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Trajectories of Governance

How States Shaped
Policy Sectors in
the Neoliberal Age

Giliberto Capano
Anthony R. Zito
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ABBREVIATIONS

ACARA	Australian Curriculum, Assessment and Reporting Authority
ACM	Authority for Consumers and Market (Netherlands)
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Agenas	National Agency for Regional Healthcare Services (Italy)
ALP	Australia Labor Party
AO	<i>Azienda ospedaliera</i> —Hospital trust (Italy)
ASL	<i>Azienda Sanitaria Locale</i> —Local health authority (Italy)
AWBZ	<i>Algemene Wet Bijzondere Ziektekosten</i> —Dutch Exceptional Medical Expenses Act
BRD	German Federal Republic
CCG	Clinical Commissioning Groups (United Kingdom)
CCS	carbon capture and sequestration
CDA	Christian Democratic Appeal Party (Netherlands)
CDU	Christian Democratic Union (Germany)
CEGB	Central Electricity Generating Board (United Kingdom)
CEPA	Canadian Environmental Protection Act
CIHI	Canadian Institute for Health Information
CMEC	Canadian Ministers of Education Council
COAG	Council of Australian Governments
CSU	Christian Social Union (Germany)
CUFTA	Canada-United States Free Trade Agreement
D66	Democrats '66 (Netherlands)
DC	Christian Democrats (Italy)
DEET	Department of Employment, Education and Training (Australia)
DHA	District Health Authority (United Kingdom)
DRG	diagnosis-related group

E-Act	Electricity Act 1998 (Netherlands)
EC	European Communities
ETS	Emissions Trading Scheme
EMAS	Eco-management and Audit Scheme
EMS	environmental management systems
ERF	Emissions Reduction Fund
ETS	Emissions Trading Scheme
EU	European Union
EUWA	EU Withdrawal Act (United Kingdom)
FDP	Free Democratic Party (Germany)
GDP	gross domestic product
GHG	greenhouse gas
GP	General Practitioner
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
IGJ	<i>Inspectie Gezondheidszorg en Jeugd</i> —Health and Youth Care Inspectorate (Netherlands)
ISO	International Standards Organisation
KMK	<i>Kultusministerkonferenz</i> —Standing Conference of Ministers of Culture (Germany)
LEAs	Local Education Authorities (England)
LHN	Local Hospital Network (Australia)
LN	Lega Nord (Italy)
LNG	liquefied natural gas
MCE	Ministerial Council on Energy (Australia)
MCEETYA	Ministerial Council of Education, Employment, Training and Youth (Australia)
MRET	Mandatory Renewable Energy Target (Australia)
NA	National Alliance (Italy)
NAFTA	North American Free Trade Agreement
NDP	New Democratic Party (Canada)
NEM	National Electricity Market (Australia)
NEP	National Energy Program (Australia)
NES	National Energy Strategies (Italy)
NFFO	Non-Fossil Fuel Obligation (United Kingdom)
NHS	National Health Service (United Kingdom)
NICE	National Institute for Health and Care Excellence (United Kingdom)
NMP4	Fourth National Environmental Policy Plan (Netherlands)
NPM	New Public Management
NSW	New South Wales (Australia)

NZa	<i>Nederlandse Zorgautoriteit</i> —Dutch Healthcare Authority (Netherlands)
OECD	Organisation for Economic Co-operation and Development
PCT	Primary Care Trust (United Kingdom)
PD	Democratic Party (Italy)
PHN	Primary Health Network (Australia)
PISA	Programme for International Student Assessment
PPPs	Public Private Partnerships (England)
PvdA	Party of Work (or Labour Party) (Netherlands)
PVV	Freedom Party (Netherlands)
RHA	Regional Health Authority (Canada)
RSCs	Regional Schools Commissioners (England)
SDE+	<i>Stimulerings Duurzame Energietransitie</i> (Netherlands)
SHI	social health insurance
SPD	Social Democratic Party (Germany)
SSN	<i>Servizio Sanitario Nazionale</i> —National Health Service (Italy)
SWPA	Surface Water Pollution Act (Netherlands)
UK	United Kingdom
USA	United States of America
VA	voluntary agreement
VVD	People's Party for Freedom and Democracy (Netherlands)
WLZ	<i>Wet langdurige zorg</i> —Dutch Long-Term Care Act (Netherlands)
ZiNL	<i>Zorginstituut Nederland</i> —National Healthcare Institute (Netherlands)

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Introduction: The State and Public Policy After the Neoliberal Wave—Instruments and Governance Dynamics

1 SETTING THE SCENE

1.1 *Neoliberalism and the Evolution of the State*

The idea of the State is one of the core features of how politics is organized in the modern world. In addition to the harnessing of gunpowder and sailing galleons to project power, it is the development of this concept of the State that has given Western Civilization its past and continuing influence in how the world and its peoples are governed (Anderson, 2013). Despite the ubiquity of the State in both global and local politics, students of politics can never assume that the nature of the State is fixed. Tied together with the theme of the changing nature of the State and its implications for politics is the question of the changing role of the State: how are the ways states govern society evolving over time?

From the Feudal State to the Modern Welfare State, advanced industrial democracies have witnessed their political classes, together with the wider public, recalibrate both the objectives and the tools of governing. What is striking in this historical development is the speed and depth in which Western Democracies developed both democratic governance and an array of expectations concerning social justice and societal welfare (Ashford, 1987; King & Gibbs, 1986). Given this historical trajectory, we would expect states to be transforming under the pressures of

globalization, with the rise of new technologies, global markets and transnational problems (Rittel & Webber, 1973).

The last 40 years have seen an increasing number of academics and practitioners debating the next phase in the development of the State and how it governs. During this same period, the neoliberal viewpoint and the critical responses to this approach have formed a dominant discourse on the potential directions of the State. Since the beginning of 1980s when Ronald Reagan and Margaret Thatcher took power in their respective countries, the neoliberal approach has featured heavily (in some cases voluntarily and in other cases involuntarily) across many states in the Global North and Global South. As Chap. 2 explains in more detail, two of neoliberalism's core propositions concerning the State are that (1) the economic market, with its greater efficiency mechanisms, should take over more of the governing role from states (Hayek, 1991), and (2) a disaggregation and flattening of the traditional, hierarchical elements of the State with more reliance on networks and markets involving public and private actors should occur (Hood, 1991; Pollitt, 1995). Efforts to implement the neoliberal State have seen a range of repositioning moves, including the shift from public spending and Keynesian policies to deep cuts and retrenchment of welfare service; a move from strong direct regulation to deregulation and laissez-faire approaches; a swing from the Weberian bureaucracy towards the New Public Management; shifts from public enterprises to privatization; from hierarchy to market and from government to governance (Springer et al., 2016).

The fundamental premise of this book is that when one drills down to the actual governance operations of the State, the neoliberal explanations do not work in the long term. Chiefly, neoliberal arguments are insensitive to context, which includes, among other things, the national political and the policy sector contexts. Furthermore, the neoliberal narrative has faced critical challenges in the wake of the 2008 great financial crisis and the COVID-19 pandemic, making it unsuitable as an overarching explanation of modern governance: the active role that governments have adopted for dealing with the impact of these crises has been so intrusive and in some cases comprehensive that many observers have started to claim that we are seeing the end of the neoliberal age and the neoliberal State (Gamble, 2009; Altwater, 2009; Wade, 2008; Comaroff, 2011).

The purpose of this book is to assess what has been the actual overarching governance pattern in some Organisation for Economic Co-operation and Development (OECD) states in the last 50 years. To what degree has

the 1970–2018 period truly transformed how states govern by first operating in a strong neoliberal way and then by reversing this approach to allow a more intrusive role of the State? To what degree has neoliberalism affected public policy and how? Further, to what degree have policies actually converged towards a common template with respect to their governance arrangements and consequently the national policy tools adopted in the various policy sectors?

1.2 *Governance Change and Policy Instruments*

What are the factors that have driven these governance dynamics and in what direction have they been heading? The ideology of neoliberalism, the globalization networks and other dynamics mentioned above have questioned the comfortable assumptions of the democratic welfare state since the 1970s (O'Connor, 1973). In the face of these perceived dynamics, many scholars have postulated that we are seeing a fundamental change in how states steer society in the last four decades (Rhodes, 1997; Kettl, 2000; Jessop, 2004). Scholarship has posited two dynamics.

First, scholars have observed that the traditional tools that states have used to steer society towards particular policy goals have been altered (Kohler-Koch, 1996). States are giving or losing authority upwards towards international institutions and networks of global players. The 2016 UK Referendum on EU membership as well the rise of populist parties and movements in Continental Europe can be seen as both a public and political reaction to such perceived losses. Second, a critical movement of authority has also occurred downwards with respect to local communities and actors and horizontally to a wide range of different stakeholders (diverse members and representatives of civil society, elite networks and mass movements) operating at the national level (Kettl, 2000; Pierre & Peters, 2000; Hooghe & Marks, 2003). According to these observations, the Western State will witness the weakening of its sovereignty as well as the fragmentation of its internal policy-making processes. In these dynamics, the ideational/ideological force of the market, and thus of neoliberalism, have pervaded the design and the making of public policies.

Our dependent variable focuses on a particular dimension of governance, namely *the set of policy instruments adopted to fulfil the State's policy aims*. To contextualize the role of instruments in governance, we view the macro dimension as the change of the State from interventionist, Keynesian

and welfare-orientated to minimal interventionism, monetarist and less oriented to direct regulation. The change of the governments' arrangements (from government to governance, from direct State steering to the steering at the distance) represents the meso dimension of the analysed process. We assume that there is coherence between these two dimensions of the analysed shift and that we can understand these dimensions by focusing on the real practices the State uses to change its governance arrangements and policy behaviour. These practices, at the micro level, are policy instruments, which Hood (1983) defines as the tools by which actors implement their governance strategies. The focus on policy instruments is discussed in more detail below.

This book's theoretical and empirical effort to analyse the actual change of the State, by assessing how states implement policy through policy instruments, fills an important gap in the literature. Despite the persistence of hypotheses and expectations about governance shifts and neoliberal convergence, scholars in political science, public policy, public administration, international relations and other disciplines have done very little systematic *comparative* work across countries and policy sectors to ascertain whether a fundamental change has indeed occurred in the ways that states govern. The challenge of comparison takes on the following two dimensions.

First, the logistical difficulty of mastering languages and differing political systems has tended to limit governance scholarship to one or two countries or even a particular continental region. From a geographic perspective, these limitations make it difficult to articulate claims that State changes are the result of global phenomena, in which case we would expect the patterns to be detectable across continents. Even more problematic for the study of State changes is offering general conclusions *across public policy sectors*. In fact, the tendency of governance studies and the analyses assessing the rise of neoliberal State and its policy content is for scholars to have a particular expertise in a narrow range of public policy problems rather than to multiply the policy sectors to facilitate comparative analysis (with inevitable exceptions, e.g. Hoornbeek & Peters, 2017, Capano et al., 2012).

This raises a critical set of empirical questions as to whether the claim for a fundamental transformation of State behaviour is truly operating across policy sectors and continents, whether and how there has been a real convergence in terms of content of policy decisions and which kind of instruments have been harnessed to steer these shifts.

In response to these challenges, this book interrogates the hypothesis that there has been a radical shift away from the inherited, historically rooted way of steering of the State; it does this by focusing on the changes of governance principles or modes (whereby government plays the pivotal role through its use of hierarchical, top-down instruments), towards more pluralistic, horizontal modes featuring less hierarchical instruments.¹ This perception of governance change is affirmed by the debate on old/new governance, which began to emerge in the 1990s in the political science and public policy fields (Rhodes, 1996; Kooiman, 1993, 2003; Pierre & Peters, 2000; Lynn, 2010). After scholars first claimed that we had entered a period of ‘governance without government’, there is now a consensus that, even if governance modes have changed, this does not necessarily mean that governments have lost their crucial role (Kickert, 1997; Hill & Lynn, 2005; Goetz, 2008; Capano, 2011).

It is now time to focus on the questions of why and, above all, how the State’s approach to addressing policies has really changed. Once these questions have been addressed, it will be possible to understand shifts in governance as cases of policy change: we must try to understand why, when and how such changes have occurred, and what such change actually implies (Capano, 2009).

Although the governance literature has produced work in this area, these findings have been constrained by the studies normally focusing on a limited number of case studies. These cases in turn are based typically on one or, at most, a handful of political systems and, even more typically, on one policy sector. This reality challenges any academic generalization about shifts in State governance arrangements in the last 40 years. Do different States understand and operate governance systems in the same way or do territorial/historical/sectoral distinctions still matter? Are the attributes of any documented governance transformation the same or do they differ in essential characteristics? Have the same groupings of instruments been operating within State policy and its governance arrangements?

¹German scholars, especially Mayntz (1993a) and Scharpf (1994, 1997), developed the concept of modes of governance. The concept of mode was used to distinguish the underlying dynamics of relations and decision-making powers among political actors in governing systems.

1.3 *Aims*

The main aim of this book is to understand (1) whether the ways, particularly the use of policy instruments, that States govern their societies, have changed over time in the last 50 years; and (2) whether any policy convergence among states and policy sectors has occurred, and in what form.

The hypothesis of convergence has plausibility because both scholars and society have been living (at least until the financial crisis of 2008) in the age of neoliberalism. Politicians and experts/academics have emphasized neoliberalism as a driver for radical changes in many of the dimensions of socio-economic-political systems and also in the means by which policies have been steered and addressed from both the institutional and the substantive points of view. From a policy perspective, neoliberalism has meant the diffusion of some general recipes to reform governance arrangements in public policies based on *deregulation*, *privatization*, *marketization*, *evaluation*, *new managerial tools* and so on. At the same time, however, there has been an increasing understanding in academia that the adoption of these recipes has meant some changes in the role of the State, but without necessarily meaning there will be less of the State (Pierre & Peters, 2000). Rather, the State will take a ‘different’ role. Moreover, in many cases deregulation has involved diverse forms of re-regulation, although through different policy tools (Majone, 1990, 1994; Egan, 2001). Finally, other studies have underlined the persistence of national idiosyncrasies (Buch-Hansen & Wigger, 2010; Peters, 2012; Richardson, 1982; Hall & Soskice, 2001). Despite these academic insights, the expectation and accompanying rhetoric that projects the lessening of a State role in governance has been so pervasive that it remains a vital question to study. Furthermore, neoliberal ideas have been shown to be quite resilient and capable of adapting to changed contexts (Thatcher & Schmidt, 2013). In this context, a genuinely comparative analysis is necessary to pinpoint further the general trends and conditions in governance policies.

To grasp this process, we focus on how governance, through the operation of policy instruments, has been shifting in different countries and in different policy fields. More specifically, we operationalize the changes of the State in terms of the set of the adopted policy tools that operate as the main components of the governance arrangements. These instruments represent both the ideal and practical elements in how States shape societies through public policies.

In so doing this monograph studies how governance has evolved from the 1970 to 2018 in six states: two Commonwealth countries—Australia and Canada—and four European Union (EU) countries—England, Germany, Italy and the Netherlands. We examine how the *institutional structures and processes and the policy tools used to govern have altered with respect to four public policy sectors: education, health (social), energy and environment (with the aim of having two sectors with a focus on social dimensions and two sectors focused on resource dimensions)*. The project investigates (using sequential decision-making, ideational and institutional analysis) how, in order to cope with political, economic and social pressures, governments have changed their way of steering policies and which types and combinations of policy instruments have been used in these efforts. With our analytical approach, we will show governance to be a dynamic phenomenon constantly subject to the interaction between political actors, institutions, social values and policy stakeholders. Governance in public policy also evolves over time depending on the specific context and the impact of external challenges and crises.

Our main proposition is twofold. *States have changed their way of steering public policies by including some goals and policy instruments belonging to the toolbox of neoliberalism.* The neoliberal expectation for preferred policy instrument selection would be along the following lines: emphasizing a greater role for market instruments, instruments that put a premium on inducing changes of behaviour through signalling, instruments that involve a greater inclusion of and responsibility for private actors, and policy evaluation instruments. One would also expect a general movement from hierarchical, detailed regulation to more flexible or even no regulation, and from public ownership to private. *Nevertheless, by the end of our analysis we will demonstrate that the nature of the policy instruments will actually be quite different in both the evolution of governance in the period of our study as well as in most of the policy outputs we see in 2018.* In terms of policy instruments, we expect a set of instruments, including some market instruments but also making heavy use of regulatory and hierarchical tools to contribute to a mixed type of governance steering.

1.4 *The Research Questions*

Our main research question asks whether, after neoliberal reforms, the way that states steer policies has converged towards a common (whether neoliberal or some other alternative) template. In order to answer the

main question and thus assess whether and if there has been convergence, we pose a second question: *has governance really changed in terms of 'ways of doing things'?* We operationalize this in terms of what has changed with respect to the policy instruments adopted. How have the instruments been selected to implement the pursued reforms and what range of mixes result? We conduct a detailed analysis of the changes in the governance arrangements, to assess whether and how the general policy principles promoted by the neoliberal rhetoric have been transformed into actual policies.

2 DEFINING GOVERNANCE: HOW POLICIES ARE STEERED

Governance is not a new term, but in recent years it is one that has become remarkably popular and thus generated multiple meanings and potential for confusion (Palumbo, 2010; van Kersbergen & van Waarden, 2004). Politics scholars have often used the terms governance and government as synonyms (Finer, 1970; Stoker, 1998). Palumbo (2010, pp. xiii–xiv) has explained this usage by assessing the historical roots: '[e]tymologically, both terms [i.e. governance and government] derive from the Latin root *gubernare* (which, in turn, derives from the Greek word *kubernān*)'. Since the 1980s, the word has become hugely popular and heavily used in numerous academic subjects and political institutions (including international institutions). Hirst (2000) finds at least five common uses of governance while other scholars count six uses of the term (Rhodes, 1996) and nine (van Kersbergen & van Waarden, 2004), respectively. Given this multiplicity of conceptualization, we stipulate a conventional meaning of the term governance for our book. In order to do so, we first need to draw out the conceptual difference between government and governance. This government/governance dichotomy is a cornerstone of most of the definitions proposed in political and social scientific studies. Pierre (2000) offers a basic formulation; he distinguishes between state-centric *old governance* (equivalent to traditional notions of government) and society-centric *new governance*. A focus on how the political-institutional system steers society and public policies characterizes the former. The latter perspective places the focus on the ability of society to govern itself. Therefore this latter perspective, in its approach to society, shares commonalities with neoliberal reforms.

While Peters (1996), Considine and Lewis (1999, 2003), Newmann (2001), Kooiman (2003) and Tömmel (2009) have proposed other

definitions, the core substance of the debate on governance can be found in Hill and Lynn's (2005) question, which grasps the empirical aspect of the ongoing governance debate: is government—meaning the hierarchical governance framework—really losing its central role in the policy-making process, to be replaced by a more decentralized, self-governing form of governance?

Our response is to disagree with the theoretical assumption that there is any empirical discontinuity between government (conceived as the supreme expression of a strong State) and governance (intended as the extreme example of how a social system or a policy sector can be organized by the societal actors involved). This counter-argument, contending that government and governance are inextricably bound together in the policy process, has been embraced by some scholars (e.g. Holman, 2006; van Tatenhove et al., 2006; Jordan et al., 2013). In our view, governance is not a non-hierarchical mode of governing (where many actors, including those from the private sphere, take part in the decisional and policy-making processes), as many scholars have suggested (see Rhodes, 1997; Stoker, 2002). We agree that governance means 'a change in the nature of the meaning of government' (Bevir & Rhodes, 2003, p. 45), but disagree with those who minimize the role of government in this new world. This 'new governance' perspective, anticipating the diminished role of government, conceptualizes government and governance as the two poles of a continuum of different possible ways of governing and coordinating the policy-making process. Accordingly, the new governance perspective postulates the extreme case from this perspective of 'governance without government', meaning the actual coordination of a complex policy-making process without the presence of any form of hierarchy (Kickert, 1993).

We think that this new governance perspective is misleading from the point of view of the analysis of politics and policies. More realistic is the argument that hierarchy and self-steering are always present in every political context. They find a contingent equilibrium based on internal dynamics and external pressures. Furthermore, policy-makers may manipulate this equilibrium, and various scholars will see the equilibrium differently, depending on their own ontological and epistemological positions.

For example, the recent periods (i.e. 2007–2018) of central government crisis undoubtedly have meant a weakening—but not the disappearance—of the 'command-and-control' approach to policy-making adopted by governments. Governments (conceived as central political institutions) found themselves overburdened with social and economic demands.

Hierarchical governance—that is a policy framework where the most important actors are governments, and the State implements policies by ordering and sanctioning—no longer worked in the eyes of many actors. Since 1970, all democratic countries have witnessed a gradual shift away from the traditional state-centric method of governing society towards other forms of governance. This process of transition has been characterized by the decentralization of powers, the greater distribution of authority, the blurring of the borders between public institutions and private organizations, and the inclusion of new stakeholders, self-governing mechanisms and so on. In effect, what happened was the creation of a new, generally temporary, equilibrium, achieved by mixing and re-ordering the various principles of governing a society. At the same time, this shift cannot be considered definitive, because it can be reversed over time. Indeed, as many observers and scholars acknowledge, governments in many countries have intervened directly to help their societies and economies recover from the 2008 economic and COVID-19 pandemic crises (Andrew et al., 2020).

Perhaps even more important is the fact that the new ways of governing often require some form of steering and intervention from public actors. German scholars, particularly Scharpf and Héritier, argue that many of the new modes and forms of governance require the threat of the State (known as the *shadow of hierarchy*) to function efficiently (Scharpf, 1994; Héritier et al., 1996; Börzel, 2010). Equally, new ways of governing may induce co-governing arrangements involving both public and private actors (Kooiman, 2003; Jordan et al., 2005; Bähr, 2010).

To summarize our argument, the scholarly emphasis on the idea of governance as a new theoretical tool is problematic. The antithesis between ‘old government’ and ‘new governance’ could radically divide past from present and distort both the description and the explanation of the decision-making and policy-making processes (see also Tollefson et al., 2012; Capano et al., 2015a, b). Our point of view thus perceives governance as how policies are coordinated (problems are identified and defined, and solutions are formulated and implemented). In other words, *governance is the set of institutionalized arrangements of policy-steering modes and practices by which the components of institutional/systemic*

*policy-making (policy-makers, implementers, goals, means, procedures, plans, formal rules, clients and customers) are interrelated and coordinated.*²

In accordance with our interpretation, scholars have to single out the features of each specific governance mode by focussing on the number of relevant actors, the nature of their interaction, the set of policy instruments adopted and so on. This means that the so-called old government is simply a specific governance mode characterized by the strategic role of central political-administrative institutions acting directly, and in particular, implementing hierarchical, top-down policy strategies. By comparison, the so-called new governance is characterized by the heterarchical (i.e. unranked or non-hierarchical) participation of many actors/stakeholders at different institutional and systemic levels: this structural configuration of policy-making produces different policy dynamics (based on a mix of soft regulation, contracts, negotiation, persuasion, etc.). Consequently, from our perspective, government is only one component of any governance arrangement, even if it is usually one of the most important (and government retains the latent power to impose vertical discipline and structure on the process, thus bringing hierarchy back into the equation). Furthermore, our proposed broader definition of governance aims to reflect a heuristic/descriptive nature, thus avoiding the danger of any ideological or prescriptive bias.

There is not just one way of governing, and the direct involvement of public institutions is not strictly necessary. Governments may choose to steer from a distance (Kickert, 1997). From this point of view, the ‘hollowing out’ of the State (Rhodes, 1994, 1997) can be read as a diversification of the way in which states steer their policies.

The definition of governance focusing on the ways of coordinating policies echoes a pivotal question in social sciences, namely what are the possible alternative forms of the social-political order and how is individual behaviour aggregated in each. Scholars have consolidated the concepts of hierarchy, market and network as the archetypal forms of societal coordination (Powell, 1990). Understanding the nature of these governance

² Arthur Benz and Nicolai Dose (2004) offer a similar definition: governance means the steering and coordination of interdependent (usually collective) actors based on an institutionalized rule system. Furthermore, our definition is also compatible with those definitions that emphasize the *network dimension* of governance. Klijn, for example, when defining governance in terms of a *governance network*, assigns to the latter term the meaning: ‘to describe public policy making and implementation through a web of relationships between government, business and civil actors’ (2008, p. 511).

arrangements/modes helps illuminate the underlying dynamics with the policy instruments we examine. To focus on governance modes means to search for those general governance arrangements characterized by specific principles of policy coordination, state-society relationships and autonomy for policy-makers and stakeholders. Frances et al. (1991) focus particularly on coordination as the process of making tasks and efforts compatible across a diverse set of agents and actors. In the social sciences, there has been a longstanding scholarly agreement about hierarchy and market being fundamental principles of social coordination (Börzel, 1998, footnote 17; Marsh, 1998, p. 8; Mayntz, 1993b, p. 4).³ Given our research focuses on how neoliberalism, with its focus on markets, and other State transformations have shaped the State governance toolbox, the governance literature provides some useful insights into how to operationalize hierarchical, rules-focused instruments and market instruments. Hierarchical governance is characterized by a strong role for government that directly steers policies by imposing procedural rules, thus assuming legal or procedural connotations (Considine & Lewis, 1999; Capano, 2011) or by directly imposing specific goals that are to be reached. Hierarchical governance works through the command-and control-strategy with governments directly coordinating the policy-making process. Hierarchical governance involves some degree of subjection to the government and the expectation that policy actors will comply with government policy (Mayntz, 1993a, pp. 8–10).

Market-oriented governance is characterized by a high autonomy of policy actors; the main mechanisms of coordination in this mode are competition and price signalling. In the market-driven governance mode, governments are assumed to be a third party ensuring the respect for the rules of the game. Nevertheless, governments reserve the right to intervene when they deem it necessary—for instance due to the occurrence of market failure or market externalities, thus changing the governance arrangement and modes according to their will and political vision (Mayntz, 1993a).

The above observation has two implications. First, the principle of hierarchy is never completely absent from governing. Hierarchy is present both in network modes, where usually there is an asymmetric distribution of power, and in market modes, where some regulation is needed to avoid

³There is also a sizeable literature on a third principle of coordination that has been variously defined as ‘network’ (Thompson et al., 1991), ‘clan’ (Ouchi, 1980) or ‘kinship’ (Schweitzer & White, 1998).

market failure (Mayntz, 1993a, pp. 8–10). Thus, we can expect that the ‘shadow of hierarchy’ remains to underpin governance when either the network or the market coordination principles are dominant. Second, all governance will tend to have a mix of dynamics in practice.

The hypothesis of pervasiveness and persistence of some degree of hierarchy in any governance mode in practice underscores the assumption that this depends on governmental will in designing governance, at least in advanced democracies. From this perspective, for example, the apparent absence of hierarchy should be considered as depending on the instrumental will of governments: they can decide whether (and to what degree) to maintain their distance from, or to act directly within, a given policy field. They may well decide to steer from a distance, but steer they certainly do.

3 OPERATIONALIZING GOVERNANCE: POLICY INSTRUMENTS

Having offered a minimal definition of governance (in which the role of government is assumed to be ineluctable) we need to better explain how we utilize the concept in order to avoid it simply operating as a metaphor, or signifying the polar opposite to government and ‘how things used to be’. How we operationalize the main components of the concept of governance is directly relevant to the aim of this book, which is to understand why and how governance shifts. To achieve this goal we need to operationalize, in a more approachable way, the concept of *governance shift*. To this end, focusing on the possible governance modes is not enough. In fact, the governance mode illuminates the general way in which a policy is steered but it does not allow us to understand how policies are really coordinated. Thus, we have decided to operationalize governance in terms of policy instruments adopted. Put simply, what governments do, when they want to change the workings of policies, their content and their effects, is to intervene by selecting/changing/adopting specific policy instruments.

3.1 *Policy Instruments*

3.1.1 *The Policy Instrument Puzzle: Three Different Perspectives*

Policy instruments are the tools through which governments implement their governance strategies, and thus are the real way by which governance

modes impact on the reality of policy-making (Hood, 2007). Policy instruments have been variously defined. Generally, a policy instrument can be considered either as ‘a method through which collective action is structured to address a public problem’ (Salamon, 2002, p. 19) or as a technique ‘the government uses to achieve policy goals’ (Schneider & Ingram, 1990, p. 527). The connection between the governance mode and policy instruments is important: governance modes are made and defined by the policy instruments adopted; this means that we would expect each type of governance mode to be characterized by specific, coherent policy instruments. However, as already indicated above, the reality is much less clear-cut than this, since the relationship between governance modes and policy instruments depends on the way that instruments are defined and analysed. In fact, as numerous studies of policy instruments (e.g. Hood, 2007; Howlett, 2011) suggest, there are at least three general perspectives for viewing policy instruments, namely the *instrumental perspective*, the *political perspective* and the *institutional perspective*.

From the instrumentalist perspective, policy instruments can be assessed for their optimality/effectiveness in relation to the expected goals (Campbell et al., 2004; May et al., 2005). In this perspective, policy instruments are external to the policy process and are rationally chosen by policy actors according to their preferences and circumstantial constraints (Campbell et al., 2004; May et al., 2005). Such a perspective is ‘neutral’ with regard to the choice of policy instruments (i.e. the best instruments are chosen according to the specific context), as it postulates that each instrument has specific objective features that ensure specific, coherent effects. Seen from an instrumentalist perspective, then, we would expect policy instruments to belong to one governance mode only.

Seen from the political perspective (Linder & Peters, 1989, 1998; Peters, 2000), policy instruments are an endogenous part of the policy process. Because of political interaction, policy actors choose the instruments as frameworks through which to interpret policy problems, and not because such instruments are neutral. As Linder and Peters (1998, p. 41) note, ‘tools represent one form of socially constructed practice whose meaning and legitimacy are constituted and reconstituted over time ... meaning must be established and sometimes negotiated as an antecedent to any matching of tool and problem’. The choice of instruments is not based on a simple, neutral/instrumental rationale (the pursuit of optimality or effectiveness), but on the underlying political interaction which

constructs reality. From this point of view, then, there is not necessarily any correspondence between governance modes and adopted instruments. The same policy instruments may be adopted in different governance modes, depending on whether they are perceived, politically, to be legitimate, effective and capable of achieving broadly shared goals.

Finally, the institutionalist perspective (Salamon, 2002) posits that policy instruments ought to be treated as institutions, that is either as a set of organized rules and standard operating procedures playing a semi-independent role in political life (March & Olsen, 2006) or as a set of social and political values, and as such, potential bearers of meanings and values that contribute towards the construction of reality (Lascoumes & Le Galès, 2004, 2007). By considering policy instruments as institutions, it is theoretically possible to de-couple instruments from policy goals (i.e. release them from their taken-for-granted relationship). Considered as institutions, instruments exist without any clearly defined goals, and (like all institutions) they enjoy an independent existence suitable for different governance modes since they are capable of (a) attaining a given *value* per se and (b) leading their own lives regardless of the expected instrumental results.

The different perspectives on how policy actors view policy instruments are important when trying to understand how instruments are assembled in order to implement policies, and thus to make governance modes function in practice. We need to understand why governance modes are very often characterized by a mix of accumulated policies, and thus by instruments pertaining to different paradigms, sets of beliefs and principles of social coordination, as opposed to those prevailing at a given moment and characterizing the current governance mode. To do so, it is necessary to assume that policy instruments are chosen not only for their perceived applicability, but are chosen above all on the basis of their institutional and/or political meaning as perceived by the policy actors. Therefore the approach we adopt comes closest to the political perspective, but we accept that instruments can take on a significant institutionalist dynamic. Accordingly, what instruments are, and what aim they serve, depends on the political context and/or the prevailing ideologies and policy ideas. This means that the collection of instruments that implement a governance mode, and thus policies, is very often a policy mix. This requires careful consideration of the types of instruments, when our focus is on governance shifts.

3.1.2 *Classifying Policy Instruments*

Numerous policy instrument studies have devoted considerable energy to classifying policy instruments (e.g. Hood, 1983; Schneider & Ingram, 1990; Doern & Phidd, 1983; Vedung, 1998; Salamon, 2002; Howlett, 2000, 2011). Scholars have adopted many criteria in these typological efforts, but the prevailing approaches, most heuristically consistent with our research, are classifications based on analysing *coercion*. In fact, all the main classification schemes in the literature entail the idea that instruments refer to the capacity that governments have to ‘get things done’ even against individual preferences. Thus, here we capitalize on the stream of the literature that has focused on the impact of policy instruments on the recipients, that is the means by which instruments can direct the behaviour of those who are subjected to them.

The focus on the impact of policy instruments on their recipients is a tradition in mid-range theories of compliance. Etzioni’s typology is an early and seminal contribution here. According to Etzioni (1961), three strategies can make individuals and organizations comply: a *coercive* one, exerted through obligations and restraints in the form of rules, directives and mandates backed by the threat of sanctions; a *remunerative* one, based on the allocation of economic benefits that reward special behaviour or simply make it more convenient; and a *persuasive/normative* one, enacted through the manipulation of information and the allocation of symbols of prestige. Brigham and Brown (1980) approached the issue as a problem of success and failure of implementation, and reduced the strategies to two basic alternatives of inducing recipients’ behaviour: *penalties* (e.g. sanctions, taxes) and *incentives* (e.g. bonuses, exemptions and rewards).

Reflecting this tradition, we consider coercion to be our core theoretical concept underpinning any framework for understanding how policies develop and impact on reality. According to Salamon (2002, p. 25), coercion ‘measures the extent to which a tool restricts individual or group behaviour as opposed to merely encouraging or discouraging it’. The concern for the degree of coerciveness embodied in each policy instrument later led to an array of further typologies, which often arranged tools along a *continuum* from the more permissive to the more restraining (Howlett & Ramesh, 1993; Schneider & Ingram, 1990; Doern & Phidd, 1983; Vedung, 1998). All of these typologies also suggest different families of substantive instruments. Seen from this perspective (one that emphasizes the capacity of policy instruments to induce specific behaviours), we need

to focus on the nature of instruments and their coercive capacity in order to understand governance.

Here the classic typology of Vedung (1998) is valuable. When focusing on the nature of substantial policy instruments, Vedung grouped instruments by the basic inducement they rely upon to foster compliance. When focusing on coercion, he arranged instruments depending on how free they leave individuals to opt for alternatives. Following a similar principle for this book, we have chosen a very simple analytical classification of policy instruments. Thus, we classify policy instruments as *regulatory*, *financial* and *informational*. We do not use the Howlett (2011) distinction between substantial and procedural tools: we consider each family of tools to be both substantial with their own specific shapes or delivery vehicles and to contain the procedures that enable them to steer behaviour (Salamon, 2002).

For example, according to their nature, informational instruments may range from neutral administrative communications to influential certifications and rankings. Varying in their degree of coercive capacity, informational instruments correspond to the government's efforts at less intrusive intervention and looser constraints on people's behaviours. This less intrusive capacity can be seen especially in the wielding of neutral administrative information. However, when these instruments allocate prestige by praise or blame, they become more coercive and constraining options instead. Similarly, regulation can range from direct command-and-control prescriptions to soft regulation; expenditure can range from subsidies to strictly targeted funding; and financial tools can be characterized by direct homogeneous extraction of sources (flat tax) or by proportional extraction, or by targeted or distributive subsidies.

This general framing of the problem of classifying policy instruments into three substantive types will allow us to better show the specificity of the toolkit of each of the four policy sectors analysed, without getting lost in sectoral technicalities. In doing this, all the four sectoral case studies apply the following division of the three families of substantial instruments (Table 1.1).

