Thomas Paster (Florenz)

The New Modes of EU Governance: Combining Rationalism and Constructivism in Explaining Voluntarist Policy Coordination in the EU[1]

Die freiwillige Koordinierung nationaler Politikbereiche und der Vergleich von „Best Practice" Modellen durch die „Offene Methode der Koordinierung" (OMK) haben in den letzten Jahren eine intensive Debatte in der Politikwissenschaft ausgelöst. Kann die OMK innerstaatlichen Politikwandel fördern? Wenn ja, unter welchen Bedingungen? Dieser Artikel analysiert diese Frage aus theoretischer Perspektive, in dem eine rationalistische und eine konstruktivistische Perspektive verglichen und kombiniert werden. Aus rationalistischer Sicht werden konvergierende Akteurspräferenzen, der „Schatten der Hierarchie", sowie „unterschiedliche Ermächtigung" als zentrale Erklärungsfaktoren für paradigmatischen Politikwandel identifiziert. Aus konstruktivistischer Sicht wird die Bedeutung von kommunikativen und koordinativen Diskurs als Mechanismen der Überzeugung und der Wissensproduktion betont. Der Artikel schlägt eine komplementäre Kombination dieser beiden gegensätzlichen, jedoch nicht inkompatiblen, Ansätze vor und kommt, auf Basis der analysierten Faktoren, zu dem Schluss, dass die Wirkungseffizienz der OMK in der Praxis gering sein wird.

Keywords. Rationalismus, Konstruktivismus, Spieltheorie, Akteurs-zentrierter Institutionalismus, Diskurstheorie, voluntaristische Politikkoordinierung in der EU, Europäische Beschäftigungsstrategie, Offene Methode der Koordinierung
rationalism, constructivism, game theory, actor-centered institutionalism, discourse theory, EU voluntarist policy coordination, european employment strategy, open method of coordination

1. Introduction

During recent years, the EU has developed a stronger role in social and labour market policies through the use of voluntary forms of domestic policy coordination between the EU Member States (MS), in particular through the introduction of the "European Employment Strategy" (EES) in 1997 and the "Open Method of Coordination" (OMC) in 2000. This development has created a lively debate among political scientists, in particular those studying the EU. The potential and the limits of the EES and the OMC, and even their very nature, have remained essentially contested among academic scholars and political actors alike.

The consequences of European integration for the sustainability and the development of national welfare state institutions and the capacity of the EU to contribute positively to their sustenance are often assessed in a highly sceptical way in the academic literature. The European integration project has been identified by Scharpf (1999) as systematically favoring "negative integration" (market-making EU policies) over "positive integration" (market-cor-

recting EU policies). On this view, the single market and the Economic and Monetary Union (EMU) create an intense regulatory competition between MS to attract mobile economic actors, disabling MS to pursue market-correcting policy objectives. At the same time, the development of EU market-correcting policies is disabled by the EU's own decision-making procedures. Furthermore, as pointed out by Streeck (1996) societal interest groups, such as the social partners, face enormous collective action problems at the EU level, leading to so-called "Neo-Voluntarism", i.e. a laissez-faire-style, inefficient way of conflict resolution, reflected, for instance, in a strong tendency towards lowest common denominator solutions in EU employment regulation.

It is in the context of these *problematique* that the development of the OMC as a new mode of governance in the area of EU labour market and social policies had attained interest among academics and political actors. The OMC has, initially, been considered as a potentially effective tool for overcoming the impasse in moving towards positive integration (Scharpf 2003) and as an innovative way of policy-making, enabling a more participatory and deliberative style of policy-making (Eberlein/Kerwer 2004; Regent 2003).

The purpose of this article is to analyze the potential consequences of the OMC for domestic policy-making from a theoretical perspective. Due to its very recent nature, empirical knowledge about the working of the OMC and of its impact on domestic policy-making is still very limited. In addition, attempts to produce empirical evidence of its impact or lack thereof faces methodological challenges in singling out the role of the OMC from the many factors influencing domestic policy-making. This article will, therefore, focus on a theoretical analysis of the effectiveness of the coordination mechanisms applied by the OMC. In any case, such theoretical understandings guide the focus of empirical research and therefore need detailed consideration.

In this article we look on the OMC from two antithetical, but not entirely incompatible, theoretical perspectives: a rationalist view and a constructivist view. Can these two approaches provide suitable theoretical frameworks for analyzing the effects of the OMC on domestic labour market policy-making? I will argue that, if the two approaches are applied in a complementary way, they provide us with a more realistic understanding of the actual working mechanisms of the OMC. The article is structured in the following way: After giving a brief overview about the OMC, the two approaches are analyzed. First, the main theoretical propositions of each approach are briefly summarized. Then, their applicability to the OMC is analyzed, pointing out the potential as well as the limits of both approaches. The final section outlines how the two approaches can be combined in a complementary way to result in a more complete understanding of the OMC. The article concludes that, using these theoretical insights, the OMC can be expected to contribute little to real policy improvements unless some benevolent conditions are given.

2. Policy Coordination and Soft Governance in the EU

The development of social and labour market policies at the EU level has lagged behind the pace of economic integration since the outset of the integration process in the 1950s. Diverging MS preferences, the substantive differences in welfare state and labour market institutions and the differing normative aspirations they are linked with, have effectively blocked any attempts at EU level harmonization in this policy fields in the past and will most likely do so in the foreseeable future. As a consequence, the effectiveness of the traditional "Community method", i.e. the joint agreement of binding EU legislation between the Commission, the MS and the European Parliament, is necessarily highly constrained in this area. Given this blockage to create "hard law", the EU has seen a trend towards "softer" forms of governance, which focus on using less binding, more voluntarist and flexible forms of policy-making. The introduction of the EES and the OMC are the most significant events in this regard.[2]

The EES was initiated at the European Council summit in Essen in 1994 and was subsequently included in the form of a so-called "Employment Title" in the Amsterdam Treaty (Griller et al. 2000). The strategy essentially consists of the coordination of national employment policies through the exchange of information on employment policy between the MS, in particular through the use of multilateral monitoring mechanisms for national policy decisions. MS should learn from each other's experiences and exchange knowledge on "best practice" policies by engaging in an iterative peer-review process, comparing national policies with the use of policy benchmarks and indicators. Crucially, the EES does not include the possibility to sanction a non-complying MS. It is thus dependent on the voluntary participation by the national governments.

