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The Relationship between the New European Governance Emerging from the Fiscal Crisis and Administrative Reforms: Qualitatively Different, Quantitatively Different, or nothing New? A Plea for a Research Agenda

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Abstract

This article questions the extent to which extant theoretical frames are apt for the task of interpreting the dynamics of administrative reforms under the conditions of fiscal crisis that occurred in a number of euro-zone countries. The question addressed is: how can we interpret what happened in the field of administrative reforms in such countries as Greece, Ireland or Portugal, as well as in countries like Italy or Spain after the burst of the fiscal crisis in euro-zone countries? We discuss different theoretical perspectives and conclude by advocating a research agenda probing the influence that the changing relationships between the EU and the national levels of governance have on the administrative reform policy cycle. Such research work may lead to findings of interest both for the field of EU studies (questioning the extent to which the "new" European governance represents another embodiment of "integration by stealth" – a finding that would be problematic from a democratic normative theory perspective) and for the field of public administration and management (shedding light on the extent to which the dynamics of public-management reform unfold at the interface between the national and the supranational, rather than just within the boundaries of a country's national borders).

Keywords: Administrative reform; European governance; European Union; European integration; fiscal crisis

1. Introduction

Under conditions of fiscal crisis, since 2010 a novel set of direct interventions by EU institutions in the area of the administrative reform of national public administrations could be observed. The "troika" recommendations and inspections in countries like Greece, Ireland and Portugal or letters and reports replete with detailed recommendations about how to restructure the public sector, like those addressed to the Italian government by the European Central Bank (in August 2011) or by the

Commissioner in charge of Economic and Financial Affairs (in October 2011[1]), all delineate a different set of relationships between the European and the national level of governance in the field of administrative policy. This is notable, considering that such a field is supposed to be almost exclusively a national – rather than EU – competence[2].

Is what occurred qualitatively different, meaning that a novel European governance is emerging as regards the administrative policy in the euro-zone – one in which decision-makers that take the lead in shaping the administrative reform policy of a country are located at either the supranational or the national level of governance "as a function" of the (actual or potential) external dependency of the country for the financing of its stock of public debt (a state of affairs that may perhaps be brutally expressed through the Anglo-Saxon saying: "who pays the bill calls the tune")?

Or is it just quantitatively different, an already known phenomenon that manifests itself with a higher intensity – whereby what happened in such countries is amenable to interpretation according to consolidated frameworks like those that can be found in the policy-transfer literature (the literature that delves into the dynamics of how public policies – including the public-management reform policy – are transferred from one jurisdiction to another) or the literature on Europeanisation (the strand of literature that examines under what conditions EU policies and institutions affect domestic policies, politics and, notably for the purposes of these reflections, polities), or the emerging literature on state responses to the crisis (Kickert 2011, 2012; Peters et al. 2011)?

In sum, the question is: how can we interpret what happened in the field of administrative reforms in countries such as Greece, Ireland or Portugal, as well as in countries like Italy or Spain after the burst of the fiscal crisis in euro-zone countries? This is the main question addressed by this paper – and whilst we tentatively try to answer this question in the remainder of the paper, we conclude by advocating a research agenda probing into the influence that the changing relationships between the EU and the national levels of governance have on the administrative reform policy cycle, as this may lead to findings of interest both for the field of EU studies and the field of public administration and public management – for the field of EU studies, as this phenomenon might represent another embodiment of "integration by stealth", whereby the European level takes the lead beyond what is prescribed by the treaties, as well as, at the same time, representing another manifestation of the limits from a democratic normative theory perspective of such phenomenon; for the field of public administration and management, as it may shed light on the fact that the dynamics of public-management policy change may unfold more at the interface between the national and the supranational than is usually considered – since quite often case studies on public-management reform draw the borders of the investigation in such a way that they broadly coincide with the country's national borders, a research-design choice that may turn out to be deceptive, or at least limitative.