Table 1.1 is simply an indicative list of the three types of instruments: in each policy sector there are more specific technical applications of the three types listed above. We aim to assess the basket of instruments for each policy sector, comparing the differences in the specific instruments and their capacity to drive specific actors' behaviour. Furthermore, by operationalizing policy instruments in this way, we can offer not only a

Table 1.1 Shapes of substantive instruments (general picture)

<i>Regulation</i>	<i>Finance</i>	<i>Information</i>
Prohibitions	Subsidies	Surveys
Licences	Target funding	Public information campaign
Permissions	Performance funding	Reporting
Direct provision of goods	Fees/charges	Monitoring
Contracts	Income-based fees	Rankings
Public agencies	Tax credit	Dissuasion
Advisory committees	Tax exemption	Labelling
Standards	User charges	Information disclosure
Voluntary/negotiated agreements	Vouchers	Training
Certification	Tariffs	Management standards and systems
	Grants	
	Taxation	

detailed description of the actual (stage by stage) composition of the set of policy instruments adopted but also a precise definition of what has been added over time. In this way, we can provide precise and concrete evidence of the evolution and final result of the actual governance arrangements for each State sector while assessing the degree and nature of any convergence between our case countries.

Drilling down to this operative level to understand how states have changed their approach to steering policies will allow us to go deeper into the details of the actual governance arrangements. This will enable us to assess whether and how the main recipes of the neoliberal State have been concretely implemented. In this way, for example, we will be able to grasp whether and how policies have been ‘de-regulated’ and ‘privatized’ and whether and how new goals have been included.

4 EXPLAINING GOVERNANCE SHIFTS: A MULTI-DIMENSIONAL FRAMEWORK

To understand how governance shifts occur, we seek to understand when, how and why governments change the actual set of adopted policy instruments. To analyse and explain this process and the related outputs, we adopt a framework based on the specific definition of the dependent variable and three analytical factors:

1. the characteristics of the convergence to be assessed (because the grade of convergence in the adopted policy instruments is the dependent variable);
2. the diachronic chain/sequencing of the shifts;
3. the conditions that activate the shifts and
4. the contingent factors.

4.1 *Convergence Towards Where and What?*

As this book seeks to assess the degree to which the neoliberal hypothesis about shifts in governance and convergence among states holds true, our starting point is the neoliberal expectation for State convergence. With our dependent variable focused on policy instruments, the neoliberal expectation would be that both our six case countries and four policy sectors would see the same dynamic. Over time, the basket of instruments in each sector should focus more on less coercive market and informational instruments that place greater decisional responsibility on a wider set of societal actors. This may involve some removal, or at least restructuring, of regulation and more coercive, hierarchical instruments. At the same time, however, as we seek to test the neoliberal hypothesis, we must be open to all possibilities, including the scenarios where no such convergence occurs. Accordingly, we will map the governance trajectories and directions, whatever they are.

To guide us on how to assess convergence, we turn to the following literature on policy convergence. Kerr (1983, p. 3) has defined convergence as ‘the tendency of policies to grow more alike, in the form of increasing similarity in structures, processes, and performances’. Similarly, Bennett (1991) has underlined that policy convergence relates to the aspects of *objectives, content, instruments, outcomes* and *style* of policies. Both definitions reinforce how differentiated the dimensions of convergence can be: for example convergence on policy outputs may occur while there remains at the same time a persistence (lack of convergence) or divergence in the policy outcomes, or convergence in the policy style but divergence in policy outputs.

Another possible source of variation is the point of departure problem. This happens when different countries have different starting points in their policy evolution; although the countries may share a convergence dynamic, that does not mean they will end up in the same place. For

example, they could adopt similar goals or processes but maintain the original differences in outputs and outcomes, or they can become more similar concerning the outputs while maintaining diversity in the outcome.

Holzinger and Knill (2005) make an important distinction between ‘direction’ of convergence, ‘degree’ of convergence and scope of convergence. Heichel et al. (2005) take a similar approach focusing on the degree and level of convergence. The direction of convergence assesses the extent to which convergence is increasing or decreasing with respect to some of the specific dimensions (e.g. more or less direct regulation, more or less privatization and more or less marketization). The degree of convergence assesses the extent to which different countries have become more similar with respect to specific dimensions. Degree of convergence also covers the dimension concerning the amount of increasing similarities in relation to a common template or model. The scope of convergence assesses how many countries are sharing the same type of convergence according to specific dimensions.

Our dependent variable informs our choice regarding the dimensions of convergence we study. In other words, we have chosen to operationalize governance in terms of policy instruments, our dependent variable; we therefore focus on the output of political and policy processes in terms of the instrumental content of decisions. These will form our dimensions for monitoring policy convergence across our six countries.

Regarding the categories of convergence, we draw from both the Holzinger and Knill and the Heichel et al. typologies. We will evaluate whether there has been convergence in the adopted policy instruments by assessing:

1. We operationalize the *direction of convergence* in terms of the *composition* of the policy instrument mix. In order to understand the direction of convergence, we investigate at specific time intervals both the balance and substance of the policy mix, in terms of the types of instruments being deployed. How has the mix changed over time? Does the mix reflect a greater increase in market instruments and a decrease and/or weakening of regulatory tools as the neoliberal vision would expect? Holzinger and Knill (2005, p. 777) note how the direction of convergence usually relates ‘to the extent of state intervention or to the strictness of a regulation’.
2. Our second aspect of convergence focuses on the *degree of change* and has two dimensions that we operationalize. The first dimension

is the *magnitude of change* in the mix of policy instruments. Does the analysis reveal a substantive increase in the number of instruments across the three types? Do we see a qualitative change in how the instruments operate in the sector and/or are calibrated to implement policy? The neoliberal perspective as well as the new governance perspectives would expect a substantial transformation of the policy mixes in each state sector from the 1970s. This might involve a move away from Keynesian and top-down policy tools and a substantial transformation reflecting a more non-hierarchical or even market mechanism driven set of instruments. A second dimension focuses on radical versus incremental change, assessing the pace and nature of change over time. Has the alteration of the policy mix been more incremental and gradual? This dimension anticipates our discussion of the processes by which governance change occurs in the next section.

3. A third dimension that we use to operationalize the degree of convergence is based on the fact that, in some of our chosen policy fields, reforms have been clearly steered by a common template/model to be followed. For example, this is the case of environmental policy, and to some extent energy policy, for those countries of our sample that belong to the European Union; there is a legal obligation to converge around particular legislation. Furthermore, there is the analytical question that in many policy fields there has been a pervasive rhetoric emphasizing a specific set of neoliberal policy solutions; at the same time, many countries have used the same policy template through a pervasive diffusion process. We claim that these dynamics operate in our three other policy fields and so form an important part of our theoretical and empirical investigation.

4.2 *Temporal Sequences and Critical Junctures*

To gauge whether there has been a convergence in governance shifts over time challenges us to undertake the reconstruction of diachronic processes in which a complex chain of events and action interact with each other to produce policy instrument mixes. To grasp this complexity, we have chosen to adopt a sequential perspective of analysis, and to give particular analytical attention to the critical junctures that can characterize the diachronic development of these processes.

Haydu (1998) is particularly credited with popularizing a sequential approach to explaining the key causal patterns behind changes within institutions; Howlett and Rayner (2006) term this approach ‘process sequencing’. Haydu (1998, p. 341) suggests that one can gain a greater sense of causal connections over time and between events by ‘organizing events into sequences of problem solving that span different periods’. In a manner similar to punctuated equilibrium, Haydu (1998, p. 349) argues for the importance of tracking change as the outcome of reiterated problem-solving, thus linking facts from different time periods to build ‘narratives of historical switch points that are followed by a more or less durable social regime’. Although a solution contained in a given event will set a new historical direction and limit future choices, the process sequencing account differs from path dependent approaches in viewing outcomes at a given switch point as being products of the past rather than ‘historical accidents’ (Haydu, 1998, p. 354). Solutions at a given point in time may enshrine problems as well as tools and understandings that actors must confront further down the sequence at the next decision-making moment. Thus, negative and positive feedback about a taken decision will inform the policy debate in a manner that will come to a crisis at the critical juncture. The event itself may occur over a day or over a year if it involves a sustained process over time. This way of ‘sequencing’ political and policy processes is very important for pinpointing the eventual critical juncture that can occur.

Critical junctures are constituted by specific short periods in which prior institutionalized modes become weaker, leaving more room for individual action aimed at implementing change or addressing substantial shifts away from previous political and policy directions (Collier & Collier, 1991; Capocchia & Kelemen, 2007). The critical junctures in the development of new governance modes are those periods in which certain *permissive conditions* (e.g. the economy, a change of government, international pressure and/or a perceived crisis of the performance of the specific policy sector) are destabilizing the current shape of the three structural dimensions (institutions, politics and ideas as discussed in the next section). These permissive conditions are accompanied by *productive conditions* (the presence of new ideas, the political and policy capacity of certain policy-makers, the lobbying capacity of interest groups, etc.). Consequently, the policy legacy is superseded by new possibilities arising out of the productive conditions (Soifer, 2012). Our perspective operationalizes critical junctures as involving the interaction of external processes and events with

internal policy/political dynamics. To summarize, we assume that governance shifts are produced over time through specific sequences, in which critical junctures can form pivotal moments of change. In line with our hypotheses, we will examine our policy sectors to detect whether the external and internal conditions have generated permissive conditions that would lead to decisive moves towards a neoliberal form of governance.

4.3 *The Institutional, Political and Ideational Condition of Governance Shifts*

In order to understand the permissive and productive conditions mentioned in the previous section that shape governance shifts and potentially critical junctures, we present those institutional, political and ideational elements in more detail here. This chapter only briefly introduces these four dimensions as Chap. 2 explores them in considerable detail for the six case countries.

4.3.1 *The Institutional Conditions*

The institutional dimension refers to the rules by which, and the ways in which, political institutions work (Peters, 2011; March & Olsen, 1989, 1998). The way political-institutional arrangements work has a direct influence on governance dynamics and consequently potential governance shifts. This is above all because the way institutions work makes governance shifts more or less likely (permissive but also potentially productive conditions), and, in the event of change, institutions can favour certain solutions rather than others. We have identified a key institutional condition that can directly influence the prevailing governance mode and any possible shifts in that mode: *centralization/decentralization* of the policy-making.

The centralization/decentralization of policy-making is an important permissive condition since it can help influence the potential direction of governance shifts (Benz & Colino, 2011; Biela et al., 2012; Colino, 2013). Within each State, several levels of government will operate. This dynamic creates the potential for tension between the levels, particularly if the institutional dynamics emphasize competitive and conflictual behaviour between and within the government levels (centrifugal). Thus, state/provincial elites in a federal system may resist governance movements which the provinces see as encroaching on their provincial powers, but may also welcome interventions if they believe their provinces suffer

disadvantages compared to other provinces in the system. Governance changes will be assessed with a more or less permissive perspective.

4.3.2 *Political Conditions*

The political dimension refers to the dynamics of the party system and the distribution of power over the policy-making process between the various different stakeholders and interest groups (Sharpe & Newton, 1984; Müller & Strøm, 1999; Schmidt, 1996). The political context influences governance shifts, since it conditions the political viability of any attempt to make change or, alternatively, to curb change. We have chosen one key political condition, which we argue has the greatest potential impact on governance modes and shifts. We focus on the *type of ruling coalition*; within this condition we consider two main dimensions, the ideological position (right/left) of the ruling coalition and their preferences concerning how prevalent (as a general principle) the role of the market and the role of State intervention should be in addressing policies (Cowen & Sutter, 1998; Potrafke, 2010; Shin, 2016). This political dimension has both permissive and productive aspects: ideas that resonate with a particular party in power are likely to be received more favourably by that political party and potentially might match the capacity (in terms of knowledge, etc.) that the party has.

4.3.3 *The Ideational Condition*

The ideational dimension refers to the prevailing social values operating in a specific policy field and to the prevailing ideas regarding the specific policy sector (Hall, 1989, 1993; Campbell, 2002). The ideational dimension refers directly to those ideas that have framed the debate on governance. We focus our analysis on sets of ideas that form coherent doctrines or ideologies. Ideologies are groupings of ideas that are relatively coherent and provide a doctrine and/or strategy for political behaviour (Adler, 1987). We are particularly interested in the paradigmatic world views/ideologies that affect how actors perceive the world and define their interests, identity and choices as a consequence (Hall, 1989). These ideas contain what Hall (1993, p. 279) defines as a policy paradigm: ‘a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing’.

The core set of ideas only change periodically as new problems emerge, and anomalous or ‘unexplainable’ events accumulate. In the face of

challenges to the existing paradigm, policy-makers search for alternative explanations which may create productive conditions. This process widens the number of actors (such as pressure groups, journalists, intellectuals and academic analysts), who compete to alter the prevailing policy discourse. Thus, the ideational condition that we have chosen is related to the *strength of the prevailing ideologies and ideas about how policy should be conceived and which goals it is directed towards*. Ideology can serve as both a permissive condition (i.e. the dominant ideology will structure what governance choices are compatible) and a productive condition (actors holding the prevailing or competing ideologies may resonate with particular governance changes). We explore the ideological role of neoliberalism in State governance approaches through this ideational lens.

4.4 *Other Contingent Factors*

Beyond focusing on institutions, ideas and politics we recognize that other factors such as socio-economic circumstances may contribute to the permissive conditions that shape governance change. Accordingly, phenomena like globalization of the economy, international financial crises, high public debt and demographic trends may constrain or give rise to opportunities to make different choices concerning policy instruments. When these permissive conditions impact on the calculations of policy and political actor, these might re-evaluate and perhaps redesign the set of adopted policy principles and instruments operating in the policy sector. We also acknowledge the potential permissive and productive dynamics that the features of the policy field may create. Both of these sets of factors have the ability to interact with the independent variables (institutions, political context and ideas) in a way that may create permissive or more restrictive conditions for governance as well as increase or reduce the capacity of the sector to make new governance choices.

4.4.1 *Environmental Factors External to the Policy Sector*

Our framework views the socio-economic context as a potential driver of stability and instability for the current governance occurring in the policy sector (Nohrstedt, 2005; Weible et al., 2009). Here we include a range of important external dimensions, such as changes in the demographic structure of society, in the economic context and in public opinion. The external socio-economic environment is a potential driver of the exogenous request for change and also of relevant external shocks (Ostrom, 2005).

4.4.2 *Specific Sectoral Characteristics*

It is important to note that the evolution of the policy field itself can reinforce or change the existing equilibrium between the three independent variables (the institutional, political and ideational conditions). We see the policy field as the specific accumulation/sequencing of decisions deriving from the interaction of institutions, politics and ideas (Capano & Howlett, 2009). The scope of how the policy sector manages to implement its policy aims provides the decision-making process with feedback as to the success of the policy choices. There is a question as to the amount of capacity the sector has to deliver these policy aims and governance in a way that is the State executive perceives to be satisfactory. We also need to assess the sector's capacity to deal with external challenges and pressures, and to adapt accordingly. If the sector lacks adaptive capacity, the sector risks being subject to radical external intervention. Furthermore, we need to take into account the fact that endogenous stimuli to change, including 'radical events', may originate from the policy field itself.

We have chosen to consider policy characteristics as an intervening variable or potential facilitator of/constraint on any governance shifts. By doing so we hope to avoid the risk of causal circularity (since the political, institutional and ideational conditions are intrinsically part of the institutionalized nature of policy), while at the same time preserving the causal relevance of the policy field, and thus the interaction between endogenous and exogenous causes of stability and change in governance modes (Capano, 2009; Béland, 2005).

4.5 *Framework Overview*

Figure 1.1 summarizes our theoretical framework by presenting the basic components. Starting from a *Situation* t_0 , the institutional/political/ideational conditions interact to provide the permissive conditions that create the potential for changes in the governance strategy with respect to policy instruments (and the resulting policy mixes). These conditions do not drive the changes in the actual governance arrangement. Rather, policy-makers governing this sector face a specific moment of problem-solving that they will reiterate at further decisional moments over time.

In addition to the permissive conditions, policy-makers will have to respond to the prior policy legacy and how it sought to address the designated new or merely different policy problems in the sector. The

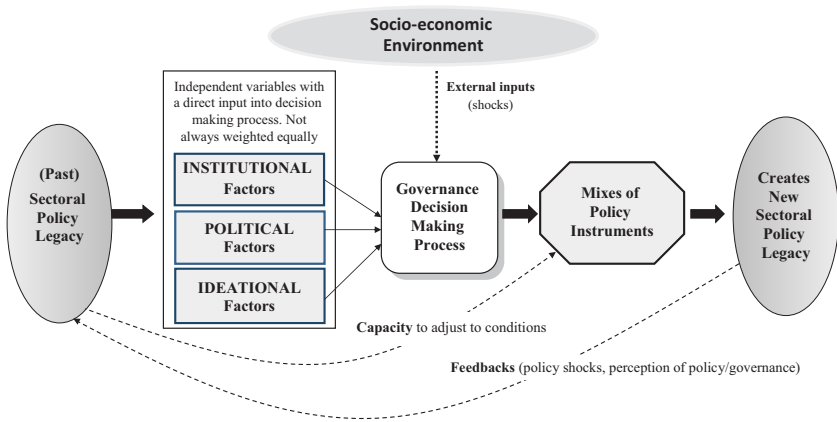


Fig. 1.1 Overview of the framework

permissive conditions and the potential governance opportunities that occur (e.g. changes of parties in power and in policy paradigms) may still lead policy actors to take a (positive) view towards selecting policy instruments largely in line with the status quo and/or incremental governance shifts. Alternatively, in the face of these conditions and changes, policy-makers may form a negative view and therefore choose to change the governance approach and resulting instruments in a way that defines a new historical direction for the policy sector and that then limits the choices of policy-makers in the future. Thus, negative and positive feedback about a taken decision can inform the policy debate in a manner that will come to a crunch point at the critical juncture.

We make the fundamental assumption that the *interaction between the conditions produces a specific configuration by which the policy sequences change and thus the governance modes (hierarchical versus more market/finance and informational governance approaches) are reformed and policy tools chosen, resulting in a particular governance mix at a particular point in time.* This specific configuration interacts with two contextual factors: socio-economic conditions and a policy sector's characteristics. Both factors may act simultaneously as constraints upon change, or as triggers for change, depending on the specific point in time and on the actors' chosen strategies. So, from our perspective, the changes in the way states steer their policies are seen as a function of the changes in the configuration of the institutional/political/ideational conditions of policy-making that,

given a specific socio-economic situation and specific characteristics of the policy sectors, activate a policy-making sequence. To illustrate this approach, if we postulate that neoliberalism is transforming governance, we expect the neoliberal ideology to have a substantial influence in a sufficiently strong portion of key policy-makers (who might be embedded in the policy sector and/or operating in the wider governing arena of the State) to make governance decisions, and thus overcome institutional obstacles and change the sequence of decision-making towards more neoliberal governance choices. External circumstances, such as the 1970s oil shock, may create permissible conditions that allow the actors and their neoliberal ideas to change the governance sequence in a policy sector. Equally, a critical juncture might involve a change in government including a new legislative majority and/or executive leadership (productive conditions) that embraces neoliberal solutions.

4.6 *Reconstructing the Sequence of Policy Development in Six Different Countries and Four Policy Sectors*

4.6.1 *Sectoral Comparison*

Adoption of the above framework means taking a *diachronic and policy sequencing* approach to analysing the process by which states have changed their means of steering policies. This means that we focus our analysis on understanding how governance has developed and changed over time. Consequently, we adopt a sequential perspective for understanding how policy dynamics have developed in four different policy sectors and in six different countries. It is important to emphasize that the core unit of analysis is the actual policy sector (e.g. education policy), and a large measure of the comparative contribution of this volume is this emphasis on comparing different sectors rather than countries.

The four chosen policy sectors are: energy, the environment, health and education. The cases not only have similarities in their importance and urgency for State governance but also contain important differences that enhance the analytical comparison of instrument selection in each sector. This selection is based, firstly, on the social importance of these sectors for the standing and legitimacy of the contemporary State that has a duty to protect the welfare of its citizens. In the post-Beveridge setting, States have taken on responsibilities for enabling their populations to have fulfilling lives by implementing concerted approaches to health and education.

In the aftermath of the 1970s, questions of energy supply and security as well as environmental harm and wellbeing have expanded the responsibilities of States. Second, all four policy sectors are crisis-prompted policy areas, but two are old and established fields (health and education) while the other two are relatively new in the context of Western Democratic governance history.

Third, there is the important financial difference: health and education attract significant amounts of public (and also private) funding while energy and the environment are less budget demanding. Fourth, health and education policies have a greater orientation towards social policy objectives and societal concerns while the environment and energy cases raise the governance challenges of resources and protecting common goods. Fifth, the four policy cases reflect different degrees of intervention by the European Union (EU). While in the environment sector the EU is the main decisional level for many of the instrument choices, its role is decreasing substantially with education and health (with some role for the Open Coordination Method, which is an EU benchmarking process where states voluntarily set targets for improving socio-economic performance and achieving common EU goals). The energy sector exists in between these two realities, with the EU increasing its role during the time period of our study. Sixth, the selection of these four policy areas enables us to examine policy areas that have been associated historically with different modes and instruments of governing. Traditional environmental policy and aspects of energy policy such as conservation have tended to focus on government regulation while education and health policies involve comparatively enormous budgets and significant State intervention to protect against market forces and enhance equality across society.

4.6.2 *Country Comparison*

We have selected six countries for the analysis: Australia, Canada, England, Germany, Italy and the Netherlands. We have selected England rather than Great Britain or the United Kingdom (UK) for practical reasons: particularly in policy sectors such as education and health, the legal jurisdictional and institutional differences among the four nations of the UK would essentially add three extra cases, straining the ability to systematically study the policy sectors in detail over 40 years in one volume. The approach to the country case selection is a ‘most similar case study’ design where we have focused on OECD states with relatively similar levels of

wealth, democracy and industry levels and with complex multi-level governing structures (Przeworski & Teune, 1970). Having these similar conditions will allow us to assess the following core differences: (1) Anglo-Saxon versus Continental European; (2) EU membership; and (3) federalism versus non-federalism.

With respect to the first two issues, choosing two Commonwealth countries, three European Union (EU) countries and one country belonging to both the groups enables us to assess the degree to which Anglo-Saxon legal and political traditions (England, Australia, Canada) and EU membership (England via the now defunct UK membership of the EU, Germany, Italy and the Netherlands) and governance have a bearing on the alteration of governance within these states. More specifically, this country selection allows us to assess the difference the Westminster system has made to governance choices in the policy sectors. We compare these three Westminster countries to three significantly different countries that have a long history of needing to build consensus at the national level for various historical and other reasons. This also gives us the opportunity to assess the governance legacy that colonial history and now Commonwealth membership has given Australia and Canada.

We secondly control for the role of the EU by including two countries outside the EU; we can assess the relative difference it has made to the original Westminster system. At the same time, we have selected four EU countries with a relatively long or original membership in the European integration project. This allows us to assess how these four countries, with very different levels of capacities, geographic circumstances and general approaches to the EU project, have had their governance approach influenced by EU membership over time.

Finally, the comparison allows us to focus on three countries (Australia, Canada and Germany) where 'federalism' works in very different ways (Colino, 2013; Capano, 2015). Within the federal cases, we can assess the difference the approaches to cooperation can make for the overall picture. We included three unitary countries to compare the evolution of its governance to the three federal cases.

This country selection strategy helps us to identify not only the potentially important conditions for governance shifts but also any differences in the characteristics of how policy-makers make governance decisions. Our choice of similar cases helps us to ascertain whether there are any more specific conditions (e.g. the specific dynamics of events) or any similar configurations of the explanatory framework that give rise to governance shifts.

4.6.3 *Diachronic Analysis and Comparison*

With regard to the chosen time frame of the process and the critical junctures, we have framed our research in terms of assessing the period with the rise of neoliberal thinking in Western Democracies. In order to provide a clear baseline for comparison of the impact of neoliberalism, we have generally started our sectoral analysis in the early 1970s. This allows us to have a clear sense of the post-World War II governance dynamics in our case countries before neoliberal arguments gained governmental power via the 1979 Thatcher government in the UK and in other Western Democracies in the following decades. A focus on the 1970s allows us to assess the well-established post-World War II tradition of governance in the education and health sectors; at the same time, our choices partly reflects the practical reality that, in terms of articulating energy and environmental policy as politically important issues for Western Democracies, the history of both policy sectors is relatively recent compared to health and education (focusing on the oil crisis in the 1970s and the rise of environmental concern in the 1960s and 1970s, see McCormick, 1991).

To come to our conclusion about the impact of neoliberalism over time, we stop our sectoral analysis in 2018. This gives us roughly four decades in which to see whether neoliberal approaches have truly shaped the policy sequences within our case countries. It completes our analysis before the impact of the COVID-19 pandemic on governance dynamics in Western Democracies. As we discuss in the concluding Chap. 8, various scholars argue that the pandemic response has sounded the death knell of neoliberalism. We view the picture as more complex, and our pre-Covid analysis of governance allows us to show the more nuanced reality of how neoliberalism has embedded itself in Western State governance. It also enabled us to avoid getting into some of the contemporary complexities, such as the constitutional status and direction of the UK post-Brexit. This choice reflects our focus on understanding the nature of the governance transformation that occurred as policy-makers looked beyond the post-war Keynesian approach to the State.

5 RESEARCH PROPOSITIONS

The nature of this book's goals and the theoretical framework we have adopted do not allow us to present strong deductive hypotheses beyond testing the neoliberal paradigm and its expectations for how states should converge. The neoliberal paradigm expects a convergence of State choices

around policy instruments that bring in greater, more non-hierarchical governance dynamics. The governance approach will place more reliance on informational and market tools, and make a greater effort to dismantle and/or make more flexible the command-and-control instruments the State wields. Neoliberal expectations would be that the role of the State would decrease as a consequence. Given neoliberalism's confidence in the power of the market, the expectation would be that there would be a strong and clear pattern of convergence among our case studies.

Although we will look for such patterns, our own expectations are more nuanced and conditional, leading us to much more limited research propositions that address the reconstruction of the policy developments and policy sequences. Using the theoretical perspective explained above, we will investigate the following propositions:

- Our expectation is that there will be less governance convergence than a neoliberal approach would expect. We expect our fine-grained analysis to reveal that each case country has mixed together the policy instruments in operation in each policy sector in different ways.
- We expect an expansion of the role of the State or at least the lack of empirical evidence to suggest the decreasing role of the State. We argue for the centrality of the State in policy-making, because every family of substantial policy instruments and each specific tool, in one way or another, requires the establishment of specific procedures that are decided by the State.
- We do expect neoliberal and other critiques of the State and public administration to have led to changes in State governance over the last 50 years. Our expectation is that governance will be characterized as involving less coercion, but also more steering at a distance. This steering will be conducted using different kinds of instruments that address the behaviour of the policy actors and targets.
- Following on from the previous point, we expect very composite and complex mixes of policy instruments. The case countries will respond to the decrease in coercion by building a dense set of policy instruments (soft regulation, financial, informational) that constrain societal behaviour either by substantially limiting the range of possible actor choices or by threatening coercion.
- We project that the process of 'hollowing out' the State will have been quite limited in our chosen cases. Our hypothesis is that this dynamic will be mainly restricted to some forms of outsourcing,

while including more stakeholders (often to build up stronger legitimation for the reforms by involving the target of the reforms themselves).

- Our last proposition focuses on the pace and nature of governance change (as posed above in our discussion about convergence), and whether it is likely to be radical or incremental. We expect a greater tendency towards an evolutionary dynamic that reflects and reacts to choices made previously in the policy sequence. Revolutions are improbable (although evolution could be quite fast), since governance arrangements are the result of complex forms of interaction.

6 THE STRUCTURE OF THE BOOK

The book proceeds as follows. Chapter 2 provides a comparative overview of the State and political dynamics in each of the six case countries. The chapter has a twofold purpose. First, it will introduce the basic institutional and political variables at work in each state, as well the strongly held ideas within the State and society. This information will provide an important contextual analysis for the case studies. However, this is not simply a background chapter: we take this opportunity to develop some comparative analytical points about the differences in State and party traditions, as well as about the degree that ideas have been adopted across national borders. The chapter first examines core institutional aspects of each state, specifically the key constitutional, intergovernmental aspects that structure multi-level governance activity with each state. After the institutional analysis, we explore the key characteristics in the evolution of the key parties operating within each country since the 1970s. We particularly focus on their ideological development and how it informs their general approach to problem-solving. The chapter ends by investigating important ideas that have a paradigmatic, transformational power that transcends political party and national borders (most especially neoliberalism).

The empirical heart of the book is the four policy sector chapters. We have started this section by analysing first education policy and then health policy. We tackle these policy areas first because they have a strong social policy element. In this vein, these policies have been seen as part of the development of the Western Democratic States and of the expectations that citizens in these countries have about the scope of the State and public policy.

Chapter 3 reconstructs the developments of education policies in the six case countries. Over the last three decades, governments have intervened to redesign governance modes in education, through a process in which the same policy tools have been mixed in different ways to give substantially similar results, that is the stronger role of government (through a mix of new regulations, assessment and evaluation, new financial incentives and leverages); the stronger role of stakeholders (mainly families, thanks to a more transparent system of systemic features and performance); the greater ‘targeted’ autonomy of educational institutions (which are led to behave in a specific manner, and to be more accountable, by governmental steering at a distance); increased competition and greater room for private schools. Therefore, the toolkit has basically remained the same, as has the move towards new governance modes, although the contents and final results of change (in terms of governance modes) have been substantially different. The chapter finds that, although there are some convergent points (especially with respect to the general policy instruments adopted and the apparently common ideas), national systemic differences persist based, above all, on the national regulatory tradition and the social perception of the goods at stake.

Chapter 4 examines governance change in health policy in the six case countries. Against the background of the health sector’s distinctive characteristics and unique governance challenges, it tracks changes as each of the six nations has, since the 1970s, tended to focus on containing the costs of healthcare provision. The health sector in all Western industrialized democracies has tended to develop from fragmented and unstructured beginnings, into densely populated, self-organizing systems, within which governments have a restricted ability to govern. Hence, substantial activity since the 1970s has been directed at increasing the power of governments and health service providers to direct and evaluate the work of medical professionals. While each case study nation has faced similar pressures on health governance and has to some extent each introduced a similar reform agenda, national institutions, traditions and ideas have strongly shaped the trajectory of governance change.

The next two chapters focus on two policy areas that have a greater focus on resources, namely energy and then environment. They are also policy areas that have been more recently defined as political issues that the public policy process has had to address in the Western Democracies.

Chapter 5 begins by outlining the classic goals of energy policy: energy security, energy efficiency and the mitigation of the environmental impacts

of energy production and use. It stresses the importance of neoliberal ideas that provided the impulse for deregulation and privatization efforts in a sector that had previously emphasized state ownership of resources and heavily regulated energy markets. The key puzzle is why none of the six case countries can be said to have moved definitively to market governance of energy. The chapter emphasizes both the central importance of institutional constraints and the effect of unpredictable intervening variables, which influence both the costs and the social acceptability of different energy sources. These factors explain why efforts to base energy policy on the assumption that a search for efficiency will necessarily deliver both security and the mitigation of impacts (especially greenhouse gas emissions) have produced a mix of common and unique governance arrangements in the six cases.

Chapter 6 starts by assessing the creation of environmental policy in the six case countries as well as the EU in the period of 1969–1974. Using 1975 as the baseline point of comparison, the chapter finds that institutional dynamics provide significant constraints to much of the policy activity. Nevertheless, ideational approaches (in which neoliberalism has played a substantive role) and new understanding of environmental governance have generated substantial changes to the governance approach, in some instances involving critical junctures but largely reflecting an incremental evolution. The six states are converging in that they are involving more stakeholders in the process and are mixing more policy instruments into the response to a specific policy problem, but they are also similar in the continuing importance of the State and regulatory tools.

Chapter 7 provides the comparative analytics of the complex dynamics of governance shifts, which have emerged from the four empirical chapters. It brings together the comparisons across policy sectors together with the analysis over time and across countries highlighted in the previous chapters. It studies the degree of governance convergence across both the case countries and the four policy sectors. It focuses on assessing the convergence by looking at the magnitude of change in the basket of policy tools each sector contains. The chapter then assesses the degree of convergence across sectors and countries in terms of the composition of the policy mix. After examining these outputs, the comparative analysis shifts more to an assessment of the process of governance change. The chapter assesses the degree of radical change. In order to get a sense of the importance of particular institutional factors (e.g. intergovernmental competition) and political factors (e.g. ideological tension), the chapter assesses

the degree of conflict found in the governance evolution in the four sectors and six countries.

Chapter 8 is the concluding chapter. It first assesses the impact of neoliberalism on how States wield policy instruments and govern. The chapter emphasizes the need for nuance in understanding the substantial influence that neoliberalism has played as well as the continued importance of the State steering society. The chapter then reflects on the importance of certain variables laid out in this Introduction, in particular noting the importance of elections and institutions in shaping the state trajectory. The chapter builds on this analysis to assess the role of critical junctures and particular variables in shifting the policy sequences. The chapter finishes by reflecting on the future of the State and proposing a future comparative public policy research agenda.

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Comparing the Country Contexts

I INTRODUCTION

This chapter details the conceptual nature of the independent variables— institutions, political interests and ideas—and operationalizes them in the six country contexts. We develop the expectations of how each country should be positioned with respect to each of these three independent variables. This detail also provides essential *contextual factors* that these policy sectors face within each country, and starts our comparative analysis of how these countries differ.

Given our focus on how governance in these six countries has evolved, we utilize the *conventional wisdom about institutions, parties and government and ideas* in these countries, rather than reinvent the wheel. Nevertheless, this endeavour involves an unusual comparison of countries while also combining institutional and constitutional dynamics with their interaction with political power and ideas. We acknowledge our space limitations and the inevitable conceptual overlap between the three independent variables. *Although we see these variables as conceptually distinct, the variables interact in all six states in a way that is often impossible to disentangle fully.*

We first examine core institutional aspects of each state. We explore the multiple institutional levels, their intergovernmental interactions *and the centralizing or decentralizing dynamics* that result. The second variable is

the evolution of the key parties since the 1970s, taking special note of their ideological development, focusing on their general approach to problem-solving. We assess the position of these key parties in and out of government. We operationalize this approach by focusing upon the left-right and market versus state dimensions. Such distinctions inevitably will be informed in each country context by the dimensions of the third variable that of ideas. Here we focus on neoliberalism.

2 THE MULTI-LEVEL INSTITUTIONAL ANALYSIS

This volume examines *the relations between levels of government, and the formal rules and informal sources of coordination that inform intergovernmental relations*. Beyond assessing the levels and their respective input into national policy governance, we must understand the legal, financial and political dimensions of these systems (Emy & Hughes, 1988, pp. 272–273). A core question is whether the country's institutional framework creates competitive/conflictual or reinforcing/collaborative tendencies.

Federalism scholars distinguish between cooperative and dual types of federal structures and intergovernmental relations (Börzel & Hosli, 2003; Painter, 2000). In dual federal circumstances (e.g. the United States), the government levels maintain a distance, providing separate kinds of services and governance. There are potential governance implications as the differing government levels compete for public support (Börzel & Hosli, 2003). Cooperation is possible, but only when it suits the constituent states/provinces. The government levels may choose to guard their domains, but alternatively they might allow other government levels to carry the policy problem (Painter, 2000). This contrasts with cooperative federalism: here governments across levels operate in a range of different, interlocking institutional arrangements; these institutionalized governance arrangements will induce or even compel routinized joint action (Painter, 2000, p. 130). The cooperative system functionally divides powers among the different levels. Germany is the classic cooperative example (Hueglin, 2013). All six political systems in our study have some elements of both types and engage in reforms that bring more centripetal or centrifugal dynamics, changing their multi-governmental character over time (Braun, 2008).