The coordination process is organized in the form of an annual coordination cycle. Its key stages are the following: First, the Social Affairs Council, acting upon a proposal from the Commission, agrees upon the objectives and principles that MS should take into account when planning their employment policy, called the "European Employment Guidelines" (EEG). Second, the MS draw up "National Action Plans" (NAPs), which include the measures they plan to take to implement the guidelines. Third, the Commission and the Council evaluate the individual NAPs in a peer-review process. Fourth, the Commission can, based on the peer-review, propose "recommendations" towards individual MSs, which have then to be agreed upon by the Council. Finally, the Commission and the Council produce a joint report to be discussed by the Heads of State and Government in the European Council.

At the Lisbon European Council in the year 2000 the scope of policy coordination was expanded to a number of new policy areas, including pension reform, social inclusion, education, migration and innovation policy (Borrás/Greve 2004). At the same time the various coordination procedures were labeled with a new name: "The Open Method of Coordination". All the coordination procedures share in common a focus on voluntarist policy-making, intended to facilitate policy learning across the MS, by using peer-reviews, multilateral monitoring, benchmarking and policy indicators. However, the effectiveness of these procedures remains contested. Does the OMC actually deliver on its promise of facilitating cross-national policy learning and leading to a more participatory, as well as deliberative, way of decision-making? Due to its only recent appearance, empirical knowledge about the OMC is still rather limited. The preliminary evidence that is available is neither conclusive nor definite.

Two major empirical studies of the OMC have so far been undertaken: the Cologne-based "*GoveCor*" project and the EU Commission's Five-Year Evaluation of the EES in 2002 (European Commission 2002). These studies confirm that any direct effect of the OMC on domestic policy change is difficult to identify, as this influence is a very indirect one. The involvement of private actors, the social partners in particular, seems to have been very weak in many MS (Goetschy 2003, 81f.). It is the national governments and the Commission that largely control the process. Given the difficulties in measuring the policy learning effects of the OMC, it is even more important to improve the theoretical understanding of the conditions under which multilateral policy learning through the OMC may take place. I will in this article analyze these potential effects by discussing two antithetical theoretical approaches, which rely on the importance of rational self-interests and ideas respectively.

3. Rationalist and Constructivist Frameworks

Analyzing how the EES and the OMC work and in what ways they "europeanise" national processes of policy decision-making and related policy outputs requires a general *explanatory framework* of how the coordination procedure works. Much of the work on the Europeanization of national policies, politics and polities (see for instance Risse et al. 2001; Börzel/Risse 2000; Dyson 2000; Liebert 2002)

is informed by an analytical differentiation between *rationalist* and *constructivist perspectives* on the mechanisms of Europeanization.

The contestation between rationalism and constructivism emerged first in the *International Relations* discipline in the mid 1980s, when a number of scholars began to question the epistemological and ontological assumptions of the dominant rationalist paradigm, which informed both realist and liberal theories. Most essential to the development of the constructivist position was probably the meta-theoretical work of Kratochwil and Ruggie (Kratochwil 1989; Kratochwil/Ruggie 1986). An other essential proponent is Wendt (Wendt 1998; 1999), who developed a more moderate or "thin" variant of constructivism.

Constructivism and rationalism are based on fundamentally different philosophical positions about what the social reality is made up of (ontology) and how we, as social scientists, can know something about it (epistemology). The intention of this article, however, is not to discuss these philosophical questions of epistemology and ontology, but to apply the two approaches to our substantive research topic. Nevertheless, it is essential to explicate briefly the most important epistemological and ontological positions, which the two approaches are based upon.

Rationalist perspectives start from the assumption that political actors are motivated by egoistic self-interest. Rationalist approaches, however, do not try to explain these interests and preferences, but, instead, rely on some general assumptions about them. In other words, interests and preferences are taken as *exogenously given* and are assumed to remain stable over time. In particular, the rationalist paradigm assumes that *instrumental rationality* is a core motivation of human action[3]. Because of this, means-ends calculations are essential to explain political behavior. Political actors pursue strategies (means) that are suited best to meet their preferences (ends). Political behavior is, thus, driven by what March and Olsen call a *logic of consequentialism* (March/Olsen 1989). This position relies fundamentally on *methodological individualism*, which assumes that, in principle, social phenomena can be explained in terms of individuals, their interests and actions[4]. With the exception of the most radical variants of rational choice theory, *institutions* do, however, play a role as well, because they provide an opportunity structure for political actors, thus enabling and constraining the strategic choices available to them.

Constructivism[5] challenges the rationalist assumptions. Its ontological position states the social constructedness of reality. From this view, preferences and interests are not given, but are beliefs that reflect an individual's identity. What is important, therefore, is to understand how interests and ideas develop in a process of social construction. Constructivists, consequently, focus on the importance of ideas, norms and values in explaining the processes and the results of policy-making. Processes of socialization, identity formation and norm internalization are at the center of their explanatory framework. This position, questioning methodological individualism, is based on the ontological assumption that structure and agent constitute each other and should therefore be seen as a whole (Adler 2002, 104ff.).

Although constructivism and rationalism are fundamentally different positions, they are not contradictory, at least if they are not understood as dogmatic positions. Although, in the past, the debate between constructivists and rationalists has often been confrontational and heated, the view that the two paradigms should be understood in a complementary way has gained ground in recent years. In a seminal article, Katzenstein, Keohane and Krasner argued that "rationalism and constructivism are generic theoretical orientations that are complementary on some crucial points" (Katzenstein et al. 1998, 680). Jupille, Caporaso and Checkel take the same position when they argue, "that the metatheoretical debate about institutions has run its course and must now give way to theoretical, methodological, and carefully structured dialogue" (Jupille et al. 2003, 8). This is also the position taken in this article. One way of achieving such a dialogue, which Jupille and his colleagues propose, is to take a so-called *domain of application* approach by trying to

identify the scope conditions under which each perspective can be applied (Jupille et al. 2003, 21f).

