and far-reaching schemes for reform. A similar shift, from

detailed proposals to a general set of ideas, is reported by Harrison for the UK. To complicate things further, in the specific policy episode studied in the UK this shift is accompanied by a shift along the other dimension of policy style: from a style which seeks consensus with interest groups to the imposition of policy. It is not yet clear whether this represents a structural shift in health policy making in the UK; it is certainly consistent with the more general alteration in policy style associated with the triumph of Thatcherism in British politics. In the Spanish case, too, we see a shift in policy style. The socialist government started with a confrontational style of policy making and tried to impose a detailed proposal for primary care upon the sector. When this grand scheme met with fierce opposition from the sector, policy makers gradually moderated their proposals and shifted to a pragmatic and moderate style of policy making. Eventually, they adopted a consensual policy style and managed to steer a middle course, avoiding open confrontations with the professional medical associations on the one hand and the unions on the other. In Sweden too, the Liberal Party's family doctor scheme broke very obviously with the sector-specific policy style that had hitherto been established in the health sector. The failure of this top-down reform attempt may therefore be interpreted as a confirmation of the hypothesized strongly consensual Swedish policy style.

The overall picture in these cases suggests a tendency to move away from imposed, grand designs to more experimental, adaptive styles of policy making. From blueprint to 'bright idea', as Harrison calls it.

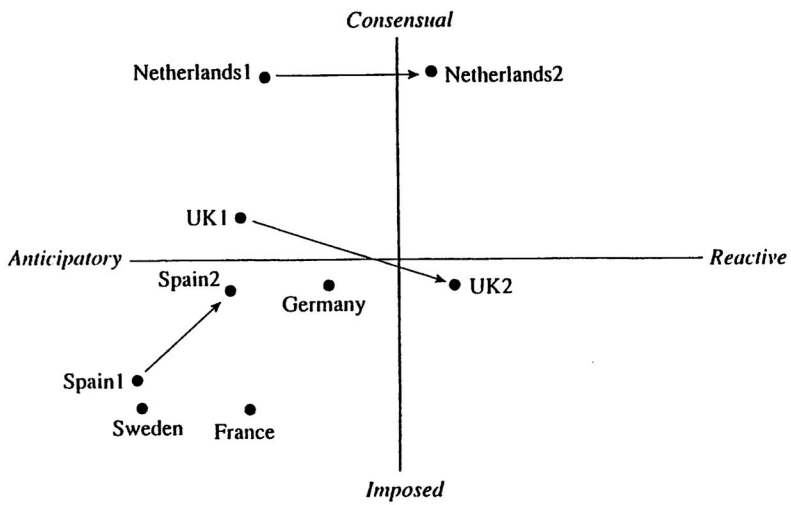


Figure 31.4 Managing reform of the medical profession: national policy styles

Explaining the Successful Reduction of Professional Dominance: United they Stand, Divided they Fail

In most of the episodes studied here, we see a reduction of the professional dominance of doctors, both individually within the medical institutions and collectively within the political system at large. The most important issue to be explained in these cases of managing reform is therefore the following: why were most governments, to a greater or lesser degree, successful in reducing the power of the medical profession?

The management of medical reform, as defined here, is more or less a zero-sum game with two major players, health policy makers on the one hand and the medical profession on the other. Their successes and failures are to a large extent complementary. The medical professions' failure to maintain the institutional status quo constitutes a policy success and vice versa. Therefore, what is to be explained here is both the failure of the medical profession to maintain or increase its professional dominance and the success of the health authorities in enhancing public control.

Explaining the loss of professional political power

The overall picture of the medical profession is one of increasing heterogeneity and a gradual loss of political power. The case authors offer several explanations for this.

- In the past decades the structure of the medical profession in a number of countries has changed, mostly owing to demographic factors. In the 1970s and 1980s, in the wake of the baby boom, sizeable new generations of doctors entered the profession. They held different views about the status and nature of medical work and were less focused on private practice and financial autonomy than the traditional middle-aged general practitioners and specialists who had dominated the professional organizations until that time. Although no systematic evidence is brought to bear in the case studies it is almost certainly the case that these national professions are seeing an increase in feminine participation that is both decreasing internal solidarity and, probably, is an indicator of declining collective occupational status. The increased heterogeneity within the profession weakened its institutional and political strength. The new generations created their own professional associations, which usually were more cooperative in the design and implementation of state plans for health reform. This was most conspicuous in Spain, where new generations of young, progressive doctors became the allies of state reformers and often participated in the design of the health care reform from below. Similarly, in the Netherlands and France, the medical specialists' association split up into more progressive, state-oriented and more conservative, private practice-oriented parts. Technological change, which encourages the development of new medical specialisms, also probably reduces the internal homogeneity of medical professions in the long run.
- The rising number of doctors and the cost containment measures have also generated an increase in distributional struggles within the profession itself. This is particularly true of those countries where one finds a coexistence of hierarchical and market systems of remuneration. In Germany, for example, there were deep divisions between the self-employed office-based doctors and the salaried hospital doctors, as well as between general practitioners and specialists. Similar divisions have risen in France, the Netherlands, Spain and the UK. The professional associations seem to have increasing difficulty uniting the various interest groups and adopting a uniform stance. This was even the case in Sweden where the leadership of the dominant Swedish Medical Association was strongly in favour of medical self-employment, but eventually had to retreat because it turned out that the majority of its members preferred to maintain their public employment security.
- Another reason for the diminishing political power of the professional medical associations may also be a decrease in public acceptance of their professional status. Harrison, in his analysis of the UK, points to a certain general antipathy to the medical profession, which may have weakened its position vis-à-vis the government.

Explaining the success of the reform attempts

In most countries the circumstances for institutional reform were favourable. However, this alone is not sufficient to bring about the more or less successful control of the medical profession. What were the main explanatory factors on the policy-making side?

- *Institutional factors* In Germany, the Netherlands, the UK and, to a lesser extent, in Spain, we see a high degree of path dependency and continuity. At least part of the successes of both Seehofer and Borst can be explained, paradoxically, by the failures of their predecessors, as Burau points out in her analysis of the German case. In the first place, the earlier attempts facilitated policy learning, because they served as a sort of negative blueprint. Seehofer and Borst were able to learn from the political and programmatic mistakes made by their predecessors. Secondly, these earlier failures helped to create a sense of urgency, both in the political arena and in the medical sector. Thirdly, these earlier failures had gradually changed the institutional landscape and the balance of power. They more or less paved the way for the subsequent successful attempts,

which were in fact quite consistent with the earlier proposals. As was already mentioned in the introduction to Part III, the institutional frameworks of the health sector vary in their capacity for reform. The institutional framework of the NHS in the UK was a key factor in facilitating the successful implementation of the purchaser/provider split, according to Harrison. The combination of its tax-financed, budget-capped, central government-control character and its dominant position as the provider of medical care gives policy makers levers that do not exist in more pluralist systems such as Germany or the Netherlands.