We start with the prototypical Germany. Germany's constitution, the *Grundgesetz* (Basic Law), divides authority along jurisdictional and

functional lines. The *Grundgesetz* allocates to the federal government the ability to make laws and to the *Länder* (the individual German states) the role of administering and implementing federal laws. The *Länder* have the right to legislate insofar as the *Grundgesetz* does not confer legislative power on the Federation, that is the *Länder* are the location of residual legislative power (Basic Law, 2018, Article 70). The *Grundgesetz* both lists the matters under exclusive federal legislative power where the states can only legislate when federal explicitly authorizes them (Article 73) and lists concurrent powers where the states can legislate to the extent that the federal level has not enacted a law in the matter (Article 74). The *Länder* also retain certain policy and law-making competencies, most notably in education. However, *Länder* input is more complex as they populate the second federal legislative chamber (*Bundesrat*) and must give their consent to a substantial portion of federal legislation, roughly 50% after the 2006 federal reform (Library of Congress, 2018). The individual *Länder* have the responsibility for shaping local government in their territory, but the municipalities retain autonomy to conduct policy in such areas as public utilities and land-use control (Eckersley, 2015).

There is a plethora of formal and informal committees that provide coordination between the individual *Länder* and between the *Länder* and the federal government (Wachendorfer-Schmidt, 2000). Scharpf et al. (1976, pp. 28–29) coined the term *Politikverflechtung* to define these joint decision-making processes. *Politikverflechtung* enabled the different levels to not only maintain some uniformity of standards but also facilitate the preparation of federal framework laws and implementation of federal legislation (Broschek, 2013). In keeping with these collaborative legal and political interactions, Germany's financial system is tightly coupled (Braun et al., 2002), with the federal government collecting revenues centrally and distributing/redistributing them to the individual *Länder*.

Compared with Germany, Canada and Australia have a more adversarial and dual federal dynamic. Taking Canada first, we focus on the relations between the provincial and federal levels while acknowledging the role of transnational institutions like the North American Free Trade Agreement (NAFTA). Of our six countries, Canada has the most competitive and decentralized political structure. The system relies on coordination, but the federal and provincial jurisdictions are quite separate, with a tendency for federal non-interference with provincial activity in areas of exclusive provincial jurisdiction, a 'power separation model' (Braun et al., 2002; Tomblin, 2000). This has not prevented dynamics of conflict and

cooperation in areas where jurisdiction is constitutionally identified as concurrent (e.g. immigration) or where policy issues (particularly the environment) are difficult to accommodate within conventional constitutional boundaries.

Bakvis and Brown (2010) depict the Canadian approach as ‘jurisdictional’, involving a separation of jurisdictional authority, a predominant bipolarity predominates and competition over taxation. The system has been designed to protect cultural and economic diversity, making it correspondingly difficult to impose/coordinate/change policies or even undertake constitutional amendment. Activist provincial and nationalist governments have created a range of overlapping and interdependent policy linkages with an increasingly fragmented civil society (Tomblin, 2000, p. 149; Cairns, 1992). Both at the provincial and federal level, the Premiers and their governments dominate their legislatures and ensure that intergovernmental interactions are managed outside the legislatures and away from the public gaze. In these intergovernmental bargaining situations, both poor and rich provinces seek to guard their prerogatives (Tomblin, 2000). The bargaining that occurs depends heavily upon personalities and the party orientation of the different governments: separatist governments in Quebec and ‘anti-Ottawa’ governments in the Western provinces have proved particularly challenging to federal governance. The focus on autonomy and variety leads to ‘uncoordinated action, jurisdictional intrusion and to a politics of “cut and thrust”’ in fiscal policy (Braun et al., 2002, p. 117).

The Canadian federal and provincial governments have considerable scope to take unilateral action in developing/using fiscal instruments, raising revenues and restricting revenue transfer (Braun et al., 2002). An element of fiscal interdependence has entered into several core policy sectors where provinces have traditional jurisdiction but lack capacity to raise sufficient revenue to meet contemporary policy expectations, notably education and healthcare (Bakvis & Brown, 2010). Here the federal level funding operates as a block grant. In addition to taxation agreements, the federal government also provides conditional and block grants to the provinces and territories. The federal government provides these sums each year in support of provincially and territorially provided programmes, such as healthcare and education. In some cases, these grants are conditional, that is the federal government specifies significant conditions for receiving the money, thereby promoting federal policies in areas of provincial jurisdiction. Federal grants for healthcare fall under this category, with

the Canada Health Act 1984 outlining federal conditions for funding. In other cases, federal grants are unconditional (or ‘block’ grants), which means the provinces and territories have considerable discretion.

Nevertheless, the policy reality inevitably is much more mixed as there is often a strong interjurisdictional overlap in policy areas, such as trans-boundary trade and environmental protection for both the Canadian and Australian systems. Therefore, the Canadian federal and provincial levels have in recent decades worked to communicate and cooperate on certain matters, creating both competitive and collaborative dynamics, albeit with a lower intensity than that found in Germany and also Australia.

The Australian constitution enumerates the powers of the Commonwealth (federal) level, leaving the residual powers with the states. The Commonwealth has very few exclusive areas of power and the concurrent powers of legislation suggest a system focused on competition and cooperation between governments (Walsh, 2008). However, largely exclusive power over direct taxation makes the Commonwealth a very powerful policy actor (Painter, 2000), and furthermore the Commonwealth has the power to override where there is a clash between levels. Australia’s political history reflects the Commonwealth’s steady encroachment in various public policy areas. This encroachment tends to be only circumscribed by the jurisdictional powers stated in the constitution, the willingness of the state and legal actors to issue constitutional challenges, and the states’ administrative capacity to cope in the policy area. State governments financially depend on Commonwealth grants to a large extent (Painter, 2000). Nevertheless, the states do retain varying levels of control over important policy areas, including utilities, urban affairs, education, hospitals and health—although this does not stop the Commonwealth playing major roles in areas such as schools (Galligan & Hinz, 2012).

Australian intergovernmental coordination tends to occur at the sub-constitutional level. One prominent example was the Labor government’s 1992 creation of the Council of Australian Governments (COAG) to assist with important questions of economic restructuring such as wages (Painter, 2000). Galligan and Wright (2002) contrast this collaborative approach to restructuring with the Canadian policy of imposing economic discipline in the same period through the negotiation of the NAFTA, a federal policy strongly, but ineffectively, opposed by many provinces. COAG saw the executive branches of the Australian state and Commonwealth governments (and that of New Zealand) meet regularly to design collaborative mechanisms. These included councils in the areas

of education, health and energy (Australian Government, 2015). Nevertheless, COAG has been used selectively and to varying degrees by Australian prime ministers, and thus the older intergovernmental councils have been equally significant.¹ The 1980s and 1990s, and more recently, saw a rising number of collaborative intergovernmental agreements as the Australian policy sectors faced increasingly complex policy challenges that crossed state jurisdictions and raised the possibility of uneven and negative state actions (Painter, 2000). Particularly relevant in our case chapters are the 1987 Murray-Darling Agreement and the 1992 National Vocational Education and Training Agreement.

Moving to our other case countries, a critical difference between federal and decentralized unitary states concerns whether or not the central government has the ability to unilaterally alter the distribution of powers in the state (Thorlakson, 2003). Our case countries show a considerable variation within the unitary continuum, specifically in their treatment of regions.

In the Netherlands, the National Parliament can dissolve or create provinces and municipalities, indicating the unitary nature of the Dutch political system (The Government of the Netherlands, 2008, Article 1). This unitary nature however belies the actual multi-level complexity, hence the designation of the Netherlands as a decentralized unitary state (The Government of the Netherlands, 2008). The local and regional government levels have autonomy and can act as they see fit as long as the actions accord with national law. The Dutch constitution spreads responsibilities and power across several vertical government layers: central, provincial and local government levels and 27 water boards (*Waterschappen*, which help govern provincial waters and maintain sewage treatment) (The Government of the Netherlands, 2008). The 12 provinces of the Netherlands have their own provincial governments and legislatures (Andeweg & Irwin, 2002); their main role is to serve as the government intermediary between the central government and local authorities; the provincial governments grant approval for the annual budget and the bulk of plans made by local governments in their provincial jurisdiction. The central government is responsible for national priorities such as infrastructure, public health and education. Provinces are responsible for creating and implementing environmental protection plans and pollution monitoring and remediation (Committee of the Regions, 2022b).

¹Our thanks to Bruce Galligan for this point.

Its 1947 Constitution defined Italy as unitary in nature but the system contains an important ‘regionalized’ element, which has increased post-1970 (Committee of the Regions, 2022a). A 1975 law led to devolving national power down to regions and localities with a set of decrees implementing this effort (Leonardi, 2017). In 2000, the Amato Government undertook a final devolution of power to the regional level as part of the reform of the Italian Constitution (Roux, 2008). This reform established a more federal distribution of powers with central government having exclusive power only in a limited number of areas. The Law 42/2009 granted subnational governments financial autonomy with respect to revenues and expenditures, creating a system of fiscal decentralization (Committee of Regions, 2022a; Roux, 2008). The central level of the Italian state has exclusive legislative powers concerning general education standards and environment and ecosystem protection (Committee of Regions, 2022a). The regional level and central state share concurrent power in the areas of education, health protection and energy production.

The United Kingdom (UK) is distinctive in the degree of asymmetry in its decentralization as a unitary state. The UK Parliament has reserved powers applying across the whole of the UK. As England is our focus, the differences in decentralization feature less. The UK system keeps fiscal powers comparatively centralized, with some fiscal powers devolved outside England. In 2015–2016, the central government funded roughly 60% of the budgeted revenue expenditure out of central government grants (Committee of the Regions, 2018). The UK has reserved powers in energy issues and nuclear safety.

Devolution within England came later than the rest of the UK, and the focus has been largely ‘sub-regional’ level concerning local authorities and their economic development (Lowndes & Gardner, 2016). English local government varies in form between two-tier local government (county councils and district councils) and unitary authorities, and they are responsible for local services. In the wake of political momentum for more devolution, powers have been targeted especially to urban areas. A front runner in this decentralization was the Greater London Authority sharing with London boroughs certain responsibilities in health and the environment. The 2015 Conservative government pushed for ‘devolution’ deals where all local authorities were invited to make proposals for combined authorities with a focus on economic areas that could support economic development—as opposed to local government and more traditional understandings of political heritage (Lowndes & Gardner, 2016). While the Manchester

devolution deal included control of the National Health Service and social care budgets, the new deals largely focus on economic development (Gardner, 2017).

Before finishing this section we note how the European Union (EU) complicates its Member States' multi-level governance. Where direct effect (i.e. where EU law confers rights on individual citizens in the respective EU Member States, with the consequence of Member States and EU courts having to recognize and enforce these rights) applies, EU law is supreme over national law (EUR-Lex, 2015). The implications are that where the Member States have pooled their sovereignty within the EU treaties, this provides both opportunities and constraints for national governance. In areas of education and health, where the scope of the EU treaties is severely limited, this is far less significant than in areas that EU integration has consciously linked to the EU Single Market. This is particularly so in environmental policy, but aspects of energy policy have increasingly been framed in terms of the Single Market.

3 POLITICAL PARTIES AND GOVERNMENTS

This section lays out the key political parties that have shaped national governance in our six states. We examine their impact while in government and in opposition. This focus reflects a key potential relationship between political parties and policy change. Political parties, both by contesting elections and participating in the governance, develop platforms and embrace ideas and ideologies (see next section). Political parties, when they take on new ideas and policy objectives, are a significant source of policy change; they may also protect the policy status quo to defend their particular ideational positions. Scholars have stressed the critical role that certain elections have in reshaping institutional roles and policy elites (Key, 1955; Brady, 1978). Guy Peters (1997) notes how particular right-wing parties are expected to insert market-based reforms into public administration and governance while more left-wing parties are likely to favour more participatory strategies.

For the most part, the parties have driven governance by being part of the majority in the lower house that generates the national government. We highlight the ideological range and core ideological planks of each party below. We operationalize ideology in this section as how a party views society and the wider context and its role and ambition in shaping that context. We examine parties that have been able to make a significant

impact in the last 50 years in terms of transforming governance for our six countries. This assessment also allows us to assess the degree of party polarization due to ideological voting differences (Dalton, 2008); the degree of polarization gives a different dimension to the centripetal forces that may inhibit or support governance.

We use Detlef Jahn's left-right analysis for our assessment (Jahn et al., 2018). Jahn (2011) bases his approach on Norberto Bobbio's differentiation of the parties according to their conceptualization of equality and inequality and the means to legitimize these concepts. Left-wing parties will push for greater equality, favouring such governance approaches as the welfare state and rights to education and healthcare. Rightist parties will prefer viewing inequality as the natural state of things. The more liberal approach focuses on the individual's freedom to make their own choices away from state involvement. Leftist-oriented parties tend to welcome state intervention to protect against market-induced inequalities and therefore tend to welcome state intervention to a degree greater than liberal rightist political positions that wish to maintain the natural social order, which might require some government intervention (Jahn, 2011).

Australia generally has had a stable set of parties dominate the lower house and government: the Australia Labor Party (ALP), the Liberal Party and the National Party (Economou, 2012). The Australia Labor Party (ALP) is the oldest Australian party (Aitkin et al., 1989). It constituted the Whitlam I and Whitlam II governments from 1972 to 1974, four governments under Hawke from 1983 to 1991, the Keating government of 1991–1996 and finally the Labor government of 2007–2013. The ALP has constantly placed itself on the left in terms of ideology, without some of the core leftist approaches such as nationalization (Jahn et al., 2018). There has been a tension in Labor's post-war ideological bent as it moved from a party for labour towards a social democratic ethos by the 1980s. The Hawke government notably pursued a liberal economic programme (Emy & Hughes, 1988). The Green Party merits a mention given its role in the important Australian Senate and in supporting a Labor minority government. The Greens are constantly on the left side of ideology but also relatively moderate on the desired imposition of control over the economy (Jahn et al., 2018). The core green ideological values mirror Green parties elsewhere, prioritizing public participation and democracy, social justice and ecological sustainability (Australia Greens, 2015).

As of 2018, the Liberal Party has governed in coalition with the Nationals (and previous incarnations) for 45 out of 65 years under

Malcolm Fraser (four times), John Howard (four times) and the two governments under Abbott/Turnbull/Morrison (Australiapolitics.com, 2015). The Liberal Party over its recent span has combined both liberal and conservative beliefs, including the primacy of the individual and a desire to restrain government intervention whilst protecting traditional societal values (Aitkin et al., 1989). Undergoing three name changes, the Nationals have widened their scope of protecting and enhancing primary industries to include the mineral and production interests and the rural voice against the dominance of the urban citizenry (Australiapolitics.com, 2015). The Nationals are more positive than the Liberals about government intervention, where government supports industry productivity and respects industry's views (Aitkin et al., 1989). Despite differences, the Nationals and Liberal coalition has remained cohesive in restraining government intervention and relying on free enterprise solutions.

Canadian politics witnesses the equivalent ideological tension between parties' different conceptions of the state's role, but with an added regionalism dimension. The federal Liberal Party governed from 1968 until 1979 and then 1980 until 1984, interrupted by the rule of a Progressive Conservative minority government. Founded in 1861, Liberals traditionally have sought to bring together the English- and French-speaking nations in Canada via policies such as bilingualism that go beyond the simple left-right dimension, enabling their competition against both left and right parties (Malcolmson & Myers, 2012). Especially in the 1960s, the Liberals focused on progressive social and welfare policies and accordingly a greater state role compared to the post-2004 Conservatives (Bickerton, 2014). The New Democratic Party (NDP), which has a left-wing agrarian and anti-market stance, pushed both the Liberals and Conservatives leftward. While the NDP has controlled several provincial governments, it has performed the role of 'third party' in most federal parliaments.

As explained below, the impact of market-oriented ideas shifted the Liberals and Progressive Conservatives rightwards on the issue of government intervention. Accordingly, Mulroney led the Progressive Conservative government from 1984 until 1993, when the Liberal Party under Jean Chrétien displaced the Progressive Conservatives. Chrétien and then Paul Martin, a successful Finance Minister associated with neoliberal fiscal reforms, led the Liberals in government until 2006. While the provincial Québec separatist party, the *Parti Québécois*, does not run candidates in federal elections, Mulroney lured some prominent *péquistes* into federal

politics under the Conservative banner, promising a more cooperative federalism. This policy's failure led to many Quebec conservatives defecting into a new federal separatist party, the *Bloc Québécois*, and significant Western political alienation and the formation of the Reform Party. The current Conservative Party was reformed out of the rump of the post-1993 Progressive Conservatives and the Reform Party in the run-up to the 2004 election. The Reform Party element of the Conservatives has dominated since 2004 in driving the ideological agenda around lower taxes, dismantling the roles and activity of the federal state and a greater market focus (Malcolmson & Myers, 2012). Not only has the Reform Party altered dramatically the balance within the Conservative movement, it has also influenced a rightward shift across all the Canadian parties in such elections as that in 1993 (Koop & Bittner, 2013). The Conservatives under Stephen Harper governed from 2006 until Justin Trudeau's Liberals regained power in 2015.

Putting aside German Democratic Republic (East Germany) politics, the German electoral system has largely seen the alternation of power between two larger centre-left and centre-right parties, operating in coalition with two smaller parties. Reunification has led to a declining vote percentage for the two dominant parties (Schmidt, 2003). In the 1970s, the Social Democratic Party (SPD) evolved from a more anti-capitalist, socialist position towards one using the market to uphold social justice and maintain the political economy and the welfare state—a 'social market economy' approach (Nachtwey, 2013); the SPD tended to favour a greater role for the states and labour interests (Jesse, 1997). Under Brandt, the SPD formed a coalition with the liberal Free Democratic Party (FDP), from 1969 until 1974; Helmut Schmidt led this coalition from 1974 until 1982. The FDP has defined itself as the Liberal Party seeking to promote individual freedom as well as the market and business. This distinguishes it from the relatively state interventionist and social protection focus of both the Christian Democratic and Social Democratic Parties (Patton, 2015).

After the 1970s there has been a shift towards greater economic conservatism in the 1980 and 1990s (Patton, 2015). Under Helmut Kohl, the Christian Democratic Union (CDU) and Christian Social Union (CSU), operating as sister parties that campaign together, displaced the SPD to govern with the FDP from 1982 until 1998 (Jesse, 1997). With the CSU generally more socially conservative and focused on policies that acknowledge Bavaria's important social difference and interests, the CDU

and CSU together reflect their Christian value systems; they promote private ownership and market principles constrained by a strong welfare policy and protection of family values (Falkenhagen, 2013).

Gerhard Schröder moved the SPD more to the centre-right, winning power between 1998 and 2005 in partnership with the *Bündnis 90/Die Grünen* (i.e. Alliance 90/Greens). The prototypical Green Party was officially founded in 1980 but merged with the East German Alliance 90 in 1993. In its move towards greater political organization, the Greens have retained their focus on environmental protection, social justice and peace (Patton, 2015). From 2005 to 2018, Angela Merkel and the CDU/CSU partnership alternated between forming a ('grand') coalition with SPD and one with the FDP. In the first Merkel Grand Coalition, the government managed to reform German federalism, reduce business taxes and reform family welfare programmes and pensions (Saalfeld, 2010). The SPD managed to secure certain welfare reforms in the second Merkel Grand Coalition (Faas, 2015).

Of our six countries, the Italian party and government evolution militates most against a chronological listing of governments. In the multi-party dynamics that lasted from 1946 to 1994 (the era of the First Republic), several core observations matter. First, the Christian Democrats (DC) were the dominant party, governing with various partners. After the World War II, the DC positioned itself as the party representing liberal democracy and the Italian ideological centre (Leonardi, 2017). It formed governments most consistently with the moderate left Italian Democratic Socialist Party and the centre-left Italian Socialist Party. Second, these parties were relatively centrist on core issues in the 1968–1992 period (Jahn et al., 2018), deliberately pushing the Communist Party to the margins. The DC also partnered with the two liberal parties, the Italian Republic Party and the Italian Liberal Party, with a moderately stronger orientation to market policies.

The 1992 Tangentopoli scandal (the widespread criminal investigation of Italian elites, including politicians) triggered the destruction of many of the First Republic parties, most significantly the DC. The end of the Cold War also led to the political change creating the Second Republic. A further development was the system's increased ideological polarization and moves towards more coalition competition (Jahn et al., 2018). Important elements of the hard left and right transformed themselves by the 1990s and flourished under the Second Republic. The Communists evolved into the Democratic Party of the Left, with a social democratic focus. The

neo-fascists moved into a more electorally compatible conservative position as the National Alliance (NA), joining the Berlusconi Coalition government in 1994; the NA focused on law and order and other traditional values (Newell, 2010). The 1994 government also involved the Lega Nord (LN), which championed a Northern regionalist cause, anti-corruption and a mixture of political elements including anti-globalization and anti-immigration. Silvio Berlusconi managed to head further Coalition governments from 2001 to 2006 and 2008 to 2011. Despite the alliances with the LN and NA, Berlusconi largely governed on a centre-right platform linked to his personality, enabling him to compete more effectively against the centre-left as a catchall movement appealing to liberals, the right and the left (Leonardi, 2017).

The social democratic Olive Tree Coalition managed to beat Berlusconi and his allies in the 1996 election and survive in power until 2001. It regained power in 2006 and transformed into the Democratic Party (PD). Both the Olive Tree Coalition and the PD aimed to create a progressive left coalition that could compete with Berlusconi and the right: it combined two Italian left traditions, Catholicism and Communism, and brought in smaller reformist and green parties (Ventura, 2018; Bull & Pasquino, 2018). The diversity of strands left the group vulnerable to centrifugal policies. Matteo Renzi sought to reconcile this by stamping the party with his personalized leadership and including some ideas attractive to the centre-right, such as market flexibility, school reform and the constitutional reform. The populist coalition, including a re-branded Lega Nord, replaced the PD in 2018 but is outside our scope (Tronconi, 2018).

Like the Italian First Republic, the Dutch electoral system gives scope for both new and small political parties (Krouwel & Lucardie, 2008), and some form of a Christian Democratic party governed the Netherlands from 1918 until 1994 (Pennings & Keman, 2008). As their electoral support declined, three Christian-based parties merged to form the Christian Democratic Appeal (CDA) in 1977 (Andeweg, 2008). The CDA generally has stressed traditional liberal market ideas and Christian values such as community and social solidarity. The Liberal movement evolved into two separate tendencies in the post-1945 era. Formed in 1948, the People's Party for Freedom and Democracy (VVD) has maintained a liberal view on individual freedoms and social matters but is more conservative and laissez-faire on economic policies (Andeweg, 2008). The Democrats '66 (D66) carved out a more progressive liberal position seeking to promote democratic reforms and a greater state role in economic

policy. The Christian Democratic politicians partnered the VVD to form a centre-right government (1967–1973, 1977–1981, 1982–1994); the VVD and the CDA embraced some neoliberal and market thinking, particularly in the 1982–1994 period.

For a shorter time period, the Christian Democrats formed centre-left cabinets with the progressive liberals D66 (1973–1977, 1981–1982) and the social democrats (1973–1977, 1981–1982, 1989–1994). The Party of Work (PvdA or Labour Party) has moved towards the centre and a Social Democratic approach to market capitalism since its founding in 1946 (Pennings, 2005). After the 1994 electoral battering, the PvdA formed a ‘Purple Coalition’ with the VVD and D66. Although it kept a mixture of centrist parties, the Purple Coalition shifted how it framed its approach to European integration, putting a greater focus on the Dutch national interest rather than unconditional pro-Europeanism (Hoetjes, 2018).

A strong rightward shift occurred with the CDA back in power in 2002 under Jan Peter Balkenende. The four Balkenende governments moved rightwards as a result of the 2002 election and the gain of the right-wing populism in the Netherlands (Jahn et al., 2018). Two right-wing populist parties, with radical stances on immigration, arguably have shaped the direction of Dutch politics despite their relatively short existence (Krouwel & Lucardie, 2008). The Pym Fortuyn List participated in the brief 2002 coalition. Geert Wilders and his associates founded the Party for Freedom in 2005, combining the immigration plank with tendencies towards liberal economic policies and anti-EU positions (Pennings & Keman, 2008; Aarts & Thomassen, 2008). The rightward change was marked for the government led by Mark Rutte and his VVD in the 2010–2018 period. The VVD and CDA both adopted ‘welfare chauvinism’ (i.e. negatively framing the immigration question in terms of trade-offs for the welfare system) in response to electoral pressure during 2007–2010 (Schumacher & van Kersbergen, 2016).

In the UK (where we review the Westminster system primarily given the England focus), the Conservative Party governed from 1970 to 1974, losing out to Labour in 1974; both parties shared a relative consensus supporting a broad welfare state and a mixed economy involving substantial government intervention and Keynesian policies (Budge, 1998). The 1979 election saw the rightward turn of the Thatcher Conservative government, embracing neoliberalism and diminishing both the state’s role and the constraints on the market. Nevertheless, the Conservatives contain more than one ideological strand, such as the more ‘One Nation’

Conservative mind-set (Clark, 2018). The 1997 New Labour government under Tony Blair sought to use a ‘Third Way’ to avoid both the left-leaning statist approach and the Thatcherite neoliberal statist approach (Gamble, 2010). Seeking more equality with respect to class and race, the New Labour position on using the market in public services, global competitiveness and the approach to fiscal policy and taxation remained in line with Conservative predecessors (Budge, 1998).

Emphasizing a mantra of global economic austerity, the Conservatives formed a coalition with the Liberal Democratic Party (a 1988 merger of the traditional Liberal party with Social Democrats that had defected from Labour). Focused on promoting individual freedom, the Liberal Democrats adopted a more centrist position in wanting welfare provision and extension of political rights (Clark, 2018). Despite the considerable differences including their respective EU approaches, the two parties formed a 2010 coalition that focused, among other things, on deficit reduction, restructuring government and altering education, health and immigration policies (Johnson & Middleton, 2016; Taylor-Gooby & Stoker, 2011). Following the 2015 election, the EU question and a redefining of UK-Europe relations have consumed the Cameron and May Conservative governments. With some efforts to modernize, the Cameron government continued to highlight the role of choice and competition (Smith & Jones, 2015; Clark, 2018).

In terms of how the array of parties maps on to the question of party polarization, Dalton (2021) ranks Italy, of our six countries, as having the highest party polarization using 1994 onwards surveys of how the public perceives the parties (i.e. the Italia data largely covers the Second Republic). Canada has the lowest polarization in roughly the same time period, with Australia slightly higher. Germany, UK and the Netherlands fall in between from lower to higher respectively, with UK showing a greater swing towards polarization since 1997.

4 TRANSNATIONAL IDEAS AND IDEOLOGIES

Sutcliffe-Braithwaite et al. (2021) argue that scholarship on neoliberalism has tended towards three strands (ideology, a form of capitalism and Foucauldian governmentality); we solely focus on seeing neoliberalism as a political ideology. Ideologies are relatively coherent sets of ideas that provide a doctrine and/or strategy for political behaviour (Adler, 1986). Built into this set of ideas will be a consensus on cause and effects,

necessary conditions and preferred outcomes concerning particular policy objectives that will orientate actors implementing policy change (Adler, 1986; Stråth, 2013). Although much of this analysis focuses on particular elites imposing a vision on the wider world, the reality is that successful ideologies will be promulgated into everyday policy activity (Stråth, 2013): ideologies must be collectively (i.e. involving both the elites and general population) produced and consumed (Freeden, 2006). At a broader macro level, ideologies focus on influencing the political arena and vie with each other over which set of ideas informs macro programmes for delivering and administering policy objectives (Freeden, 2003). Once ideologies are selected and enshrined in the governing arena, they then inform policies and over time become embedded in the policy-making processes. In doing so, these ideas shape the rules and norms that policy-makers operate under, define the policy programmes and instruments that are appropriate and indicate where to build political alliances with other like-minded or sympathetic actors (Goldstein, 1993; Hall, 1993).

To effect ideological change may involve various representations on the basis of knowledge and expertise, but political power and various material and immaterial resources are likely to be more influential (Hall, 1993). An accumulation of policy failures and anomalies may help to undermine the ideology informing current decision-making, but it is expected that policy-makers who uphold this ideology will look to stretch the ideological framework to cover new issues. It is often a change in who wields policy authority which creates the opportunity for the ideational paradigm shift to occur (Ibid.). Hence the potential significance of elections in creating opportunities for ideological change, although this may often be more apparent than real.

4.1 *Neoliberalism*

Neoliberalism is a broad ideology that has gained prominence since the 1970s throughout the world, including our case countries. Many of its core tenets have existed for longer, most notably in Friedrich Hayek's writings. It also has much deeper roots in the older ideological tradition of liberalism. The core values of the ideology focus on the belief that the economic market contains within itself the mechanisms to resolve the range of policy problems that faces humanity (Heywood, 2012).

A corollary belief is that states' efforts to intervene in economic and other policy problems are likely to be defective and at best inefficient.

Focusing on central government planning, Hayek (1991) argued that bureaucratic actors necessarily are more inefficient in their planning efforts because the scope of information involved in a given policy problem is too great for these policy-makers and the state to handle. By contrast, a market, when operating with minimal government interference, has a self-regulating mechanism of prices through which it effectively communicates to all the actors in the policy area.

Consequently, another core belief of neoliberalism is that the state's duty to govern on behalf of its people is best accomplished by maintaining the political conditions that enable the market to operate freely (Metcalfe, 2017). This active political intervention on behalf of the market partly distinguishes neoliberalism from the *laissez-faire* approach to markets; the neoliberals also followed free market tenets of nineteenth-century neoclassical economists (Harvey, 2005). Sharing not only some aspects of liberalism but also neoclassical economics, neoliberalism has a core belief about the need to structure political values around the role of individuals and economic competition and to re-make world society according to these values. The neoliberal state has the mission of facilitating conditions for markets and capital accumulation and mobility, and in doing so enshrines and guarantees individual freedoms (Ibid.).

There were numerous ideational strands in the neoliberal reaction to the perceived policy failures and the economic crisis of the 1970s. One core element was the argument that governments should break from big government and big bureaucracy approaches. National governments began reforming their bureaucracies to make them more business-like—to save money, increase efficiency and oblige public bureaucracies to be more responsive to citizen-users (Pollitt & Bouckaert, 2011). Christopher Hood (1991) labelled the overarching idea behind such reforms 'New Public Management' (NPM). NPM can be broadly defined as the application of private sector management ideas and market concepts to the public sector. NPM encompassed corporate management, which imported private sector principles to the public sector (Hood, 1991). Management improvement, goal-oriented planning and budget reform were all central to system reforms in the 1970s and 1980s, as seen in Great Britain and Australia (Considine & Lewis, 1999). The NPM approach substituted the traditional notions of regulation by statute and reward via a career service, with private ownership, competition and market incentives. It structured the internal elements of public organizations through actual or

quasi-markets and real or hypothetical tests of consumer demand, privileging cost over reliability as the primary value (Ibid.).

Turning to our case countries, the UK is most closely associated with the spread of neoliberalism; it was at the forefront of the 1970s governance efforts to harness neoliberal ideas, particularly as promulgated by the Chicago School of economists such as Milton Friedman, and change the way states govern. The macroeconomic struggles to cope with 1970s stagflation and other policy problems helped undermine the dominant Keynesian ideological approach (Peck, 2010). With the 1979 installation of the Thatcher Conservative government, we observe a classic ideological paradigm shift. Embracing the neoliberal precepts and monetarist solutions promulgated by Friedman and others, Margaret Thatcher's government dethroned the dominant post-war ideology consisting of Keynesian economics and the desire to embed social welfare protections against the cycles of the market (Ruggie, 1982; Harvey, 2005). The UK state actively facilitated a process of privatization in areas such as housing (Dodson, 2006).

Two important qualifications are necessary here. First, it is worth emphasizing that the 'Thatcher Revolution' did not overturn significant parts of the post-war political-economic approach, especially given the visible, stable popularity of the National Health Service. Nevertheless, as Chap. 4 discusses, neoliberal thinking has still managed to influence UK health service governance.

Second, we must not overlook the pioneering historical importance of Germany's particular strand of neoliberalism. Often referred to as Ordo-liberalism and/or the Freiburg School, this neoliberal strain was born in the political, economic and social upheaval of 1920s–1930s Weimar Germany. The Ordo-liberal thinkers created a vision that enshrined the importance of a strong state that could restrain competition and secure the necessary preconditions for economic liberty (Bonefeld, 2012). Rejecting the idea that the economic realm can organize itself, the Ordo-liberalism was an alternative to *laissez-faire* liberalism, which ignores the social impact of capitalism and also the threats to freedom. The core values that underpin Ordo-liberalism were the goals of promoting both enterprise and entrepreneurs in the face of competitive market pressures and the demands for societal protection (Bonefeld, 2012; Peck, 2010). The thinking behind this approach informed 1950s public policy when the West German Government was designing its social market economy, combining free market economics with a social welfare system (Toke & Lauber, 2007). Although the neoliberal thread associated with the Chicago School

and Anglo-American thinking has spread to Germany, the *ordo-liberal* elements of the social market economy remain, stressing the need to limit both economic and political actors' power (Ibid.).

Given the political and economic linkages between our two Commonwealth countries and the United States and UK, the impact of neoliberal ideology on Australia and Canada from the 1980s onwards is unsurprising. Australian think tanks articulated 'new right' arguments that reflected the Anglo-American neoliberal approach (Orchard, 1998). A formidable argument developed in Australian public administration around the need to limit the powers of the state by moving towards decentralization of powers, limiting taxations, putting greater reliance on market mechanisms and so forth. The distinction between the economy and other aspects of national interest started to blur (Hindess, 1998). Australian federal governments gave weight to a series of significant public management reforms, privatization of state assets and evaluation of outcomes (Pollitt, 1995). Nevertheless, the nature of Australian federalism has meant that the implementation of neoliberal approaches in areas such as housing has varied widely across the states and territories.

Such variation in applying neoliberalism unsurprisingly also occurs in Canada, with the federal government and the Alberta and Ontario provinces reflecting a stronger neoliberal approach than, for example, the Quebec province (Clark, 2002). Over the 1980s, British Columbia and Saskatchewan provincial governments undertook public service reforms focusing on deficit reduction and downsizing governmental effort. In the 1990s the Canadian federal government followed suit as did other provinces (Ibid.). Simeon et al. (2014) argue that, under the Harper government, neoliberalism and the austerity mantra drove a vision of the federal state where the federal government withdrew from working directly to shape how the federal system operated, leaving the provinces to take the decisions. Canada embraced managerialism as the first wave of NPM, but more rarely ventured into markets and contracting out; Canadian NPM efforts in the 1980s and 1990s tended to be more sporadic (Pollitt & Bouckaert, 2011).

Neoliberalism has impacted Italian policy-making but often interacted with other national traditions and approaches. In the 1980s, the Italian government shifted its financial approach away from the more Keynesian market management approaches (focusing on economic growth and employment) to more monetarist policies (Quaglia, 2005). The 1990s saw the Italian leadership push for price stability and entrance into the

EU's Eurozone, with all the long-term consequences for budget constraints. There was also a liberalization of capital and credit and of various markets, including energy (Newell, 2010).