The article aspires to follow this strategy and will compare two specific theories, each representing one of the perspectives: the framework of *actor-centered institutionalism*, developed by Fritz W. Scharpf, taken as a representation of a *rationalist* perspective on policy-making, and *discursive institutionalism* developed by Vivien A. Schmidt, taken as representing a constructivist view. Both approaches will be discussed regarding their ability to explain the processes and results of policy coordination through the EES and the OMC. How can we use these two frameworks to capture the impact of the EES and the OMC on domestic policy change? The article analyses the explanatory potential, as well as the shortcomings, of the two approaches and thereby tries to make two points: First, that a complementary use addresses the weaknesses of the respective other approach, and second, that paradigmatic policy change through the OMC is only likely to happen under specific favorable conditions

4. Actor-centered institutionalism and Game Theory

Actor-centered institutionalism is inspired by the intention to overcome the dualism between the actor level and the institutional level (Scharpf 1997, 36), which is reflected in most political science theories.[6] The approach intends to provide a framework to analyze policy processes driven by the interaction of political actors in a given institutional setting. (Scharpf 1997, 37).

This section will briefly outline the main concepts of this approach, which was originally developed by Mayntz and Scharpf (Mayntz/Scharpf 1995) and later augmented by Scharpf with game theoretical models (Scharpf 1997). The starting point for explaining policy-making processes and their outcomes is to identify the *actors*, individual or collective, that are involved in the policy-making process. Actors are characterized by specific action capabilities, preferences and perceptions. The resources available to them characterize their action capabilities: financial and human resources, knowledge, competences and the rights they possess. In policy-making systems most action capabilities are constituted by institutional rules, i.e. the tasks, competences and participation rights ascribed to actors, including the veto positions they have. The *action orientations* of political actors are constituted by their preferences and their *perceptions* of the policy issues and problems and the causal mechanisms underlying them.

The behavior of political actors does, however, depend not only on their own preferences, perceptions and action capabilities, but, crucially, also on the *actor constellation.* This describes the actors involved, their action orientations, the possible outcomes associated with specific strategy combinations and actors' valuations of these outcomes, i.e. their outcome preferences.

The central ambition of Scharpf is to conceptualize these actor constellations by *game theoretical tools.* Each game-theoretical model represents a specific "logic of the situation" determined by a specific actor constellation (Scharpf 1997, 72ff.).

A specific actor constellation, then, combined with a specific *mode of interaction* determines the outcome of the policy-making process. Scharpf distinguishes four such modes: *unilateral action* ("non-cooperation"), *negotiated agreement, majority voting* and *hierarchical action*. The *institutional setting,* consisting of formal and informal rules, determines the mode of interaction that is most likely to emerge. This is because the institutional rules enable and constrain actors, i.e. they form the actors' *opportunity structure*. Examples of institutional settings given by Scharpf are *"anarchic fields", "networks", "associations"* and *"hierarchical organizations"*. Each of these settings is characterized by specific institutional rules, which do or do not allow for specific modes of interaction. Thus, unilateral action can occur in settings with only minimum institutional rules, while decisions by majority vote or by hierarchical authority require a more demanding institutional setting.

4.1. Actor-Centered Institutionalism, Game Theory and the European Employment Strategy

Understood in game theoretical terms, the EES can be analyzed as a game played by national governments, which also involves other domestic actors and is orchestrated by the Commission. According to this perspective, its problem-solving capacity can be judged by analyzing the institutional setting, the modes of interaction it allows and the actor constellations involved. In this section, three conditions under which such a game can be expected to lead to policy change and policy learning, understood here as "learning from others", will be presented.

Applying his four modes of interaction to the *multilevel system* of decision-making in the EU, Scharpf (2001a) distinguishes between four idealtypical modes of European policy-making: (i) *mutual adjustment* of MS policies as a result of economic regime competition (a non-cooperative game), (ii) *intergovernmental negotiation*, based on the need for a unanimous consensus among the MS, (iii) *hierarchical direction* through unilateral decision by the EU, without MS involvement, and (iv) *joint-decision-making* by supranational and intergovernmental actors (Scharpf 2001b).

Scharpf's analysis of the problem-solving capacity of the four modes of interactions reflects the basic assumptions of actor-centered institutionalism: the outputs (*problem-solving capacity*) of policy-making processes (*modes of interaction*) are equally shaped by the rules of decision-making (*the institutional setting*) and the constellation of actor preferences. For instance, the problem-solving capacity of intergovernmental negotiations and joint-decision systems both depend on a high level of *preference convergence* among the actors involved, while hierarchical direction offers stronger problem-solving capacity but puts extremely high demands on the institutional setting.

Applying his typology to the OMC, Scharpf suggests that it consists of a combination of *mutual adjustment* and *intergovernmental negotiations* (Scharpf 2001a). The procedures of establishing common policy guidelines and the monitoring, benchmarking and peer-reviewing of national policy choices may be described as *intergovernmental* in nature, as long as no strong role for the Commission is assumed. The fact that OMC does not involve any bargaining towards binding agreements and the fact that political responsibility for the policy choices remains ultimately with national parliaments thus make OMC look more similar to the mode of *mutual adjustment.*

4.1.1. A rationalist explanation of the OMC

A rationalist explanation of the OMC builds on three conditions for effective policy coordination: preference convergence, the shadow of hierarchy and differential empowerment.

Firstly, the problem-solving capacity of the EES primarily depends on the occurrence of *preference convergence.* This means, that the impact of the EES on national policy choices will primarily depend on whether policy preferences of national governments are in line with the preferences enshrined in the EES policy paradigms or not: "the expected benefits of OMC depend crucially on the willingness of those national actors who are in fact in control of policy choices to get themselves involved in European coordination" (Scharpf 2002, 654). This, again, depends on the extend to which these actors are committed to the policy paradigm pushed by the OMC. This means, that, from a rationalist perspective, one will expect the OMC to lead to only moderate – technocratic – forms of policy change, because a rationalist perspective assumes that preferences result from material self-interest and are in principle stable. Such weak forms of policy learning involve the improvement of policy instruments, where they are considered as being inefficient. This applies, for instance, to improvements in training programs for unemployed persons. Fundamental policy changes will not result from voluntary modes of policy coordination.