- *Policy style* In their analysis of the reasons for success or failure of the reform attempts all authors mention elements of policy-making style as an important factor. In most of the cases, with the exception perhaps of Germany, policy making by detailed blueprint was no longer feasible, as it had been in the 1960s and 1970s. The failure of Borst's predecessors, the retreat of the Spanish socialists and the demise of the Swedish Liberal Party testify to this. Policy making by bright idea, by the swift promulgation of a core set of ideas combined with an invitation to relevant actors to participate in the implementation of these ideas through experiments, seems to be a much more promising road. Some of the key characteristics of this new process, which are described by Harrison, can be found in other cases too. First, the process of initial design of the reforms is short, largely conducted in secret, and shielded from lobbyists of the professional interest groups. This pattern can also be found in the German case and to a lesser extent in the Netherlands. The elaboration of these bright, but rather vague, ideas is left to the implementation phase in which there is ample room for experiments and voluntary participation. Harrison calls this 'manipulated emergence'. Elements of this strategy could also be found in the Netherlands. In both countries this turned out to be a highly successful strategy for the implementation of the reforms. The absence of an institutional blueprint blunts potential opposition to the reforms. Voluntary participation in experiments is far less threatening and it allows for psychological adaptation and unannounced policy adjustment. By orchestrating experiments, both the British and the Dutch policy makers also managed to bypass the official professional organizations and were able to do business directly with individual hospitals or practitioners who, at the local level, saw opportunities in the proposals. In this way the policy makers made optimal use of the increasing divisions within the medical profession and managed to create bandwagon effects.
- *Political tactics* Since most authors focus on a particular reform episode instead of examining a long series of reforms, some of the explanations for the policy making successes are quite specific and deal with issues of personal leadership style and political tactics. In managing short-term reform, individual political skills matter. This is most conspicuous in the German case, where the clever manoeuvring and determination of minister Seehofer tipped the scale. He managed to keep the political initiative and effectively set limits to the influence of the medical lobbyists. In the Netherlands the incumbent minister, Borst, had a substantial amount of credit with the sector because of her background as a medical doctor and former health official. Initially, she managed to enhance it by stating repeatedly that the Dutch health care system was doing a great job. In the UK, political tactics, notably the manufacture of a crisis, contributed to the successful introduction of the purchaser/provider split, according to Harrison. The Conservative government successfully exploited the public perception of an NHS funding crisis in 1987 to create a sense of urgency. In France, in contrast, according to Wilsford, neither Juppé nor Aubry managed to open a window of opportunity in health care reform.

In the political realm, as with the medical sector, the motto is: united they stand, divided they fail. Cross-party consensus is important to create a platform for reform. This was a major element in Seehofer's success and the failure to invest in it contributed greatly to the failure of the Swedish Liberal Party. In most of these cases of health reform we see few acute crises that spur a search for blame. Rather, we see long incremental struggles with an occasional window of opportunity. At these critical junctures individual political skills can help to speed up the policy-making process.

This leads to a somewhat paradoxical conclusion to our review of the health sector. This is one of the most institutionally densely populated policy sectors in modern states. There exist an abundance of policy networks and policy communities. It is a sector in many ways made for immobility, and one where we might expect human agency to be a slight influence on policy change. Yet this very weight of institutions and interests means that human agency – one important source of short-term variation in all this stability – can have an important influence. In these health sector policy histories people matter and, above all, people called politicians matter.

4 MANAGING INNOVATION: REGULATING FINANCE IN AN ERA OF GLOBALIZATION

A Shifting Governance Challenge

The world of finance has been in a state of flux for some time. As Busch has pointed out in his introductory chapter, the release of national controls on the

mobility of capital during the 1980s and 1990s has profoundly changed the structure of the financial sector, as well as the role that national governments (can) play in managing it. Firstly, banks have lost their self-evidently central role in lending and investment. A host of new financial products have been developed and delivered by other entities, such as insurance firms and investment companies. Financial markets have diversified, and so have the regulatory structures put in place to supervise their operation. This means that, today, central banks are by no means the only institutional watchdogs in the financial sector. A host of other, partly self-governing oversight bodies have sprung up. Moreover, not only have financial markets diversified, they have also internationalized. Capital is now a completely decommodified, deterritorialized phenomenon, and the banks and other operators on the now global financial markets have been adjusting to this. They have gone offshore, they have made takeovers in other countries, they collaborate in multinational consortiums on specific projects, and so on. As a consequence, it has become much more difficult, if not impossible, for national policy makers to demarcate the boundaries of their financial systems, let alone regulate and control the behaviour of the financial players that operate in it or interact with it.

These developments have led to a profound change in the public governance of financial markets. National policies have traditionally been twofold: measures to prevent bank failures, motivated by the desire to secure the viability of the national banking system and protect the safety of deposits; and measures to ensure that their financial sectors operated in such a way as to promote economic growth and employment. In the newly emerging globalized financial system, this is no longer tenable. From the case studies reported here a clear picture emerges of the new governance challenges triggered by innovation in the financial sector. First of all, the *objective* of preventing bank failures has gradually given way to the need to safeguard the stability of the system as a whole, given that serious fluctuations and collapses by individual banks and other players are likely to happen from time to time. In Wildavsky's (1988) terms, the logic of policy making has shifted from anticipation to resilience: no longer can policy makers hope to prevent shocks from happening by fine-tuning their regulatory oversight or taking a direct hand in running the system; they have to accept that bigger, stronger forces are at play now that ensure that from time to time accidents will happen; all that public policy can do is to make sure that the damage done by these shocks is minimal, and that the right lessons are learned from these collapses. Secondly, the relevant *level of governance* at which these objectives are to be accomplished has been shifting away from national governments or central banks towards European and indeed global regulatory institutions. In an open, deregulated economy there is only so much that states can do to affect the operation of their financial sectors as well as to achieve their macroeconomic aims.

The case studies document this process of shifting governance challenges. One is set relatively early in the process (Germany, mid-1970s) and shows how an early crisis induced effective learning by both the state and the sector. In contrast, the UK case study takes us to the mid-1990s and shows what happens when 'old' governance bodies face challenges brought about by the 'new' conditions. Other case studies are more longitudinal. The Spanish and Dutch cases encompass the decades in which the critical changes to the global financial system took hold and show what it took to get Spanish and Dutch financial policies to adapt to these changing realities. Underlying all of the cases is the critical need for policy makers to balance microeconomic concerns of running a sound financial system with macroeconomic priorities of keeping the nation as a whole afloat, but nowhere does this come out more clearly than in the Swedish case study, where the limits of classical macroeconomic management in the volatile economy of the late 1980s and early 1990s are exposed and analysed in terms of their effects on the banking system.

Assessment: Policy Failures without Political Consequences

In keeping with the evolving nature of the critical governance task, the programmatic dimension of financial sector governance involves a mixture of anticipation (can states prevent serious bank collapses from happening?), resilience (can states effectively dampen the scope and systemic impact of the failures that do occur, and at what price?) and institutional re-engineering (besides dealing with its volatilities, have states been proactive and successful in adjusting their regulatory approach to the newly emerging financial order?). On the political side, we simply ask to what extent policy making for deposit protection – whether in its institutional engineering or incident management guise – has become the subject of political controversy and has resulted in political sanctions against crucial policy makers. In Table 31.3, we present the results of the national case studies.