The Netherlands also relied on European integration to bolster its domestic policy agenda while maintaining an indigenous approach to consensus-based decision-making politics (*polder*), corporatism and welfare policy balancing with its pursuit of transnational markets. The worst Dutch post-war recession occurred in 1981, opening the door to neoliberal ideas and re-thinking socio-economic policies (van Apeldoorn, 2009). Fears of Dutch enterprises losing global competitiveness triggered a shift in the balance between Dutch capital and labour unions, with the trade unions signing up for wage restraint in the 1982 Wassenaar Accord (Hemerijck & Visser, 1999). Keeping some distance from the Thatcherite approach to neoliberalism, the Dutch centre-right government nevertheless pushed for more market solutions, more privatization, less government spending, a reorganization of government expenditure, deregulation, decentralization, the reduction of government personnel and reorganization of the public service (Karsten, 1999). This was followed by a move of the centre-left in the 1990s towards the 'Third Way politics' also seen in the UK.

5 COMPARATIVE SUMMARY

This chapter has detailed how our independent variables shape the context in which changes of governance and policy occur in our case studies. The chapter also allows us to understand how these dimensions can shape national differences in the approach to governance and policy change. Table 2.1 summarizes the comparison of the six countries but leaves out the EU. We restricted the EU discussion to examining the EU's impact on its Member States, stressing that the EU has considerable institutional governance over certain issue areas. It is also arguable that the EU has reinforced certain ideational priorities that align with neoliberalism (hence why it was compatible for Thatcher to support and sign the Single European Act renewing the push to complete the Common Market) but also policies that focused on social policy and protection. We accept that neoliberalism and new public management are transnational ideas that have received some impetus from transnational organizations such as the EU.

Table 2.1 Country comparison summary chart

<i>Country</i>	<i>Institutional</i>	<i>Political positioning</i>	<i>Ideology</i>
Australia	Dual federalist with federal encroachment and some collaborative mechanisms	The Labor Party formed a progressive left government in 1972–1974, 1983–1996, 2007–2013, alternating power with the coalition	Anglo-American neoliberalism has considerable but variable impact
Canada	Dual federalist with the most competitive and decentralized federal structure	1968–1984, Liberal and conservative governments: relatively interventionist. 1984–2006, progressives and liberals more neoliberal austerity focused 2006–2015, Conservative Party greater rightwards turn	Anglo-American neoliberalism influences but provincial implementation varies
Germany	Cooperative federalist with more centralized financial system and coordination committees	Progressive left SPD-FDP coalition: 1969–1982. More centre-right coalition: 1982–1998, a centre-left SPD-Green coalition 1998–2005, relatively centrist coalition: 2005–2018	Core ordo-liberal pioneer, with Anglo-American neoliberal incursions
Italy	Unitary system with a regionalized and shared power mix	Centrist coalitions featuring CD politicians until 1994 Post-1994 alternating centre and rightist coalitions	Neoliberalism has impact but translated through Italian institutions and traditions
The Netherlands	Decentralized unitary state with responsibilities spread	1970–1994 CD alliances with left and liberals; the Purple Coalition in 1994–1998 Post-2002 shows rightwards VVD and CDA shift	Neoliberal ideas taken and translated into Dutch traditions

(continued)

Table 2.1 (continued)

<i>Country</i>	<i>Institutional</i>	<i>Political positioning</i>	<i>Ideology</i>
The United Kingdom, focusing on England	Unitary state with asymmetric, limited decentralization for England	The Conservative government changes some of the state governance radically, 1979–1997 New Labour pursues Third Way agenda, 1997–2010 2010+ governments face austerity and EU membership politics	One of the main 1970s champions of neoliberalism, but not extended to all areas of UK governing

Starting with the institutional structure, Australia over the time period studied in this book has had more of a dual federalist structure than Germany, but also arguably more collaborative efforts than found in Canada. Separately, however, we highlight the steady increase of the Commonwealth policy-making role and its control over direct taxation. The Canadian federal system by contrast has evolved increasingly towards a decentralized system where public policies reside at the provincial level. Canada represents the extreme in terms of the competitive and centripetal federal dynamic, especially in comparison to Germany's more cooperative federal approach. While the German Basic Law protects certain exclusive powers for the federal level and concurrent powers for the *Länder*, there is a strong centralizing element in revenue collection and distribution. Nevertheless, there is a realm of coordinating arenas that facilitate communication, discussion and joint decision-making.

Turning to the unitary states, we find a greater complexity in the multiple governance levels than the generic unitary label suggests. Efforts to create a federal system in Italy failed, but an important devolution of powers to the regions occurred, granting the subnational governments greater powers and more financial autonomy. Although the Dutch central government retains the powers to dissolve and create subnational government, the subnational levels have substantial autonomy and policy responsibilities. To a degree like Italy, the UK has witnessed a partial decentralization, although England has seen the least movement in this direction. In the English context, much of the focus has been on local authorities and economic development, operating under severe budgetary constraint since 2010.

Shifting to the positioning of governments and their dominant political parties, Australia witnessed an important progressive Labor government under Whitlam. The Liberal Coalition moved back rightwards under Fraser, focusing on restraining government intervention. In contrast to the 1970s, the Labor government ruled from 1983 to 1996, revealing a much more liberal approach to economic policies in the Hawke government than its Whitlam predecessor. The Howard government moved government policy much more rightwards, focusing on free enterprise solutions. The Labor majority and minority governments of 2007 and 2013 sought out more progressive, including environmental, positions before losing to the rightist Coalition in 2013.

Canada saw a relatively stable period under the Liberals with one instance of Progressive Conservative rule between 1969 and 1984. Both parties took a relatively left progressive view of state intervention in economic and welfare protection. The Mulroney Progressive Conservative term witnessed moves towards market-oriented approaches. The 1993–2006 Liberal government largely kept this right of centre approach, bringing in various government spending cuts. This rightward focus became even stronger under the Conservative Party's current incarnation, reflecting the dominant role of Harper and the Reform Party seeking to dismantle state activity.

From 1968 until 1982, Germany's SPD and FDP formed a progressive centre-left coalition focusing on combining social justice and the welfare state with a focus on the health and growth of the market. The CDU/CSU coalition under Kohl (1982–1998) moved the balance rightwards with a focus on traditional values, private ownership and market principles but nevertheless retained a strong prioritization of the welfare state. Reunification saw all parties embrace the notion of intervention in order to integrate both East and West. Although moving further rightwards than the SPD of the 1970s, Schröder led the SPD to push for not only economic reforms but also environmental protection and social justice in line with its coalition partner. Since 2005, the two major catchall parties, the CDU/CSU and SPD have more often than not had to form a centrist alliance that allowed each side to appeal to their constituencies.

From 1970 to 1994, the Italian First Republic saw the dominant positioning of the Christian Democrats and the exclusion from government of the Communists. The DC formed various alliances with Liberals and Socialists to form centrist governments. After 1994 and the change to the Italian Political system, we see an alteration between coalition parties. On

the whole, these coalitions have been relatively centre-right and centre-left despite their component political organizations sometimes including for example neo-fascists. This has been a period of Italian national politics where personalities have had a more consistent presence than ideologies.

In the Netherlands, the Christian Democrats have been especially prominent from 1970 to 1994. There was an important CDA and VVD alliance in 1982–1994 that highlighted new governing approaches. After 1994 the PvdA formed a coalition with the liberals that took a centre-left focus whilst keeping out the Christian Democrats. There was a substantial shift rightward after 2002 with the Balkenende governments more focused on anti-immigration and nationalist policies. Rutte and the VVD continued this rightward position in 2010–2018.

The 1979 Thatcher government ended the broad Labour-Conservative approach to governing. It sought to combine its One Nation traditions with the neoliberal thinking. Although placing a greater focus on equality and social justice issues, the New Labour approach from 1997 to 2010 showed a willingness to embrace much of the market approach to governing and public services that the Conservatives had followed. The 2010–2015 Conservative/Liberal Democrat Coalition had perhaps its greatest impact on reducing government spending and restructuring government. The Conservative governments that have followed have sought to keep something of a modernizing agenda, but the EU membership issue has dominated.

Switching to ideologies and ideas, Australia and Canada show Anglo-American ideational influences. Australia embraced both the Anglo-American neoliberal thinking; both Labor and Coalition politicians pursued more market mechanisms, for example. Nevertheless, the neoliberalism impact was not cohesive in the federal context with variations in the states and territories. The Canadian political arena saw an equal public embrace of the neoliberal agenda, particularly in the Harper era, but with parallel provincial variation.

The three continental states have studied the ideology and assorted ideas attached to neoliberalism, but the filter of the national state traditions has remained strong. Germany remains one of the pioneers of the neoliberal thinking with the *ordo-liberal* approach that puts a very different valuation on the state's role, compared to the Chicago School. Germany has not been immune to all Anglo-American thinking but uniformly has sought to incorporate in the traditional German statist approach.

The Italian policy-makers have certainly engaged with both neoliberalism and the principles of NPM. NPM principles have found themselves embedded into reform efforts, but the longer-term success of these efforts has been limited. Perhaps more influential has been the neoliberal thinking that has informed the Italian relationship to the EU and informed important choices to join the Euro and adhere to the strict fiscal and monetary policies as a result. The Netherlands has certainly incorporated neoliberalism in its policy reforms, but in combination with Dutch governing traditions and prism of governing. Finally the UK has been an avid champion of the Anglo-American approach to neoliberalism and new public management. This has cut across both sides of the ideological spectrum. Nevertheless, even in the height of Thatcherism the revolution had its limitations.

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The Education Policy Sector

I INTRODUCTION

Educational policies are highly idiosyncratic; because they are deeply rooted in national history and tradition, they are subjected to strong, pervasive policy and institutional legacies (Green, 1990; Kennedy, 1997). Thus, reforming educational policies is a very complex matter since it implies changing the traditional institutional architecture and deep-rooted, historical social values and perceptions of what education should be.

Like other policy fields, education policies have undergone substantial change in recent decades, and inherited governance modes have been subjected to constant government attempts to change the overall performance of national educational systems. The majority of such reform policies can be interpreted as reforms of governance modes and as policy tools through which educational services are delivered. This redesign of governance modes has taken various directions in different countries, and such national trajectories are very difficult to categorize owing to the idiosyncratic character of education. However, these countries share the fact that their final outcome has been shaped by the key central role of governments in steering the system (Capano, 2011; OECD, 2015).

Over the last three decades governments have intervened to redesign governance modes in education through a process in which the same policy tools have been mixed in different ways to provide substantially similar

results: the stronger role of government (through a mix of new regulations, assessment and evaluation, and new financial incentives and leverages); the stronger role of stakeholders (primarily families, owing to a more transparent system of systemic features and performance); the greater ‘targeted’ autonomy of educational institutions (which are led to behave in a specific manner and to be more accountable by governmental steering at a distance); and the increased competition and greater room for private schools. Thus, the toolkit has remained the same, as has the move towards new governance modes, although the contents and final results of change in terms of governance modes have substantially differed.

2 POLICY INSTRUMENTS IN EDUCATION POLICY: GOING BEYOND THE NEOLIBERAL RHETORIC?

Scholars of comparative education have emphasized how the last four decades of educational reforms have been characterized, under the influence of a globalized paradigm, by a progressive marketization. The neoliberal narrative has been quite strong and pervasive in education policy, and this is not unexpected if we consider how this field is characterized by deep ideological beliefs. It should be immediately clarified that, in the neoliberal narrative, marketization is intended to be a voracious and gigantic beast capable of radical change both inside and outside school systems.

Marketization from this point of view can be defined as a situation wherein several producers compete over public tasks or when internal steering systems are developed with the market and industry as models. A more detailed and pervasive definition of marketization considers it as an internal/external dynamic through which education is radically marketized. From the internal point of view, marketization is defined as the adoption of new public management techniques; conversely, from the external point of view, the emphasis is placed on the inclusion of private actors and industries as privileged partners of schools (Ball & Youdell, 2008; Whitty, 2009). This process of marketization and privatization is driven towards transforming education into a fully commodified good (Verger et al., 2016). Thus, according to the neoliberal perspective, it is expected that hierarchy should have significantly decreased as a systemic coordination principle while market and networks should have become the leading ruling principles.

Is this true in practice? An instrumental perspective could be helpful in grasping whether and how neoliberalism has triumphed in education policy. By unpacking these concrete policy practices it is easier to understand whether and how policy reforms in education have been designed and whether and how the neoliberal paradigm has really prevailed.

Thus, regarding the policy tools, Table 3.1 presents a list of potential policy tools (grouped according to three key instrument types and classified according to their prevalent hard or soft nature) to be adopted in order to change governance strategies and which may be considered in analysing education policy (Whitty et al., 1998; Hannaway & Woodroffe, 2003; Hudson, 2007; Maroy, 2009):

Regulatory Tools Regulatory instruments are obviously widely adopted in education policy. Some of them are hard instruments; thus, they are assumed to have a high level of compliance, and they can be defined as

Table 3.1 The policy tools particular to the education sector

Regulatory tools	<i>Hard</i>	<ul style="list-style-type: none"> • The centralization/decentralization of the systemic governance • Institutional autonomy (four basic dimensions: staffing, budgeting, teaching, managing) • Structural reorganization • Teacher training and licencing • Accreditation • Inspection • Regulatory/evaluation agency • Large-scale testing of students • Intergovernmental agreements
	<i>Soft</i>	<ul style="list-style-type: none"> • Agreements/contracts • Parental choice • National framework for school curricula • Intergovernmental agreements
Economic tools	<i>Hard</i>	<ul style="list-style-type: none"> • Programme-targeted funding • Performance funding • Performance-related salary for teacher schools
	<i>Soft</i>	<ul style="list-style-type: none"> • Vouchers • Lump sum funding • Subsidies
Information tools	<i>Hard</i>	<ul style="list-style-type: none"> • Evaluation of individual schools
	<i>Soft</i>	<ul style="list-style-type: none"> • Transparent, well-established systems of information for the families of students • Ranking

follows: The centralization/decentralization of the systemic governance (i.e. the distribution of powers and responsibilities among the different level of governments) is used by governments (predominantly national governments but also state governments in federal countries) to continuously redesign the distribution of powers in systemic governance. Furthermore, this type of instrument can be arranged differently according to the school tier. For example, in centralized systems, municipalities and local government often play a significant role in primary schools while being completely excluded by the governance of high schools. Institutional autonomy features four basic dimensions of school autonomy: staffing, budgeting, managing and deciding the content of the teaching. Government can decide how much autonomy schools can hold.

- Institutional autonomy has been a pillar of the governmental strategies over the last few decades, albeit in different ways and with different intensity placed on each of the four dimensions.
- Structural reorganization is a governmental tool through which the organizational characteristics—class sizes, dimensions of the schools and specialization of the different school tracks—of the system (and even of institutions) is designed.
- Teacher training and licensing is a fundamental tool through which governments have the means to ensure specific minimal standards for the quality of teaching.
- Accreditation is a vital tool in countries where there is a relevant role of private schools and where private schools need to supply a certification of their standards.
- Inspection is a hierarchic tool that is used to assess the level of compliance of schools with respect to specific standards and can be considered a fundamental tool in guaranteeing accountability of schools.
- The large-scale testing of students is a tool that can be considered one of the new governance tools in education because it has been progressively introduced in many countries to counterbalance the increased institutional autonomy of schools. Together with inspection, large-scale testing plays the role of a main accountability tool.
- The establishment of a national or federal agency involved in the regulation and assessment of schools is crucial in addressing the performance of schools and improving government presence and oversight in the field.

The regulatory family of policy instruments also includes three soft tools. Agreements or contracts can be used in specific national or local contexts through which the public institutions and schools can agree on specific educational goals and standards to be reached. Parental choice is a tool that can be designed different ways (e.g. with and without vouchers) through which parents are left some freedom in choosing the schools in which to enrol their children. A national framework for school curricula is common and, according to the different national characteristics of the school system, is thought to provide some common content for education.

There are special cases of intergovernmental/cooperative agreements that can be adopted in federal states. These cases cannot be clearly classified as either hard or soft types of regulation because their characteristics depend on the institutional arrangements and federal dynamics.

Economic Tools Economic tools in education policy are quite distinctive; in fact, they are not only those instruments through which funding is allocated to schools, but they can also be the means through which a certain grade competition mechanism can be implemented across schools. Economic tools can be very hard in terms of induced behaviour; this is due to the types of funding related to reach specific goals or to increase the performance (e.g. programme-targeted funding, performance funding and performance-related salaries for teachers). However, they can be less coercive, leaving schools the ability to decide where to assign their money from lump sum funding and subsidies, and how to redistribute the same to families through, for example, vouchers. It is interesting to observe how competition could be introduced through both hard instruments (performance funding) and soft tools (vouchers).

Information Tools Information tools are instruments through which students' families and wider society can be informed of a school's characteristics. They can take the shape of results of different types of evaluations and assessments (primarily the national test assessment), rankings produced by private and public institutions and transparent sets of institutional information that schools are obliged to make public by governmental regulation. Many informative tools have been developed over the last few decades as fundamental tools that allow families to orient themselves in the highly differentiated world of more autonomous schools. Information tools are usually soft tools except in cases where the evaluation of schools has specific results in terms of funding. However, it has to be underlined

that these kind of tools can have unexpectedly strong impact on the choices of families and students.

The subdivision presented in Table 3.1 is quite general since, as already discussed, it is quite difficult to identify pure types of governance modes in reality. However, this scheme remains useful for ordering the complex reality of governance shifts at the national level. Thus, in reconstructing the historical sequence of reforms of governance in education in Australia, Canada, England, Germany, Italy and the Netherlands, specific attention will be paid in observing when and how the above-listed instruments were adopted to understand the specific national choices in terms of the combination of instruments at their disposal.

Regarding the three analysed federal states, the focus will be placed on the role of the federal government, with only a few references to the developments at the state level.

3 AUSTRALIA

3.1 The Premises of the Governance Developments: Constitutional Provisions, Starting Points and Critical Junctures

To understand the historical developments of the governance mode of education in Australia, it is necessary to remember that in 1974, on the basis of a specific interpretation of Section 96 of the Constitution,¹ the Commonwealth (i.e. the federal government) started to partially fund both public and private schools. This decision represents a watershed in the dynamics of Australian education policy as it has represented the ultimate blurring of the dual federal structure in education—which became the responsibility of both levels of government—and the transition towards a system of cooperative federalism which some scholars have called ‘coercive’ (Mathews, 1977). As a result, education has become a ‘shared’ policy that is vital in aiding the federal government in addressing the system and promoting reforms. Furthermore, it must be underlined that education has been at the core of the political agenda of all Australian governments

¹Section 96 provides: ‘During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit’.

since the 1970s. This process began in 1972, when the Labor Party won an election after years in opposition, and established the Interim Committee for the Schools Commission (ICSC), which can be considered the ‘ideational’ origin of the reforms that followed. After this date, the various steps in the evolution of Australia’s policy dynamics began to be linked to changes in the ruling party. Thus, what should be pointed out here is that the dynamics of education policy is characterized by the ruling party’s specific emphasis on educational policy, which has remained a constant theme of Australian government action.

Two critical junctures may be identified at the national level:

1. The period from 1972 to 1975, when there was a significant shift in Australian educational policy and its governance modes. This shift centred around two fundamentally important events: the victory of the Labor Party (whose electoral manifesto was centred on the promise of a radical education reform) and the report issued in 1973 by the Interim Committee for the Schools Commission (Karmel et al., 1973) that established guidelines which represented a substantial break from prevailing education policy values of the time. In fact, the Karmel Report recommended the following forms of policy development: the devolution of power from central state departments to the country’s schools, the increased involvement of parents and communities in education, greater equality in schooling and the institutional acceptance of the dual system (which was still a conflicting issue for Australians).²
2. The profound economic crisis that hit Australia at the beginning of the 1980s, which enabled Prime Minister Hawke to launch a wave of neoliberal reforms, with education reform playing a prominent role. The ideological basis of this reform strategy (also known as ‘corporate federalism’) represented a significant shift towards a more general cooperative framing of Australian federalism and a more substantial role for the Commonwealth in coordinating and steering not only higher education (after the 1974 agreement, through

²The Australian school system is of a dual character due to the presence of a non-governmental sector that is substantially independent from governmental regulation and which, one century later, began to be funded by federal and State governments significantly starting from 1946. In the early 1970s, private schools accounted for 22% of all school pupils in Australia (Dudley & Vidovich, 1995).

which the federal government took full financial responsibility for Australian universities) but also primary and secondary education as well.

Before the beginning of the real reform process (i.e. prior to the implementation of the new steering role of the federal government) the characteristics of governance in education at the state level was characterized by a high level of centralization. Thus, the governance mode of schools' policy was steered by the provincial government through hard regulations. Furthermore, the role of the federal government was only to distribute specific target funding.

3.2 *1983: The Neoliberal Turning Point—Corporate Federalism in Education*

Australia's reform process got underway during a lengthy period of Labor Party governance (1983–1996). Under the umbrella of the so-called corporate federalism, then-Prime Minister Robert Hawke launched a plan designed to revive the economic position of Australia, which was undergoing a substantial period of economic crisis; the plan was based on a neoliberal policy in which education was considered key to the nation's interests (Lingard et al., 1993).

In 1987, this focus on education was put into practice through the following educational measures (DEET, 1993):

- The reinforcement of the federal bureaucracy's role through the establishment of a new Department of Employment, Education and Training (DEET);
- The launch of several recurrent tied grants to state education departments for school education under 'resource agreements';
- A capital grant programme;
- Various special grants for specific key issues such as equity, gender and language;
- The reformation of guidelines for the teaching profession and the establishment of the Advanced Skills Teacher position.

In a 1993 attempt to better coordinate Australia's new federal approach to education, the Ministerial Council of Education, Employment, Training and Youth Affairs (MCEETYA) was set up. This body began work on the

coordination of a number of important projects, including the establishment of a common school starting age and a common measure of scholastic performance (Jones, 2008); however, clear difficulties were encountered in implementing shared strategies across Australia's various states.

3.3 The Difficult Implementation of the Hawke Reforms

Certain problems were encountered when it came to implementing these plans, due to the states' sole jurisdiction on education matters; nevertheless, they represented the first clear sign of a radically different approach to steering and managing education in Australia. This input was followed in a radical way by the State of Victoria, which introduced the 'School of the Future' programme (1992–1999; under a Labor government). This state reform was important not only for its effectiveness but also because it has since become the benchmark for Australia's other states and a template that all subsequent Australian governments have tried to adopt. The fundamental cornerstones of this reform programme were as follows: the attribution of greater autonomy to schools—more than 90% of the state's education budget was directly allocated to schools, and school heads were strongly empowered regarding the recruitment and promotion of staff; additionally, charter schools were set up—and the introduction of a centralized curriculum and of state-wide testing and reporting (Caldwell, 1998). The example set by Victoria State has gradually been followed by Australia's other states as of 2008 (Hinz, 2010).

3.4 The Introduction of National Evaluation and Coordination Instruments

Under the subsequent Conservative government, the same strategy continued to be pursued, and it was indeed radical. For example, in 1997 the provision of private schools was deregulated, and in 2000 the voucher system for funding of private schools was changed and reinforced (Meadmore, 2001). In 2000, the Commonwealth and the states agreed on a common national test to be implemented by 2008. In 2004, a Federal Act required school authorities to strictly comply with reporting and accountability requirements, and in 2005 the federal government asked all states to adopt new reporting standards for all parents. In 2006, plans were put in place for the creation of an Australian Curriculum, Assessment

and Reporting Authority (ACARA), and this was finally implemented in 2008 by the then-sitting Labor government.

In 2008, under Rudd's Labor government, the Commonwealth and Australia's states signed the National Education Agreement under the supervision of the Council of Australian Governments (COAG), according to which Australia's schools were to pursue a common set of performance targets. Between 2011 and 2012, the MCEETYA was abolished and replaced by two different standing councils within the COAG: the standing council on [School Education and Early Childhood](#) and the standing council on [Tertiary Education, Skills and Industry](#).

Thereafter, the national curriculum project was launched and was fully implemented by 2012, together with the National Assessment Programme. Furthermore, the new Labor government, headed by Julia Gillard, launched a renewed strategy of reform which capitalizes on previous efforts made by the Commonwealth over the past three decades and on the practices implemented in certain Australian states, such as the above-mentioned State of Victoria. The key objectives of this recent strategy include a pay-per-performance scheme (to better pay the best teacher), the implementation of the School of the Future (the Victoria State reform) in a trial sample of 1000 schools in 2012 and 2013, and financial rewards for schools that achieve the greatest improvements across a wide range of areas.

Finally, through the National Agreement in Education, effective from July 2013, the Commonwealth has decided to increase the funding in education via specific contracts with the State through which a clear set of goals is stated. The substantial funding increase is the consequence of the Gonski report, which made it clear that Australian schools are underfunded with respect to their mission (Australian Government, 2011).

It has to be emphasized that in September 2013 the Liberal-National Coalition won the election, and the new Labor reform continued to be implemented. However, the Conservative government announced plans to stop the new funding system in 2017; at the same time, it launched a public discussion on reform to the way of working of Australian federalism and also proposed to consistently decrease the role of the Commonwealth in funding the states' school systems. However, this discussion did not change the role of the federal government; rather, the Coalition government reinforced the financial steering of the overall system by launching the Quality Schools Agenda. This programme planned to double the public investment in schools between 2018 and 2029. This financial plan has been prepared by following the suggestions of the 2018 Review to Achieve Educational

Excellence in Australian Schools, also known as the Gonski 2.0 report (Australian Government, 2011), that have been introduced in the new National School Reform Agreement through which the Commonwealth has linked new funding to specific goals (Savage & O'Connor, 2019). This new agreement ensures that by 2023 private schools will receive 100% of the recommended funding under the specific governmental parameters, while the government schools will get, at most, 95%. Substantially, it has been decided that a pivot to a needs-based funding model is not very performative, especially from a federal point of view (Savage, 2016).

3.5 *The Actual Governance Mode*

According to the proposed reconstruction, the governance mode of Australian education policy is characterized by the significant role of the federal government; however, this has clearly shifted towards an interventionist role with respect to the simple partial economic targeting anticipated by the past. As shown in Table 3.2, the federal government has

Table 3.2 Australian education governance (federal dimension) in 1983 and 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Hard/soft dimension</i>
1983		
Regulatory		
Financial	<ul style="list-style-type: none"> • Target funding • Funding of private schools 	<ul style="list-style-type: none"> • Hard • Soft
Informational		
2018		
Regulatory	<ul style="list-style-type: none"> • State centralization of the curriculum/the pursuit of a National Curriculum • National Assessment of Schools • National Education Agreement • Provincial Assessment of Schools • In certain States, a significant degree of devolution of powers to the schools 	<ul style="list-style-type: none"> • Soft • Soft/hard • Soft • Hard • Hard
Financial	<ul style="list-style-type: none"> • Transparency of data • Target funding • Performance/quality-related funding 	<ul style="list-style-type: none"> • Soft • Hard • Hard
Informational	<ul style="list-style-type: none"> • Transparency of data • Ranking of schools 	<ul style="list-style-type: none"> • Soft • Hard

entered the field by using various centralizing instruments of coordination, especially through different types of regulation and information. The rising importance of the federal government in this respect is indicated by the number of regulatory and information instruments adopted. These are mostly soft instruments, and a package clearly constraining the role of states is assembled in a way that suggests that schools are very controlled in their behaviour.

4 CANADA

4.1 The Premises of the Governance Developments: Constitutional Provisions, Starting Points and Critical Junctures

According to its constitution, Canadian federalism is a pure type of dual federalism; consequently, all powers regarding educational matters are allocated to the provinces, although the federal government remains responsible for funding First Nation Canadians and for allocating federal funds in order to redress any imbalances between provinces due to their diverse revenue-earning capacities. The centrifugal nature of Canadian federalism has limited the possibility for a high level of federal government intrusion. However, there have been various attempts towards overcoming this limitation. First, in 1967, the Canadian Ministers of Education Council (CMEC) was established to represent a symbolic action in response to the challenges in education policy in a country that is unique in that it does not possess a central or federal ministry of education.

In this context, the only relevant critical juncture of any real importance at the national level seems to have been the period mid-1990s/2000s when, owing to the 1995 financial crisis, the Canadian federal government reduced funding to the provinces, with a relevant impact on provincial policies on education.

Before the reformistic season, which began in Canada in the 1990s, the hierarchical coordination principle (i.e. the provincial government being responsible for education) was a relatively light one, with powers shared with the schools' boards, which had some power over the independent collection of revenues and the schools themselves. This meant that schools enjoyed a certain degree of freedom to decide on teaching matters. This moderate centralization was favoured by the country's constitutional provisions—historically speaking, the Canadian school system has always been locally based. However, the central provincial departments of education

oversaw the management of the overall system (Fleming, 1997). Thus, it can be said that the Canadian case was characterized by the presence of highly regulated dynamics in provincial governance. Regarding the federal government, it must be stated that it had developed various cost-sharing programmes especially regarding vocational education, by deciding independently and often without any consultation with provincial executives (Watts, 1996). Furthermore, a dense network of interprovincial consultations has been implemented and many pan-Canadian conferences on education have been held (Wallner, 2014).

4.2 *The Attempts to Coordinate the Dualistic System and the Waves of Provincial Reforms*

In 1967, the Council of Ministers of Education, Canada (CMEC) was established to facilitate intergovernmental coordination and improve the relationships between pan-Canadian education organizations. In 1993, the Victoria declaration strengthened the pan-Canadian convergence of education policy, particularly in terms of curriculum design and performance assessment. Another important aspect of this strategy of convergence has been the creation, by the federal government, of the Canadian Council on Learning. Furthermore, in 2007 the CMEC launched the Pan-Canadian Assessment Programme, which is based on the voluntary participation of Canada's provinces and is designed to provide a uniform measure of student proficiency. Furthermore in 2013 ministers agreed that 'numeracy' should be a common target for in all the provinces.

This attempt to build a national education policy while respecting the dualistic structure of Canadian federalism has clearly been inspired by the logic of designing a governance system based on results. From this point of view, it is quite clear that both tiers of government have strengthened their respective roles: provincial government has found a way to legitimize internal reforms (in the name of standardization and in the pursuit of educational excellence), while federal government has had the opportunity to participate—albeit in an indirect way so as to preserve the perfect observance of the provinces' constitutional powers—in the governance of Canadian education policy.

Federal attempts at coordination have significantly impacted changes at the provincial level that started in Ontario and Alberta. For example, Ontario has had two relevant reforms: the first introduced by the Conservatives in 1995 under Premier Harris, and the subsequent reform

introduced by Liberals under Premier McGuinty in 2003. The first reform was a reaction to federal cuts and based on ideological pillars, while the second one was rooted in widespread social dissatisfaction with the conflicting nature of previous reforms (Sattler, 2012). Another interesting case is that of neoliberal reforms in Alberta, which were introduced by Premier Klein in 1994 (Taylor, 2001). Ontario and Alberta represent the most important cases of reforms, even though the 1990s generally witnessed reforms throughout Canada's provinces based on the amalgamation of school boards, the introduction of standardized assessment procedures and the implementation programmes supporting parental choice of schools (Levin & Young, 1999; Wallner, 2014). From this point of view, it seems that without being specifically coordinated, there has nevertheless been a process of institutional isomorphism between provinces without any real desire for direct coordination but based simply on a kind of zeitgeist and encouraged by financial restrictions.

In accordance with this approach, the provincial governance of education has begun to be regulated in a new way. The fundamental structural features of this paradigm change have been the following:

- A redesigned relationship between the three levels of governance. Greater powers have been bestowed upon provincial government—especially with regard to financial³ and curricular matters—while the powers of the intermediate-level school boards have been reduced, and schools themselves have been afforded a greater degree of autonomy and have been held more accountable for their actions (Galway, 2012);
- Parents have been given a greater degree of choice through the offer of different forms of education—charter schools, private schools and home schooling—and are involved to a greater degree in the governance of schools, which have also opened up more to local communities (Levin, 2005);
- A school rating system has been introduced (Lessard & Brassard, 2006, 2009), although real institutional accountability has yet to be achieved in practice (Ungerleider & Levin, 2007).

³All the provinces apart from Manitoba have eliminated school boards' tax powers; thus provincial governments now provide all education funding (Levin, 2005; Garcea & Monroe, 2011).

Due to the considerable powers of the provinces with regard to their education policy, there are clearly some substantial differences between the various provincial policy reforms, although the above-mentioned trend has been adopted by the most important provinces from socio-economic and demographic points of view (Lessard & Brassard, 2009; Sattler, 2012).

4.3 *The Actual Governance Mode*

The governance arrangements in Canadian education, as summarized in Table 3.3, are characterized as follows. The federal level of governance has tried its best to minimally coordinate the system by promoting cooperation among states. However, these efforts have originated uniquely generic agreements. Furthermore, it has increased inter-state cooperation, at least in terms of exchange of experiences and of expected goals. Regarding governance at the provincial level, there has been a general trend towards a higher involvement of families' choices but also a strengthening in the power of provincial governments, resulting in provincial governments ruling the system at the expense of institutional autonomy of schools. Thus,

Table 3.3 Canadian education governance in 1990 and 2018

<i>Instrument type</i>	<i>Provincial level</i>	<i>Hard/soft dimension</i>	<i>Federal level</i>	<i>Hard/soft dimension</i>
1990				
Regulatory	<ul style="list-style-type: none"> • Relevant (organizational and teaching) autonomy of schools and school boards 	<ul style="list-style-type: none"> • Hard 		
Financial	<ul style="list-style-type: none"> • Lump sum funding 	<ul style="list-style-type: none"> • Soft 	<ul style="list-style-type: none"> • Cost-sharing programmes 	<ul style="list-style-type: none"> • Soft
Informational			<ul style="list-style-type: none"> • Pan-Canadian conferences 	<ul style="list-style-type: none"> • Soft
2018				
Regulatory	<ul style="list-style-type: none"> • Mergers of school boards • Parental choice • Provincial tests • Centralization of curricula 	<ul style="list-style-type: none"> • Hard • Soft • Soft • Soft 	<ul style="list-style-type: none"> • Pan-Canadian Agreements 	<ul style="list-style-type: none"> • Soft
Financial				
Informational	<ul style="list-style-type: none"> • Rankings • Transparency of data 	<ul style="list-style-type: none"> • Soft • Soft 	<ul style="list-style-type: none"> • Inter-state cooperation 	<ul style="list-style-type: none"> • Soft

we have seen a centralization of provincial governance paired with the more relevant role of families and students—an interesting combination of hard and soft instruments.

5 GERMANY

5.1 *The Premises of the Governance Developments: Constitutional Provisions, Starting Points and Critical Junctures*

In Germany, the 1949 Basic Law endorsed the federalist tradition, which had always assigned the majority of educational powers to the *Länder*, Germany's federal states. However, some constitutional provisions have allowed a planning role for federal law frameworks. This role has been completely cancelled after the 2006 reforms, which assigned all the powers in education to the *Länder*.