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[1] Letter sent by the European Commissioner for Economic and Financial Affairs Olli Rehn to then Prime Minister of Italy Silvio Berlusconi, "Request for Clarifications on the Letter from PM Silvio Berlusconi to the President of the European Council and the President of the European Commission".

[2] The treaties confer mainly "loose" competences of facilitating administrative cooperation on the EU in the area of public-administration affairs.

One final preliminary question before we address the research question: why should we care about such transformations? The author of this paper, as a national of one of the countries directly hit by such changes – although practising his academic job in another country – might find the answer to be quite straightforward: first, for the policy implications – at times dramatic – that inadequate administrative policy-making under circumstances of fiscal crisis may have for the people of such countries, not least because of the potential long-term impacts on the welfare of such countries; second, for what such changes may mean for European governance and the European project; and, third (this last rationale residing more in the speculative camp of academic explanations than the prescriptive camp of ameliorating policy-making), because recognising such transformations may allow scholars in public administration and management to make the best use of what may be conceived of as a "critical case", and thus to improve our understanding of the multiple causes of administrative reforms.

We now turn to briefly illustrating the dynamics whereby a fiscal crisis has paved the way to such a puzzling outcome in the cases of countries like Greece or Italy[3] – although we should never forget that the prime cause of the fiscal crisis lay in the financial sector, and mostly outside of the countries that were later stricken by fiscal crises – indeed fiscal crises have mainly been triggered by banking crises and/or consequent economic crises – even if multiple concurrent causes (including what from a North European perspective may be labelled as lack of budgetary discipline) have also concurred in determining the burst of such fiscal crises.

2. Novelty

The fiscal crises in the three euro-zone countries of Greece, Ireland and Portugal triggered a process that eventually led to the Troika composed of the European Commission, the European Central Bank and the International Monetary Fund intervening in the three countries with a very prescriptive approach, which included dictating a set of recipes about how to (re-)organise the public sector.

Something similar also occurred in euro-zone countries that had to face tensions over the re-financing of their public debt, though they did not undergo the procedure of borrowing money from the European Stability Mechanism and its predecessors, the European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM). One example is the case of Italy, where after market operations effected by the European Central Bank (ECB) in summer 2011, purchasing Italian government-issued bonds to limit the spread with the Federal Republic of Germany *bund* (the spread, i.e. the difference in the price paid for the risk associated to a security, was approaching the 600 basic points, i.e. 6% more paid for the Italian government-issued bonds than the German government-issued bonds), a joint letter

[3] We focus on cases of fiscal crisis post-adoption of the single currency, indeed especially countries in the Napoleonic administrative tradition (Ongaro 2008, 2009, 2010 and 2012; Painter and Peters 2010, Peters 2008), but our considerations might find applicability also for countries in other administrative traditions (like Ireland) as well as for reform episodes occurring outside the euro-zone, notably before joining the euro (see Raudla 2011, and Raudla and Kattel 2011, on the Estonian case).

by the ECB and the Italian Central Bank was sent in August 2011 to the Italian government, at the time led by Mr Berlusconi. This letter had an impressively prescriptive tone about what the Italian government should do, and notably how certain profiles of the public sector had to be reorganised. After this, other interventions followed, formally "disguised" as technical documents[4] but *de facto* dictating the contents and timing of reforms of the public sector in Italy[5] – hence making it manifest that a different configuration of actors entered the decision-making opportunities with different roles and powers.

3. A caveat

It is important, however, to distinguish three levels of organisational and administrative change: patterned on Brunsson (1989), we thus make a distinction between change at the level of rhetoric, at the level of formal, legally binding choices (that is, that a reform package has been enacted or, in any case, transformed into a set of authoritative, legally binding acts), and "actual" implementation. At the rhetoric level, prescriptions were largely embraced by the targeted member states; translating them into authoritative (legally binding) decisions had other, quite different, dynamics; and, not unexpectedly, implementation had yet other dynamics, and the implementation phase turned out to be "the place where most decisions are actually made" (Bardach 1977; see Ongaro and Valotti 2008 – significantly titled "Public Management Reform in Italy: Explaining the Implementation Gap").