Secondly, a more fundamental change, a paradigm shift, can only be expected as a result of changes in the external incentive structure,

which results in a changed pay-off structure for specific actors strategies. An actor, thus, might change the strategy if a new incentive makes the existing strategy less efficient. Scharpf has pointed out that the thread of unilateral action, the so-called *shadow of hierarchy*, can be an important incentive. He has shown, how tripartite policy concertation between the government, employers and unions is facilitated by the thread of unilateral governmental action, thereby coercing the social partners into co-operation (Scharpf 1997, 197ff.). Most OMC processes, however, do not provide the possibility of unilateral action by the EU. The possibility of financial sanctions, a potentially important material incentive, is included in the fiscal policy coordination procedure (Stability and Growth Pact), but not in the other OMC processes (employment, social inclusion, pension reform, etc). As a result, paradigmatic policy change may occur even in the absence of preference convergence, if the shadow of hierarchy is strong enough.

Thirdly, the OMC can lead to a *differential empowerment* of the political actors, involving in particular the members of national governments and the social partners. The EES, expressing a specific paradigm of supply-side employment policies, may thus enhance the action resources of national governments advocating supply-side reforms vis-à-vis those societal actors that are opposed to these reforms. Thus, taking governmental preference convergence for granted, the OMC may provide additional action resources to the government by increasing the political legitimacy of potentially unpopular reforms and also by partially shifting political responsibility for unemployment problems to the European level (see Schäfer 2002, 25ff.). As a consequence, political pressure on governments, coming from sceptical domestic actors, may be weakened. However, as the OMC is purely voluntaristic and does not provide material incentives for policy change, the differential empowerment effect should be expected to be to weak to overcome strong domestic *veto player positions* (Tsebelis 1990).

To conclude, a rationalist approach does locate the conditions for the effectiveness of voluntary policy coordination through the OMC primarily in the intensity of preference convergence among MS, in the intensity of the shadow of hierarchy and in the incidence of differential empowerment favoring pro-reform actors. If commitment among national governments towards a specific common objective is strong and veto player positions are missing or can be overcome, policy learning by means of monitoring, peer-reviewing and information exchange can lead to instrumental forms of policy learning. On the other hand, if these benevolent conditions are missing, EES should be expected to remain an empty procedure, as effective policy coordination is not possible without cooperation of domestic policy-makers.

4.1.2. Shortcomings of the rationalist explanation model

While the rationalist explanation model of the OMC can explain *instrumental* policy changes concerning the effectiveness of existing policy instruments, it has difficulties in explaining *paradigmatic* policy changes, i.e. changes in the fundamental ideas and objectives of policy makers, because such changes are difficult to understand as the direct result of the material self-interests of the political actors.

This weakness is due to the lack of attention given to two factors: the role of common *knowledge* and that of *persuasion* (Katzenstein et al. 1998). Firstly, the formation of policy preferences is based on the actors' shared knowledge about the problems and possible solutions in a policy area. As this knowledge can change, so, too, can the preferences. Secondly, the impact of persuasion on the actors' preferences and beliefs is not generally taken into account by rationalist theory. These two points, I believe, are important deficiencies of the rationalist approach, which can be dealt with by using explanatory mechanisms that have emerged from discourse theory. The next section thus looks at how the OMC mechanisms can be explained from the perspective of discursive institutionalism.

5. Discursive Institutionalism

The framework of "discursive institutionalism"[7] was first developed by Vivien A. Schmidt and has subsequently been elaborated in several papers (Schmidt 2002a; 2002b; 2003; 2000). Her approach focuses on the power of discourse to influence ideas, norms and values, in order to explain the processes and results of policy decision-making. Discourse is, thus, conceptualized as an independent variable, which can have real effects on policy-making, and not just as a mere reflection of existing perceptions, preferences, values and ideas (Schmidt 2003, 3). The explanatory role of discursive institutionalism, therefore, starts where rationalist explanations fail, in cases where preferences are volatile; strategies are not based upon narrow self-interest or where actor information is imperfect.

Schmidt defines policy discourse as consisting of "whatever policy actors say to one another and to the public in their efforts to generate and legitimize a policy program. As such, discourse encompasses both a set of policy ideas and values and an interactive process of policy construction and communication" (Schmidt 2002a, 210). In other words, the concept of discourse involves two dimensions: an interactive-procedural dimension (who speaks to whom) and an ideational dimension (what is said).

The *ideational dimension* of policy discourse serves to create new policy ideas, paradigms and programs, legitimizing existing ones as well as challenging them. In order for discourse to be successful in generating and legitimizing policies, it has to fulfill both *cognitive* and *normative functions.* The normative function of discourse is to legitimate the political goals of a policy program by appealing to long-standing or newly emerging values, ideas and norms (what should be achieved?). Normative discourse, thus, communicates the moral and *ideational appropriateness* of the policy program to the public or to other actors, and shows that the policy reflects the values and ideas of the constituency. The *cognitive function* serves to offer solutions to problems and to define efficient policy instruments (what should be done to achieve an objective?). It demonstrates relevance, applicability, coherence and greater problem-solving capacity of a policy program. In short, normative discourse is aimed at showing that the policy is right, cognitive discourse that it is actually working (Schmidt 2002a, 213-230) .

While the *ideational dimension* represents *what* is said, the *interactive dimension* deals with *who talks to whom* and for which purpose. Policy discourse follows two *interactive functions:* a *coordinative* and a *communicative* function. As part of its *coordinative* function it serves political actors to deliberate differing policies options among them, to construct a policy program and to come to an agreement on it (Schmidt 2003).

The *communicative function* of discourse is to communicate the policy program agreed upon at the coordinative stage to the general public, to the voter constituencies and to the groups specifically affected by it. The political actors translate the policy program into accessible language for public discussion and deliberation, in order to convince the public about the normative legitimacy and cognitive adequacy of the policy program, but also to challenge the legitimacy and the adequacy of competing programs and to generate new policy ideas. As the discourses of different political actors differ in their effectiveness to convince the public, discourse is a real causal factor in explaining the success or failure of policy change (Schmidt 2002a, 230-239). Based on her own research on political-economic reforms in different countries, Schmidt argues that the long-term viability of far-reaching reforms can only be achieved if policy decision-makers succeed in convincing the public about the normative legitimacy of their reforms (Schmidt 2002b, 257ff.).