Inevitably, a table collapses a complex reality into a simple set of boxes. In Table 31.3 a major simplification has occurred in the programmatic dimension of policy assessment. The overall judgment of programmatic performance is actually a composite evaluation of two very different policy strands: the institutional re-engineering of the banking system, in response to critical environmental changes affecting its operation, and the preventative and emergency measures taken with a view to specific (series of) bank failures. Although generally the same actors and institutions deal with both these issues, in some of the cases there are rather marked differences in how well they did in both spheres. This makes for the rather ambiguous +/– summary judgments at the top end of the table. In France, institutional redesign was proactive and generally effective, but policy makers were unwilling to accept its consequences

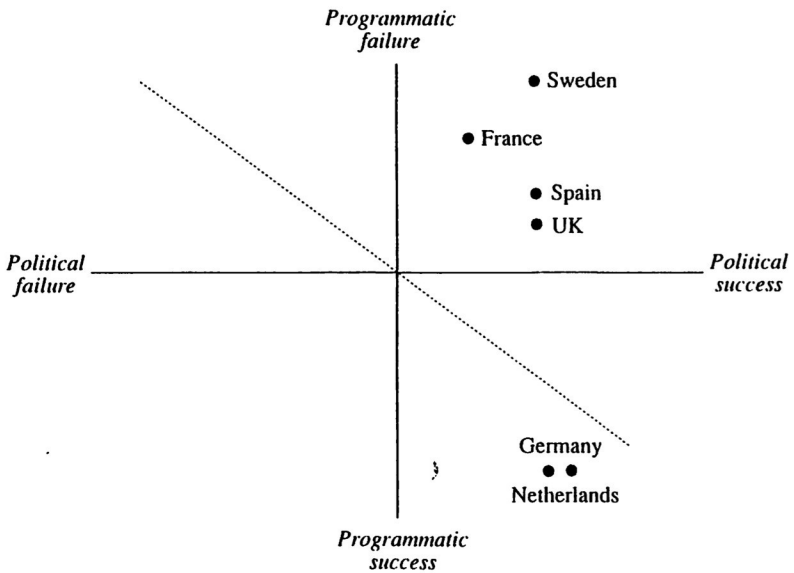
Table 31.3 Managing innovation in the financial sector: outcome assessment

	France (1980–98)	Germany (1974–84)	Netherlands (1980–95)	Spain (1977–95)	Sweden (1985–92)*	UK (1994–5)
Programmatic dimension	+/–	+	+	+/–	–	+/–
Prevention:						
• Number and relative size of bank failures	Failure of only one but a big (US$31 billion asset loss) bank	Failure of three relatively small banks Key case: DM 1.2 billion lost	Two minor bank collapses (plus one foreign-owned bank)	51 minor bank collapses and later collapse of one big bank: losses: 18% GDP	Macroeconomic mismanagement triggered bank failures	Failure of one moderately sized but symbolically crucial bank
Response:						
• Costs of bailout	Public money: US$20 billion	Public money: none	Public money: none	Public money: 6% GDP	Public money: ??	Failed bank taken over by Dutch bank
• Timing of state action	Slow and non-vigorous response	Effective, if restrained, state response	Ongoing process of legal reform	?	Relatively vigorous response	Bank of England took lead in crisis management
• Containment of systemic impact	No cascade effect	No cascade effect despite temporary crisis mood	Not applicable	No cascade effect	No bank failures	No cascade effect
Re-enginering:						
• Timing/ duration of institutional change	OECD leader in market deregulation	Prompt, crisis-induced response by banking community	Incremental change process, partly driven by EU develop-ments	Two-stage, protracted reform struggle to ensure liberalization and end oligopolies	??	Gradualist move from 'old' to 'new' City without adequate assessment of regulatory conse-quences
Political dimension	+/–	+	+	+	+	+
• Perceived adequacy of new regime	Market deregulation not matched by less incestuous governance structures	High: further crisis avoided	High: Dutch financial conglom-erates very successful globally	Macroeconomic and Eurostrategic objectives achieved at considerable collateral costs		Bank of England's regulatory role diminished without clear institutional alternative
Judgment of official investigative bodies:	Common opinion that government mismanaged; criminal proceedings against bank officials	Commission report vindicates the basic structure of the banking and deposit insurance system	n.a.	n.a.	??	Bank board, Commons committee reports blame bank management v. Bank of England
Political conse-quences for policymakers:	Exploitation of scandal by opposition	No political damage to government	n.a.	No discernible electoral costs for successive socialist governments	??	No political damage to government

Note:
* The Swedish case study focuses more on macroeconomic management than on the management of the financial system; the assessment should be interpreted accordingly.

to the full: they held on to state influence in some of the biggest banks, and allowed mismanaged within one of them to go unchecked, with dire consequences for the taxpayers. In Spain, policy makers succeeded in unsettling a deeply entrenched statist–oligopolic system, but fared less well in mitigating the vulnerabilities that resulted from the incremental nature of the institutional overhaul. In the UK, institutional adaptation was hardly done by concerted policy action, yet when a crisis occurred the Bank of England and the key players in the City were effectively able to contain the damage. Still, despite these mixed results, the three countries just mentioned do contrast rather sharply with (particularly) Germany and also the Netherlands, which are clear-cut programmatic successes. The question is how these differences in programmatic performance can be explained.

The most remarkable finding, however, relates to the discrepancy between the sometimes huge financial (and macroeconomic) costs caused by the failure of banks and the almost complete absence of adverse political consequences for incumbent governments (see Figure 31.5). The Swedish and Spanish cases



Note: The dotted line indicates full symmetry between programmatic and political outcomes.

Figure 31.5 Managing innovation in the financial sector: an integrated assessment

are most remarkable here: in Sweden, macroeconomic mismanagement caused microeconomic problems in the banking sector, in Spain the reverse was the case; yet in both countries hardly a ripple resulted in the political arena. In short, in the banking sector the programmatic and political dimensions of policy evaluation appear to be disconnected, where in other sectors, such as HIV and steel, a weak programmatic performance is more likely to spill over into political controversy.

Policy Style: The Limits of Imposition

Mapping the policy styles in the financial sector is also somewhat complicated by the fact that, as in the steel sector, 'policy' here has a dual meaning: institutional redesign and the management of bad banks. We have, nevertheless, placed the six countries in the policy style matrix since there did not seem to be major discrepancies between the way in which both tasks were handled in each of the countries (see Figure 31.6). The most remarkable finding here is that all of the countries are located in the upper, consensualist half of the table. For consensual democracies such as Germany, Holland and Sweden this was to be expected, but less so for the UK and particularly for Spain and France, who deviate significantly from their hypothesized generic national policy styles (see chapter 2, Figure 2.2). The conclusion has to be that, at least in the 1970s–1990s

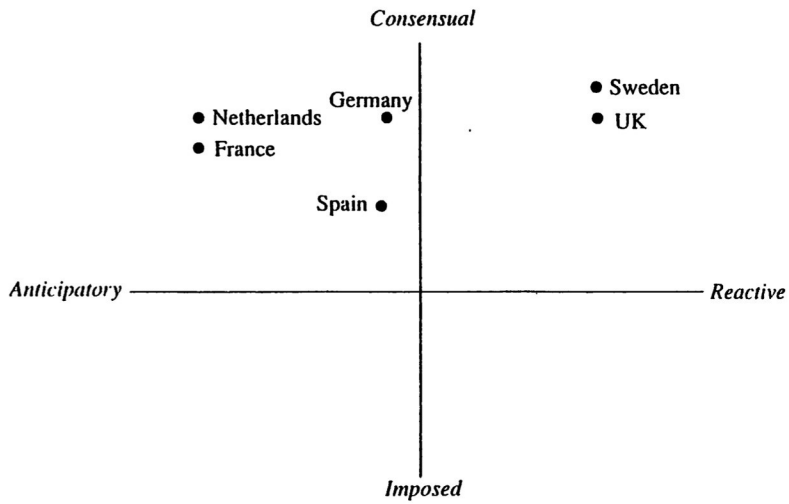


Figure 31.6 Managing innovation in the financial sector: national policy styles

period, the financial sector was hard to regulate and control 'from above' by the state. Below we shall examine why this was the case.