The evolution of German education policy has been characterized by various relevant events that can be considered critical junctures. For example, in 1969, the pre-existing Federal Ministry of Scientific Research was transformed into the Ministry for Education and Science (i.e. a ministry for a policy field in which the federal government should have no substantial constitutional powers. This decision reveals how the idea of a 'national' system of education was substantial notwithstanding the constitutional provisions to the contrary, and it also attested to the popular sentiment regarding a unitary education system); in 1990, after the Reunification, the East Germany school system was integrated into the federal system; in 2006, a constitutional reform clarified the role of the two level of governments in all the educational matters, abolishing federal competence regarding educational planning (Burkhart et al., 2008). However, we assume that only one event can be considered as a critical juncture: the 2000 publication of the first Programme for International Student Assessment (PISA) report, which shocked the country (Ertl, 2006; Martens & Niemann, 2013) and pushed governments towards a concrete reformation of the governance of the entire school system. This critical juncture can be considered the real driver of the first serious attempts to reform German education policy.

In Germany, governance arrangements—prior to the waves of reforms that started after 2000—were characterized by a highly centralized educational system controlled by the *Länder*. The specific organizational and structural functions and processes administered by the *Länder* included

curriculum design, regulating examinations and qualifications, financial management and the distribution of funds, the recruitment and hiring of personnel and the evaluation of school and staff standards. However it has to be underlined that ‘national’ coordination was stronger with respect to the other two federal countries. In fact, in 1949, the Standing Conference of Ministers of Culture (*Kultusministerkonferenz* or KMK) was established to coordinate national education policy. The KMK’s charter was amended in 1955 in order to reinforce the KMK’s powers and deal with issues of supra-regional importance. On that same occasion (the Dusseldorf Agreement, subsequently amended in 1964 and in 1971), the KMK agreed to find common standards for educational assessment, the timing and duration of the academic year, curricula and the recognition of academic qualifications. Furthermore, the KMK used a joint-task style to decide the main educational issues between the federal government and the *Länder*.

5.2 *The Nationalization of German Education*

Since the advent of the Federal Republic of Germany and its subsequent Reunification, there has been a continuous process of ‘nationalization’ of this policy field. The key historical steps leading up to the current situation in German education are as follows (Erk, 2003; Niemann, 2010). The historical, inherited tripartite system in secondary education (divided in *Hauptschule*, *Realschule* and *Gymnasium*) was the main point of contention and political discussion during the 1970s, and it was crucial for an experimental decision through which very few States have established comprehensive schools (*Gesamtschulen*). As is well known, a partisan divide exists on this issue, with the Social Democratic Party (SPD) moderately in favour of the reform and the Christian Democratic Union/Christian Social Union (CDU/CSU) clearly against it (Wiborg, 2010).

However, since then, there have not been many real governance reforms until the beginning of the new millennium (Wilde, 2002). The only relevant point in this period is represented by the progressive construction of a nationwide approach of governing educational policy, in which policy has been substantially nationalized through the day-to-day institutionalization of cooperative procedures (Erk, 2003).

The government has mainly focused on finding strategies to standardize and harmonize the different *Länder* schools systems. These developments show that, from the early days, Germany (albeit in the ‘limited

version' represented by the Federal Republic) displayed an intrinsic tendency towards a nationalized education policy, which is clearly an expression of the fact that Germany is a decentralized state with a centralized society (Katzenstein, 1987). The cooperative style of German federalism produced a stalemate that impeded agreement on a common denominator and thus the nationalization of education never really went through. The traditional, centralized policy-making of the pre-existing school system, which had no institutional autonomy, characterized all *Länder*, including those within the former Democratic Republic (Winter, 2000).

5.3 *The PISA-Driven Reforms*

The traditional system only started to change at the beginning of the third millennium, following the poor performance of German students in the PISA conducted by the OECD in 2000. The results revealed not only the poor average performance of German pupils and students but also the considerable differences between the country's various *Länder*: an evident indicator of the failure and the merely rhetorical character of the collective emphasis on the need for a national education policy. The PISA results represented a shock to Germany's education system, and the KMK, after having opposed the federal government's attempts to implement a general top-down plan, began to formulate a common strategy designed to change the way education worked in Germany (Martens & Niemann, 2013).

As a result, all of the nation's *Länder* began modifying their traditional system of educational governance according to the common template adopted worldwide and over the course of the past 15 years (Niemann, 2010). The supervisory authorities in charge of schools have had their powers reduced to the benefit of schools' institutional autonomy. Schools have been increasingly empowered with regard to organizational, financial and educational matters (Huber & Gördel, 2006). However, the bureaucratic logic persisted regarding, for example, the role of school heads who up until now have always been conceived as bureaucrats rather than managers. Evaluation, assessment and self-evaluation have been introduced in all of Germany's *Länder*. Between 2004 and 2007, the KMK agreed on developing national educational standards beginning Grade 4 in primary schools, at Grades 9 and 10 in lower secondary schools and at the last grade of upper secondary schools in the following seven subjects: mathematics, German, French, English, biology, chemistry and physics. These standards are mandatory for all of Germany's 16 *Länder*; they were agreed

upon and are bench-marked against international standards. Furthermore, in 2006, the KMK agreed to develop a system of standard assessment with which to compare the performance of the 16 *Länder* using a common national scale. Finally, each *Land* undertook to develop *Land*-wide testing systems based on the new standards. In many cases, Germany's *Länder* joined forces to develop such assessment systems (KMK, 2011).

Furthermore, Germany's *Länder* have adopted several evaluation procedures: the development or further development of framework curricula, comparative tests across the *Länder* and schools in core subjects, the extension of external evaluation, the development of standards and their review, the development of quality management in schools, and centralized final examinations (lower and upper secondary education) (KMK, 2013). To support the assessment exercises and to conduct tests from the technical point of view, the Institute for Quality Development in Education (*Institut zur Qualitätsentwicklung im Bildungswesen*) was established in 2004.

5.4 *The Actual Governance Mode*

The actual governance mode in Germany is characterized by the persistence of the significant role of cooperation among the *Länder* as well the federal government, which acts as either promoter or broker depending on the contingency. At the *Land* level, as shown by Table 3.4, there has been a significant development in institutional autonomy, which has granted many powers of action to school leaders (OECD, 2015); this is paired with a significant adoption of monitoring and assessment, both internal and external.

6 ENGLAND

6.1 *The Premises of the Governance Developments: Constitutional Provisions, Starting Points and Critical Junctures*

The lack of a written constitution makes it difficult to fix the constitutional borders of education policy in the country. This means that the government is responsible for deciding on the general rules of the governance systems. We observe that the most relevant decision in terms of systemic governance is the Balfour Act 1902, which established the Local Education Authorities (LEAs) of local councils, empowering them to charge, administer and manage the educational institutions of a specific territory.

Table 3.4 German education governance in 2000 and 2018

<i>Instrument type</i>	<i>Land level</i>	<i>Hard/soft dimension</i>	<i>Federal level</i>	<i>Hard/soft dimension</i>
2000				
Regulatory	<ul style="list-style-type: none"> • Strong centralization of teaching, staffing, organization and financial issue 	<ul style="list-style-type: none"> • Hard 	<ul style="list-style-type: none"> • Inter-state cooperation • Inter-state agreements • Common standards 	<ul style="list-style-type: none"> • Hard • Hard • Hard
Financial Informational	<ul style="list-style-type: none"> • Lump sum 	<ul style="list-style-type: none"> • Soft 	<ul style="list-style-type: none"> • Inter-state cooperation 	<ul style="list-style-type: none"> • Soft
2018				
Regulatory	<ul style="list-style-type: none"> • Introduction of central examinations • Increasing school autonomy • Internal assessment • External assessment 	<ul style="list-style-type: none"> • Hard • Hard • Soft • Hard 	<ul style="list-style-type: none"> • Inter-state coordination • Common standards • Establishment of a federal agency of evaluation 	<ul style="list-style-type: none"> • Hard • Hard • Hard
Financial Informational	<ul style="list-style-type: none"> • Lump sum • Monitoring 	<ul style="list-style-type: none"> • Soft • Soft 	<ul style="list-style-type: none"> • Inter-state cooperation in monitoring and ensuring comparability 	<ul style="list-style-type: none"> • Soft

In terms of critical junctures, the evolution of education policy in England is difficult to assess. It is evident that the ideological shift that drove the Thatcher reforms can be considered a watershed in the dynamics of the system; however, it can also be considered as a characteristic intrinsic to the dynamics of the political system. That said, we think that the Thatcher ‘revolution’ can be considered a kind of critical juncture.

Regarding governance, in England, the state of the governance in education before 1979 (when the Conservative Party won the elections under the leadership of Margaret Thatcher) was established with the Education Act 1944. The main role of the central government was to fund the system by supplying around half of each institution’s public funding, while all the powers were in the hands of the elective local bodies (LEAs). Substantially the system was highly decentralized and featured significant institutional autonomy and low accountability.

6.2 *The Thatcher Storm*

The process of changing governance and policy instruments in English education policy took some time to become effective. In 1985, the Conservative government published the White Paper ‘Better Schools’ and new policy principles were clearly designed. In 1986, legislation passed requiring that each school should include in their board elected parent-representatives. However, 1988 saw a radical change in the system. The 1988 Education Act introduced the following relevant provisions:

- A new national curriculum, thus decreasing the autonomy of schools and LEAs in deciding what should be taught;
- A national assessment system;
- The possibility of schools receiving funding directly from government and bypassing the LEAs;
- Open enrolment systems;
- The possibility for schools to completely opt out of the LEAs system;
- The establishment of a new independent governmental agency in charge of negotiating with unions to substitute the previous three-party committee composed of the central government, local governments and unions.

Then, the pillars of ‘revolution’ were established and had the following consequences: increased competition between schools (with the 80% of public funding provided on a formula basis, the option to choose ‘open enrolment’ had relevant effects); the schools’ boards became fully responsible for all relevant institutional dimensions (e.g. budget, staff and appointment of the head); and thus, the school principals became more powerful.

In the middle of 1990, the Major-led Conservative government strengthened the central grip on teacher preparation and strengthened the role of inspections in monitoring and controlling the system.

The following Labour governments (1997–2010) substantially developed the policy lines inherited by the previous Conservative governments. In a way, the Labour governments created policies whose principles were inspired by the Thatcher reforms and have been deeply institutionalized and diffused in all school systems (Lingard & Sellar, 2012). Blair’s Labour government started the process of the academization of schools by establishing the 1998 Education Act, in which new academic institutions are

directly funded by the government, to substitute secondary schools considered to be underperforming and serving disadvantaged communities (by May 2010, they comprised 6% of secondary schools).

6.3 *The Process of Academization*

The Education Act 2002 greatly reduced the role of local authorities by providing that 85% of a school's budget should be directly controlled by the headteacher; increasing involvement of the private sector in state provision; enabling private, religious and voluntary organizations to support the management of both; imposing the compulsory use of Public Private Partnerships (PPPs) where schools or local authorities were failing, and encouraging use of PPPs by successful schools; allowing successful primary schools to opt out of the National Curriculum and developing curriculum innovations. The 2006 Education Act pushed this even harder towards diversifying and opting out from the 'normal' system by encouraging primary and secondary schools to become independent state schools (trust schools) backed by private sponsors—businesses, charities, faith groups, universities and parent and community organizations. Failing schools were given one year to improve; then, if failures persisted, the schools become an object of competition for new providers (e.g. those becoming an academy or a trust school with a private sponsor). Finally, LEAs have been designed to lose most of their powers to become 'parents' champions' rather than education providers.

The process of the academization of the system was completely implemented when the Academies Act 2010 and the 2011 Education Act by the Conservative-LibDem coalition, which provided for the definitive breakthrough towards the academization, privatization and marketization of systemic governance, were enacted. All told, these laws established the following: the removal of the power of local governments over education through academization; a national framework of performance targets; inspections for all state-funded schools (including academies); collaboration between schools to provide resources and impetus for school improvement; successful headteachers becoming 'system leaders' by exercising leadership beyond their own schools. It is important to underline that academization has involved, above all, high schools. According to data

from August 2017, the majority (70%) of secondary schools were academies compared to only a minority (25%) of primaries (Simkins et al., 2019).

Academization has implied a completely different system of funding and systemic steering. In fact, academies are funded through contracts with the government; furthermore many academies are aggregated under the same governing trust. Thus, the system is now characterized by the presence of two types of institutions: the academies (which can be even sponsored by private actors) and the maintained schools that are still under the supervision of the LEAs. This complex and fragmented landscape pushed governments to strengthen their control of the process: from 2014 eight Regional Schools Commissioners (RSCs) were appointed as Department for Education civil servants, who have the responsibility of approving new academies and intervening to address underperformance. Beginning 2017, RSCs were also granted the power to decide whether underperforming maintained schools should shift and become academies. Finally, in 2016 the Secretary of State for Education was provided with new powers to intervene in both maintained schools and academies (West & Wolfe, 2019; Foster & Long, 2017).

6.4 *The Actual Governance Mode*

After 20 years of reform, England has radically rearranged the governance of its education system from a decentralized, locally driven, autonomous system to a marketized, almost privatized, autonomous yet centrally driven system. As shown in Table 3.5, there has been a real shift towards something that could represent a real implementation of neoliberal governance in education. It is a system of governance wherein competitive dynamics are very high and parental choice matters. At the same time, it is a system wherein the government is not a simple referee but also acts as the pivotal party in incentivizing, monitoring and controlling the competition and, when necessary, in intervening to correct mistakes or adjust problems. What is interesting in the English case is the way in which the soft instruments have been designed and calibrated. All three families of tools have been proven quite effective; thus, these instruments have become quite strong in driving expected behaviour.

Table 3.5 Governance in English education in 1980 and 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Hard/soft dimension</i>
1980		
Regulatory	<ul style="list-style-type: none"> • High decentralization • Medium institutional autonomy of schools 	<ul style="list-style-type: none"> • Hard • Soft
Financial	<ul style="list-style-type: none"> • Lump sum budget coming both from government and from LEAs 	<ul style="list-style-type: none"> • Soft
Informational		
2018		
Regulatory	<ul style="list-style-type: none"> • National Curriculum • National Assessment of Schools • Privatization of schools (high autonomy) • Centralization of the systemic governance • Choice of families • Inspection 	<ul style="list-style-type: none"> • Soft • Hard • Hard • Hard • Soft • Hard
Financial	<ul style="list-style-type: none"> • Target funding • Performance/quality-related funding • Contracts (between schools and government) 	<ul style="list-style-type: none"> • Hard • Hard • Hard
Informational	<ul style="list-style-type: none"> • Transparency of data • Ranking of schools 	<ul style="list-style-type: none"> • Soft • Soft

7 ITALY

7.1 The Premises of the Governance Developments: Constitutional Provisions, Starting Points and Critical Junctures

From a constitutional point of view, the Italian education system is a centralized system. This is true even after the constitutional reform of 2011, which provided for the exclusive competence of regions on the vocational education as well for concurrent jurisdictions between the state and the regions on many matters, namely leaving to the exclusive power of the State the general principles leading the systems and the guarantee of the minimal standards owed to citizens. The regional level has acquired the competence to design the regional network of schools, to be in charge of the sizes of institutions and limited powers in establishing a minimal part of the teaching content.

Regarding critical junctures, there is only one that can be considered as such. We refer to the crisis of the so-called First Republic that initiated a change in the dynamics of the political system, creating opportunity to seek significant reforms (e.g. the 1997–1999 autonomistic reforms).

Education policy in Italy has been characterized for a long time—indeed, since unification of Italy—by the traditional bureaucratic-professional model of systemic coordination/governance. It is marked by a high degree of centralization together with a very weak degree of institutional autonomy, and well as the consistent capacity of teachers to control their own employment conditions (through their unions) and the nature of their work. This combination of bureaucratic and professional regulation has represented the common framework shared by Continental Europe’s other large countries (Germany, France and Spain) as well as by Italy. From a policy instrument perspective, this type of governance works through a specific combination of strong, centralized and all-pervasive regulations (e.g. micro-regulations and compliance with the rules), close negotiation between the state and the teachers’ unions at central level, and the substantial individual autonomy of teachers in their day-to-day jobs (Barroso, 2000). In the Italian case, the Ministry of Education, supported by an extensive bureaucracy, was the real decision-maker and ruler of the system, albeit with the strong cooperation of the teachers’ unions which very often goes beyond mere wage or employment issues. The policy mix was characterized by the strict use of centralization: a centralized mechanism for the recruitment of teachers, the centralized planning of buildings, a centralized policy for pupils’ and students’ access to schools, centralized standards and regulations governing the composition of classes, and so on. As such, schools had no significant role as institutions.

7.2 *The Long Way to the Autonomistic Reforms*

Although it came later than in other countries, education reform in Italy has finally posed a challenge to the historically rooted policy tools used to coordinate education policy. This has represented the same problems faced by the other countries too: on the one hand, the need for financial retrenchment, due to the fiscal crisis of the Welfare State; and on the other hand, increasing political and social expectation regarding education as a whole. Italy began to modify the traditional, bureaucratic governance of schools in 1997 with a law that was approved by a centre-left government and that provided for the introduction of greater autonomy for schools in terms both of teaching itself and of its organization. Thanks to this law and subsequent ministerial regulations:

- Certain planning powers were granted to Italy’s regional and provincial governments, which were also given the task of implementing national regulations regarding the size of classes and schools;
- School heads were formally granted managerial powers, thus dramatically changing their traditional role in the school system.

In the following years, under centre-right coalitions, some adjustments have impacted on the governance arrangements in education:

- Beginning in 2006, the national agency for the assessment of schools conducts an annual test of students’ skills and knowledge;
- New and strong financial restrictions were placed regarding staff turn-over (as of 2010) that was only ended in 2016;
- A new structure of high school was finally approved and implemented between 2008 and 2010.

7.3 *The ‘Good School’ Reform*

In 2015, a new reform initiative was launched to radically push the school system and improve its performance. Initially, the so-called Buona Scuola (Good School) was an attempt to increase the power of principals and establish a meritocratic career for teachers, radically changing the evaluation system of schools. The governmental attempt was downgraded during the legislative process, and at the end, the law passed with only some incremental changes.

Thus, it would seem that there has been a clear shift towards an evaluative State so as to make schools more accountable, efficient and effective, thanks to the adoption of policy tools characteristic of a less bureaucratic mode of governance. Institutional autonomy, decentralization and the managerial role of heads are all instruments, the adoption of which appears to indicate that Italy has engaged in a steering-at-a-distance strategy.

However, this represents only one side of the coin. The other side points to the persistence of certain features which need to be mentioned here (Capano & Lippi, 2018; Capano & Terenzi, 2019), namely

- Decentralization and institutional autonomy have not led to any changes in the role of central government; the Ministry for Education is still in charge of the allocation of funds to schools and the recruitment of teachers, suggesting that ‘governing by ministerial orders’ is far from over.

- The institutional redesign of the system has not kept up with the keeping-at-a-distance strategy. Decentralization has not reduced the role and size of the system; rather, it has simply created a new organizational and institutional layer.
- The old decisional processes have not been redesigned. However, they have been increased in number due to the new actors involved (autonomous schools and local/regional governments).
- School heads have been denied any say in staff recruitment or personnel management. This deprivation of powers considerably weakens heads' powers and hinders their ability to develop coherent and effective institutional strategies.
- Evaluation and national assessment have been highly criticized and delegitimized, even if they give a significant package of information about the system.
- No changes have been made to teachers' career prospects, development or structure of their salaries. This means that teachers' salaries continue to be based on seniority only, with no other incentives granted.

What clearly emerges, then, is that the implementation of the new policy instruments in Italian education policy, according to the prevailing international template, has produced a specific mix in which most inherited instruments have persisted, while other new ones have been adopted in a very formalistic way, thus demonstrating that they are very weak in their design.

7.4 The Actual Governance Mode

The actual governance mode of Italian education has clearly abandoned the original historical, hyper-centralized arrangement. As it is shown in Table 3.6, schools received some institutional autonomy (although not comparable, e.g., to the autonomy of schools in all the other analysed countries); some powers have been decentralized to regions to allow some customization of content of teaching, annual calendar and planning of distributions of schools; evaluation has been introduced in the system though a national test (however, this only has an informative goal). However, the impression is that the original model has not been completely abandoned and that there has been a preference for adopting mostly hard instruments.

Table 3.6 Governance in Italian education in 1990 and 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Hard/soft dimension</i>
1990		
Regulatory	<ul style="list-style-type: none"> • Complete centralization (teaching, staffing, organization, finance) 	• Hard
Financial	<ul style="list-style-type: none"> • Inspections 	• Hard
Informational	<ul style="list-style-type: none"> • Itemized central budget 	• Hard
2018		
Regulatory	<ul style="list-style-type: none"> • Some power decentralized to regions • More institutional autonomy (in terms of internal organization and process of teaching; some financial autonomy) • National guidelines on teaching content • National rules for teachers' recruitment • Inspections • National assessment of the content of teaching 	<ul style="list-style-type: none"> • Hard • Hard • Soft • Hard • Hard • Soft
Financial	<ul style="list-style-type: none"> • Possibility to have external donors and to have collaborations with private stakeholders 	• Soft
Informational	<ul style="list-style-type: none"> • Transparency of data 	• Soft

8 THE NETHERLANDS

8.1 The Premises of the Governance Developments: Constitutional Provisions, Starting Points and Critical Junctures

Given the Netherlands' unitary political system, all basic powers governing education lie with the government and Parliament. Moreover, there is a specific constitutional provision on education which renders the Netherlands unique: following the constitutional reforms of 1917, Section 23 of the Constitution establishes that private and public schools are to be equally funded by the government. This makes the Dutch context quite distinctive in terms of societal involvement in supporting schools and is the root of the historical autonomy of schools as institutions.

Regarding critical junctures, we do not find anything of particular relevance in the evolution of the Dutch system, especially if we consider the wave of autonomistic reforms that started in mid-1980s as linked to the partisan choices of the new conservative government.

In the Netherlands, schools were very independent compared to those in other European countries. The main organizational and curricular decisions lay with the school boards; those of private schools enjoyed greater freedom than those of public schools as board members of the former were private individuals, while the members of public schools' boards were representatives of the local authorities (Dronkers, 1995). Thus, the Dutch system was characterized by the use of regulatory instruments designed to ensure institutional autonomy for schools and maintain high levels of accountability through the use of inspection and target funding.

8.2 *The Attempts of Centralizing the Pillarized System*

The social backgrounds of education in the Netherlands differ substantially due to the 'pillarization' of Dutch society, which has significantly affected the organization and governance of primary and secondary education. Within the field of education, in fact, the historical and religious divide has given rise to a unique system in which education, together with other services, is financed directly by the government, but is generally provided by private and non-profit organizations (Dijkstra & Peschar, 1996) while remaining under the government's control as far as regards examinations, salary, school buildings and so forth (Hofman, 1995). This historical legacy distinguishes the Dutch case from all the others precisely because the autonomy of schools has always been greater than that witnessed in other comparable political systems. At the same time, it should be pointed out that the secondary school system has always been highly stratified (in terms of different educational tracks) in the Netherlands and the various reforms of secondary education curricula have continued to preserve this systemic feature. The combination of these two structural characteristics of the educational sector has rendered education policy reforms highly complex despite the many laws and regulations introduced over the last 30 years to address the system and resolve a series of problems that are perceived to be of substantial social importance (Fokkema & Grijzenhout, 2004).

However, during the 1970s and under a series of socialist-led governments, the Netherlands witnessed a substantial re-centralization of the systemic governance of primary and secondary education. Led by the Minister of Education Van Kemenade, these reforms were deemed to constitute 'constructive educational policy' and were based on the idea that school performance should be assessed more strictly. However, this strategy failed

due to its poor conception and planning and because it appeared to strongly impose hierarchical regulations on what were traditionally autonomous schools (Scheerens et al., 2012). These attempts at reform were met by stiff opposition, particularly from the church schools sector. In 1976 the End of Primary School Education (CITO) test was introduced as a basis for pupils' choice of type of secondary school.

8.3 *The Autonomistic Counter-Wave*

In the mid-1980s, following the 1982 elections won by the Conservative coalition, and at a time of considerable economic and financial crisis, a new policy strategy was launched by then-Minister of Education Wim Deetman. It was announced in a 1985 policy document that contained principles clearly oriented towards the increased decentralization of education and greater autonomy for schools and universities, with central government playing a less hierarchical role (Karsten, 1998).

According to these guidelines, greater school autonomy should be legislated for. In 1988, the Primary Education Act assigned schools a number of tasks. One of these was to teach different subjects. Performance targets indicated what schools should offer pupils in terms of subjects. Schools were to focus on the cognitive, creative, social, emotional and physical development of children. Furthermore, according to the new deregulation strategy (The Netherlands Ministry of Education, Culture and Science, 1999), schools were afforded greater power over organizational and financial matters, including the power to choose their own staff. At the same time, by proposing national performance targets, the government began to interfere more in the choice of subjects being taught in schools and the manner of their teaching (Teelken, 1999). In 1988, a teacher training quality assurance system was also introduced in Dutch universities. The system consisted of self-evaluation followed by peer review for each academic subject or group of study programmes, and it worked on a four/five-year cycle. The year 1985 also saw the remodeling of teachers' salary scales, based on their specific tasks and responsibilities.

In 1992, the Education Participation Act consolidated parents' power with regard to decision-making processes within schools. In 1996 secondary schools were granted an annual budget to cover all staff and running costs. The allocated amount was based on fixed rates for each item's cost.

The amount allocated for staff costs was calculated by multiplying the number of posts by average personnel costs. Block grant funding gave the appointed authorities greater freedom in deciding how resources were to be spent and in negotiating the pay and conditions of staff. Negotiations on pay and conditions in secondary education were partially decentralized, and running costs (e.g. cleaning, teaching materials, electricity and heating) were fixed on the basis of the Running Costs Funding System (BSM). Schools receive a fixed amount per pupil together with a fixed amount per school (flat-rate basic grant). In 2006, a similar provision was introduced for primary schools; as a result, they received block grants to cover their staffing and running costs. Consequently, school boards received a lump sum that they were free to spend at their own discretion, giving them more scope to manage the school as they saw fit.

In 1998, an educational standards system was introduced. Every school had to have a school plan that was to be updated by the school board every four years and that described the steps being taken to improve the quality of education. Every school had to regularly assess its own performance. This information formed the basis for the school plan, which was to be approved by the school committee. Through this document, schools rendered accounts for their policies to the Inspectorate of Education.

The greater autonomy granted to schools—and thus to their boards—was heavily criticized. Consequently the government decided to amend the 1992 law on participation; as a result, the role of school councils (composed of parents, pupils and teachers) has been strengthened since 2007. All schools are now bound to have such a council, and if a school board runs more than one school, there must also be a joint participation council. Furthermore, teachers and parents have been granted a series of independent voting powers on matters that particularly concern them.

8.4 The Rise of the Inspecting State

In 2010, the ‘Good Education and Governance Law’ was enacted. This Law enabled the government to cut off funding to individual primary or secondary schools in the interests of their pupils if the level of education the school provided was consistently poor. The law formulates minimum quality requirements for all schools. In the case of mismanagement by the board, schools may be given a warning. If they fail to act on the warning, funding may be cut. The law also contains provisions to encourage the

further development of the principles of good governance in primary and secondary education, including the separation of responsibility for governance from that of internal supervision and the development of a code of conduct for good governance in each educational sector.

Furthermore, various programmes have been launched in the last decades to improve performance of schools systems. For example, the Sirius programme is focused on helping secondary school students pursue excellence, encouraging schools (through non-monetary initiatives) to become outstanding, promoting peer-learning from outstanding schools through the ‘Schools Learn from One Another’ programme and encouraging professionalism among teachers. A new programme to improve the recruitment and the skills of teachers has been launched in 2013 (*Lerarenagenda 2013–2020*). Finally, as part of the government programme for 2012–2016, the Inspectorate of Education introduced ‘differentiated inspection’ by extending the supervision framework (formerly applied only to schools deemed *weak* or *very weak*) to include schools that have had *moderate*, *average* or *good* results for some time but have not demonstrated a clear drive to improve performance.

8.5 *The Actual Governance Mode*

The evolution of governance in Dutch education has followed an interesting path. Starting from a decentralized autonomous system, it has developed by making it both more autonomous and more accountable. As shown in Table 3.7, the previous autonomous system based on society demands has shifted to a more autonomous system that remains under the strong supervision of the State. This is an interesting case; whereas higher autonomy has been pursued through the adoption of hard regulatory and financial instruments, it is successful through the government’s effective steering of the overall system.

9 CURRENT EDUCATIONAL GOVERNANCE MODES IN SIX COUNTRIES AND DRIVERS OF CHANGE

9.1 *Different Shopping of Policy Instruments*

A few substantial differences have emerged between the six countries in question in terms of the development of education policy. First, greater

Table 3.7 Governance in Dutch education in 1980 and 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Hard/soft dimension</i>
1980		
Regulatory	<ul style="list-style-type: none"> • High decentralization • High institutional autonomy of schools • Choice of families 	<ul style="list-style-type: none"> • Hard • Hard • Soft
Financial	<ul style="list-style-type: none"> • Lump sum budget coming from government 	<ul style="list-style-type: none"> • Soft
Informational	<ul style="list-style-type: none"> • Transparency of data 	<ul style="list-style-type: none"> • Soft
2018		
Regulatory	<ul style="list-style-type: none"> • Standards • Quality control • Inspection • More power of parents in governing boards • More autonomy of schools on personnel matters • Minimal quality requirements 	<ul style="list-style-type: none"> • Soft • Hard • Hard • Hard • Hard • Hard
Financial	<ul style="list-style-type: none"> • Target funding • Performance/quality-related funding 	<ul style="list-style-type: none"> • Hard • Hard
Informational	<ul style="list-style-type: none"> • Transparency of data 	<ul style="list-style-type: none"> • Soft

use is made of testing and assessment in Australia and in Germany, whereas in the Netherlands and England, governmental inspections are the chosen instrument with which potential errors and misconduct are identified and rectified. Second, in Canada, provincial governments make more use of some specific regulatory and economic tools (e.g. mergers and charter schools). Third, the Netherlands is the front runner in terms of the devolution of powers to schools. England immediately follows. There has been a greater degree of devolution of powers to schools in Canada than in Australia (with the exception of the State of Victoria), while Germany and Italy exhibit an incremental trend in reforming the sector.

In other words, there is a diverse array of policy instruments at governments' disposal. All countries have adopted some instrument belonging to the three analytical types adopted in this book (regulatory, economic and information); however, it is quite evident that Germany has preferred to focus more on information tools than on the other two categories, while England has adopted a mix of most of the instruments at disposal in regulation: economic tools and information. Finally, there is no clear trend in terms of adoption of hard and soft instruments except for the evidently increasing use of information.

9.2 *Drivers of Policy Change: A Tentative Minimal Assessment*

What emerges from the reconstruction of policy dynamics in the six countries is that there have been significant differences in the way in which institutions, politics and ideas have interacted, as well as in the role of critical junctures themselves.

In the case of Australia, the most important driver appears to be the ongoing change in the institutional setting (i.e. the development of inter-governmental relations in education). In fact, the federal government has continually and systematically intruded in education, which has substantially altered the educational roles of the two levels of government. This redesigning of intergovernmental relations has been influenced not only by a profound fiscal imbalance but also by a severe financial crisis, which has been used by political actors and governments (in a bi-partisan manner) to reshape governance in education and angle it towards a stronger cooperative style of federal policy-making. This substantial shift in the institutional dimension of policy-making has been favoured by an ideational context characterized by the availability of certain policy solutions (e.g. the internationally adopted set of new policy instruments: evaluation, institutional autonomy and national testing) and a strong belief in the social importance of education overall. Of course, this general trend at federal level has been implemented in different ways at the state level, where states' power to regulate and govern their schools' systems has remained intact.

Canada has followed a very different path as a result of the more limited changes in the institutional policy-making setting, which, in turn, are due to the intrinsic dynamics of Canadian federalism, which has clearly preserved its strongly dualistic character. This persistence has rendered the 'nationalization' of education policy less viable, even in the presence of the financial crisis of the mid-1990s that favoured changes in the provinces but not at the national level. However, it is also quite clear that at the provincial level, the institutional setting has clearly changed as a result of the transformation of governments' part in the governance of education. This transformation seems to be characterized by bi-partisan dynamics and favoured by the public's deep-rooted belief in the importance of education to the quality of life of all concerned.

The German case is quite distinctive, as is expected; the way of working of its cooperative federalism has been quite relevant, more so than the party politics. It should be noted that the main feature of German

federalism is that it has frozen for decades any attempt to realize reforms in terms of the governance of education, while other relevant organizational reforms (such as that of the tripartite structure of secondary education) have been blocked because they represented a clear political cleavage in the party system. The German case is interesting since sectoral legacy seems to be more relevant, potentially due to the cultural and socio-economic implications of the tripartite secondary system. The relevance of the policy legacy could explain both the fact that Germany started to intervene in educational governance only after an external event (the 200 PISA assessment) and that the new adopted policy instruments (institutional autonomy, evaluation and monitoring) have been introduced in an incremental way always negotiated and shared by the *Länder*.

The Dutch case is rather unique. In fact, historical religious divisions and the pillarized structure of society have created the basis for a highly decentralized form of policy-making in education since the beginning of the twentieth century. The constitutional equilibrium in education (the high societal involvement in education and the high autonomy granted to schools) is very important here; together with the political context and the financial crisis at the beginning of the 1980s, it has been the fundamental source of successive waves of reforms in education. Reform has been favoured by those solutions emerging at international level, evaluation and institutional autonomy, which have been strongly pursued, also by means of trial and error, by successive Dutch governments.

In the case of England, we can clearly see strong ideational dynamics that have been shared in a bi-partisan manner but only after a critical juncture represented by the Thatcher 'revolution' opened a window of opportunity to change the prevailing ideas of who should govern state-wide education. There is this impression that England is the only country wherein the neoliberal emphasis on privatization, institutional autonomy and competition has been consistently applied together through the stronger role of the national government with respect to the past.

The Italian case is a clear example of path dependency, which has been only partially modified by the autonomistic turn that started at the end of 1990s. Notwithstanding a big systemic political crisis that has represented a real and evident critical juncture, the new ideas have been only instrumentally adopted by politicians, while the persisting legacy (in terms of ideas and vested interests) looks to have prevailed. At the end of the

analysed period, the governance arrangements regarding Italian education policy appear to be an incoherent mix of inherited instruments to which the new ones (especially institutional autonomy and evaluation) have been added without truly abandoning the past.

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The Healthcare Sector

I INTRODUCTION

1.1 *The ‘Healthcare Triangle’*

The ‘healthcare triangle’ is a good starting point to address the world of healthcare policies. Several authors (Mossialos & Dixon, 2002; OECD, 2002; Rothgang et al., 2005) propose to consider the healthcare system as the intertwining of interactions established among three categories of actors: users, providers and insurers.

By *providers* we mean all entities that provide healthcare services directly, namely hospitals, outpatient clinics, healthcare labs, doctors, nurses and, in general, all healthcare professions. *Insurers* are either for-profit or not-for-profit entities that collect financial resources to be allocated for coverage of medical expenses of third parties. All individuals—regardless of their health condition—are potential *users* of the healthcare system: each of us can, indeed, face health problems and therefore need healthcare services.

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Providers, insurers and users are the vertices of the healthcare triangle. In addition to the vertices, it is also possible to dwell on the sides of the triangle, that is on the relationships among users, providers and insurers. When focusing on the relationship between users and insurers, we are talking about the *funding* of the system. When considering the relationship between providers and users, we are dealing with healthcare service *provision*. The third side of the triangle pertains to the relationships established between insurers and providers and, in particular, the ways in which providers are remunerated. Some authors (Mossialos & Dixon, 2002) refer to this third side as the *allocation* of resources.