Discursive institutionalism links the relative importance of the coordinative and the communicative discourses to the institutional constellation. In so-called multi-actor systems strong coordinative discourses combine with weak communicative discourses, while in so-called single-actor systems weak coordinative discourses combine with strong communicative discourses. This results from the differences in

the institutional rules of policy-making and concomitant differences in the strategies of policy legitimacy.

5.1. Discourse in single-actor constellations

In systems with *single-actor systems,* the coordinative discourse tends to be thin and the communicative discourse tends to be elaborate. Single-actor systems are, for instance, unitary nation states with majoritarian election systems, where power is concentrated in the national executive. In such states, policy-making tends to be government-centered, only involving a highly restricted number of high-ranking officials. Regional and local governments, the social partners, opposition parties, or other private actors are not involved in the policy decision-making process. Consequently, the coordinative discourse does not need to accommodate a large variety of conflicting interests and the national executive tends to have greater discretion in policy choice as in multi-actor systems. For the same reason, the communicative discourse tends to be strong, because this is the only way governments can gain societal acceptance for their policies. Consequently, communicative discourse has a very important role to play in single-actor states' policy-making.

5.2. Discourse in multi-actor constellations

Systems with a so-called *multi-actor system* are characterized by joint-decision systems, where a wider range of political actors including, for instance, regional and local governments and organized societal interests, are involved in negotiations about policy programs. In such systems, national governments tend to have little authority to impose decisions unilaterally. Consequently, the coordinative discourse tends to be elaborate, because there is a need for the political actors to reconcile their differing positions, while the government's communicative discourse tends to be comparatively thin, because the societal interest groups involved in the bargaining process take the responsibility to convince their respective constituencies of the necessity and legitimacy of the agreements made. Communication with the general public, however, tends to be thin, as the involvement of a variety of private and public actors with conflicting positions makes the generation of a strong governmental-national discourse, contemporaneously coherent and convincing to all affected groups, very difficult (Schmidt 2002a, 244).

5.3. Discursive Institutionalism and the OMC

What can discursive institutionalism tell us about the problem-solving effectiveness of the OMC? What are the potentials and limits of policy learning through the OMC? The essence of discursive institutionalism, as outlined above, is that the quality and intensity of discourse matters for the success or failure of policy reforms. In the long run, substantial policy reforms can only be successful if they are accompanied by an intense discourse, which has to be convincing not only in its cognitive content, but also in its normative legitimacy. According to this approach, there are basically two ways for how the OMC can contribute towards these goals: by coordinative and by communicative mechanisms.

The policy coordination mechanism of the OMC resembles a *multi-actor* and *multi-level system*. We, therefore, have to expect it to rely on the power of coordinative, rather than communicative, discourse mechanisms. The OMC involves a large number of private and public actors from the domestic and the supra-national level in a policy coordination circle that is organized in a non-hierarchical way, with actual decision-making power being dispersed among them and without the possibility of centralized hierarchical action by the EU. The advocates of the OMC point precisely to its non-hierarchical nature and its innovative and experimental character as being the OMC's key strength, leading to more participative and deliberative policy-making (Eberlein/Kerwer 2004; Mosher/Trubek 2003; Regent 2003).

The EES and the OMC are based on the voluntary coordination of domestic policies. MS agree on common policy objectives (guidelines) and policy indicators and then evaluate and peer-

review national policy programs and policy outcomes in expert committees. The coordination process does not include any binding agreements or "hard" sanctions, such as financial fines. Instead, it relies on "learning mechanisms" to facilitate policy change (Sabel 1994), understood as the diffusion of a new policy paradigm across countries. This form of "learning from others" is expected to happen through multilateral policy monitoring, benchmarking and peer-reviewing of policy programs and policy performances, but also through so-called "naming and shaming", meaning the exposure of non-compliant states to public criticism.

5.3.1. A Constructivist explanation of the OMC

Using discursive institutionalism, we can analyze the causal mechanisms of EES/OMC by applying the analytical distinction between coordinative discourse and communicative discourse: The *coordinative mechanisms* are intended to facilitate the diffusion of perceived "good practices" across countries, leading in the long run to policy learning, i.e. the diffusion of new policy paradigms. These coordinative mechanisms occur in EU policy committees (the "Employment Committee" in the case of EES) consisting of national civil servants and officials from the Commission. They are conducted behind closed doors, and discourse takes the form of deliberation and arguing, rather than bargaining or negotiating. Mechanisms of coordinative discourse are to be found in all forms of peer-reviewing, mutual monitoring, benchmarking and the like. The effectiveness of this mechanism has to be based on the capacity of expert discourse to change the cognitive and normative beliefs and preferences of political actors. OMC coordinative discourses will tend to focus on aspects of cognitive necessity, rather than normative legitimacy. In other words, actors will be keen to learn which policies work best, not which objectives are most desirable.

The *communicative mechanisms* of the EES and the OMC concern how the actors involved communicate the policy paradigms and the results of policy coordination to the public. Selecting good or bad cases for public exposure ("naming and shaming"), can be expected to have a significant impact on domestic policy issues. It may generate a public discourse about the reasons for lagging behind and may put pressure on domestic decision-makers to commit themselves more to the suggested policy objectives. On the other hand, national executives can make use of a good ranking position to strengthen their own political standing in relation to other domestic actors. At the EU level, the communicative function falls primarily to the Commission, which together with the Council presidency has the task of communicating the normative legitimacy and cognitive necessity of the policies suggested by the EES, including the communication of common policy guidelines, the results of peer-review procedures, as well as the issuing of policy recommendations directed towards individual MS.

Two crucial factors for the effectiveness of the communicative mechanisms are first, whether an intense public discourse around the OMC policy paradigms and national policy performances can be generated. Secondly, whether this discourse is capable of showing the cognitive necessity as well as the normative legitimacy of the suggested policies.

The OMC mechanisms provide highly favorable conditions for such a discourse. Coordinative discourses in OMC expert committees provide an ideal opportunity for the deliberation of the strengths and the shortcomings of different national approaches to employment policy and can thereby encourage policy learning among the national governments. Moreover, it can also frame actors' understanding of what the substantive problems and desirable solutions to them are. Thereby it may strengthen the new supply-side economic policy paradigm, which focuses on market de-regulation. Only if political actors are willing to engage in an intense coordinative discourse and in public debate about it, a real impact of the OMC on policy change is possible.