Explaining Success and Failure: Contextual Volatility and Sectoral Autonomy

In sum, the empirical findings from the financial sector present us with the following analytical puzzles:

1. Why do some countries do better than others in the management of innovation in the financial sector?
2. Why the discrepancy between the relatively significant incidence of programmatic weaknesses, if not outright failures, and the complete absence of political failures in any of the cases studied?
3. Why the marked absence of more top-down forms of state intervention in the sector, even in countries with a tradition of state imposition?

Explaining differential programmatic performance

The country chapters do not provide us with a basis for clear-cut generalizations. The reasons for programmatic failure, for instance, seem to be manifold and cover the full range of individual, organizational, regulatory, systemic and situational variables identified in the literature on policy fiascos and man-made catastrophes (cf. Anheier, 1999; Bovens and 't Hart, 1996; Gray, 1998; Reason, 1997; Turner and Pidgeon, 1997; Vaughan, 1996). In the British case, for example, there is some justification for arguing that 'human error' (that is, Leeson's solo flight into financial disaster) played a significant part in the collapse of Barings. Yet, at the same time, organizational failures were at work, since Leeson was allowed to go adrift by a negligent if not implicitly complicit management at the bank. Barings management, in turn, could be so lackadaisical because it did not feel sufficiently monitored by the regulatory bodies, thus exposing weaknesses in the institutional fabric of the 'new' City. Yet, at the same time, global events and unforeseen economic contingencies played a role: the Kobe earthquake, which in turn affected Asian markets, which triggered the collapse of Leeson's trading scheme. In France, too, human, organizational and systemic factors seem to have interacted: well-designed and promptly executed changes in regulatory structure interacted in unforeseen ways with an ambitious bank president encouraged by his political protectors to set his organization on an adventurist and ultimately fatal course of risky deals. In France and in Spain, part of the failure had to do with 'politics' interfering with 'sound finance': in France, geostrategic political considerations prompted policy makers to want to position Crédit Lyonnais as a counterweight to German

dominance of the European financial scene; in Spain, unravelling the closed shop arrangements of the Franco era required a protracted struggle between neoliberal reformists and the guardians of the status quo within the financial establishment. The need to compromise was hard to ignore, but the half-baked nature of the early reforms strongly contributed to the bank collapses that followed later. Interestingly, as in the steel sector, the wider political context – the impending accession to 'Europe' – played an important part in bringing about institutional changes in Spain in the first place. The Swedish case perhaps best illustrates the multicausal nature of failure in this sector, Tranøy's key argument being that Sweden drifted into recession (and its banking system into crisis) as a result of several different, uncoordinated macroeconomic and fiscal policies. In this sense, the core of the problem was an error of omission: Swedish policy makers and financial institutions either failed to grasp or to act upon the inflationary spiral springing from the interaction effects between apparently loosely coupled economic developments and policies.

Likewise, the 'success' cases do not demonstrate clearly how prudent financial policy ought to be made. In the German case, 'luck' was combined with virtue. The financial system was lucky in that it received a serious warning about the vulnerability of existing deposit protection schemes fairly early on, that is well before the neoliberal watershed in the world of finance had taken place, which could have raised considerably the price of the Herstatt and the other two bank failures that took place in 1974. The system was virtuous in the sense that both the state and the key financial institutions proved willing and able to learn from the Herstatt fiasco, and put in place new institutional arrangements that have since proved their viability. In the Dutch case, the absence of crises affecting Dutch banks (there was one instance in which the French-owned Slavenburg's bank collapsed owing to bad management practices), the regulatory regime could be adjusted slowly but surely to the international and technological changes. Within the Dutch finance policy community there were at times some tensions (between the ministry of finance and the national bank, for example), but these were neither very intensive nor politically significant in pursuing the liberalization path.

Explaining the depoliticization of failure

As mentioned above, several hypotheses were formulated in Chapter 2 purporting to explain discrepancies between programmatic and political assessments. More specifically, the politicization and depoliticization of programme failures was held to be contingent upon a number of factors.

- *The political structure* Following Lijphart (1999) we can expect political actors in consensual systems to be more inclined to 'absorb' programme failures without major political controversy, and those in majoritarian

systems to be more combative about them, increasing the likelihood of political failures. In the financial sector, this hypothesis is not supported: in all of the six countries (three majoritarian, three consensual) the degree of politicization of bank failures and the attendant economic adversity was low.

- *The political culture* The more a country or sector is characterized by norms of pragmatism and consensus the lower the likelihood of political failure. This hypothesis appears to have some relevance. In most of the countries studied here, policy towards the financial sector seems to have been a rather low-key affair, with strongly corporatist traditions (Germany) or cosy informal networks between government officials and bankers (UK, France, Spain). The sector traditionally enjoyed either a high degree of autonomy (Germany, Netherlands, UK) or was tightly embedded in the intricate machinery of the state's macroeconomic policy (Spain, France, Sweden). Whichever way was followed, policy was made in 'iron triangle'-like cliques of Treasury bureaucrats, central bankers and banking representatives, where norms of professionalism prevailed (Heclo, 1977). This was a world far removed from the more complex and open networks to be found in, for example, health policy.
- *Policy frames* In such a world there was a relatively high degree of consensus about how the system should be governed. Policy actors may have argued about the settings of certain policy instruments (such as interest rates or credit allowances) but not about the fundamental objectives of policy, let alone about the definition of the situation created by the changes in the international financial system (see Hall, 1993). The protracted struggle that took place in Spain to reform the system was only partly an exception to this rule: reform was initiated by a new generation of post-Francoist technocrats, and in a sense it was not so much a political struggle as a transition from one type of institutional consensus in the epistemic community of economic management to another (cf. Haas, 1990).
- *Governance task* The original hypothesis is taken from Lowi's (1964) typology and suggests that the more redistributive the nature of the policy, the higher the likelihood of politicization of programme failures. In the bank collapses and financial turbulence that occurred in the cases studied here, a lot of money was lost, including a lot of taxpayer money. Directly or indirectly, the (opportunity) costs of the programme failures that helped produce them were, therefore, considerable. Significant (sometimes double-digit) percentages of GNP evaporated or had to be used for bailouts in Sweden, Spain and France. However, the fact that this de facto entailed serious redistributive consequences never made it into the public imagination. Probably this had to do with the fact that the pain was spread across all taxpayers rather than concentrated in certain communities, as in the steel cases. It seems we need not Lowi, but Wilson (1980) to explain this. He hypothesized that this dimension (diffused v. concentrated) pay-offs or costs was a crucial one in determining the political interaction with regard to an issue.
- *Symbolic potential* The final hypothesis postulated that an emotive subject matter would be more conducive to politicization than a technical one. The case studies, especially when compared to the findings of the other three sectors, seem to bear out this expectation.