We will make reference to the image of the healthcare triangle starting from the next section: we will see how policy instruments can be classified according to the target (some measures are meant for users, others for providers and others still for insurers), and to the side of the triangle (funding, provision or allocation) on which they intend to act.

1.2 *Different Modes of Healthcare Governance*

The six countries analysed in this volume govern the ‘healthcare triangle’ in different ways (Toth, 2020, 2021a).

In Germany and the Netherlands, users currently have a wide choice of competing insurers. Providers are entities separate from insurers and are reimbursed by the latter. The State’s intervention is limited to regulating the system, acting neither as an insurer nor as a provider.

Italy and England implement the model of the National Health Service (NHS). This model has a single public insurer (the NHS), which is financed through general taxation and covers the entire resident population. Most providers work for the NHS. The latter is therefore an integrated model, where the public service provides the majority of healthcare services directly to citizens, through its own facilities and staff. In countries that implement the NHS model, the State therefore acts both as an insurer and as a direct provider of healthcare.

Canada and Australia adopt a different model, which can be considered intermediate between the NHS and the systems implemented in Germany and the Netherlands. The Australian and Canadian healthcare systems are grounded on a single public insurance scheme covering the entire population (similar to England and Italy). In both Canada and Australia, this single-payer scheme is called Medicare and is partly funded by the federal government and partly by individual states or provinces. This differs from

the NHS, as healthcare providers in Canada and Australia are separate from Medicare and are reimbursed by the latter. Hence, in these two countries, the State only acts as an insurer, and not as a direct provider of healthcare services.

1.3 Neoliberal Ideas and Waves of Reform in Recent Decades

Over the last few decades the four policy sectors analysed in this book have been affected by reforms of evident neoliberal thinking. However, neoliberal ideas have been interpreted differently, depending on the policy sector. It is therefore interesting to understand the form taken by neoliberal reforms in the healthcare field.

To do this, it may be useful to think in terms of ‘reform waves’ (Huntington, 1991). Even at the cost of oversimplifying reality, it can be argued that over the last few decades the healthcare policy sector—at least in the OECD countries—has been impacted by some successive waves of reform (Jacobs, 1998; Ham, 2009; Toth, 2010).

A first reform wave can be placed between the late 1970s and the first half of the 1980s. In this period, marked by the oil shocks of the 1970s and the consequent recession, healthcare policies in many OECD countries focused mainly on cost containment (Saltman & Figueras, 1998; Hurst, 1991; Ham, 2009). Cost containment strategies addressed both demand (increasing, e.g., the forms of co-payment charged to patients) and provision (imposing expense ceilings and changing provider remuneration methods). This first reform wave did not particularly embody neoliberal principles, although some cost containment measures were intended to promote productivity and introduce market-like mechanisms.

A subsequent reform wave developed between the late 1980s and the early 1990s. This wave was the one most marked by neoliberal principles and the suggestions of the new public management (Jacobs, 1998; Ham, 2009; Klein, 2013). The reform programmes launched in the late 1980s and in the early 1990s were aimed at introducing market-style mechanisms and greater competition (van de Ven, 1996; Toth, 2010). The 1990 reform of the Thatcher government, which introduced the logic of the ‘internal market’ within the British NHS, is one of the most representative interventions of this reform wave.

However, shortly after implementation began, enthusiasm for neoliberal, market-oriented experiments began to fade, and criticism of competitive and contract-like mechanisms grew. So, from the mid-1990s onwards,

a number of countries that had pioneered market-oriented measures scaled back these reforms. Moving away from the neoliberal dictates, in many countries the powers of the public authorities to plan and regulate healthcare were increased. However, it should be noted that some tools introduced by previous neoliberal reforms were not completely dismantled: they were, at least in part, preserved and readapted (Ham, 2009; Klein, 2013), according to typical layering and conversion dynamics (Streck & Thelen, 2005).

The early 2000s were a period of economic growth for many countries, and even the healthcare sector benefitted from greater investments. At the beginning of the twenty-first century, healthcare reforms implemented in several OECD countries reported a throwback to the neoliberal wave, and themes such as competition and patients' choice came back into fashion. Compared to the early 1990s, the rhetoric of reform had however changed: references to market and privatization were lessened, while great emphasis was placed upon quality of services and patients' rights (Toth, 2010; Klein, 2013).

A last wave of healthcare reforms marked the years immediately following the great financial crisis of 2008. Especially in Europe, the financial crisis led to the adoption of austerity measures, with serious repercussions on healthcare (Karanikolos et al., 2013; Thomson et al., 2014; Kentikelenis, 2015; Reeves et al., 2015). In response to the crisis, many EU countries have put a curb on public healthcare spending, reduced the generosity of coverage levels and increased user charges (Kentikelenis, 2015; Lehto et al., 2015; Palladino et al., 2016; Toth, 2019).

2 POLICY INSTRUMENTS IN HEALTHCARE

It may prove useful to start with a general overview of the most commonly used policy tools in the governance of healthcare systems, taking into account the three categories of policy instruments mentioned in Chap. 1: regulation, finance and information. For each category, we shall give only some significant examples, as it would be impossible to draw up a comprehensive list of all the potentially usable tools in the healthcare field (Table 4.1).

Regulation In all Western countries, the government—at either national or decentralized level—plays a central role in regulating healthcare services. Within a healthcare system, many aspects may be subject to detailed

Table 4.1 The policy tools particular to the healthcare sector

Regulatory tools	<i>Hard</i>	<ul style="list-style-type: none"> Obligation to take out an insurance policy Access to specialist care: gatekeeping versus direct access Methods of contribution to mandatory schemes (through general taxation, salary-based contributions, risk-rated or group-rated insurance premiums) Public provision Compulsory prerequisites to practise and/or receive public payment Compulsory guidelines Anti-trust authorities Open enrolment (subscriber selection is not permitted) Limitation on profits from basic insurance packages Obligation to renew insurance policies
	<i>Soft</i>	<ul style="list-style-type: none"> Free choice of insurer (within mandatory schemes) Acknowledgement of patient rights Definition of a basic care package Free choice of provider Regulation of professions through codes of ethics, entrusted to professional associations or orders Purchaser-provider split (in public systems) and contractual relations Possibility to selectively contract with providers
Financial tools	<i>Hard</i>	<ul style="list-style-type: none"> Charges for not having health insurance Users' charges Risk-adjustment schemes among insurers Remuneration to providers based on the number of services provided (fee-for-service) Remuneration by capitation Remuneration of professionals by salary Performance-based payment
	<i>Soft</i>	<ul style="list-style-type: none"> Tax incentives to take out voluntary insurance Transfers to decentralized entities based on a reward system Public subsidies to purchase healthcare insurance Extra-billing Remuneration to facilities through block contracts Tax or financial incentives for adhering to discretionary programmes GP budget holding
Informational tools	<i>Hard</i>	
	<i>Soft</i>	<ul style="list-style-type: none"> Ranking and assessment of providers Training and refresher courses for healthcare personnel Information and awareness campaigns Data collection and analysis Non-binding guidelines Promotion of best practices and benchmarking Performance rating

public regulation (Rothgang et al., 2005). Depending on the preferences of national policy-makers, regulatory tools can be hard and/or soft. Regulation can affect all the vertices of the healthcare triangle, namely users, providers and insurers. The State can oblige individuals (such as all residents or only certain categories) to take out mandatory insurance; it decides how insurers and providers are financed, defines which requirements must be met by providers in order to operate, determines the composition of the package of essential care and establishes how much freedom users have in choosing providers and accessing specialist care (Toth, 2021b).

In many countries, the government provides for strict regulations relating to the conduct of insurers (sickness funds and private insurance companies), to avoid opportunistic behaviours detrimental to users. In all Western countries, healthcare providers are subject to detailed regulation as well. To protect users and to ensure quality of care, for healthcare professionals to practice it is essential for them to have specific entitlements and professional qualifications. Similarly, health facilities (hospitals, clinics and laboratories) must meet specific requirements and standards that guarantee the safety and quality of the services provided.

As we shall see in the following sections, in some countries the State does not limit itself to just regulating the system, but it directly provides healthcare *in kind* to its residents, through its own facilities and personnel. This is what happens in England and Italy, for example.

Financing In addition to regulatory instruments, incentives and pecuniary sanctions also serve to influence the behaviour of insurers, providers and users (Toth, 2021b). A typical incentive and sanction mechanism for insurers is found in countries where a risk equalization system is in place: insurers receive more transfers (hence an incentive) if they grant coverage to high-risk patients, whereas they are required to contribute more to the common fund (sanction) insofar as they only accept low-risk individuals as subscribers.

All the forms of remuneration of providers tend to either incentivize or discourage certain behaviours (Kutzin, 2001; Toth, 2021a). The payment of family doctors by capitation, for example, should favour continuity of care. Conversely, fee-for-service remuneration schemes should encourage provider productivity.

Incentives or additional costs are also liable to influence user behaviour. As we shall see later, the governments of some countries grant financial incentives for the purchase of voluntary healthcare insurance (this measure can be conceived as a soft financial tool). In addition, to encourage voluntary insurance, some countries surcharges or fees for high-income citizens who decide not to insure themselves (the latter can be considered as a hard financial tool).

Information Finally, we come to informational instruments. Most of these are voluntary in nature and do not involve formal obligations for individuals. Many governments invest in information and awareness campaigns: advertising campaigns to promote a healthy lifestyle, vaccination or the screening for certain diseases are just a few examples of the implementation of the informational approach. Informational tools can be very effective in shaping individual behaviours, but they often have a limited impact on the overall structure of the healthcare system and on the relationships between insurers, providers and users. There are, however, some informational instruments that have greater impact than others on the governance of the system (Kutzin, 2001). An example of this is represented by formally non-binding guidelines. A further example can be found in countries where a ranking (or, in any event, a systematic and comparative assessment) of healthcare providers is published. These league tables are public and easily accessible by users, who can therefore refer to them to choose providers based on enhanced information and awareness. These assessments do not necessarily involve direct material incentives and are in no way binding on patients; however, information in the public domain may somehow influence the free choice of users, hence also the strategies of the subjects included in the assessment process.

3 AUSTRALIA

3.1 *The Establishment of Medicare in 1984*

The vast majority of healthcare in Australia is financed by a public single-payer scheme known as Medicare, which acts as an insurer for the entire population. The Medicare scheme—established in 1984—is financed through tax revenue. The provision of healthcare services is not guaranteed by facilities and personnel directly employed by Medicare, but by independent providers.

Table 4.2 Australian health governance, 1985

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Contribution through general taxation • Free choice of provider 	Hard Soft
Financial	<ul style="list-style-type: none"> • Extra-billing • Hospitals funded through global budgets 	Soft Soft
Informational		

Coverage provided by Medicare does not grant access to all hospitals, but only to public hospitals. Public hospitals account for about two-thirds of all beds (Duckett, 2018), and citizens have to pay out of pocket to access private hospitals. In Australia, private insurance—including insurance covering the same services as the Medicare package—is encouraged through tax incentives (Connelly et al., 2010).

The federal government (Commonwealth) and the State and territory governments (from now on, when referring to Australia, the term ‘States’ will also include the mainland territories) share both the financing of the system and legislative competence. The federal government has significant regulatory powers and takes on a large share of the system financing: this means that Medicare guarantees a high degree of uniformity across the nation (Gray, 1998) (Table 4.2).

3.2 *No Major Turning Points*

Following the establishment of the Medicare scheme, which took place in 1984, Australian healthcare has not undergone any reforms designed to introduce radical changes in the overall framework of the system. Hence, in the last three decades, no important turning points have been noted in the Australian healthcare policy: governments have preferred to proceed incrementally (Hall, 1999, 2010).

3.3 *The Regulation of Private Healthcare Insurance*

A traditionally divisive issue in the Australian political debate concerns the ways in which private health insurance is regulated, and the role this insurance must play with respect to the Medicare public scheme (Willcox, 2001). Over the last 30 years, the various governments that have taken the lead of the country have made repeated interventions aimed at regulating

the private health insurance market. The major provisions in this field were implemented in 1995, 1997 and 2007.

In 1995, the federal Labour government led by Paul Keating, passed legislation allowing health insurers to contract selectively with providers (Willcox, 2001). This change should have led to a reduction in costs incurred by insurers, and therefore also to a reduction in premiums.

In 1996, the Liberal-National coalition returned to power, with a government led by John Howard. In 1997, the Howard government decided to incentivize the purchase of voluntary insurance using the ‘stick and carrot’ approach (Hall, 1999). On the one hand, tax rebates commensurate with income were granted for the purchase of private health insurance. On the other hand, tax penalties were introduced for taxpayers with medium-high income who had not taken out a private policy (Gray, 1998; Hall, 1999; Connelly et al., 2010).

Ten years later, in 2007, the fourth Howard government introduced further changes in the regulation of the private insurance market through the Private Health Insurance Act. The Act provided for a risk equalization scheme among the different insurers. The system requires consumers to pay a community-rated premium to the insurer of their choice, with equalization transfers then being made between a central fund and individual insurers (Connelly et al., 2010).

In addition to the changes involving private insurance, over the last 20 years several reform interventions have focused on the integration of primary care and the management of public hospitals (Hall, 2010; Duckett, 2018). Starting in 2015, the Primary Health Networks (PHNs) were established for the purpose of making the primary care network more integrated, with particular attention to the treatment of chronic diseases.

As concerns specialist care, from 2011 onwards Local Hospital Networks (LHNs) have been established. These networks are separate statutory authorities (each with its own Council, appointed by the State Minister) to which state governments delegate the management and financing of public hospitals (Hall, 2010).

3.4 *The Current Governance Modes*

The Australian federal government is not directly involved in the provision of healthcare services. The individual States are instead responsible for the management of public hospitals, delegated to the Local Hospital Networks. Outpatient care is provided by independent practitioners (i.e. not employed by the government), paid mainly on a fee-for-service basis.

Regulation Healthcare is formally divided between Commonwealth and State governments (Duckett, 2018); this notwithstanding, the Australian healthcare policy is strongly shaped by the preferences of the federal government, which exerts a considerable leverage through its funding role (Gray, 1998; Hall, 1999). The federal government defines Medicare benefits, which include hospital care, medical services and pharmaceuticals.

Private health insurance is highly regulated, and insurers are required to comply with the constraints imposed by both open enrolment and community rating (Hall, 1999; Connelly et al., 2010). The role played by private insurers is both supplementary and complementary to Medicare, and currently around 50% of Australians have private insurance (Duckett, 2018).

Financing Medicare funding is shared by the federal government and the individual States. The Commonwealth transfers to the States the resources required to cover primary and outpatient care, pharmaceuticals and about 40% of public hospital funding (Duckett, 2018). The balance of the expenditure incurred for hospitals is covered by the budget of the individual States. With respect to the public hospital funding system, all States use some form of ‘activity-based’ payment, subject to budget caps (Hall, 2010; Duckett, 2018).

The Commonwealth encourages enrolment in private health insurance through a tax rebate and, above a certain income, a penalty payment for not having a private insurance policy.

Unlike the position in other countries, extra-billing is permitted in Australia: family doctors and outpatient clinic specialists may charge higher rates than those reimbursed by the Medicare scheme. In such a case, patients are required to pay the price difference out of pocket (Table 4.3).

Information In the Australian system, the typically ‘informational’ policy tools do not seem to play a crucial role. The two main agencies with information functions are the Australian Institute of Health and Welfare (which collects and publishes information on a wide range of health topics) and the Commission on Safety and Quality in Health Care (which, in addition to data dissemination, has the task of developing clinical standards).

Table 4.3 Overview of Australian health instruments in 2018

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Contribution through general taxation	Hard
	• Private insurers: open enrolment and community-rated premiums	Hard
Financial	• Free choice of provider	Soft
	• Tax incentives to take out private insurance	Soft
	• Tax penalties for not having private insurance	Hard
	• Private insurers: risk equalization scheme	Hard
	• Users' charges	Hard
	• Extra-billing	Soft
	• Hospitals: activity-based funding	Hard
Informational	• (Data collection and dissemination)	Soft

4 CANADA

4.1 *The Decentralized Structure of Medicare*

The overall organization of the Canadian healthcare system resembles the Australian set-up in many respects (Gray, 1998; Duckett, 2018). Canada also has a single public insurance scheme, financed through taxation. As in Australia, this scheme is referred to as Medicare. Canadian Medicare was shaped by legislation passed in 1957, 1966 and 1984, and guarantees a basic benefit package to all Canadian residents. Providers are separate from Medicare and are reimbursed by the latter. Hospitals in Canada are, to a large extent, non-profit private organizations, while doctors are mostly self-employed or employees of private organizations.

The structure of the Canadian healthcare system is strongly decentralized (Gray, 1998; Geva-May & Maslove, 2000; Fierlbeck, 2011): although the federal government imposes a regulatory framework common throughout the country, Medicare is managed at provincial/territorial level (we shall use the term 'provinces' to mean both the ten provinces and the three territories).

The overall governance of the system is essentially based on financial leverage: since the Constitution guarantees the autonomy of the provinces insofar as healthcare matters are concerned, the Ottawa government uses financial transfers to 'convince' the provinces to implement the federal objectives (Evans, 2000; Marchildon, 2019) (Table 4.4).

Table 4.4 Canadian health governance, 1985

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Contribution through general taxation • Free choice of provider 	Hard Soft
Financial	<ul style="list-style-type: none"> • Transfers to provinces based on reward system • Hospitals funded through global budgets 	Hard Soft
Informational		

4.2 *No Major (Pan-Canadian) Reform After the 1984 Canada Health Act*

The overall organization of the healthcare system largely descends from the provisions introduced by the Canada Health Act. The latter was passed unanimously by Parliament in 1984 under the guidance of Monique Bégin, then-Minister of Health in Pierre Trudeau's Liberal government.

Since the 1984 reform, no major federal health reforms have been approved in Canada (Geva-May & Maslove, 2000; Fierlbeck, 2011; Marchildon et al., 2020). Organizational changes took place at a decentralized level: in some cases, the individual provinces did some fine-tuning to their healthcare system; in others, they introduced more radical changes, with the aim of improving integration, quality, efficiency and timeliness of the services offered (Gray, 1998; Marchildon et al., 2020).

4.3 *The 1984 Canada Health Act and the Establishment of the Regional Health Authorities*

The 1984 Canada Health Act aims to ensure that all residents of Canada have access to necessary hospital and physician services 'without financial or other barriers'. The legislation sets out the five basic criteria that the provinces are required to comply with to receive federal transfers (Geva-May & Maslove, 2000; Fierlbeck, 2011). The five conditions are (1) *universality* (coverage of all residents, who are entitled to uniform conditions), (2) *accessibility* (services provided free of charge, without user fees), (3) *comprehensiveness* (all care classified as medically necessary must be guaranteed), (4) *portability* (insured residents moving from one province to another, must continue to be covered for insured health services) and (5) *public administration* (provincial health insurance must be carried out by a public authority on a non-profit basis).

The five criteria established by the Canada Health Act originated as conditions for receiving federal funding, but over time they came to constitute the basic principles of Medicare (Marchildon et al., 2020).

From the end of the 1980s till today, the major novelty in the organization of the Canadian healthcare system lies in the process of regionalization (Fierlbeck, 2011), namely the introduction of the Regional Health Authorities (RHAs). These agencies were not introduced through a federal reform, but were established at different times, and in different ways, by the individual provinces: the first province to establish the RHAs was Quebec in 1988; most provinces introduced the RHAs between 1992 and 1996. RHAs have been delegated by provincial ministers of health to oversee hospitals, long-term facilities, home care and public health services within defined geographical areas. The RHAs are entitled to provide these services directly or by contracting with other healthcare organizations and providers. The main purpose of the RHAs is to make the system more integrated (Marchildon, 2019). Recently, some provinces (including Alberta, Nova Scotia, Ontario and Saskatchewan) have replaced regional authorities with a single provincial health authority.

4.4 *The Current Governance Modes*

In Canada, the State finances and regulates its healthcare services, but does not provide them directly. The regionalization process that began in the early 1990s has led to a greater integration of the system. In the provinces where the RHAs own and manage first-hand most of the healthcare facilities, the organizational model approaches that of the NHS (Table 4.5).

Table 4.5 Overview of Canadian health instruments in 2018

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Contribution through general taxation	Hard
	• Free choice of provider	Soft
	• Private insurers: open enrolment and community-rated premiums	Hard
	• Regional Health Authorities	Soft
Financial	• Transfers to provinces based on reward system	Hard
	• Hospitals: performance-based funding	Hard
	• Fiscal incentives for complementary private insurance	Soft
Informational	• (Data collection and dissemination)	Soft

Regulation The provinces and the federal government share the regulation of the healthcare system. The primary policy responsibility of financing, managing and regulating healthcare and hospital services falls upon the provincial governments (Fierlbeck, 2011). The federal government may determine some general planning principles (Gray, 1998; Evans, 2000), which it seeks to impose on the provinces mainly through financial leverage.

The Medicare scheme guarantees ‘medically necessary’ care to all Canadian residents, without deductibles or co-payments (Evans, 2000). There is no official list of services guaranteed by Medicare, established at federal level. The benefit baskets are defined at the provincial level. Coverage includes hospital care and the majority of outpatient specialist care, primary care and long-term care.

For services that are not included in the Medicare package, two-thirds of Canadians prefer to subscribe to private complementary insurance (Flood & Haugan, 2010). Voluntary health policies that attempt to provide a private alternative to Medicare or faster access to Medicare services are prohibited or in any case discouraged by provincial laws and regulations (Flood & Haugan, 2010; Marchildon et al., 2020). Conversely, the purchase of a complementary private policy is incentivized through tax exemption on insurance premiums.

Financing The Medicare scheme is financed through general taxation. The provinces raise the majority of funds through own-source revenues and receive roughly a quarter of their healthcare budget from federal transfers (Geva-May & Maslove, 2000; Marchildon et al., 2020). Transfers are conditional on compliance by the individual provinces with the five provisions set forth by the Canada Health Act. Most hospitals are financed through global budgets, although in the last few years alternative methods have been tested at provincial level (Marchildon et al., 2020).

Information To date, typically informational tools do not play a particularly important role in the overall governance of the Canadian healthcare system (Fierlbeck, 2011). Among the bodies responsible for data collection in the healthcare sector, the most relevant is the Canadian Institute for Health Information (CIHI). This institute is responsible for collecting and processing administrative and financial data that enable the provincial governments to assess the effectiveness and efficiency of their respective healthcare systems.

5 ENGLAND

5.1 *The United Kingdom (UK) NHS: Public, Unitary and Integrated*

The UK was the first large country to adopt the National Health Service model, established in 1948.

Despite devolution (the NHS is now subdivided into four distinct administrations, for Northern Ireland, Scotland, Wales and England), and other radical reforms introduced over the years, the National Health Service has always retained some distinctive features: it continues to be financed through tax revenue and provides care to all residents of the UK.

The NHS owns and operates its own hospitals and outpatient clinics. Most healthcare personnel are employed by the NHS. In short, the National Health Service embodied—at least until the Conservative government reform of 1990—the prototype of the public, unitary and integrated healthcare service (Helderman et al., 2012).

Charging user fees to patients has always been considered a politically unpopular measure and has therefore been little used. Until the 1980s, patients were granted a very limited choice of providers (Table 4.6).

5.2 *Three Major Turning Points*

Over the past 40 years, the English NHS has undergone at least three major turning points.

The first turning point was produced by the 1990 Conservative government reform. The 1990 reform of the Thatcher government, inspired by the principles of the ‘internal market’, introduced the separation of providers and purchasers.

Table 4.6 English health governance, 1985

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Contribution through general taxation • Public provision • Limited choice of providers 	Hard Hard Hard
Financial		
Informational		

The second turning point can be traced back to the Blair ('New' Labour) government's election in 1997, following 18 consecutive years of Conservative Party rule. One of the first measures of the Blair government was to undertake an unequivocal counter-reform in the field of healthcare (Toth, 2010). Abandoning the rhetoric of competition, the Labour reforms instead focused upon 'co-operation' and 'collaboration' (Klein, 1998). A change in strategy occurred with the Blair second administration. In this 'second phase' (Bevan & Robinson, 2005) of the New Labour administration, most of the attention was paid to the strengthening of patients' rights.

The third turning point was represented by the legislation passed in 2012 by the Conservative/Liberal Democrat Coalition government led by David Cameron. This reform recalls, in some respects, the principles of the 1990 Conservative reform.

5.3 *From the Thatcher to the Cameron Reform*

The *NHS and Community Care Act 1990*, introduced by the Thatcher government, was meant to promote a radical change in the governance of the English healthcare service, switching from an integrated system to an 'internal market' model (Enthoven, 1985). To this end, the split between purchasers and providers plays a major role. The purchasers would be the District Health Authorities (DHAs). The latter would receive a budget, based upon the number of residents, with which to purchase necessary services from a vast array of providers. 'Fund holding' general practitioners (GPs) represented a second category of purchasers (Oliver, 2005). The provision of services, on the other hand, was the responsibility of the hospitals, which were transformed into autonomous 'trusts' that would then be obliged to compete to win contracts. The split promised efficiency by introducing a system of provider competition in which money would follow the patient (Klein, 1998).

We ought to stress that such a reform did not entail the strengthening of the private sector. The rationale behind the reform was, in actual fact, to spur competition only among public providers, introducing incentives for their productivity. Nothing really changed for NHS users: providers could not be selected by the single patient, but by district authorities and general practitioners; therefore, there was no enhancement of the public's freedom of choice.

After the 1997 elections, the objective of Blair's Labour government was to mitigate the elements of competition introduced by the 1990

reform and to promote greater integration of care provision (Toth, 2010). Even though the split between local health services and hospitals was maintained, Primary Care Trusts (PCTs) constituted in fact the framework of a tightly coordinated system, which encouraged the integration of primary, secondary and community care (Ham, 2009). The *Primary Care Act 1997* decreed that all healthcare workers were to work in unison at local level, adhering to triennial programmes, which would be coordinated by the local health authorities. Fund holding was abolished, and all GPs, as well as all providers of primary care, were to form part of the PCTs.

Starting in 2001, at the beginning of the second mandate, the Blair government aimed at changing the direction of its healthcare policy. The ‘second phase’ of the New Labour (Bevan & Robinson, 2005) insisted particularly on the issues of freedom of choice of patients and quality of providers. From 2008 onwards, English patients could choose from any provider meeting the Healthcare Commission’s standards and charging the NHS rates (Klein, 2013). In order to facilitate patients’ choice, the Blair government focused on typically informational policy instruments. Indeed, the assumption was that it was not sufficient to give patients the freedom to choose, if they did not have the means to judge which providers were better than others. Therefore, a system was set up for the periodic evaluation of all the healthcare facilities within the country, giving citizens the possibility to compare the performance of the different facilities and choose accordingly (Oliver, 2005).

The last major reform in order of time is that enacted in 2012 and introduced by the Cameron government. With the implementation of the *Health and Social Care Act 2012*, the NHS is presently subdivided into over 200 territorial districts called Clinical Commissioning Groups (CCGs). The CCGs are largely managed by general practitioners and receive a budget commensurate with the population residing in the district; they have the task of providing primary care with their own personnel, whereas they act as purchasers for home and specialist care. The provision of the latter is the responsibility of the NHS trusts, namely public companies providing healthcare services, remunerated according to the volume of services actually provided. Depending on the case, the NHS trusts may be hospital facilities, mental health centres or community health services. Clearly, the 2012 Cameron reform is based on the internal market rationale initially proposed by the 1990 Conservative reform (Klein, 2013).

5.4 *The Current Governance Modes*

Over the past three decades, the English NHS has been subjected to major reforms, aimed primarily at enhancing efficiency and patient-orientated approach. However, these reform measures have not undermined the founding principles of the NHS: financing through taxation, universal coverage and the eminently public provision of care. The 2012 Cameron reform was accused of wanting to privatize the NHS, as it allows Clinical Commissioning Groups to buy specialist care not only from NHS trusts but also from licenced private providers (Table 4.7).

Regulation The assignment of important regulatory activities to independent agencies is a peculiarity of the English healthcare system (Ham et al., 2015). These agencies in part have regulatory powers and in part carry out informational and advice functions. The main independent health agencies are National Institute for Health and Care Excellence (NICE), the Care Quality Commission and Monitor. NICE provides recommendations and publishes guidelines on clinical practice, technology assessment and health promotion. The Care Quality Commission performs important regulatory functions and is committed to monitoring and evaluating the quality of the services offered by the individual NHS providers. Monitor (merged in 2016 in NHS Improvement) has the task of authorizing, regulating and monitoring all NHS providers, from a financial and administrative point of view.

Table 4.7 Overview of English health instruments in 2018

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Contribution through general taxation	Hard
	• Public provision	Hard
	• Purchaser-providers split/internal market	Hard
	• Free choice of providers	Soft
	• Patient's charter	Soft
Financial	• Compulsory guidelines	Hard
	• Budget holding	Soft
	• Payment-by-results system	Hard
Informational	• National Institute for Health and Care Excellence (NICE): standards and guidelines	Hard
	• Ranking and assessing of providers	Soft
	• Performance rating	Soft

Financing From the public's perspective, NHS financing has remained unchanged: they continue to finance the public healthcare service through general taxation. Users mostly benefit from NHS services free of charge: the only forms of cost-sharing involve pharmaceuticals, dental care and optical care (Cylus et al., 2015). What has changed over the last few decades is the providers' remuneration system. Hospital facilities are now paid based on per-case reimbursement system, and a pay-for-performance linking a small part of hospital incomes to certain goals (Cylus et al., 2015).

Information If we focus on the typically 'informational' tools, a significant innovation from the early 2000s was the adoption of performance rating systems for NHS providers, based on a typical 'naming and shaming' strategy (Helderman et al., 2012; Bevan, 2014). In the early years, assessments on the different facilities (hospitals, outpatient clinics, primary care and mental health centres) were expressed using a scale from zero to three stars, as in tourist guides (Klein, 2013; Bevan, 2014). Assessment was entrusted to an independent agency, the Healthcare Commission (later transformed into the Care Quality Commission). The star rating was later replaced by other performance rating methods and the public can easily view the results on the Care Quality Commission website.

6 GERMANY

6.1 *The Legacy of the Bismarckian System*

In the mid-seventies, West Germany relied on a classic social health insurance (SHI) system. After all, Germany is the cradle of the social health insurance system, introduced by Chancellor Bismarck as early as 1883. In 1990, with the German unification, the SHI system was extended to the *Länder* of former East Germany.

The Bismarckian system obliged most workers to make regular contributions to a sickness fund. Some categories of workers were exempt from this obligation and excluded from the mandatory SHI scheme: those belonging to the latter categories could have taken out a private insurance policy. The majority of those enrolled in the mandatory SHI scheme could not choose the sickness insurance fund: enrolment was automatic depending on profession. Healthcare providers were independent of the sickness funds (and still are today), and patients had ample freedom of choice with respect to both physicians and hospital facilities.

Table 4.8 German health governance, 1985

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Sickness fund membership mandatory for employees	Hard
	• Salary-based contributions	Hard
	• Group rating	Hard
	• Free choice of provider	Soft
Financial	• Hospitals: per diem payment system	Hard
Informational		

The German system has always been characterized by a decentralized and corporatist regulation (Altenstetter, 1997; Giaimo, 2016) based on agreements and negotiations—partly at federal and partly at state level—in which associations representing practitioners, hospitals and sickness funds play a leading role (Table 4.8).

6.2 *The Major Reforms of 1993 and 2007*

Since the Reunification in 1990, the German Parliament has approved more than 20 healthcare reforms (Busse et al., 2017; Blümel et al., 2020). In most cases, these legislative actions did not introduce any radical changes to the system, their intent being to correct some aspects of the pre-existing structure, introducing incremental changes (Giaimo, 2016; Busse et al., 2017).

The major reforms, which have significantly changed the architecture of the system, are essentially two: the 1993 *Health Care Structure Act*, approved by the fourth Kohl government (coalition of Christian Democrats and Liberals); and the 2007 reform, launched by the first Merkel government (grand coalition of Christian Democrats and Social Democrats).

In 1990–1991 the German government faced a growing fiscal crisis due primarily to the costs of German unification (Altenstetter, 1997; Giaimo, 2016). There were also significant differences among the various sickness funds, in terms of both contribution rates and benefits granted to their members (Greß et al., 2002). In order to tackle these problems, the 1993 reform sought to promote greater competition between sickness funds, on the one hand by guaranteeing policyholders the right to choose the sickness fund on a yearly basis regardless of their profession and on the other hand by introducing a risk-adjusted compensation scheme among sickness funds.

The main innovation of the 2007 reform refers to the extension of the obligation to subscribe to insurance to all citizens residing in Germany. The reform also aimed at modifying the way competition between sickness funds was regulated, introducing both the Central Reallocation Pool and the contribution rate standardization.

6.3 *The Effects of the 1993 and 2007 Reforms on the SHI Scheme*

The main purpose of the *Health Care Structure Act* of 1993, passed by the Kohl government, was to open up the system to greater competition between sickness funds. This reform guaranteed the majority of German citizens the freedom to choose which health fund to subscribe to. The new arrangement was put into practice in 1996. To discourage insurers from discriminating against patients based on risk, sickness funds were required to accept all subscribers. A new risk-compensation scheme, which would operate between the various sickness funds, was established in 1994.

The 2007 reform (called *Act to Strengthen Competition in SHI*), promoted by the first Merkel government, comprises a wide range of measures that, as a whole, have significantly modified the way the German healthcare system is regulated and financed. The most relevant change is the introduction of a universal insurance obligation: starting in 2009, the obligation to take out insurance is no longer limited to some professional categories, but includes all German residents. Non-SHI subscribers are required to have a private healthcare insurance policy. Private insurers are obliged to offer their policyholders basic tariff for coverage of a benefit basket similar to the one guaranteed by the SHI. A Central Reallocation Pool has been established for the purpose of making the financing of sickness funds even more equitable and transparent. All mandatory contributions paid by SHI subscribers are now collected by this central fund, which in turn allocates them to individual sickness funds according to a morbidity-based risk-adjustment scheme (Kifmann, 2017). Another important change concerns the standardization of the contribution rate for SHI subscribers. Prior to the reform, contributions could have varied depending on the sickness fund. Following the 2007 reform, all sickness funds are financed through the same contribution rate. The latter was subsequently set at 14.6% of the worker's salary, to be paid in equal shares by employer and employee. Each sickness fund charges an additional contribution fee directly to its members. These additional contributions are income-related and currently amount to around 1% of the salary (Busse et al., 2017).

6.4 *The Current Governance Modes*

In Germany, the various reforms introduced since the 1990 Reunification have generally followed an all-in-all coherent design. Overall, this 30-year process has resulted in changing the system's financing model. Health insurance is no longer mandatory only for given professions but applies to all residents. Coverage has therefore become universal. The mandatory contributions that were once collected by individual sickness funds are now collected and then allocated by a single national fund. The financing of the system has therefore become more centralized and equitable. Also, starting in the mid-1990s, SHI subscribers are entitled to choose the sickness fund they wish to register with, whereas in the past this was not possible. To date, the German system is based on competition between insurers, which are nonetheless subject to stringent public regulation (Table 4.9).

Regulation Federal laws determine a general framework of reference but, in actual fact, the daily regulation of insurers and providers takes place at a decentralized level (Giaimo, 2016).

Despite the abandonment of the classic Bismarckian model, none of the recent governments have questioned the corporatist mode of regulating the healthcare sector (Blümel et al., 2020), based on the involvement of associations representing sickness funds, hospitals and practitioners. In this scenario, the Federal Joint Committee plays an important linking role.