However, there may be a certain trade-off between the intensity of communicative and coordinative discourse. A strong coordinative discourse on normatively salient and controver-

sial policy issues, requiring substantial deliberation on these issues, may be disturbed by an adversarial public debate probably involving the very same actors. This can be the case, for instance, regarding conflicts between labour unions, employers and governments about labour-market de-regulation. In a similar way, countries chosen for public "shaming" may not be willing to substantially commit themselves to transnational policy coordination.

5.3.2. Shortcomings of the constructivist explanation model

Discursive institutionalism is interested in the role of discourse in changing actors' preferences and normative and cognitive beliefs. It thereby opens what rationalist accounts deal with as a black box: How and why do normative and cognitive beliefs – or in rationalist language, their information and preferences – come into being and change over time? An approach solely centered on discourse cannot, however, fully explain why certain ideas and paradigms gain predominance in the policy discourse, while others disappear. The reason for this is that, for discourse to have an impact, self-interested, strategic political actors have to conduct this discourse with the intention to either persuade other actors or, if they cannot succeed in doing so, to at least discredit their positions by making them seem normatively and cognitively unacceptable to the wider public. Thereby, discursive capacities can be an important *power resource* for purposeful, self-interested actors.[8]

This capacity depends as well on material factors, such as financial means to conduct an effective political campaign, as on immaterial factors, such as the availability of favorable expert advice or scientific evidence. To illustrate this point, the discourse about the need for political-economic reforms to maintain international competitiveness, conducted through the OMC's "Lisbon Strategy", is arguably related to the preferences of transnational, export-oriented firms. As these firms are, however, in general not directly involved in the political decision-making processes, they have to conduct a convincing public discourse in order to persuade political actors to change their preferences and policy beliefs.

The power of discourse to change policy beliefs is, however, not only dependent on the discursive capacities of the political actors, but, more fundamentally, on the nature of the policy beliefs as such. Arguably, beliefs that are normatively deeply rooted or firmly based on fundamental material self-interest, will be much more unlikely to change through any actor's discourse, than beliefs of a more instrumental character. Consequently, discursive mechanisms within the OMC, to the extend that they are actually taking place, are more likely to have an impact on instrumental policy beliefs rather than on strongly-held normative beliefs or on preferences firmly based on material self-interest.

6. Combining Rationalism and Constructivism

This article provided a theoretical analysis of the potential effects of the policy coordination mechanisms of the OMC by comparing two theories that reflect two different logics of explanation. The main characteristics of both approaches and the hypotheses that have been derived from them are summarized in Table 1. So far, the analysis proceeded in an additive way, showing how each approach can – independently – be applied to analyze important dimensions of the coordination process and its outcome. However, the article also identified important deficiencies in both approaches. These deficiencies, I believe, are best addressed by combining the two approaches in a complementary way. Complementarity implies that the approaches are applied in an additive way to complementary "domains" or "scopes" of application. The crucial task in combining theories, consequently, is the identification of the "*scope conditions*" under which each approach can be applied[9]. In this final section the article presents *knowledge uncertainty* as the key scope condition, which allows us to distinguish between two types of policy change, paradigmatic (constructivist) and non-paradigmatic (rationalist) change.

Table 1

	RATIONALISM (SCHARPF)	**CONSTRUCTIVISM (SCHMIDT)**
Types of institutional settings	Anarchy, joint-decision systems, associations, hierarchical organisations	(i) National single-actor or (ii) national multi-actor or (iii) EU multi-level/multi-actor system
Function of the institutional setting	Enables and constrains actors' strategy options (opportunity structure)	Shapes the location and function of discourse within the policy-making system
Main mode of political interaction	Bargaining (Strategic interactions)	Persuasion and deliberation (Discursive interactions)
Idealtypical interactions	Autonomous action, negotiation, majority voting, hierarchical direction	Communicative or coordinative discourse
Main purpose of political interactions	Realising outcome preferences (maximization of given utility function)	Creating and legitimising policy ideas, incl. their normative legitimacy and cognitive necessity. (result in belief change)
HYPOTHESES		
Conditions favourable for effective policy coordination	(i) Preference convergence (ii) Differential empowerment (iii) "Shadow of hierarchy"	Intense (i) coordinative and (ii) communicative discourses facilitate persuasion (preference change) and diminish knowledge uncertainty.
Expected outcome	*Non-paradigmatic* policy change	*Paradigmatic* policy change

As we have seen, rationalist approaches are best suited to explain limited, instrumental forms of policy adjustments, while the constructivist framework better explains policy changes of a more fundamental (paradigmatic) nature. Limited, instrumental forms of OMC-induced policy change do not affect the fundamental policy paradigms and policy ideas, and are, hence, called *non-paradigmatic policy change.* Such changes allow policy-makers to achieve their preferred outcomes more effectively by making existing policy instruments more effective, while remaining firmly in line with the given preferences and policy ideas. Applied to the OMC, we can expect this type of change to be facilitated by the exchange of information in peer-reviews and policy expert committees. OMC-induced non-paradigmatic change is, however, only likely to occur when the preferences of the actors involved in the coordination mechanism converge, as with normatively uncontroversial issues, like, for instance, active labour market policy. It is unlikely to occur for policy proposals that are normatively controversial among the coordinating actors (*preference divergence*).

Our constructivist framework, i.e. *discursive institutionalism*, better explains paradigmatic policy changes. Such changes involve a fundamental reorientation not only of the policy preferences, but also the normative and cognitive policy ideas that underlie these preferences. This type of policy change, which is in general much more unlikely and, in any case, slower than the former, is, therefore, better explained by the ideational impact of communicative and/or coordinative discourse. Discursive institutionalism is most valuable for the analysis of the OMC where it requires a fundamental reorientation of national policy paradigms, like, for instance, a shift from employment protection to a de-regulation of employment systems, rather than just

instrumental adjustments. The scarce empirical research about the domestic impact that the OMC had so far, has shown that its coordinative discourse had some ideational impact although only on a very small group of actors, mainly government officials (Jacobsson 2004, 366), and that it does not figure prominently in national public discourses (Rhodes 2005, 508f.). Here, rationalist factors, in particular the lack of preference convergence on many normatively salient issues and the absence of a "shadow of hierarchy", need to be applied to explain why the OMC did so far not allow a stronger usage of discursive strategies.