Explaining universal consensualism

In the financial sector, all of the national policy makers studied here proceeded more or less in concert with the private actors. Neither the country nor the political identity of the incumbent government turns out to be a good predictor of its macroeconomic and microeconomic policy style. Why? There are various reasons:

- A more directive approach simply did not work: this was clearly proved by the experience of the early Mitterrand government (1981), whose Keynesian interventionist policies failed markedly in the increasingly open and deregulated economic environment. The French government was forced to make a quick U-turn in economic policy. In turn, the failure of state imposition in France was a key factor in converting Felipe González's Spanish social democrats to neoliberalist restraint in dealing with the markets.
- A more directive approach was not programmed into the sector's institutional hardware. As mentioned above, in most of the countries the banking industry had enjoyed considerable leeway in running its own affairs within the parameters set by macroeconomic policy. When these controls were gradually released and their freedom to operate on the global markets was increased dramatically, none of the states took compensatory measures in the sense of improved facilities for monitoring the banks' behaviour or more stringent oversight of their modus operandi. If anything, the trend was towards a further disentangling and depolitization of financial governance, including efforts to increase the independence of central banks from the national government. In the German case, the state was moved by political pressures in the immediate wake of the Herstatt crisis to assume a more directive role. Yet the sector effectively forestalled such intervention by showing prudent self-government and ensuring that public policy objectives were met through cooperation between financial actors, in concert with, but at a 'safe' distance from, the state.

At least up to the mid-1990s, it appears that regulating finance was just not an issue for forceful state action. Since that time, critical incidents such as the Barings collapse, the Asian crisis and the Latin American economic collapses have made it clear that the matter has now transcended the scope of national institutions and governance mechanisms altogether. The money flows have simply become too vast, too rapid and too volatile. The latent instabilities introduced into the global financial system by the rapid innovations made possible by liberalization and advanced information technology will now have to be dealt with by regional (European, Asian) and/or global (IMF) financial institutions.

As an aside, it should be observed that the normative superiority ascribed to consensualism by Lijphart (1999), who demonstrated empirically that consensual democracies performed better in terms of effectiveness and legitimacy, is not replicated in the banking cases either. Consensualism in one way or another prevailed in all the national approaches to financial sector governance but, as we have seen, their effectiveness differed markedly. This finding shows that Lijphart's claim is probably too wide: when coming down from the Olympic heights of entire political systems and entering the murky realities of individual policy sectors within those systems, a much more differentiated picture is likely to emerge, both empirically (policy style) and normatively (government performance).

5 MANAGING CRISIS: HIV AND THE BLOOD SUPPLY

Governing an Ill-structured Problem and a Political Crisis

With hindsight, the rise of the HIV/AIDS epidemic in the early 1980s can be defined as an extremely ill-structured problem. All of the authors of the case studies point out that the health authorities were faced with a new disease about which they had hardly any familiar clues. The epidemiological pattern of the disease was largely unknown until the discovery of the HIV viruses. It was unclear how many people were infected with HIV and how many of those infected would actually develop AIDS.

Within this critical challenge, the particular issue of preventing HIV contamination through blood transfusions and blood products presented health authorities with its own complexities. Given the initial uncertainties about the cause and patterns of HIV infections, authorities were faced with tragic choices when dealing with haemophiliacs. Treating them with the factor VIII and factor IX blood products might result in HIV infection and, possibly, in a premature death from AIDS. Denying them these highly effective treatments would strongly affect the quality of their lives and would seriously increase the risks

of disablement and early death because of unstoppable bleeding. In several countries haemophiliacs initially opposed a ban on the use or import of factor VIII blood products. Similar ethical dilemmas rose with regard to transfusion blood. Excluding homosexuals or prison inmates from donating blood would decrease the likelihood of HIV contamination, but it might also lead to serious damage to the legitimacy of the voluntary donor system and to a shortage of blood.

Initially, in the early 1980s, the case of HIV infection through blood and blood products was not an acute, but rather a creeping crisis. There was a high level of uncertainty, but not always a corresponding sense of urgency among the health authorities, haemophiliacs or the general public. In the first years of the epidemic, the risks of the transmission of HIV through blood and blood products were not immediately clear. From a European perspective, the epidemic might very well have been only a North American phenomenon. Reliable tests and treatments of blood and blood products became available only gradually. The incubation time for AIDS was long. As a result, it took years before the major health crisis among the haemophiliacs and transfusion recipients actually materialized.

Because of this latter aspect, health authorities in a number of countries were in fact faced with two different crises. The initial, rather creeping, programmatical crisis was more or less resolved by the mid-1980s. By then, the issue of preventing AIDS and HIV had become a well-structured problem, at least in the Western world. A few years later, in the early 1990s, a much more acute political crisis broke out, when it became clear that many people had become fatally ill because they had been treated with HIV-contaminated blood or blood products in the early 1980s. This was most conspicuous in France, and to a lesser extent in Germany, the Netherlands, the UK and Spain. The nature of this second, political, crisis was very different from the first. It was a manifest crisis of legitimacy, but not an ill-structured problem. In most countries, except France, this second crisis could be handled by using routine strategies for crisis containment, depoliticization and blame avoidance.

Assessment: Disjunctures between Programmatic Performance and Political Legitimacy

Programmatic assessment

The fascinating thing about these case studies is their high level of comparability. In all of the countries studied, health authorities were faced with a similar problem at more or less the same time. They all had to struggle with the medical uncertainties and moral intricacies surrounding AIDS and HIV. In order to assess the effectiveness of their response, we have to take into account these uncertainties and intricacies. Paraphrasing De Vroom in Chapter 27 (on the

Netherlands), the central question is: did the policy system produce feasible solutions for problems that were observable at that time?

What differed was the context. The nature of the blood supply systems varied among the countries in our sample and therewith the risks of HIV contamination. In the early 1980s, Spain did not have a well-established system of voluntary donations and had to rely on paid donors and imports of transfusion blood. Germany, too, relied to some extent on paid donors. This strongly increased the risks of HIV contamination. France relied on voluntary donations, but the quality of its transfusion blood was not as high as in other countries with a system of voluntary donations, because blood was also collected in prisons, where a great number of inmates turned out to be HIV-infected intravenous drug users. With regard to the factor concentrate blood products, few countries were self-sufficient. Most countries imported blood products from the United States, which in hindsight turned out to be a major source of contamination. The level of the imports varied, however. Germany imported a majority of its blood products and Spain imported more than 80 per cent. France was self-sufficient and so was Sweden with regard to factor IX concentrate, but Sweden depended on imports for 40–50 per cent of its factor VIII consumption. Britain imported about half of its stock of factor VIII concentrate, but its use of this product was fairly limited. For these reasons, as Albaek has already pointed out in the introduction to Part V, output indicators, such as the number of HIV-infected transfusion patients or haemophiliacs per capita in each country, are unreliable indicators for success and failure of the governance task of managing the HIV and blood crisis.