Table 4.9 Overview of German health instruments in 2018

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Obligation for all residents to take out health insurance	Hard
	• Free choice of sickness fund	Soft
	• Standardization of the SHI contribution rate	Hard
	• Open enrolment	Hard
	• Community rating	Hard
	• Free choice of providers	Soft
Financial	• Risk-adjustment scheme	Hard
	• Hospitals remunerated according to a diagnosis-related group (DRG) system	Hard
Informational	• Financial incentives for gatekeeping	Soft
	• (Data collection and dissemination)	Soft

This body consists of ten representatives of the associations of providers and sickness funds, plus three neutral members (Kifmann, 2017). The Federal Joint Committee performs important quality assurance duties for the entire system and has the authority to determine which treatments should be covered under Social Health Insurance (Giaimo, 2016).

Financing Compared with the early 1990s, the federal government has presently put in place—through the Central Reallocation Pool—a more stringent monitoring of sickness fund financing. Hospitals are remunerated according to a diagnosis-related group (DRG) system, introduced in 2004 (Busse et al., 2017).

Organization and Information If we consider the policy tools used in the healthcare sector, we can conclude that Germany mainly relies on the financing and regulation levers, while recourse to organization (the German State does not directly provide healthcare through its own facilities and employees) and information are rather scarce. One of the few examples of an ‘informational’ tool is the Institute for Quality and Efficiency: this body—established following the model of the English NICE (Busse et al., 2017)—has no regulatory powers but performs an informational function for the public and the Federal Joint Committee (it publishes guidelines and assessments on the clinical effectiveness of treatments).

7 ITALY

7.1 *The 1978 Reform and the Establishment of the SSN*

Like England, Italy also has a NHS, called *Servizio Sanitario Nazionale* (SSN). Therefore, the Italian State finances and directly provides—through the SSN facilities and personnel—the majority of healthcare services. The SSN, established in 1978, is financed through general taxation and is committed to guaranteeing all residents a wide range of healthcare services classified as essential.

Ever since its establishment, the Italian SSN has had the peculiarity of being open to the private sector: about one-third of the healthcare services financed by the SSN are outsourced to private providers (Toth, 2016a). To receive SSN funding, private providers are required to meet given quality standards and enter into appropriate agreements with the public service (Table 4.10).

Table 4.10 Italian health governance, 1985

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Contribution through general taxation • Public provision • Prerequisites to practise and receive public payment • Gatekeeping 	Hard Hard Hard Hard
Financial		
Informational		

7.2 *The 1992–1993 Reform*

Over the last three decades, the Italian healthcare system has undergone a single major reform in 1992–1993 (Toth, 2015). The healthcare reform was approved through two twin measures: Legislative Decrees 502 and 517, approved in 1992 and 1993, respectively. These measures were approved in conditions of both economic and political crisis. In the early 1990s, Italy faced a serious currency crisis; at the same, it had to comply with the constraints imposed by the newly signed Maastricht Treaty. The Amato government was therefore compelled to raise taxes and cut public spending. The economic crisis was compounded by the political crisis, caused above all by the Tangentopoli (Bribesville) scandal: the Mani Pulite (Clean Hands) inquiry delegitimized the entire political class and weakened the Parliament. Such conditions led to the opening of a policy window favouring the approval of a radical reform aimed at ‘depoliticising’ the SSN and enhancing its efficiency (France & Taroni, 2005; Toth, 2015).

7.3 *Regionalization and Corporatization*

The 1992–1993 reform introduced two major changes in the Italian healthcare system: (1) the regionalization of the SSN and (2) the introduction of an internal market system through the split between local healthcare agencies and hospital facilities.

The first element of novelty lies in the strengthening of regional autonomy. This reform granted broad discretion to the regions in planning and organizing healthcare services in their own territory (Toth, 2014).

The second significant innovation was the transformation of the local health units and major hospitals into public companies. The territorial health units were transformed into local health agencies (*Aziende Sanitarie*

Locali—ASL), with public juridical personality and extensive managerial autonomy. The main public hospitals were separated from their respective ASLs and transformed into hospital corporations (Aziende Ospedaliere—AO). This transformation contributed to the broader plan to adopt—also in Italy—an ‘internal market’ model (France & Taroni, 2005). Above all, the ASLs were entrusted with a commissioning function. Following the reform, each ASL is entitled to decide which services to provide first-hand and which are instead commissioned to third parties, while the AOs’ responsibility is the provision of specialist services.

The reform Bill envisaged that the potential providers would be in competition with each other. To this end, it was decided to equalize private and public providers, on condition that the former would accept the prices and quality checks imposed at regional level. Citizens would thus be able to choose among all accredited, public and private providers (Toth, 2015).

7.4 *The Current Governance Modes*

The healthcare policies implemented over the last three decades in Italy have changed the internal organization of the SSN, but not the basic principles of the public healthcare service. The State therefore continues not only to regulate but also to finance and provide the majority of healthcare services directly through the SSN.

Regulation Jurisdiction over healthcare policy is shared between national government and regions. The national government sets the general planning criteria and provides for financing the system through taxation. In addition, it establishes what is included in the essential care package (the so-called Essential Levels of Care), which should be provided uniformly throughout the national territory.

The regions are responsible for the planning and provision of healthcare services throughout their territory and can organize themselves as they deem appropriate. Regional administrations receive their share of national healthcare funds from the national government, with which they are required to guarantee the Essential Levels of Care to all their residents. Each region is free to determine which services to provide first-hand and which to outsource to private providers, the remuneration of these providers and the user fees charged to patients (Toth, 2014) (Table 4.11).

Table 4.11 Overview of Italian health instruments in 2018

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Contribution through general taxation	Hard
	• Public provision	Hard
	• Regional autonomy	Soft
	• Purchaser-providers split/internal market	Hard
	• Definition of the ‘essential levels of care’	Hard
	• Accreditation standards for private providers	Hard
	• Gatekeeping	Hard
Financial	• Users’ charges	Hard
	• Tax incentives to take out voluntary private insurance	Soft
	• Specialist care: DRG-based payment system	Hard
Informational	• (Data collection and dissemination)	Soft

Financing The 1992–1993 reform changed the provider financing methods: following the reform, hospitals and outpatient clinics, both public and private, are paid according to the services actually provided, thus implementing a DRG-based payment system. The 1992–1993 reform provides for tax incentives to those who take out private health insurance, on condition that it complements, and does not duplicate, the coverage offered by the public service.

Information To date in Italy, little focus has been placed on information. Apart from the health promotion campaigns financed by the ministry and the regions, the main informational tool adopted in recent years is the National Agency for Regional Healthcare Services (Agenzia nazionale per i servizi sanitari regionali—Agenas). The agency has been established to provide technical and operational support to the Ministry of Health and the regions in detecting the costs and returns of the services provided to citizens. Based on this monitoring activity, the agency is also required to facilitate the transfer of management innovations from one region to another. Agenas has no regulatory or sanctioning powers: it is only entitled to publish data and provide non-binding recommendations.

Among the six countries analysed in this work, Italy was the one most affected by the great financial crisis. In the decade following the outbreak of the crisis (i.e. from 2008 onwards), the Italian GDP decelerated sharply, with repercussions also in the healthcare sector (de Belvis et al., 2012): while public healthcare spending remained roughly stable, private

spending increased steadily. The financial crisis did not bring about significant changes in policy tools, but ended up fuelling the debate on the financial sustainability of the SSN.

8 THE NETHERLANDS

8.1 *The Bismarckian Imprint*

Up until the end of the 1980s, a Bismarckian system was also implemented in the Netherlands, where it was established in 1941 during the German occupation. About two-thirds of the population were subject to a typical social sickness insurance scheme, while the remaining part of the population was free to take out private insurance. For those enrolled in the mandatory scheme, the benefit package was uniform, and contributions were paid in equal shares by employers and employees (Vonk & Schut, 2019).

In addition to basic insurance (mandatory or voluntary), from the second half of the 1960s, all Dutch residents could rely on additional insurance coverage for catastrophic risks. This scheme, initially referred to as AWBZ (Dutch Exceptional Medical Expenses Act, *Algemene Wet Bijzondere Ziektekosten*), went through a profound reform in 2015 and was replaced by a less comprehensive insurance plan, referred to as WLZ (Dutch Long-Term Care Act, *Wet langdurige zorg*) (Alders & Schut, 2019). This public long-term care insurance scheme, unique and uniform for all residents, is financed through mandatory income-related contributions.

Healthcare providers were—and still are—independent of insurance companies and sickness funds, and were reimbursed by the latter.

The Dutch healthcare system has a long tradition of self-regulation: part of the regulatory tasks has always been delegated to independent bodies, such as professional associations, and provider and insurer representatives (Helderman et al., 2012) (Table 4.12).

8.2 *The 2006 Reform*

In the last four decades, the Dutch healthcare system has experienced various reform initiatives (Kroneman et al., 2016). The most important reform is the one implemented in 2006, approved by the second Balkenende government (centre-right coalition). The 2006 reform is largely inspired by the recommendations contained in the 1987 Dekker

Table 4.12 Dutch health governance, 1985

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Most of the population enrolled in a SHI mandatory scheme • Free choice of providers 	Hard
Financial	<ul style="list-style-type: none"> • Hospitals funded through global budgets 	Soft
Informational		Soft

Report (Maarse et al., 2016; Vonk & Schut, 2019) and has introduced a unified mandatory insurance scheme and provided for a regulated competition system, which should promote the efficiency of the system and increase citizens' freedom of choice.

8.3 The 2006 Reform and Mandatory Insurance for All Residents

Following the 2006 reform, all Dutch residents are obliged to purchase an insurance policy covering a standard, basic benefits package. Only two categories are exempt from this universal insurance obligation: (1) the military, as they have a dedicated targeted scheme, and (2) people who refuse insurance for religious reasons or out of principle.

Citizens are free to choose their insurer, which may be changed every year. Insurers (virtually all health insurance companies are not-for-profit mutual associations) are in competition with each other and are obliged to accept each person who applies for an insurance plan. Adults are required to pay an annual premium directly to their insurer. These premiums vary depending on the insurer, but cannot be calculated based on individual risk, as they must be community-rated. The government pays the premium due for minors through tax revenue. In addition to the fixed premium, subscribers pay an income-dependent contribution to a single national fund. The contributions collected by this fund are redistributed among all insurers on a risk-adjusted basis. Low-income families can apply for fiscal subsidy to purchase basic health insurance (Okma & Crivelli, 2013).

The 2006 reform provides more opportunities for insurers to enter into selective agreements with providers: these contracts may relate to the price, quality and volume of the care provided to patients (Schut & Varkevisser, 2017).

8.4 *The Current Governance Modes*

Similar to Germany, over the last few decades the Dutch healthcare system has evolved according to a design that is altogether coherent. The innovations introduced in the early 1990s created the prerequisites for a ‘regulated competition’ system, which was officially implemented with the 2006 reform.

Although not directly involved in the provision of health services, the Dutch government monitors the financing system and performs important regulatory functions. Despite the emphasis placed by political rhetoric on market competition, patients’ freedom of choice and self-regulation of the system, over the last three decades the Dutch government appears to have expanded its role as supervisor and regulator of the healthcare system (Okma & Crivelli, 2013).

Regulation Starting in 2006, the State requires all residents to take out basic health insurance: the policy can be purchased from insurance companies, in competition with each other. Both insurers and healthcare providers are strictly regulated.

The basic insurance benefit package is uniform and determined by the national government; it includes outpatient and hospital care, prescription drugs and dental care for children under 18 (Maarse et al., 2016). Healthcare services excluded from the basic package may be covered by voluntary private insurance. Four out of five Dutch citizens subscribe to complementary private insurance (Kroneman et al., 2016). With regard to complementary coverage, insurers can refuse applicants and calculate premiums based on individual risk.

The regulation of the healthcare system is in part delegated to some independent agencies, the most important of which are the Dutch Healthcare Authority (NZa), the Health and Youth Care Inspectorate (IGJ) and the anti-trust authority (Schut & Varkevisser, 2017). NZa has the task of monitoring both insurers and healthcare providers and, for this purpose, is empowered to impose sanctions and obligations that the actors are required to comply with. IGJ is responsible for monitoring quality and accessibility of healthcare. The objective of the Authority for Consumers and Market (ACM) is to protect consumers’ interests by preventing the formation of cartels and the abuse of a dominant position. The regulatory powers of the ACM also extend to insurers and providers operating in the healthcare field (Table 4.13).

Table 4.13 Overview of Dutch health instruments in 2018

<i>Instrument type</i>	<i>Healthcare governance categories</i>	<i>Assessment</i>
Regulatory	• Obligation for all residents to take out basic insurance	Hard
	• Free choice of insurer	Soft
	• Open enrolment	Hard
	• Community rating	Hard
	• Free choice of providers	Soft
Financial	• Possibility to selectively contract with providers	Soft
	• Public subsidies to take out mandatory insurance	Soft
	• Risk-adjustment scheme	Hard
Informational	• Hospitals remunerated according to a DRG system	Hard
	• Information and performance assessment	Soft

Financing With respect to financing, the national government plans and allocates the national healthcare budget. Through taxation, it also finances the long-term care fund for the entire population and pays basic health-care for minors. Moreover, the risk-adjustment criteria among insurers are also the responsibility of the State. At present, hospitals are financed through an adapted type of DRG system.

Information The Dutch system avails itself of some important advisory bodies, which do not have regulatory and sanctioning powers, but are required to provide policy-makers and citizens with ‘advice and evidence’. The most relevant advisory body is the National Healthcare Institute (ZiNL). It publishes periodic reports assessing the performance of the healthcare system, based on quality indicators, accessibility and expenditure.

The Dutch healthcare system generally places great emphasis on information at all levels of the system (Kroneman et al., 2016). As a tool for patient empowerment, the Dutch government is committed to providing all citizens with the information required to make a conscious choice of the healthcare provider. A website hosted by the National Healthcare Institute is available for users who wish to find information on performance, prices, waiting times, specific providers or a specific condition (Kroneman et al., 2016).

9 CONCLUSIONS: THE TRAJECTORIES OF HEALTHCARE GOVERNANCE

9.1 *Changing the Governance Model*

In concluding this chapter, we ought to recap the trajectories followed by the six healthcare systems analysed in the previous sections. Over the past four decades, all the countries we have focused on have indeed modified—at least in part—their model of healthcare governance.

At the beginning of the 1980s, England and Italy utilized, and still utilize, the National Health Service model. However, starting in the early 1990s, both countries have promoted a shift in governance mode: without disrupting the basic principles of the NHS (universal coverage, financing through taxation, mainly public service provision), the integrated model was left behind, moving on towards an internal market system. The internal market model perfectly embodies neoliberal principles. We can therefore conclude that, in the healthcare domain, England and Italy were largely affected by the neoliberal wave. In England, the internal market rationale was first introduced in 1990 by the Thatcher government. It was later softened by the Blair government and was finally implemented again in 2012 by the Cameron government, with new operational tools. In Italy, corporatization and the split between local and hospital corporations go back to the 1992–1993 reform.

Over the last three decades, Germany and the Netherlands have followed a similar trajectory. Indeed, both countries are progressively moving from a classic Bismarckian system of SHI to a system that is approaching ‘mandatory residence insurance’ (Toth, 2016b, 2021a). While the classical SHI does not grant the freedom to choose the sickness fund and imposes the obligation to take out health insurance only to some professional categories, the mandatory residence insurance model is instead based on the obligation for all residents to subscribe to an insurance and on the ‘regulated competition’ of insurers. Both Germany and the Netherlands have maintained the tradition of ‘corporatist regulation’, under which important agreements and regulatory functions are entrusted to negotiation between the social partners.

In the mid-1980s, Canada and Australia had, and still have, a universal single-payer system in which the state finances healthcare for the entire population, but does not provide it directly. An important innovation lies in the introduction of Local Hospital Networks in Australia and of

Regional Health Authorities in Canada (especially in the provinces where the RHAs manage hospitals first-hand). These models indicate a tendency towards vertical integration and direct management of hospitals (similarly to the NHS).

9.2 *Changing Policy Mixes*

Throughout this work, we have subdivided the policy tools into three broad categories: regulation, financing and information. In the previous sections, we have discussed the different ways in which the individual countries combine these governance modes.

Regulation All the six countries studied in this work make extensive use of regulation. Often this regulation is shared between the national and subnational governments, and is in part delegated to agencies and external actors. The regulatory tools used are both hard and soft (Table 4.14).

Direct management remains the prevailing mode of governance in the English and Italian healthcare systems. In these two countries, most healthcare services are provided by personnel and facilities belonging to the National Health Service. As regards hospital care alone, Australia and some Canadian provinces are also shifting towards government-led models similar to those of the NHS.

In all six countries, governments require residents to have basic coverage and regulate healthcare providers. Insurer regulation is particularly stringent in Germany, the Netherlands and Australia. Insurers in these three countries must comply with three major constraints if they want to provide the basic package in Germany and the Netherlands, and if they want to enjoy tax incentives in Australia. These constraints are open enrolment, community rating and acceptance of risk-adjustment mechanisms. Compliance with these three constraints should prevent (or in any case discourage) the skimming off of policyholders and the calculation of premiums based on individual risk.

Financing Of the countries examined in the foregoing, those that make the greatest use of financial leverage to influence the behaviour of the different actors (insurers, providers, users) are Australia and Canada. These countries use a mix of hard and soft financial tools. In Australia, for example, private health insurance is incentivized either through an award or through a penalty. In Canada, the entire Medicare scheme is

Table 4.14 The main reforms and their respective policy tools

Australia	
<i>1983 Health Legislation Amendment Act</i>	Contribution through general taxation Free choice of provider
<i>1997 Private Health Insurance Incentives Act</i>	Tax incentives to take out private insurance Tax penalties for not having private insurance
<i>2007 Private Health Insurance Act</i>	Risk equalization scheme Community-rated premiums
Canada	
<i>1984 Canada Health Act</i>	Contribution through general taxation Free choice of provider Transfers to provinces based on a reward system
<i>From 1984 onwards</i>	Regional Health Authorities Performance-based funding CIHI: information dissemination
England	
<i>1990 NHS and Community Care Act</i>	Internal market Purchaser-provider split Fund holding Contracts
<i>1997 Primary Care Act and New Labour '2nd phase'</i>	Abolishment of fund holding Public programming NICE: standards and guidelines Free choice of provider Star rating system
<i>2012 Health and Social Care Act</i>	Budget holding Internal market
Germany	
<i>1993 Health Structure Act</i>	Free choice of sickness fund Open enrolment Risk-adjustment scheme
<i>2007 Act to Strengthen Competition in SHI</i>	Obligation for all residents to take out insurance Standardization of the SHI contribution rate
Italy	
<i>1978 Establishment of the SSN</i>	Direct provision Contribution through general taxation Users' charges
<i>1992–1993 Reform</i>	Purchaser-provider split Internal market Accreditation standards for private providers
The Netherlands	
<i>2006 Health Insurance Act</i>	Obligation for all residents to take out basic insurance Free choice of insurer Open enrolment Community-rated premiums Public subsidies Risk-adjustment scheme

based on financial incentives. The individual provinces are formally free not to comply with the directives of the federal government, but in this case they do not receive financial transfers from the latter.

Information Among the six countries under consideration, the two that focus most on genuinely informational policy tools are England and the Netherlands, where systems for the evaluation of provider performance have been put in place. These evaluation systems are very convenient for users (who can decide where to be treated in a more informed and conscious manner) and motivate providers to keep quality high. In the six countries analysed, informational tools are almost exclusively of a voluntary (soft) nature.

If we compare the policy mixes used in the 1980s and those used more recently, two common trends can be seen in all the countries here analysed. The first trend is the use, to a greater extent, of informational tools, which were rarer in the 1980s (this trend, as argued above, is more prominent in some countries than others). The second trend of policy-makers is to compose policy mixes using a greater number of policy tools; in most cases, policy mixes are composed of a variety of regulatory and financial tools, both soft and hard.

In the governance of the healthcare sector, some countries—such as Germany, Italy and, to a lesser extent, England—traditionally rely more on hard than on soft instruments. Both in the past and recently, Canada seems to be the country most inclined to adopt tools of a voluntary (soft) nature. From 1980s onwards, Australia seems to have shifted, from a predominantly soft approach to a predominantly hard one. The Netherlands mix today—as in the past—is made of soft and hard tools, roughly in equal parts.

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The Governance of Energy

1 INTRODUCTION

1.1 *An Overview of Energy Policy*

Though the energy sector is sometimes difficult to demarcate precisely,¹ the critical importance of energy is clear enough. Energy powers the economies of the developed world and underwrites the lifestyles that most of its citizens have come to take for granted. Even quite limited interruptions in energy supply in the form of electricity blackouts or fuel shortages have had significant political consequences for those deemed responsible. However, the same energy that drives industrial processes, heats and cools homes and fuels transportation is the major source of greenhouse gas (GHG) emissions in the developed world. It is also the cause of many other negative environmental externalities, including poor urban air quality and land-use conflicts.

The International Energy Agency (IEA), an international organization founded in 1974 in the wake of the first oil supply crisis, has strongly promoted the idea that a ‘balanced energy policy’ involves the three ‘E’

¹In addition to the distinction between primary and secondary energy sources, for example the use of coal and oil for heating versus the production of electricity from coal or oil, there are various energy-intensive activities, for example transportation, where it is sometimes difficult to distinguish energy policy from other sectoral policies.

objectives: energy security, economic development and environmental protection (IEA, 2009, p. 110). The IEA's mission statement now refers to reliability, affordability and sustainability. More recently, the World Energy Council, an older international network with close ties to industry and governments, has popularized the idea of an 'energy trilemma', in which energy systems will be secure, equitable and environmentally sustainable, publishing an annual index that ranks performance along these three dimensions (WEC, 2021).

Multiple objectives raise significant challenges for policy design and instrument choice. Can a trilemma be resolved? Is there an optimal solution or does the IEA's reference to balance suggest that countries can and should choose to prioritize one goal without ignoring the others? At the outset of this study, all our countries, with recent experience of energy as a key component of strategic warfare in mind, tended to be most concerned with security. The mid-century transition from coal to oil and gas had made many of them even more dependent on world markets for their primary energy, as the first oil embargo brought sharply into focus. Much of the IEA's work over the next decades, informed by neoliberalism, was aimed at 'rebalancing' the instrument mix in Member States, arguing that transparent markets with clear price signals provide the best guarantee of security in the longer term (Goldthau & Witte, 2009).

Although the energy industry has always been a major contributor to point-source pollution, rebalancing in the direction of environmental protection waited on the arrival of the sustainability and climate change agendas roughly halfway through our period. The IEA and other international organizations pivoted to explaining how efficient markets that priced externalities were also the best guarantee of high environmental standards, throwing support behind Emissions Trading Schemes (ETSs) and further deregulation (Ayres et al., 2007). More recently, the diffuse language of a 'transition' to more sustainable energy use has grown in popularity (Leipprand et al., 2017), matching the complex instrument mixes that emerged in the energy sectors of all the countries in this study with the multi-dimensional character of the climate issue itself.

While it is tempting to argue that climate change creates a series of additional critical junctures, where the dominant paradigm of efficiency is replaced by one of sustainability, none of our countries demonstrate any such shift. By increasing the salience and importance of environmental protection, the politics of climate change certainly challenged the focus on aligning efficiency and security that characterized the era of market

liberalization and has once again exposed countries with potential regional conflicts between energy producers and energy consumers to political turmoil. However, in spite of the rhetoric of crisis and emergency, the policy response has largely been incremental adjustment of the instrument mix. The main effect of ‘the converging agendas’ of climate and energy policy (Lovell et al., 2009) has been to create complex governance structures and even more complex instrument mixes, often involving the layering of new instruments over the old and much experimentation and adjustment of instrument settings and calibrations.

1.2 *Neoliberalism in the Energy Sector*

The broad goals of neoliberalism in the energy sector are easy to describe, amounting, in the most radical version, to the complete abandonment of energy policy itself (Huber, 2013). First, the aim is to improve efficiency through the introduction of competition in markets that were historically dominated by public monopolies or by a small number of large, vertically integrated companies that each produced, distributed and sold its own energy. Second, the need then arises to regulate this competitive market in ways that are insulated from short-term political interference, while recognizing the potential for market failures. However, while it is easy to state neoliberalism’s goals at a very abstract level, the instruments that have been adopted (and discarded) along the way are numerous. In many cases, they are highly technical variants of classic regulatory and market instruments whose design (and redesign) has been influenced by both regulatory theory and painful experience of regulatory failures.

At an intermediate level of abstraction, there are four strategic choices that have been taken to implement the broader neoliberal goals. First is *privatization*, the sale of government-owned energy providers to individual shareholders or other groups of private investors. While privatization has the potential to achieve related neoliberal goals, for example reducing public sector borrowing for capital investment or reducing the size and political importance of public sector unions, it does not, by itself, achieve the goal of creating competitive energy markets (Stevens, 1997). A privately owned monopoly or oligopoly dominates its market in the same way as its public sector predecessor. The second strategy thus consists of restructuring or *unbundling* assets.

Vertical unbundling is, in the first instance, the separation of the production of energy from its sale to final consumers, creating wholesale

markets composed of large retail energy companies and large producers buying and selling electricity or gas. In recent years, vertical unbundling has also involved the separation of production and transmission to redress information asymmetries between buyers and sellers, creating transmission companies that own and operate electricity grids or pipeline networks (Pollitt, 2008). Horizontal unbundling is an effort to break up larger companies into smaller ones that can compete on a relatively level playing field and to prevent them from coalescing into oligopolies again. Unbundling is generally achieved by regulation, for example one that forbids the same corporate entity from owning power production assets and selling directly to consumers. Paradoxically, unbundling also creates the possibility that public entities may co-exist with private ones, either operating in the market like other producers and consumers or performing specialized functions such as owning transmission networks or operating assets stranded by changes in energy prices or market structure.

The third strategy involves expanding *access rights* and seeking to remove barriers to new entrants into energy markets, thereby maintaining competitive pressures on incumbents. Barriers to entry are a particular problem where vertical unbundling does not include the separation of transmission from production because incumbent producers can set requirements for network connection that effectively freeze out smaller producers. Finally, *the independent regulatory agency* is in many ways the centre piece of the neoliberal project in the energy sector. In part, independent regulatory agencies were needed to reassure investors in the newly privatized energy companies that states would not continue to interfere in business decisions from short-term political motives (Thatcher, 2002). Later, they were justified in terms of the highly technical character of energy regulation and the need for specialist knowledge beyond that of the generalist public servant or judge.

It is already evident, then, that neoliberalism in the energy sector was never going to be a catalyst for the disappearance of the state or even of energy policy itself. Independent regulatory agencies need a basic design for the energy markets that they regulate, a design that can only be established—and modified—in legislation and regulation. Questions of design, especially the scope and timing of the various unbundling measures and the powers of regulatory agencies, have been a staple of energy policy tinkering in all our countries for at least the last three decades (Wellstead et al., 2016; Conejo & Sioshansi, 2018). Beyond the general problems of venturing into the unknown with market liberalization—and it should be

noted that none of the countries in this study experienced regulatory failure on the scale of the California electricity market or the Enron debacle—problems with the neoliberal project also became apparent in the energy sector and demanded attention from policy-makers. While regulated energy markets have generally delivered on the promise of greater energy efficiency and even, in some cases, in badly needed investment in infrastructure, they have not resulted in lower energy prices to consumers, who are also voters (Pollitt, 2012).

Price increases have been particularly challenging in countries where pre-liberalized consumers enjoyed subsidized energy, but economic downturn and austerity have also exposed an increasing number of people to energy insecurity and, in some cases, outright energy poverty. The re-labelling of the ‘economic development’ element of the energy trilemma to ‘affordability’ reflects this reality. Thus, while there are plenty of market-based instruments with the potential to make energy markets internalize the cost of GHG emissions in the same way that they have successfully done with other pollutants such as sulphur dioxide, concerns about their impact on consumers have, to date, made them rather toothless. Add to this the desire to speed the development of specifically renewable forms of clean energy through various supply side measures and energy policy in the age of climate change is not only enjoying something of a renaissance, but also finds itself increasingly at odds with the neoliberal world view (Robinson, 2016).

1.3 Policy Instruments in the Energy Sector

Even at the height of the neoliberal project in the most enthusiastic jurisdictions, energy policy has generally employed the full range of policy instruments recognized in this book. As would be expected, the policy instruments directed at the goal of energy security tended to be regulatory and to be quite specific about the obligations of the policy targets. Energy development is now usually pursued through market instruments, but significant regulatory and information instruments are found here as well. Protecting the environment from the negative impacts of the energy sector generally conforms to the pattern noted in the chapter on environmental policy, with specific and identifiable sources of harm (such as the hazardous air quality produced by coal-fired power plants or vehicle exhaust) attracting regulatory attention, with more diffuse harms (such as the energy sector’s contribution to GHG emissions) being addressed, at

least in the first instance, by softer instruments, including information and relatively weak market instruments.

A snapshot of the contemporary popularity of the different kinds of instruments is provided by the database of energy policies for the Organisation for Economic Co-operation and Development (OECD) countries maintained by the IEA. Combining the IEA categories to match our own, the most widely adopted instruments are market-based (3980 listed in the database), including the IEA categories of economic instruments, fiscal/financial incentives and grants and subsidies. These are followed closely by regulatory instruments (3482), including the IEA categories of regulatory instruments, codes and standards and minimum performance standards. Information instruments (1180), including voluntary agreements, come some considerable way behind.

Regulatory Tools In energy sectors, as elsewhere in this study, regulatory tools generally involve efforts to prescribe or proscribe some activity, backed up with the threat of sanction. Although public ownership is sometimes treated as a class of policy instruments distinct from regulation, in the energy sector it is generally achieved by banning the private ownership of energy assets or the sale of energy by private actors and can be considered a form of regulation. This becomes more evident (and significant) as hybrid privatizations take place, supported by regulations granting or denying access to energy infrastructure or energy markets for public or private entities. Mandatory standards have become increasingly important, not just in grid security where they always dominated, but especially now in connection with the drive to increase the proportion of renewables as energy sources in both electricity production and transportation. Various ‘mandates’ now prescribe the minimum content of biodiesel or bioethanol in fuel or the targets for wind or solar electricity capacity on the grid. Building codes have become a key tool for improving the energy efficiency of buildings and bans on technologies, from incandescent light bulbs to nuclear power generation, are common.

Financial Tools In addition to raising money that can subsequently be spent to achieve policy objectives, financial tools attempt to guide market behaviour by making goods or services more or less expensive than market outcomes would otherwise dictate. This latter activity is sometimes undertaken in the belief that the markets in question are imperfect and need to be ‘corrected’ but may also seek to provide advantages to technologies or

market entities deemed essential to achieving policy goals. In the energy field, energy has often been subsidized to promote activities such as energy-intensive industries and processes, often as part of a regional economic development strategy, as well as to protect consumers from extreme fluctuations in market prices. The combination of subsidies introduced over many decades in numerous different programmes can eventually have a market-distorting effect that is difficult to untangle when neoliberal reforms appear on the agenda.

Subsidies have also been key tools to protect renewable technologies during their early adoption phase, justified in the belief that incumbent technologies enjoy an unfair advantage over newcomers. On the other hand, the taxation of energy to reflect the ‘true cost’ of maintaining and developing energy infrastructure or to promote energy efficiency is also widely employed. Since even liberalized energy markets are often dominated by large companies capable of managing considerable investments over long time horizons, the use of financial instruments to improve market outcomes is a staple of regulatory agencies. Hybrid regulatory and financial instruments such as tradeable certificates, which combine an obligation to use a particular technology to produce a proportion of total energy with the possibility of trading between those who have and have not met their obligations, are also increasingly popular.

Informational Tools Informational instruments are in many ways the most complex and heterogeneous group of policy instruments. All such instruments ultimately rest on the assumption that policy outcomes will be improved the more that policy targets know about an activity and its consequences. Where the ability to use regulatory or financial instruments is lacking, for example in international organizations that are part of weak international policy regimes, information may be the only policy lever available. In the energy sector, the work of the IEA is largely based on data collection and dissemination in the absence of other policy tools such as those possessed by the International Atomic Energy Agency (IAEA), supported by legally binding international nuclear treaties. At the other end of the scale, as noted in other chapters, the interest in behavioural policy design has created a plethora of voluntary standards and certification schemes, especially in the area of energy efficiency. Belief in the efficacy of these schemes has resulted in some becoming mandatory, creating hybrid regulatory/information instruments. Technologies such as smart meters,

Table 5.1 Energy policy tools

<i>Chapter one typology</i>	<i>Energy governance types</i>	<i>Instrument type</i>
Regulatory tools	Requiring licences and permits for the production or sale of energy	Hard
	Specify standards for connection to the grid or the energy efficiency of homes	Hard
	Prohibit the use of particular technologies, for example nuclear power	Hard
	Mandate the use of particular technologies, for example biofuel blends	Hard
	Negotiated agreements that set enforceable obligations, for example to purchase power at a particular price	Soft
Financial tools	Subsidies for the use of particular technologies	Soft
	Taxation of an energy source	Hard
	Price setting in energy markets	Soft
	Tradeable certificates	Soft
Informational tools	Capacity auctions	Soft
	Voluntary energy efficiency labels	Soft
	Date collection and dissemination	Hard
	Information and education campaigns	Soft
	Public engagement in, for example, the siting of new energy infrastructure	Hard
	Expert panels and commissions	Soft
	Voluntary agreements without enforceable obligations, 'energy accords'	Soft
Strategic planning	Hard	

which promise to provide consumers with real-time data about energy usage and encourage choices linked to instruments such as 'banded' energy use or time-differentiated energy tariffs, are another example of hybrid instruments, this time combining financial and informational tools (Table 5.1).

2 COUNTRY ANALYSIS

The points of departure for the four case studies are 1972 for Australia and 1974 for Canada, the Netherlands, England, Italy and Germany. In the unique Australian case, as noted in other sectoral chapters in this study, the election victory of the Australian Labor Party under Gough Whitlam, ending more than 20 years in opposition for Labor, brought about a significant ideational change that affected energy as much as the other sectors.

For the other countries in this study, it was their response to the disruption of global oil markets after the 1973 OPEC embargo that revealed new directions in energy governance, directions whose roots could often be traced to policy decisions originally made after the 1967 Arab-Israeli war but which were now intensified and coordinated with an unaccustomed urgency. Oil prices quadrupled between October 1973 and March 1974 and three of our six countries—Canada, England and the Netherlands—were direct targets of the embargo as the perceived allies of Israel.

3 AUSTRALIA

3.1 *Starting Point*

In the energy sector, Gough Whitlam's left-nationalist approach emphasized reducing foreign investment, putting an end to 'the great takeover of Australia' (Hay, 2009, p. 144), and 'adding value' by restricting the export of raw resources and stimulating domestic processing and manufacturing. While it was later repackaged as promoting energy security in the face of the uncertainties caused by the oil price shocks, this focus on domestic energy production (by default, mainly coal and gas) as a key component of economic self-sufficiency remained. While the Whitlam government was too short-lived to implement many of its grander plans for energy independence, the Fraser government that succeeded it, while losing interest in large-scale energy infrastructure projects, continued to operate in a highly interventionist way. As noted in other chapters, the Hawke government then attempted to mitigate the conflict that these interventions had provoked with state and territorial governments, setting the scene for the governance changes ushered in by the first critical juncture (O'Faircheallaigh, 1990) (Table 5.2).