At the level of formal choices, policy formulations can be observed that profoundly stretched the original prescriptions, up to the point of hollowing them out. Illustrative is the reform of provincial governments in Italy (recounted in Ongaro et al. 2013): the declared goals of radically reforming or altogether abolishing provincial governments (the upper tier of the two-tier local government in Italy) were transformed into a series of draft bills which, over the course of just one year, subsequently led to watered-down proposals, that eventually remained entirely on paper – which leads us to considering implementation.

At the level of implementation, based on the study of administrative reform in Italy under conditions of multiple ongoing crises (thereby including in Italy a political one, next to the financial/banking, the economic and the fiscal crises), analytic narratives on reforms in areas like "spending review", "personnel management" and

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[4] See the letter sent by the European Commissioner for Economic and Financial Affairs Olli Rehn to then Prime Minister of Italy Silvio Berlusconi, "Request for Clarifications on the Letter from PM Silvio Berlusconi to the President of the European Council and the President of the European Commission", and the report issued by the Directorate General for Economic and Financial Affairs of the European Commission, *Addressing Italy's High Debt/Low Growth Challenge: Report for the Attention of the Eurogroup*.

[5] The letter "Request for Clarifications on the Letter from PM Silvio Berlusconi to the President of the European Council and the President of the European Commission" contains five recommendations (out of thirty-nine) that directly concern the reform of public administration in a strict sense (three under the label "modernisation of public administration", two under the label "regulatory and administrative simplification"), and at least another half of the total of thirty-nine recommendations that imply certain specific reorganisations of the public sector, though on a more sector-by-sector basis (e.g. regarding the reorganisation of higher education, and the like).

"provincial government reform/abolition" (Ongaro et al. 2013) all corroborate the thesis that the impact of Europe is often more limited than it is sometimes assumed, even in the case of a country like Italy whose fiscal and institutional weakness should make it especially amenable to European influence (Stolfi 2008). Moreover, as argued in Ongaro et al. 2013 (see also Stolfi 2008),

> the imposition of formal targets [at the macroeconomic level], such as those present in the Stability and Growth Pact and its revisions, seems to work at cross-purposes with the attempts of European institutions such as the Commission and the ECB to affect the nature of the domestic reforms, and in particular to spur reforms that increase the efficiency of the Member States. This paradoxical outcome is a novel finding that deserves further future examination in a cross-national analysis of other Member States subject to conflicting pressures from the European Union to achieve financial savings and at the same carry out deep structural reforms of their institutions and policies. There seems to be a trade off between macro-economic and fiscal results in the short term and longer term reforms.

4. Theoretical perspectives for the study of "external influences" on public-management reform

We can now turn to the central question: how to explain and interpret the dynamics of processes of administrative reform occurring within the context of the "novel" European governance?

The starting point is the consideration that national public administrations are not, nor have they ever been, closed systems. Important strands of research have originated from this consideration.

Certain theoretical stances assert that isomorphic processes are ubiquitous. Notably, "global institutionalism": according to Christensen (2012, who specifically discusses its application to the field of administrative reform), the neo-institutional theory of global ideas "postulates a formalized, rationalized, and standardized organizational template created through cultural and macro-social processes that spreads around the world. This template is said to fit everywhere, regardless of national and local preconditions, creating isomorphism between public organizations, but not having much real influence on practice" (Christensen 2012). In this perspective, it is globalisation interpreted as "global discourse" – perhaps channelled, or even moulded, by transnational elites – to play as the decisive factor in shaping public policies, and in this picture the EU is no longer an antidote to globalisation (this scenario is discussed also in Olsen 2006), but rather an institutional facilitator of the spread of global recipes[6].

Taking a more empirical stance, the role of OECD (notably the Public Management, later Public Governance, Committee during the 1990s) in spreading

[6] I am indebted to Paolo Graziano (Bocconi University) for this interpretation of global institutionalism as applied to the EU case.

doctrines about how the public sector should be organised is widely known, through processes that proved influential, especially in certain periods (notably the 1990s) and for certain doctrines (the New Public Management).