Instead, we have looked at the timing of a number of preventive measures that became feasible during the early 1980s. When did the health authorities effectively implement feasible measures to prevent the spread of HIV through blood or blood products? We have scored each country on five preventive measures, two with regard to blood donations and three with regard to blood products. These scores are presented in Table 31.4.

At the top of the table we have given each country an overall programmatic assessment, on the basis of these comparative indicators. France scores below average when compared to the other countries studied. However, on the programmatic side, France is certainly not a downright failure. Local health and prison authorities were very late in effectively implementing the order to screen blood donors, which greatly added to the relatively high level of contamination of blood and blood products. On the other hand, France was comparatively early in testing all its blood for HIV – which is a surprising conclusion given the fact that the postponement of the Abbott test was one of the major contributing factors to the political crisis in France. France was, in fact, among the first to authorize and apply the American Abbott test, notwithstanding the political lobby for the home based Pasteur Diagnostics test. The major failure

Table 31.4 Managing crisis, HIV and the blood supply: programmatic assessment

	France	Germany	Netherlands	Spain	Sweden	UK
Programmatic dimension	–	+/–	++	– –	+	+/–
Effective donor selection	Mandatory 20/6/1983; implemented 1985–91	Informal practice 1/6/1983; mandatory 1/4/1988	Self-regulation 1/4/1983	Mandatory 9/10/1985; implemented 4/12/1985	Mandatory 1/10/1984	Informal practice 1/9/1983; guidelines 1/1/1985
Testing of all blood	1/8/1985	1/10/1985	1/6/1985	18/2/1987	1/10/1985	1/10/1985
Import stay on untreated blood products	Not relevant	?	Early 1983 (informal agreement)	1/10/1985	25/2/1985 (non-heated) 15/8/1985 (non-tested)	1/1/1985
Heating blood products	1/10/1985	1/2/1985	3/6/1985	1/10/1985 (?)	25/2/1985	1/7/1985
Untreated products off market*	1/10/1985	Early 1990	1/6/85 (non-tested) 1/1/88 (non-heated)	1/10/1985	15/4/1986	1/1/1986

Note:
* By this is meant an end to the delivery or sale of untreated products by manufacturers. It did not always imply a total recall of all untreated products from hospitals and patients.

in France has been the postponement of the mandatory heat treatment of blood products from June until October 1985 and the subsequent failure to withdraw unheated products from the stocks. Germany scored more or less the average. Effective donor selection was informally realized at an early stage and Germany was among the first to introduce the heat treatment of factor products. It took a very long time, however, before all the untreated products were effectively withdrawn from the market. The Netherlands did comparatively well on all counts. At an early stage, health authorities effectively implemented tests and treatments. Donor selection and a stay on imports of untreated products could also be realized early through informal agreements between health authorities, blood banks and intermediary organizations. Spain's handling of the HIV and blood crisis was by most standards a clear failure. This is particularly so with regard to blood donations. The authorities were very late in taking measures to select donors and, on top of that, ordered the screening of blood almost two years after this became feasible. Also Spain was relatively late in implementing a stay on imports of untreated products. Sweden did relatively well, although factor IX products which were not fully virus-inactivated were still on the market at a late stage. Finally, the performance of the UK is more or less average on most indicators.

The overall programmatic assessment of the management of the HIV and blood crisis, the governance challenge studied here, should be positive. The prevention of HIV dissemination through blood and blood products happened very fast. Most European countries adopted most of the preventive measures not long after they were introduced in the USA. From June 1981, when AIDS was first reported as an official clinical syndrome, only three years passed before effective measures to prevent blood-borne spreading of this hitherto unknown disease were developed. One year later most countries offering effective factor therapy to haemophiliacs had implemented most of these preventive measures, with the exception of Spain. It is difficult to think of any other infectious disease for which one of its modes of infection has been stopped so effectively, so fast.

With hindsight one can argue whether there may have been other feasible solutions available at that time that could have reduced the amount of HIV infection through the blood supply even further. A number of measures were not considered in general or at all in the international medical community, although in retrospect it would have been sensible to do so. The enthusiasm for the 1970s' formidable technical advances in blood therapy was such that it hindered a consideration of the obvious alternative in preventive policy to adopt less blood-consuming – and thereby safer – transfusion and haemophilia therapies. For instance, a temporary switch to the less effective, but much safer, cryoprecipitate therapy would have seriously reduced the chance of HIV infections. Effective therapy was given priority over safe therapy. The medical

paradigm that effective therapy necessarily involved higher consumption of blood later turned out not to be universally true. Internationally, only a few countries and none of the six countries in this study, in their choice of policies diverged from the dominant policy understanding of the international blood community.

Political assessment

The governance challenge in most of the countries studied in fact consisted in managing two different types of crisis. We have therefore also asked the authors to assess whether and why the issue of HIV and blood turned into a political crisis in the early 1990s. The results of this political assessment are presented in Table 31.5. Again, we have given an overall assessment of the political appreciation of the issue in each country. This is followed by a more detailed assessment on the basis of a number of parameters that indicate whether the way the issue was handled by the national health authorities has been considered legitimate in each particular country. In most countries the political outcomes do not parallel the programmatic outcomes. This is most conspicuous in the case of France and Spain. By all standards, the issue of HIV and blood has resulted in a major crisis of legitimacy in France, notwithstanding the fact that French health authorities only performed below average on some of the programmatic indicators. The opposite has happened in Spain. The Spanish authorities have a very bad track record, but nevertheless hardly suffered politically. The issue of HIV and blood only stirred a minor scandal in Barcelona and has never jeopardized the legitimacy of the Spanish political or health system at the national level, as it has in France. Similar asymmetries can be found in Germany and the UK, both average performers programmatically, where incumbent health officials, like minister Seehofer in Germany and chief medical officer Acheson in the UK, even managed to gain political credit by acting in an expedient way once they found out about the issue. In none of the cases studied could a full symmetry be found between programmatic performance and political legitimacy, as can be seen from Figure 31.7.