The combination of rationalist and constructivist approaches shows that the OMC has only limited potential to lead to paradigmatic change, given, first, that it does not have any *shadow of hierarchy* and second, its weak discursive capacities to date. However, the additive combination of the two approaches as such, does, admittedly, not tell as yet under which conditions the OMC may lead to paradigmatic belief and policy change. In other words, what are the scope conditions of the constructivist explanatory model? The answer cannot be derived from one of the two approaches but is to be found in the characteristics of the policy-making environment, in particular the extent of knowledge uncertainty. In the field of economic and labour market policies, *knowledge uncertainty* will result mainly from the failure of existing policies in times of economic crisis and high unemployment, which makes it impossible for actors to keep pursuing their existing preferences. Actor interests and preferences are based on substantial knowledge about the policy-relevant reality, in particular about what the policy problems, as well as the causal mechanisms and likely outcomes of various policy options are. If actors become uncertain about this issues their preferences are likely to become volatile, they will not only look for new knowledge to re-gain firm preferences but will also be more open to discursive persuasion. Voluntary policy coordination through the OMC can supply both, the exchange of knowledge and persuasion. In the absence of strong policy failure and associated knowledge uncertainty, actors are unlikely to question their firmly held preferences. As a result, paradigmatic policy change will be impossible and therefore the impact of the OMC will be limited to gradual-instrumental adjustments.

To conclude, the complementary theoretical approach developed in this article, points to the limits for successful policy change through voluntary policy coordination. Will the intensively discussed "new EU modes of governance" actually have an impact on national policy-making? The article, clearly, has not given a definitive answer to this question. Instead, it elaborated the, rather demanding, conditions upon which the capacity of the OMC for creating paradigmatic policy change or policy innovation eventually depends. It is still, however, too early to determine whether the OMC actually contributes to a more fundamental paradigm shift, or whether its impact will be limited to the more technocratic types of non-paradigmatic policy adjustment.

ANMERKUNGEN

1 The author thanks Andreas Wimmel, Caroline de la Porte, Patrick Scherhaufer and Wolfgang Wessels, and the anonymous reviewer for helpful comments on this paper and Dieter Pesendorfer for discussions about the topic of this paper.

2 Other forms of soft law are social partner agreements through the EU's Social Dialogue (Falkner 1998) and EU framework directives.

3 Weber's distinction between *Wertrationalität* and *Zweckrationalität* is useful to understand rationalism's narrow interpretation of rationality (see also Flyvbjerg 2001, Ch.5; Boudon 2003, 10ff.).

4 Udehn (2002) discusses methodological individualism's different faces in detail.

5 Adler (2002) gives a detailed presentation of constructivism's philosophical foundations and presents also its different versions.

6 The sociological theory of exchange by Coleman (1990) and the structuration theory by Giddens (1984) have similar ambitions. See also Dowding's (1994) complementary use of Behaviouralism and Institutionalism.

7 Schmidt's approach differs from sociological institutionalism (DiMaggio/Powell 1991), in that it focuses on the discursive use of ideas by intentional actors, rather than on institutionally entrenched norms.

8 I am grateful to the anonymous reviewer for stressing the importance of this aspect to me.

9 I follow a combination strategy developed by Jupille et al. (2003, 21f.)

LITERATURE

Adler, Emanuel (2002). Constructivism and International Relations, in: Walter *Carlsnaes*/Thomas *Risse*/Beth A. *Simmons* (Hg.): Handbook of International Relations, London, Thousand Oaks/New Dehli.

Borrás, Susana/Bent *Greve* (2004). The open method of co-ordination and new governance patterns in the EU, in: Journal of European Public Policy, 11(2), 185–208.

Börzel, Tanja A./Thomas *Risse* (2000). When Europe Hits Home: Europeanization and Domestic Change, in: European Integration Online Papers 4(15), Internet: http://www.eiop.or.at/eiop/texte/2000-015a.htm.

Boudon, Raymond (2003). Beyond Rational Choice Theory, in: Annual Review of Sociology, 29, 1–21.

Coleman, James S. (1990). Foundations of Social Theory, Cambridge, MA.

DiMaggio, Paul J./Walter W. *Powell* (1991). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields, in: Walter W. *Powell*/Paul J. *DiMaggio* (Hg.): The New Institutionalism in Organizational Analysis, Chicago/London, 63–82.

Dowding, Keith (1994). The Comparability of Behaviouralism, Rational Choice and 'New Institutionalism', in: Journal of Theoretical Politics, 6(1), 105–117.

Dyson, Kenneth (2000). EMU as Europeanization: Convergence, Diversity and Contingency, in: Journal of Common Market Studies, 38(4), 645–666.

Eberlein, Burkard/Dieter *Kerwer* (2004). New Governance in the European Union: A Theoretical Perspective, in: Journal of Common Market Studies, 42(1), 121–142.

European Commission (2002). Impact Evaluation of the European Employment Strategy. Technical Analysis, Brussels.

Falkner, Gerda (1998). EU Social Policy in the 1990s. Towards a Corporatist Policy Community, London.

Flyvbjerg, Bent (2001). Making Social Science Matter. Why social inquiry fails and how it can succeed again, New York.

Frankfort-Nachmias, Chava/David *Nachmias* (1992). Research Methods in the Social Sciences, New York.

Giddens, Anthony (1984). The Constitution of Society, Berkeley.

Goetschy, Janine (2003). The European Employment Strategy, Multi-Level Governance, and Policy Coordination: Past, Presence and Future, in: Jonathan *Zeitlin*/David M. *Trubek* (Hg.): Governing Work and Welfare in a New Economy: European and American Experiments, Oxford, 59–87.

Griller, Stefan/Dimitri *Droutsas*/Gerda *Falkner*/Katrin *Forgo*/Michael *Nentwich* (2000). The treaty of Amsterdam: facts, analysis, prospects, Bd. 15, Vienna.