We leave such interpretations open for consideration – however, such frames do not seem to work well for the cases considered, which *prima facie* rather resemble processes interpreted by another theoretical stream, namely *policy transfer*, and notably direct coercive policy transfer.

Policy transfer is "the conscious adoption of a public policy from another jurisdiction" (Dolowitz and Marsh 1996, 2000). The authors make two distinctions: between voluntary transfer (case a) and coercive transfer (case b), and, within the latter, between direct coercive transfer and indirect coercive transfer. In voluntary transfer, the primary catalyst is some form of dissatisfaction or problem with the status quo by actors in the policy-making process. In indirect coercive policy transfer, "impersonal" factors like externalities, which result from enhanced interdependences, push governments to work together to solve common problems. In direct coercive transfer, one or more external subjects (notably in the three following categories: another government, supra-national institutions, trans-national corporations) force the government to adopt a certain policy.

Is direct coercive policy transfer applicable to the Italian or Greek (or Irish, or Portuguese) case (in line with studies exploring the usability of policy transfer within the EU, see Radaelli 2000)? In a number of respects, direct coercive policy transfer seems probably an apt frame for the Greek case, whereby conditionality in the lending of money – the conditions the borrower has to satisfy in order to meet the requirements set by the lender – becomes the tool for forcing policy change, namely the adoption of certain prescriptions. Such prescriptions are not drawn from a specific policy in place in another specific jurisdiction; they rather resemble a "model" – at times very brutal and unsophisticated in its traits – contrived by some think tanks or policy advisors, perhaps inspired by the example of one or a few countries assumed as a model. Thus, a set of recipes having the common denominator of "curtailing – perhaps ultimately minimising – the public sector" tend to form the policy that is transferred to the recipient country, that is, Greece.

However, it is questionable that this is the whole story, and it surely appears problematic to interpret the Italian case through the frame of coercive policy transfer, even though elements of it have been there.

A second stream of literature to resort to is the *Europeanisation literature* (Featherstone and Radaelli 2003; on its application to the Europeanisation of national public administrations, Knill 2001; Meyer-Sahling 2009). The literature on Europeanisation – namely on whether, how, and under what conditions EU policies and institutions affect domestic "policies, politics and polities" (Börzel and Risse 2003, 58) – aims to study how the EU works, and the development of such strand of literature marked a shift from the previous *European integration theory* literature. According to this frame, it may be argued that the public-management policy has to some extent been Europeanised, meaning that the dynamics of the policy cycle and the policy discourse may be traced back to the European political and policy level, though it is important to caution that causality claims in Europeanisation are warranted on different ontological and epistemological premises (Exadaktylos and

Radaelli 2012; Graziano and Vink 2007). Indeed, it might be made the case that we have to go even further back, to the European integration literature, perhaps in more modern variants. One of them is supranational governance (Sandholtz and Stone Sweet 1998): moving beyond neo-functionalism, it emphasises transnational interdependence and the active role of supranational institutions. This might be a case in point: the common currency – the euro – may have strengthened interdependences, both among economic and societal actors and among governments (though such an assertion requires both theoretical conceptualisation and empirical investigation, about whether, how and to what extent the common currency may have intensified economic and societal interdependences "that would not have manifested otherwise"), and hence forced European integration. The de facto sharing of sovereignty at the European level of governance "explains" that the dynamics of administrative reform policies have been moved "upwards" and take place mostly (or at least more than previously) at the upper (European) level of governance.

It may further be observed that processes of consolidation of the "federal" level of governance extorting competences from the state level of governance are neither painless nor do they occur over short time spans (a point magnificently recounted by Skowroneck 1982 in his account of the progressive development of administrative capacities of the US federal government over more than fifty years after the Civil War, and more than a century since the Declaration of Independence). Indeed, compared with the US experience, the events occurring in Greece and other countries, which we as (non-dispassionate) observers nowadays qualify as dramatic, and notably the way in which welfare services are forcedly reshaped and at times brutally curtailed, might look like a relatively smooth process in comparative terms – where the polity-building process of multi-level, federal or quasi-federal administrations is the dependent variable.