Policy Style

In most countries studied, both the programmatic and the political crises were handled in line with the hypothesized national policy styles. Not surprisingly, in the Netherlands and Sweden the AIDS epidemic and the issue of safe blood were handled in an inclusive, strongly consensual way (Figure 31.8). All relevant actors, public organizations, private companies and intermediary organizations of haemophiliacs and homosexuals, were involved in the policy process. The blood policy subsystem was given considerable leeway in handling the issue in a cooperative and expedient way. The same was true of the political

Table 31.5 Managing crisis, HIV and the blood supply: political assessment

	France	Germany	Netherlands	Spain	Sweden	UK
Political dimension	– –	+	+	+/–	++	++
Media coverage • Judgement • Intensity	Very negative High	Mild Medium	Mild Low	Negative Incidental	Neutral Very low	Mild Low
Judgment of official investigative bodies	Negative reports by health, financial and police authorities	Negative report by parliamentary commission	Ombudsman investigation: negative on some points	Penal inquiry into Catalan case; no general inquiries	Mild report on Preconativ by health ministry	No specific official inquiries
Litigation	Nearly 2000 complaints; 34 executives on trial; four convicted so far	Most claims were settled; civil litigation against some officials; no convictions	None	Some civil litigation; two light penal sanctions of hospital officials	None	Some civil litigation; settled out of court
Compensation paid	1992, high	1986, medium	Late 1980s, low; 1996 medium	1993, low	1986, medium; 1991, high	1987, low; 1991, medium
Political casualties	Three former ministers on trial; major crisis of legitimacy	Federal health office dissolved; health minister Seehofer gets credit	None; formal excuses by minister of health	None; no major scandal	None; no scandal	None; credit for some officials
Public opinion	Very negative	Mildly positive	Neutral	Neutral	Absent	Mildly positive

Note: The dotted line indicates full symmetry between programmatic and political outcomes.

Figure 31.7 Managing crisis in HIV and the blood supply: an integrated assessment

management of the crisis. The governments in both countries acted in a non-confrontational, consensual style, and therewith effectively managed to depoliticize the issue. To a lesser extent, this has been true of the UK and Germany. In both these countries a consensual style prevailed, although this was mixed with hierarchical elements in the UK or forced through by corporatist arrangements in Germany. The health authorities in Spain and France were far less responsive, and sometimes even hostile, towards the associations of haemophiliacs and other victims. A highly institutionalized and conservative blood sector dominated the health system and effectively locked out new actors or beneficiaries.

On the other axis we also see clear differences in the way policy makers responded to the crisis. The authorities in Sweden and the Netherlands were actively engaged at an early stage in discussing measures with the sectoral actors. We have labelled this as an anticipatory style, although we are aware that in a crisis like this anticipatory policy making is, almost by definition, not possible. Partly for the reasons just mentioned, the authorities in both Spain

and, to a lesser extent, France acted in a reactive way. In Germany, too, regulatory capture contributed to a dominantly reactive style, with the exception of health minister Seehofer, who quickly responded when the issue hit the press.

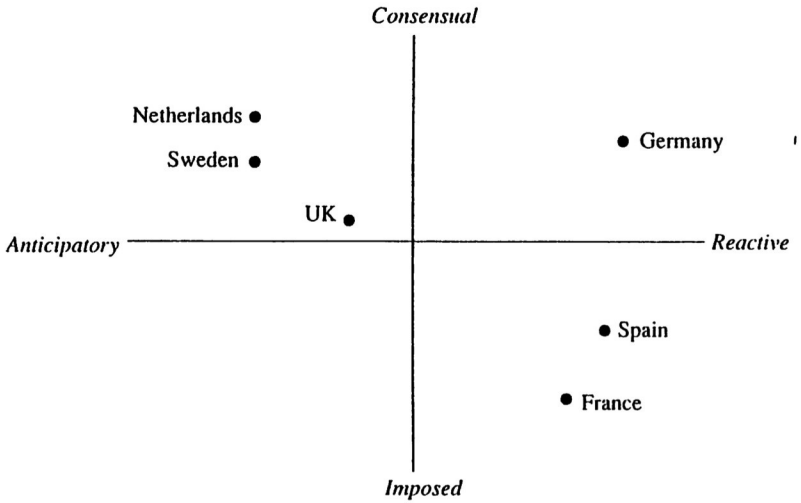


Figure 31.8 Managing crises in HIV and the blood supply: national policy styles

Explaining Patterns in Success and Failure

In sum, the assessment of the HIV and blood supply cases leaves us with two analytical questions: (a) why were the health authorities in some countries much swifter in solving the ill-structured problem of dealing with HIV in the blood supply, and (b) how can we explain the asymmetries in programmatic performance and political legitimacy?

Explaining the variations in programmatic performance

The health sector in general, and the blood subpolicy system in particular, is highly professionalized. This is the main reason why most countries succeeded in effectively preventing the dissemination of HIV through blood and blood products within a relatively short period. The existence of an international network of blood therapists allowed information on the contamination, and on tests and treatments, to travel at great speed and across national borders. Within most countries firmly institutionalized professional networks of researchers, therapists, manufacturers and regulators existed. These operated on the basis of

medical expertise and were given considerable autonomy in devising and implementing new technologies and therapies. At the same time, the very existence of a professional community of blood experts is, paradoxically, also one of the main causes of the perceived failures.

The clue to this paradox seems to lie in the relative institutional and intellectual openness of the professional policy community. The major explanation for the relatively swift response to the issue of HIV and blood in the Netherlands, according to de Vroom, lies in the specific mode of governance that was developed in the Dutch case. Public and private actors, vested professional institutions and intermediary organizations of haemophiliacs and homosexuals cooperated on an equal basis in the definition, formulation and implementation of preventive policies. The role of state actors was limited to a horizontal coordination of the discussions and negotiations. In the early phase of the crisis, when the policy problem was ill-structured and when uncertainty was rampant, this was the most effective way to develop feasible, acceptable and legitimate solutions (although de Vroom adds that a more hierarchical approach might have been more effective in the later, implementation stages of policy making). Similarly, in Sweden professional autonomy and cooperation between central and local actors as well as public and private actors is the major explanation for the swift and effective responses with regard to the developing crisis. But even in open professional communities such as the Dutch and the Swedish, professionalism may also have been an obstacle to effective problem solving. The professional agreement on the advantages of the dominant therapeutic paradigm in haemophilia treatment was so overwhelming that its wisdom in the face of the AIDS epidemic was never questioned. In Sweden, the discovery of the deficient method used to treat factor IX products demonstrated that medical regulators too uncritically presumed that professional responsibilities would automatically overrule commercial incentives in the pharmaceutical industry.

In contrast, in France, and to a somewhat lesser extent in Germany, the professional community was characterized by institutional closure and regulatory capture. Donor associations and pharmaceutical companies, who had a vested interest in maintaining the status quo, dominated the policy networks. Health authorities were dependent on these actors for expertise and information. Processes of cognitive dissonance and goal displacement could develop because dissident opinions or outsider perspectives were effectively blocked. Secrecy, confidentiality and intellectual homogeneity prevailed. The latter was also the case in Sweden, with regard to factor IX concentrate.

The bad performance of Spain can partly be explained along these lines too. The Francoist health system was particularly badly adapted to solve an ill-structured problem like the rise of HIV and AIDS. Institutional structures and practices for preventive health care were mostly lacking. When the AIDS

epidemic struck, civil society in Spain was still very weak. Transfusion patients did not have any public voice whatsoever and the haemophiliacs, although better organized, remained very passive politically throughout the 1980s. To make things worse, the transition from a centralized to a decentralized system of health care badly interfered with the crisis as it blurred responsibilities and eroded the capacity of central authorities to implement and monitor effectively the preventive measures that were ordered. In the early 1980s, public health authorities' attention was focused on the construction of a new balance of power between the state and the regional institutions. This prevented the development of a more cooperative style of policy making, as most preventive measures were interpreted as moves in the struggle for institutional power.