Jacobsson, Kerstin (2004). Soft regulation and the subtle transformation of states: the case of EU employment policy, in: Journal of European Public Policy, 14(4), 355–370.

Jupille, Joseph/James A. *Caporaso*/Jeffrey T. *Checkel* (2003). Integrating Institutions. Rationalism, Constructivism, and the Study of the European Union, in: Comparative Political Studies, 36(1/2), 7–40.

Katzenstein, Peter J./Robert O. *Keohane*/Stephen D. *Krasner* (1998). International Organization and the Study of World Politics, in: International Organization, 52(4), 645–685.

Kratochwil, Fritz (1989). Rules, Norms, and Decisions, Cambridge.

Kratochwil, Fritz/John G. *Ruggie* (1986). International Organization: A State of the Art on the Art of the State, in: International Organization, 40(4), 753–775.

Liebert, Ulrike (2002). Causal Complexities: Explaining Europeanisation, CEuS Working Paper No. 2002/1, University of Bremen.

March, James G./Johan P. *Olsen* (1989). Rediscovering Institutions, New York.

Mayntz, Renate/Fritz W. *Scharpf* (1995). Der Ansatz des akteurszentrierten Institutionalismus, in: Renate *Mayntz*/Fritz W. *Scharpf* (Hg.): Gesellschaftliche Selbstregulierung und politische Steuerung, Frankfurt, 39–72.

Mosher, James S./David M. *Trubek* (2003). Alternative Approaches to Governance in the EU: EU Social Policy and the European Employment Strategy, in: Journal of Common Market Studies, 41(1), 63–88.

Regent, Sabrina (2003). The Open Method of Coordination: A New Supranational Form of Governance, in: European Law Journal, 9(2), 190–214.

Rhodes, *Martin* (2005). European Employment Policy – Between Efficacy and Experimentation, in: William *Wallace*/Helen *Wallace*/Mark A. *Pollack* (Hg.): Policy Making in the European Union, Oxford, 489–512.

Risse, Thomas/Maria *Green Cowles*/James A. *Caporaso* (2001). Europeanization and Domestic Change: Introduction, in: Maria *Green Cowles*/James A. *Caporaso*/Thomas *Risse* (Hg.): Transforming Europe: Europeanization and Domestic Change, Cornell, 1–20.

Sabel, Charles (1994). Learning by Monitoring: The Institutions of Economic Development, in: Neil J. *Smelser*/Richard *Swedberg* (Hg.): The Handbook of Economic Sociology, Princeton, 137–165.

Schäfer, Armin (2002). Vier Perspektiven zur Entstehung und Entwicklung der „Europäischen Beschäftigungspolitik", MPIfG Discussion Paper 02/9, Köln, Max-Planck-Institut für Gesellschaftsforschung.

Scharpf, Fritz W. (1997). Games Real Actors Play. Actor centered institutionalism in policy research, Bolder, Colorado.

Scharpf, Fritz W. (2001a). Notes Toward a Theory of Multilevel Governing in Europe, in: Scandinavian Political Studies, 24(1), 1–26.

Scharpf, Fritz W. (2001b). What Have We Learned? Problem-Solving Capacity of the Multilevel European Polity, MPIfG Working Paper 01/4, Köln, Max-Planck-Institute for the Study of Societies, Internet: http://www.mpi-fg-koeln.mpg.de/pu/workpap/wp01-4/wp01-4.html.

Scharpf, Fritz W. (2002). The European Social Model: Coping with the Challenges of Diversity, in: Journal of Common Market Studies, 40(4), 645–670.

Scharpf, Fritz W. (2003). The European Social Model: Coping with the Challenges of Diversity, in: Joseph H. H. *Weiler*/Iain *Begg*/John *Peterson* (Hg.): Integration in an Expanding European Union: Reassessing the Fundamentals, Oxford, 109–134.

Scharpf, Fritz W. (1999). Governing in Europe: effective and democratic?, New York.

Schmidt, Vivien A. (2000). Values and Discourse in the Politics of Adjustment, Band I, Oxford.

Schmidt, Vivien A. (2002a). Discourse as a Framework for Analysis, in: Vivien A. *Schmidt* (Hg.): The Futures of European Capitalism, Oxford, 209–256.

Schmidt, Vivien A. (2002b). The Role of Discourse in the Political Dynamics of Adjustment, in: Vivien A. *Schmidt* (Hg.): The Futures of European Capitalism, Oxford, 257–302.

Schmidt, Vivien A. (2003). The Boundaries of "Bounded Generalizations": Discourse as the Missing Factor in Actor-Centered Institutionalism, in: Renate *Mayntz*/Wolfgang *Streeck* (Hg.): Die Reformierbarkeit der Demokratie: Innovation und Blockaden, Frankfurt a.M.

Streeck, Wolfgang (1996). Neo-Voluntarism: A New European Social Policy Regime?, in: Gary *Marks*/Fritz W. *Scharpf*/Philippe C. *Schmitter*/Wolfgang *Streeck* (Hg.): Governance in the European Union, London/Thousand Oaks/New Dehli, 64–94.

Tsebelis, George (1990). Nested Games: Rational Choice in Comparative Politics, Berkeley.

Udehn, Lars (2002). The Changing Face of Methodological Individualism, in: Annual Review of Sociology, 28, 479–507.

Wendt, Alexander (1998). On Constitution and Causation in International Politics, in: Review of International Studies, 24(5), 101–117.

Wendt, Alexander (1999). Social Theory of International Relations, Cambridge.

AUTOR

Thomas PASTER ist derzeit Doktorand am *Europäischen Hochschulinstitut* (EHI) in Florenz und arbeitet an einer Dissertation zur Politischen Ökonomie europäischer Arbeitsmarktpolitik. Er studierte Politikwissenschaft, Soziologie und Zeitgeschichte an der Universität Wien und an der Universität Göteborg (Erasmus). Von 2002 bis 2004 war er *Scholar* am *Institut für Höhere Studien* (IHS) in Wien.

Kontakt: Thomas Paster: EUI/SPS – European University Institute Florence, Department of Social and Political Sciences, Badia Fiesolana, Via della Badia dei Roccetini 9, I-50016 San Domenico di Fiesole (FI), Italien

E-mail: Thomas.Paster@IUE.it