Another interesting point in adopting European integration theory is that the national and the supranational levels get interconnected: the reshaping of the public sector, notably its welfare, feeds back on the overall European public administration and the "European model". Causality cannot be claimed only in one direction.

European integration theory, notably in its supranational-governance version theorised by Sandholtz and Stone Sweet (1998), however, is a frame whose application to the extant case appears questionable in many important respects. First, empirically, it may be questioned whether what we are ultimately observing is the integration or rather the *dis*-integration of a polity. Second, as already noted, further investigation is required to test whether factors to which causality has allegedly been attributed do manifest themselves (notably, enhanced economic and social interdependences within the euro-zone). Third, the mechanism of the spill-over – the mechanism at the core of neo-functional theories of European integration – whereby increased integration in one policy field entails the development of functional needs that in turn trigger integration in another policy field, appears problematic to apply, especially as it displaces the intentional role of state governments, which on the contrary seem to have played a major role in the course of events since the fiscal crisis burst in the euro-zone.

All in all, it appears that we are left with at most partial answers to an important issue, which brings us to the initial question.

5. Outline of a research agenda

We can now go back to our initial question: Are the dynamics of the administrative reforms dictated by EU (and other) institutions in countries troubled by the fiscal crisis just quantitatively different (e.g.: Does "more" direct coercive policy transfer in the public-management policy field occur within the EU now than in the past?)? Or is it qualitatively different (Does the Europeanisation literature work well for explaining the dynamics of administrative reform under conditions of "multiple crises"? Do we need to combine it with European integration theory, and/or with the policy-transfer literature?)? Or do we need an altogether new frame?

Such questions elicit a range of related questions, perhaps up to the point of sketching an empirically-driven research agenda, around such questions as: What theoretical frameworks work well for interpreting the role of the supranational in administrative reforms in euro-zone countries? Do we need to resort to a combination of extant frames (e.g.: coercive policy transfer combined with Europeanisation literature), is it enough to pick just one of the current frames, or is a partly novel frame necessary? If a novel frame is required, what are its theoretical roots?

A range of related questions arise: What are the dynamics of public-management policy change in such episodes characterised by "fiscal crisis/multiple crises" and EU imposition? Is the gap between formulation and implementation of public-management reforms "even larger" under conditions of "coercive" administrative reform? What are mutual adjustments between national public-sector reforms and supranational governance? Notably, do learning processes occur in public-management policy when change is coercively imposed – and if it is, how and with what impact? And, at another level of analysis, what impact does the redesign of the public sector and the welfare have on the European multi-level administration? And what can we learn about the way in which we theorise "context" in public management (Pollitt 2013, Ongaro 2013) from addressing such questions?

Interestingly, it may further be noticed that the study of public-management policy change in euro-zone countries is likely to require framing the analysis of the policy cycle in the broader EU setting – partly a paradoxical outcome: the influence of the "European factor" is at its utmost when the legitimacy of the EU is perhaps at one of its weakest points in history. However, European scholars in the field of public administration are called to match their more traditional task, which is that of explaining "local variation and adaptation" in the implementation of public-management policies in the different countries across Europe, with the more novel task of explaining change in the administrative policy by analysing the policy cycle through the conceptual paraphernalia of the EU studies literature (Europeanisation, spill-over effects, and the like).

6. Concluding remarks

The reflections presented in this paper stem from an empirical puzzle – from questioning whether we properly interpret what is happening in terms of administrative reforms under conditions of fiscal crisis in a number of euro-zone countries. What

we argue is that it may be worth venturing into this empirical puzzle, and this may even lead to outlining and developing an (applied) research agenda. We do advocate that public-administration scholars pursue this research agenda.

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