Explaining asymmetric politicization

In Chapter 2, we formulated the Candide interpretation of governance as our null-hypothesis: if authorities do well programmatically, they will be rewarded politically, and if programmes fail to perform as expected, this will lead to commensurate negative political feedback. This hypothesis is not supported in any of the case studies. In none of the cases can a full symmetry in outcomes be found. Of the two rival hypotheses, the Cassandra hypothesis is not supported either. In most cases in which the political legitimacy remained high, this is not primarily caused by the deliberate deployment of manipulatory strategies for blame avoidance by the authorities. More importantly, the asymmetries between programmatic performance and political perception go both ways, as could be seen in the case of France. Even health authorities that performed comparatively very well, for example in the Netherlands, were nevertheless confronted with some political headwinds.

How can we explain these discrepancies between programmatic performances and the level of politicization? In Chapter 2 we also formulated propositions with regard to a number of relevant factors.

- *The political structure* The hypothesis that consensual democracies will show lower levels of politicization than majoritarian systems is partly supported in the HIV and blood crises. In the three countries with strong consensual and corporatist traditions, Germany, the Netherlands and Sweden, no major political crises occurred. In Sweden, for example, all relevant political actors were represented in a high-profile committee that was established to deal with the rise of AIDS at an early stage. This committee forged a strong consensus and forestalled the emergence of any serious opposition. In France, on the other hand, no cross-party cooperation and consensus occurred. On the contrary, the HIV and blood crisis was played up in the election campaign and used by the opposition to discredit the socialist government. The UK is the atypical case in this respect, a majoritarian political structure in which nevertheless a cross-party consensus emerged over AIDS and HIV, which resulted in low levels of politicization.
- *The political culture* Here the hypothesis was that a country or sector in which pragmatism, consensus and cooperation prevail would show lower levels of politicization. This hypothesis is basically confirmed in the cases of HIV and blood. In Sweden, the UK, Germany and the Netherlands, which all did well politically, the claims and complaints of the various affected groups were handled in a pragmatic, non-confrontational way. In Sweden, the Haemophilia Society was effectively coopted into the policy subsystem, and the government offered to fund all its programmes for the infected members. Also the Swedish government pragmatically applied existing medical insurance schemes to infected haemophiliacs and transfusion patients. In the UK, too, according to Freeman, pragmatism is the dominant policy style in much of health care policy making and this was particularly so in the case of AIDS and HIV. Most of the issues that arose were framed as non-ideological, professional matters and handled in an expedient way. In Germany, minister Seehofer effectively controlled the political damage by using a pacification strategy that befitted the German, consensual political culture. In the Netherlands, too, the policy subsystem was very open to the intermediary organizations of haemophiliacs and gays, and they were effectively coopted into the policy-making process. As in Sweden, they were in fact made partly responsible for the policies that were pursued. Moreover, the Dutch minister of health, Borst, acted in a non-confrontational fashion. She immediately acknowledged government liability, offered public apologies and was willing to offer more generous compensation. In France, however, the political crisis was handled in a rather different key. In France, secrecy, confidentiality and closure prevailed. Donor associations and the blood centres dominated the blood sector. According to Steffen, little attention was given to the rights of patients. They were not coopted but confronted by the donor associations and the health authorities. Public authorities were very late and reluctant in offering compensation or any other form of assistance to HIV victims or their associations. Thus the latter were more or less forced to turn to the courts. The result was a litigation explosion, extensive media attention and a high level of politicization. Spain is the odd case in this respect. Despite its relatively bad performance, public upheaval remained limited to two Catalan cases of negligence. The Spanish organizations of haemophiliacs, although well established, chose to negotiate discretely with the authorities and refrained from litigation, except for Catalonia. Blood transfusion patients were not organized collectively and were even more

reluctant to come out in the open. Only a few dozen chose to litigate against the government. According to Jordana, this can be explained by the social stigma which was attached to AIDS at the time. In general, it is safe to say that, even until the early 1990s, Spanish civil society was relatively weak, and its political culture reactive or even passive, when compared to most of the other countries studied.

- *Policy frame* Here the hypothesis was that an inverse relation would exist between the epistemic homogeneity within the policy sector and the level of politicization. This is hardly supported here. In all of the countries studied, the blood sector was originally characterized by professionalism and epistemic homogeneity. Nevertheless, the levels of politicization varied. In France, the country with by far the highest level of politicization, the blood sector was extremely institutionalized and offered an almost perfect example of sectoral corporatism with high levels of paradigmatic consensus.
- *Governance task* In the aftermath of the HIV and blood crisis, redistributive issues became of great importance. Unlike what happened with the crisis in the financial sector, the costs of the failure of governance had to be borne by specific groups. HIV-infected haemophiliacs and transfusion patients were clearly identifiable (and 'innocent') victims, and the stories of their wretched lives and miserable deaths triggered media attention and the subsequent political crises. In line with the hypothesis, those governments (Sweden, UK, Germany) which quickly responded to the redistributive issues by offering compensation schemes had the lowest levels of politicization.
- *Symbolic potential* Here the hypothesis was that the more emotive the subject matter is, the higher the likelihood of an intense politicization of the failure. This seems an important clue in both the French and the Spanish asymmetries. In France, the institutional structure and ethos of the blood provision system went back as far as World War II. Its self-sufficiency was a source of national pride and donating blood was seen as a matter of citizenship. Thus, in France, the contamination of this vital fluid with the deadly HIV viruses, which could not be attributed to foreign sources, shocked the national self-image. And worse still, a sector that hitherto had always been associated with altruism and citizenship turned out to be tainted with commercial interests. In Spain, the negative stigma that was attached to AIDS, which was perceived by the general public as a disease of sexual perverts and drugs addicts, kept many victims from going public with their cases. In that particular case the negative emotions effectively hindered politicization.

32. The state of governance in six European states

Mark Bovens, Paul 't Hart and B. Guy Peters

1 COMPARING PERFORMANCE ACROSS COUNTRIES AND ACROSS SECTORS

With the information we have amassed to this point we can begin to make some comparisons concerning the relative governance capacity within the four policy sectors we have been examining, as well as the apparent governance capacity of different political systems. These comparative points must be considered very tentative generalizations, given that they are based on a limited number of cases and a limited number of policy areas. Still, this is perhaps the most systematic comparison of these two dimensions of governance that is as yet available, given that for each policy area we have closely matched case studies in the six countries. Likewise, these four policy areas were not selected at random but were chosen to represent important dimensions of governance capacity and the six countries also were selected to represent variations in political structures and political styles.

2 NATIONAL STRENGTHS AND WEAKNESSES

If we begin with the conventional comparative question of which country performs best, the winner on the programmatic dimension appears to be the Netherlands, with the United Kingdom also scoring rather well. This is interesting given that these two countries have rather disparate approaches to governance. The Dutch style (see below) tends to be one of building consensus between state and society, and within the public sector itself. Consultation is central to this governance approach, and the case studies report on consultations in most of the policy areas. Consultation should be expected to be important for the political success of a policy, but also appears (again based on a limited 'sample' of cases) to be useful in producing programme success as well. As well as building consensus, the consultative style of governing appears