Table 5.2 Australian energy policy instruments, 1972

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory tools	Legislation providing monopoly access to markets	Hard
	Legislation on foreign ownership	Hard
Financial tools	Subsidies	Soft
	Taxation	Hard

3.2 *Critical Juncture*

The key events for Australia begin with the 1990 premiers' conference and subsequent endorsement of a national competitiveness agenda that includes electricity deregulation and more open access to the grid. The conference led to the creation of the Council of Australian Governments (COAG) and, later, to the Ministerial Council on Energy (MCE). Thus, although the national electricity market (NEM) that was created by the neoliberal policies of the 1990s was not without its challenges, there was a governance structure in place that, until recently, seemed to have the capacity to respond and adapt to them in a constructive way.

3.3 *Evolution of Australian Governance, 1972–2018*

While the 1990 conference of Australian premiers is taken as the critical juncture in Australian energy policy, the general context of recession and the neoliberal promise of growth and prosperity through market and trade liberalization are critical to understanding the trajectory of change. From the mid-1980s Australia entered a decade of national soul-searching about comparative productivity, trade and investment that would ultimately transform Australia from a relatively protected to a much more open economy. All this was undertaken at a time when the Australian Labor Party dominated Commonwealth politics and was in power in several states. Energy was a leading sector in this transformation, both in the liberalization of domestic electricity markets and also the export re-orientation of energy resources, especially coal and, later, liquefied natural gas (LNG). In the electricity subsector, the traditional model of autarkic generation and distribution by every State came under sustained scrutiny. In 1985 the Commission of Inquiry into electricity generation planning in New South Wales (NSW) noted that connecting the NSW system to neighbouring Victoria instead of building new capacity could save billions of dollars. It proposed an influential model of a joint regulatory agency and laid the groundwork for the electricity market reforms that followed (Diesendorf, 1996).

In contrast to Canada, the more cooperative approach to federalism that characterizes the Australian system allowed for at least some of the policy and governance changes needed to implement a consistent reforming agenda in a decentralized federal state, with important consequences for the energy sector (Jones, 2012). The distinctive Australian pattern of

agenda setting at intergovernmental arenas followed by the exploration of policy options by an expert commission has been repeated on several occasions in the energy sector. COAG, established in 1992, has been particularly influential in creating a national electricity market as part of its original competitiveness agenda (Carroll & Head, 2010).

The individual States had, meanwhile, adopted different models for the privatization of state monopoly generating companies (where they existed) and for encouraging open access to the grid. Australian federalism proved very capable of handling the inevitable coordination challenges. Thus, in 2001 COAG created the Ministerial Council on Energy (MCE), which received the Parer Review of energy market reforms the following year. Parer's proposals for greater centralization and standardization of the NEM to address the divergences at state level were broadly accepted, resulting in the creation of the classic regulatory agency, the Australian Energy Regulator (AER), responsible for both the wholesale electricity and gas markets and, later, for retail energy markets as well. Transmission became the responsibility of the Australian Energy Market Operator (AEMO) and the MCE was eventually renamed the COAG Energy Council (Riedy, 2005).

These classic market reforms overseen at a distance by regulatory authority were accompanied by sharply rising prices for electricity (Simshauser, 2014). Increasing prices were generally defended on the neoliberal grounds that they reflected the true cost of providing electricity, including the costs of continuously maintaining and upgrading the grid that had previously been hidden from consumers. The appearance of grid instability, culminating in a large-scale blackout in South Australia in 2016, was, thus, especially damaging to the neoliberal narrative and was addressed in the now familiar way. Australia's Chief Scientist, Dr Alan Finkel, delivered a report to the Energy Council in 2017, recommending new governance arrangements for the NEM to promote better system integration. At the same time, the government responded to concerns about rising gas prices by moving to limit LNG exports (Simshauser, 2018).

If electricity market liberalization was, relatively speaking, a success story the same could not be said for the convergence of energy and climate change policy. As in many other countries, the original package of information instruments adopted in Australia during the 1990s to reduce emissions was clearly a failure. The issue was handed over to COAG who passed it on to the newly created MCE. The MCE report included a section on the mitigation of GHG emissions from the energy sector in which, in

addition to some intensification of performance standards for energy efficiency, it recommended the creation of a national Emissions Trading Scheme (ETS) as part of a new National Energy Framework (MCE, 2003). *The Reform of Energy Markets* clearly saw its own ETS proposal as replacing renewable energy targets with a market instrument (Kent & Mercer, 2006).

In the event, the Howard government rejected the recommendations of both the MCE and a concurrent review of renewable energy targets. It argued against ratification of the Kyoto Protocol, made no change to the renewables target and declined to adopt the key market measure, the ETS, at all. It proposed, instead, some limited spending programmes in support of specific technologies. The latter included carbon capture and sequestration (CCS), at that time an untested (and rather expensive) technology for making coal-fired and gas power generation compatible with GHG emission reductions.

The impasse that followed is described in the section on Australia's environmental policy. Suffice it to say here that the rapid policy reversals and the resulting uncertainty have proved challenging for the energy sector with lack of clear investment signals leading to the unplanned withdrawal of generating capacity, regarded by Finkel as a key explanation of grid instability. The Turnbull government's response to Finkel was very characteristic: accepting his recommendation for an Energy Security Board that would attempt to manage expectations while rejecting his parallel recommendation for a stronger regulatory instrument, a Clean Energy Target that would provide some certainty around renewables and align the strategic direction of divergent state-level developments. Although Australia has seen some growth in the renewable energy sector (Curran, 2019), the governance approach of the federal government has been largely incremental and linear, and this is reflected in Australian patterns of energy production and consumption (Australian Government, 2018). This is despite high-profile rhetoric on the issue from the Rudd and Gillard governments (Diesendorf, 2012).

3.4 *Australia Analysis*

Australia introduces the pattern found in energy across all our countries. While there is a distinctive critical juncture resulting in the liberalization of energy markets, the effect of climate and sustainability ideas is much less clear and distinct. The Australian case also introduces the challenge of

energy policy in a federal system, especially one where the subnational governments are both looking to energy as a source of revenue and capable of using an extensive array of regulatory and financial instruments of their own to do so. It demonstrates the importance of strong federal institutions that can harmonize these developments. Where these institutions are absent, as we shall see in the Canadian case, the potential for conflict between the constituent governments of the federation is strong and the result is incoherence with respect to energy policy goals. However, we should note that conflict does not disappear. As the environmental policy chapter clearly shows, the conflicts take place within and between the national political parties, which can lead to a reluctance to address climate change using hard policy instruments that subnational governments or political interests find unacceptable. The result is layering and complex arrangements that are lacking in transparency from the point of view of energy consumers (IEA, 2018a).

3.5 *Australian Governance Arrangements by 2018*

As noted, Australian *regulation* is complex but characteristic of the supervisory mode. For the ‘national’ markets, an independent regulatory agency, the Australian Competition and Consumer Commission, operates under the Competition and Consumer Act 2010 overseeing the activity of the Australian Energy Regulator. The National Competition Council deals with third-party access to monopoly infrastructure (IEA, 2018a). The Australian Energy Market Commission is the rule maker for electricity and gas markets, while the Australian Energy Market Operator (a joint venture between government and industry) runs the systems. The major instrument of climate policy remains a regulatory mandate, the Mandatory Renewable Energy Target (MRET), split into separate targets for large and small producers after 2011.

In the context of arms-length regulation, *market instruments* are correspondingly important in attempting to influence behaviour in these markets towards the strategic goals of energy policy. Key measures include the Emissions Reduction Fund and its safeguard mechanism (output-based allocations for emissions), the renewable energy target funding mechanisms (essentially ‘green certificates’) and the various supports available under programmes administered by the Australian Renewable Energy Agency, the Clean Energy Finance Corporation and research bodies to develop and deploy clean energy sources.

Table 5.3 Australian energy policy instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	• Regulations to create managed competition	Hard
	• Independent energy regulator	Hard
	• Mandatory renewable energy targets	Hard
	• Output-based allocation of GHG emissions	Hard
Financial	• Emissions Reduction Fund	Soft
	• Renewable energy target funding mechanism	Soft
	• Support for clean energy and environmental research and development	Soft
Informational	• National and state use of information for reporting	Hard
	• Continuing use of expert panels and commissions	Soft

Information instruments are widespread and overlap with environmental policy in the case of energy efficiency. Data collection is often mandatory but remains weak in terms of requirements to meet targets or milestones. *Strategic direction*, however, is extremely important. The role of COAG and the COAG Energy Council has been central to the development of the NEM ('national', though excluding Tasmania, Western Australia and the Northern Territories). COAG input was also critical to the development of the Energy White Paper (2015) which lays out the strategic direction of Australian energy policy: more competition in energy markets, greater energy efficiency and investment in extraction of primary energy resources (Commonwealth of Australia, 2015). COAG-commissioned expert reports, from Parer to Finkel, have been important agenda setting and policy formulation exercises. The limitations of these cooperative multi-level governance arrangements have been exposed in the case of climate change policy, spilling over into Commonwealth politics and leaving Australia, like Canada, with national commitments but without a credible national strategy to meet them (Table 5.3).

4 CANADA

4.1 *Starting Point*

In Canada, 1974 was the year in which the federal government began to abandon its traditional policy of using its powers over interprovincial and international trade to maintain separate eastern and Western oil markets.

Table 5.4 Canadian energy policy instruments, 1974

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory tools	Separately regulated Eastern and Western energy markets Provincially regulated monopolies	Hard, strong Hard
Financial tools	Taxation Subsidies	Hard Soft

Federal policy moved instead to protect Canadian energy consumers from the turbulence in world energy markets by delinking domestic and export oil prices, allowing the latter to rise to world levels and maintaining the former at a lower level. These changes marked a temporary intensification of hierarchical governance culminating in the National Energy Program of 1979, political conflict with the major oil-producing province, Alberta, and the subsequent retreat from hierarchical governance that began in the mid-1980s (Table 5.4).

4.2 *Critical Juncture*

The key period in Canada for energy begins with the re-election of Brian Mulroney's Progressive Conservatives in 1988. This election was dominated by the issue of the Canada-United States Free Trade Agreement (CUFTA), negotiations for which had begun nearly two years earlier, and set the course for the integration of North American energy markets that would culminate in the North American Free Trade Agreement (NAFTA). The significance of deciding this critical issue in the partisan glare of a national election rather than through institutions of multi-level governance should not be overlooked. Given the uneven north-south links of the grid, notably in Ontario and Quebec, partial electricity deregulation followed over the next decade. Power production remains a provincial responsibility and there is no equivalent to Australia's national electricity market.

4.3 *Evolution of Canadian Governance, 1975–2018*

Canada responded to the oil price and supply shocks of the 1970s with an intensification of central direction and top-down governance that had characterized energy policy since the 1950s, with a strong focus on regulatory instruments. The response of the Canadian government to the first

oil price shock was, like Australia, to try to take more effective control of the resource in the name of its own energy security. In 1974, the Trudeau government set a protected domestic price for Alberta oil while allowing the export price to rise to world levels. It also created a new federal crown corporation, Petro Canada, whose acquisition of oil assets would be partially funded by a tax on exported oil, as a visible way of reasserting Canadian control of an Alberta oil industry that was, by the late 1960s, 98% foreign owned (Brownsey, 2007, p. 97).

The Alberta government of Peter Lougheed, which was committed to using its oil revenues to diversify the Alberta economy, deeply resented what it saw as federal intrusion into its affairs. Resentment turned to outrage when Trudeau responded to the second price shock by creating the National Energy Program (NEP) in 1980, a rare example of non-linear change. The NEP was another classic piece of interventionism, using subsidies to encourage exploration for conventional reserves both in the north and in the eastern offshore and for the development of the oil sands; there were conservation measures; and most offensive of all the NEP imposed a new pricing and taxation structure for oil and gas partly to fund further acquisitions by Petro Canada and partly to transfer wealth from Western producers to eastern consumers and the federal government. Conflict between the federal government and oil-producing provinces was inevitable (Milne, 1986).

The election of Brian Mulroney's Progressive Conservative government in 1984 proved the turning point. The Progressive Conservatives, who had strong support in both Alberta and the Atlantic provinces, moved quickly to conclude negotiations on federal-provincial cooperation on oil and gas in both eastern and western Canada. Petro Canada was allowed to operate like any other oil and petroleum products company and no longer used as a policy instrument to direct energy policy. It would be partially privatized in 1991 (and completely sold in 2004). More significantly still, Mulroney implemented a Royal Commission recommendation of a free trade agreement with the United States (CUFTA) and successfully defended the initiative in the 1988 federal election. In contrast with the subsequent negotiations with Mexico for NAFTA and the recognition of the historic role of state-owned Pemex in the Mexican economy, energy received no special treatment in CUFTA, which was negotiated with the expectation that markets would prevail in the energy sector in terms of both investment and trade (Clarkson, 2009).

Electricity, meanwhile, was beginning to follow the familiar trajectory found in the other countries. Power generation and transmission within a province fall squarely within provincial jurisdiction and the Canadian provinces, like their Australian counterparts, had developed local arrangements largely independently of each other. Provincial governments promoted industrial development by preferential wholesale pricing arrangements with industry and then generated revenue from domestic consumers. There was little attempt to operate these corporations at arm's length under the supervision of independent regulatory agencies. Deregulation proceeded in parallel with developments south of the border (Eberlein & Schneider, 2007).

Ontario led the neoliberal reforms, embracing more open electricity markets along the lines of the United Kingdom (UK) reforms of a decade earlier (Deweese, 2005). 'Vertical unbundling' would separate power generation from transmission and distribution. Competitive markets for both wholesale electricity and natural gas would follow, although there has been notable reluctance to experiment with retail competition on the same scale as some of the European countries. Alberta undertook similar reforms at about the same time and many other provinces followed suit, though usually with less ambitious restructuring efforts. Regulatory instruments prevail and both provinces have independent regulatory agencies. Publicly owned utilities remain in place in some provinces, including Quebec and British Columbia.

The climate-energy policy convergence has created similar tensions in Canada to those in Australia but they have played out in the form of federal-provincial conflict rather than internecine warfare within the federal political parties. In 2006, Stephen Harper laid down a marker that Canada would not be prevented from developing its fossil fuel resources by international agreements on reducing emissions. The subsequent incoherence of policy at the national level, in which the push for development of the Alberta oil sands threatened to more than outweigh all the other countervailing national efforts at mitigation put together, was temporarily resolved by Harper's announcement that Canada would not be meeting its Kyoto commitments. As in Australia, some provinces carved out their own policy, notably British Columbia, an early adopter of a carbon tax, and Quebec, which joined a continental Emissions Trading Scheme, but provincial premiers proved predictably unable to develop a coherent national energy policy in opposition to the federal direction.

Much of this conflict has focused on the attempt to create new international and interprovincial energy infrastructure, supported by the energy industry and opposed by climate policy advocates. Under Harper, there were substantial revisions to the Canadian Environmental Assessment Act (and other project approvals legislation affecting energy) in 2012 with a view to ‘streamlining’ the approval process, that is supervision with a lighter touch. Subsequent conflict with the environmental movement saw a partial retreat from this position in an attempt to ‘restore legitimacy’ (MacNeil, 2014). The election of Justin Trudeau’s Liberals in 2016, the re-engagement with the United Nations Framework Convention on Climate Change at the Paris Conference and the adoption of a federal climate framework appeared to mark a major discontinuity, but provincial opposition to key components of the framework, especially to effective carbon pricing, has greatly reduced its impact. As of 2018, both the federal and provincial levels have witnessed some developments towards energy efficiency and renewables, but the trajectory of governance has kept a largely incremental and linear trajectory (Rowlands, 2009; IEA, 2018b).

4.4 *Canada Analysis*

Canada presents a case of a decentralized federation attempting to conduct liberalized and market-oriented energy policy without the cooperative institutions found in Australia. If Australia’s energy policy sometimes appears fragmented compared with the ideal of an integrated national energy policy, Canada’s is characterized by provincial autarky. Even in relatively cooperative periods of federal-provincial relations, there has been little interest in national coordination, except on each province’s own terms, and for much of the period under study relations have been strongly antagonistic, the federal government interacting bilaterally with provinces on a case-by-case basis (Dunn, 2016). In this context, neither the Canadian Council of Energy Ministers nor the Energy Strategy Council of the Federation has succeeded in providing the institutional basis for collaboration found in Australia.

In the energy sector, provincial resource rights were greatly strengthened in section 92A of the Constitution Act 1982, part of the provincial bargaining agenda for accepting the federal government’s Charter of

Rights and Freedoms. As with Australia, courts have established federal jurisdiction over offshore oil and gas discoveries and have made significant interventions in the ongoing struggle over indigenous rights to land and resources (*Mabo v. Queensland* [1992]; *Delgamuukw v. British Columbia* [1997]), increasing rather than diminishing the complexity of the governance challenges facing the sector. The national climate change framework, to which all but one province originally signed on, is struggling as provincial governments change after elections and define their own policy direction (Macdonald, 2020).

Canada still lacks anything resembling a national energy framework (let alone a policy), an outcome which has been reinforced by conflict over climate policy. The provinces remain focused on the development of primary energy resources and on protecting energy consumers from fluctuations in energy costs, such as those that have occurred in most other countries in this study. The result is a stronger focus on regulation and market supervision than in any of the other countries in this study but at the provincial rather than the national level.

4.5 *Canadian Governance Arrangements by 2018*

Regulation is thus generally a patchwork of provincial measures except where interprovincial or international trade made energy infrastructure subject to federal review under the provisions of the federal Canadian Environmental Assessment Act 2012. Important exceptions include the federal government's regulatory approach to the retirement of coal-fired power generation, its general regulatory oversight of nuclear power generation and its use of renewables mandates for fuels.

Financial tools are similarly dominated by the provinces and the key provisions of the Pan-Canadian Framework are typical in creating a 'federal backstop' that is implemented only where a province fails to price carbon through its own scheme. British Columbia's early adoption of a carbon tax and subsequent deferral of the original escalator for the tax rate and Ontario's implementation of a feed-in tariff for renewable power generation and its government's subsequent regrets about the distorting effects of the measure on the extent, timing and location of renewable energy investment are the kinds of measures and outcomes found in this category, in which a hard financial instrument is mitigated by weak settings (Houle, 2015).

Information measures including procedural instruments continue to be widespread but critics have persistently complained about their effectiveness. There has been a lengthy debate about public engagement in energy infrastructure decisions and the latest revisions to the Canadian Environmental Assessment Act 2012 appear to broaden the significance of these hearings again after the attempts by the Harper government to narrow them in the name of ‘science-based decision making’. The participation of indigenous communities has become critical to the success of these projects after a series of court rulings establishing a constitutional ‘duty to consult’ where development potentially affects treaties or unextinguished aboriginal rights and title.

Market liberalization varies from substantial in Ontario and Alberta (where there are the classic supervisory arms-length energy regulators) to virtually non-existent in provinces that have retained direct provision of energy through vertically integrated monopoly providers. Although Canada now has a Canadian Energy Regulator, it should not be confused with the electricity market regulators in the other countries in this study because there is no Canadian market to regulate (Table 5.5).

Table 5.5 Canadian energy policy instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	• Provincial/territorial regulations to manage competition	Hard
	• Some provinces retain regulated monopolies	Hard
	• Provincial energy regulators	Hard
	• Federal/provincial assessment and licencing processes for infrastructure	Hard
	• Federal/provincial fuel mandates	Soft
Financial	• Output-based emissions allocations	Hard
	• Federal grants and subsidies to provinces and other actors, provincial funding for renewables and other technologies	Soft
	• Some provinces operate carbon pricing schemes including carbon taxes and cap and trade (Quebec)	Hard
	• Federal ‘backstop’ on carbon pricing	Hard
Informational	• Fuel levy	Hard
	• Smart meters	Soft
	• Energy data collection	Hard
	• Consultative procedures	Soft
	• Public education and outreach programmes	Soft

5 ENGLAND

5.1 *Starting Point*

The year 1974 marked a tumultuous year in English politics, with two general elections, the first defeating the Heath government after its confrontation with the powerful coal miners' union and the second establishing a majority Labour government that lasted until Margaret Thatcher's very different Conservative Party returned in 1979 (Bogdanor, 1996). The miners' strike, which was essentially about levels of government investment in the industry and the future of coal in the UK economy, resulted in rolling electricity blackouts during the winter months, exacerbating the effect of oil shortages. In an atmosphere of crisis, Heath had created a Department of Energy at the end of 1973, but it was left to Labour to usher in a short-lived renaissance of energy planning and hands-on energy policy (Table 5.6).

5.2 *Critical Juncture*

The critical juncture in the English case falls as early as Nigel Lawson's Energy Act 1983, which began the process of neoliberal reform in the electricity subsector while he was still at the Department of Energy and before his promotion to the Treasury. While the background to the Energy Act involves a great deal more than the implementation of neoliberal ideas, Lawson's ideologically inspired reform launched the modern era of managed competition in energy markets well before the other countries in this study and the UK's subsequent governance challenges proved both a warning and an inspiration for those that followed.

Table 5.6 English energy policy instruments, 1974

<i>Type of tools</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory tools	Legislation setting up institutions and administrative processes, for example the Central Electricity Generating Board	Hard
Financial tools	Subsidies through purchase agreements and managed energy pricing	Soft
Information tools	Strategic planning	Soft

5.3 *Evolution of English Governance, 1974–2018*

England began this period with the classic monopoly power provider, the Central Electricity Generating Board (CEGB) used as an essential lever of policy in a variety of sectors from regional development to industrial policy. The Gas Council operated in an analogous way for the rapidly developing offshore gas industry, which, like oil, was partly in private hands but expected to operate in a close, quasi-corporatist relationship with the state (Robinson, 2016). Power generation was dominated by domestically produced coal as an essential plank of this integrated policy arrangement (Helm, 2004).

When Margaret Thatcher came to power in 1979, determined to mount the successful challenge to these arrangements that had eluded Heath, the first moves were made in the context of a slightly arcane science and technology debate, which was then translated into the language of neoliberalism. The CEGB had proposed a new nuclear power programme on energy security grounds and as an opportunity to develop advanced UK reactor designs. Their proposal was challenged by a whole series of interests, including industrial electricity customers concerned by the potential for rising prices. In response, the government first held an inquiry, which cast doubt on the CEGB projections, and then, as in Australia and Canada, sought to recast the whole debate in terms of competition and efficiency (Pearson & Watson, 2012).

It was at this point that the ideologue Nigel Lawson enters the scene. On becoming Secretary of State for Energy in 1981, he laid out the government's agenda of privatizing key energy assets and creating regulated competition by vertical unbundling and network access. His Energy Act, enacted in 1983, allowed for private power production to be sold to the Area Boards of the CEGB responsible for transmission and distribution. While it had little immediate effect, the Energy Act is one of the very few clear examples of ideologically motivated neoliberal reform and opened the way for the more dramatic governance changes that were to follow (Pearson & Watson, 2012).

In spite of this clear critical juncture, privatization proceeded slowly over the next decade, usually by the creation of regulated privately owned monopolies, such as the first gas privatization (1986), rather than by vertical or horizontal unbundling, as neoliberal orthodoxy would require. Electricity privatization (1989) came in the form of a regulated duopoly in spite of the original plans for unbundling, together with continuing state

ownership of nuclear assets that were deemed unsaleable. Contrary to the received picture of an immediate Thatcherite revolution, it was the 1990s that saw an incremental process of market liberalization and a variety of reforms to introduce choice for both gas and electricity customers, which was finally achieved for electricity customers only in 1999. In 2000, the specialized regulatory agencies were transformed into the classic arms-length energy market regulator, in this case, Ofgem. As in other countries, a period of tinkering with agency powers and other elements of regulatory design followed (Rutledge, 2007).

At the same time, however, we begin to see the convergence of energy and climate policy in the UK. Two instruments were already in place. The first was the Non-Fossil Fuel Obligation (NFFO), which had been introduced in 1990, essentially as a subsidy for the nuclear industry. A small proportion of NFFO funding had found its way to renewables, nonetheless (Mitchell & Connor, 2004). The second was the additional value added tax (VAT) levelled on fuels. The impact of both was dwarfed by the unintended consequences of the introduction of competition in supply for power generation, which had had the effect of displacing coal with much cheaper natural gas, creating a ‘dividend’ of GHG emissions reductions.

Successive governments responded to evidence that these measures were insufficient to reach Kyoto obligations with a range of traditional and increasingly complex hybrid policy instruments, including financial, in the shape of the fuel levy; regulation and financial, in the form of the Renewables Obligation (tradeable certificates introduced by the Utilities Act 2000); and the classic combination of information and subsidies to promote energy efficiency under the Energy Efficiency Commitment (Pearce, 2006). The UK’s experiment with ETS under the European Union (EU) scheme is described in the chapter on environmental policy. Of more lasting significance, the Climate Change Act 2008 ushered in what appeared to be a much more *dirigiste* approach, described as the return of planning by supporters and opponents alike and pushed forward a debate about technologies, including nuclear and CCS as well as renewables, together with the idea of carbon budgeting supported by mandatory reporting.

5.4 *England Analysis*

The constitutional devolution of powers to Scotland, Wales and Northern Ireland left the UK government with clear paramourcy in energy

legislation. The construction of energy infrastructure, however, remains subject to planning powers devolved to the regions—forming the basis, for example, of the Scottish National Party’s pledge to end nuclear power production in Scotland—so the idea of English energy governance is plausible. However, of all the case countries, the sense of central direction for energy policy and the abiding significance of energy security as a central government policy priority are perhaps clearest here (Kern et al., 2014).

As we shall see, England finds itself in the same predicament as the Netherlands. A front runner in energy market liberalization, it has had to come to terms with the subsequent imperative to reduce GHG emissions in the energy sector in the absence of the only coherent market instrument capable of doing so, a carbon price. After the Climate Change Act 2008, England has taken a more interventionist approach, using both regulatory and market instruments in an effort to reach decarbonization goals.

5.5 *English Governance Arrangements by 2018*

While *direct provision* in energy production and services is a thing of the past, *strategic direction* based on legislative powers is extremely important. The Climate Change Act and the legally binding rolling carbon budgets that are created under its auspices are a significant constraint on market-based energy choices. Squaring this circle has led the UK government not only into very detailed regulatory responses but also to intervene directly in the power generation mix through changes to the Planning Act 2008. The use of these powers has led one prominent critic to argue that ‘investment decision-making has been effectively quasi-renationalised’ (Helm, 2017, p. xii).

England has the classic liberalized market institutions including a general competition agency and a specific energy regulator, Ofgem. New *regulatory instruments* are extremely important and key components of the electricity market reform. These include capacity obligations to maintain the reliability of the grid (as more intermittents come on stream) and emissions performance standards. These are combined with similar *financial instruments* to those found in the Netherlands, aiming to learn from the failings of earlier subsidy-based mechanisms that drove up consumer prices and produced dubiously cost-effective investment in renewables (the Renewable Obligations Certificates in the UK case). They include the cost for difference feed-in tariff, the carbon price floor and capacity auctions (Grubb & Newberry, 2018).

Table 5.7 English energy policy instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	• Regulations to permit managed competition	Hard
	• Independent regulatory agency	Hard
	• Use of planning legislation for energy infrastructure permits	Hard
Financial	• Carbon budgets	Hard
	• Energy efficiency requirements in building codes	Hard
	• Capacity auctions	Soft
	• Feed-in tariff	Hard
	• Energy Efficiency Scheme	Hard
Informational	• Climate change levy	Hard
	• Purchase agreements for, for example, new nuclear output	Soft
	• Voluntary agreements without binding obligations	Soft
	• Energy efficiency labels	Soft
	• Public consultation	Soft

In the context of the reliance on market instruments, *information instruments* are correspondingly less important, though information in the form of labelling and building efficiency standards are available. The English top-down approach to maintaining liberalized energy markets while achieving climate change goals has been criticized for weak public engagement and contrasted unfavourably with efforts in Scotland to develop their own, more participatory, national energy strategy (NES; Watson & Bell, 2017). *Strategic direction* has re-emerged in the context of carbon budgeting and used, for example, to maintain at least some forward momentum on nuclear new builds and advanced reactor technologies (Table 5.7).

6 GERMANY

6.1 *Starting Point*

For Germany, fixing a starting point is less obvious, and 1974 is chosen as both the year in which governance and policy began to respond to the external shocks in world energy markets but also the year that marked the change in the leadership of the federal Social Democratic Party/Free Democratic Party (SPD/FDP) coalition from Brandt to Schmidt. The Schmidt government responded to the energy crisis both by developing a

Table 5.8 German energy policy instruments, 1974

<i>Type of tools</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory tools	Federal legislation setting up institutions and administrative processes <i>Länder</i> manage regional markets	Hard Hard
Financial tools	Taxation Government expenditure on research	Hard Soft
Information tools	Strategic planning on the energy mix Voluntary agreements	Hard Soft

corporatist consensus position to intensify the existing domestic coal and nuclear trajectory in the name of energy security but also, as many commentators have observed, by beginning the direct government support for renewables that would later figure so prominently in the German *Energiewende* (Mez, 2009; Hake et al., 2015) (Table 5.8).

6.2 *Critical Juncture*

We take the critical junctures in Germany as the EU electricity market directive 96/92/EC; although its initial impact in Germany was relatively weak. In contrast to the situation in the other EU countries in this study, EU-driven market liberalization encountered strongly institutionalized energy governance arrangements in Germany that were—and are—partly at odds with the thrust of reform (Theobald, 2009). Thus, the reforms encountered significant resistance that was only partly overcome by the extra impetus provided by the European Commission's determination to bring about energy market liberalization across the EU at the third attempt in the revised electricity market directive of 2007. Nonetheless, the engagement of Germany with the EU processes and the actual measures taken to comply create a distinctive compromise position on regulated competition in energy markets one that, arguably, would not have happened at all without EU direction.

6.3 *Evolution of German Governance, 1974–2018*

Germany's reliance on domestic coal and imported oil and gas means that energy security is always a key concern of German energy policy. The oil price shocks of the 1970s pushed energy security to the top of the agenda

and the response of the Schmidt coalition was to use taxation and expenditure instruments to support the further development of domestic coal and nuclear power generation. While representing an elite consensus position strongly supported by Germany's politically important industry associations, it was contested by the environmental movement, who argued instead for a mix of energy efficiency measures and support for renewables. While this was certainly not the main thrust of the policy, Germany's notable levels of state support for research and development on renewables began at this time (Jacobsson & Lauber, 2006).

The consensus position began to unravel quite quickly. The Chernobyl accident solidified opposition to the nuclear strategy while broader environmental concerns including 'acid rain' and, later, the first moves in the climate change debates began a lengthy debate about the phasing out of coal-fired power generation (Laird & Steffes, 2009). Partly in response to the growing strength of a cross-party environmental coalition in the *Bundestag*, Germany began its first tentative steps towards redirecting these taxation and expenditure instruments to renewables in 1989 with support for small wind and solar programmes and, in 1990, passed the first version of the Feed-in-Law (the *Stromeinspeisegesetz* or *StrEG*), guaranteeing access to the electricity grid for small producers of renewable energy at subsidized rates.

These new market instruments distinctly predated energy market liberalization. In theory, German energy policy was highly decentralized and market decisions in the hands of many utilities, some very small and others owned by municipalities. In practice arrangements were typically corporatist involving industry-wide agreements between energy producers and consumers associations, with the federal Ministry of the Economics as a 'sponsor and partner of the energy industry rather than its regulator' (Eberlein & Doern, 2009, p. 24). And German market liberalization, which came after the first EU directive in 1996, might have served as the test case of the directive's weakness in the face of entrenched national interests (which had to be addressed in the 2003 and 2007 directives) and of its unintended consequences. The tentative steps towards creating liberalized markets triggered a wave of mergers and acquisitions resulting in the oligopoly of four vertically integrated companies that would dominate the landscape for the next decade. Germany did not create an independent energy regulator until 2005 (in reluctant response to the 2003 EU directive) and the regulator's powers were initially quite weak.

Subsequent reform focused on the neoliberal goal of opening energy transmission networks to access by smaller energy producers and has been reasonably successful: '(r)egulation by Industry Associations' Agreements, monitored only by ex post competition law, was characteristic of the first phase of market reforms. It has been replaced by a system of public regulation by agency with ex ante powers in ensuring non-discriminatory access to the natural monopoly of the electricity transmission and distribution system' (Froschauer, 2009, p. 163). Perhaps because of late adoption, German market liberalization, when it happened, involved the rapid adoption of new instruments rather than lengthy tinkering with an original design, albeit as the result of external pressure rather than domestic policy innovation.

Against this backdrop, Germany pressed ahead with ambitious GHG reduction targets, now aiming to achieve *these* goals largely through the replacement of coal-fired power generation by renewables and improved energy efficiency, as the environmental coalition had originally proposed with respect to energy security. The pillars of this policy were the eco-tax introduced in 1999, the Energy Savings Ordinance 2002 and the Renewable Energy Sources Act 2000. While much was hoped for from voluntary agreements and other information instruments, they were as ineffective in Germany as in the other countries in this study. The Renewable Energy Sources Act, in particular, provided the impetus for Germany's strong performance on renewables, repealing the original *SttEG* but replacing it with more generous terms, including 20-year fixed rates for wind power installations. Solar photovoltaic (PV) rates were increased in 2004 and changes in the tariff structure that favoured small producers set the stage for the characteristic German small-scale ownership pattern of renewable capacity, with costs borne by consumers.

This policy trajectory has continued after the collapse of the Red-Green coalition and the long chancellorship of Angela Merkel. The 'integrated climate and energy package' introduced by Merkel's cabinet in 2007 and the *Energiiekonzept* package of 2011 testify to the degree of convergence of climate and energy policy in Germany, with market liberalization a distinctly secondary objective. Many were expecting the Christian Democratic Union/Christian Social Union (CDU/CSU) to reverse the key subsidy elements of the German *Energiewende* that had been put in place by the SPD/Greens, but the overall trajectory has been maintained. Thus, the trajectory of German federal policy has seen a relatively non-linear shift

due to the timing of the liberalization process and a policy shift away from nuclear power and towards the expansion of renewables and a coal reduction regime (Renn & Marshall, 2016).

6.4 *Germany Analysis*

German federalism provides an example of a relatively centralized set of multi-level governance arrangements based on the ‘federal framework law and local implementation’ model. This is not to deny that there is considerable room for friction and conflict between the *Länder* governments and the federal government, but to highlight the ability of the German federal government to set and manage overall strategic direction for energy policy. The much closer connection between energy policy and climate mitigation policy found in Germany than in Canada or Australia is a result of choices taken by the federal authorities. While Germany’s cooperative federalism is much in evidence in the energy sector, the effects are complex and not always predictable. The longevity of coal-fired power generation, now apparently not to be retired until 2035, is a case in point.

Federally, the overall direction of energy policy falls under the Ministry of Economics and Technology but there are significant roles for the Ministries of Environment, Nature Conservation and Nuclear Safety (climate change, renewables and nuclear regulation), Transport, Building and Urban Development (energy efficiency) and Food, Agriculture and Consumer Protection (biomass). As in most countries, the Ministry of Finance is responsible for energy taxation and, in addition, the Federal Cartel Office regulates energy market concentration. An arms-length agency, the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railways oversees the liberalization of electricity and natural gas markets (IEA, 2013). The *Länder* are major actors in market regulation, while municipalities often own utilities and have played a key role in developing combined heat and power generation capacity. This apparently unmanageable set of actors and institutions has neither prevented the emergence of some broad consensus positions shared by governments and the energy industry on the direction of energy policy, for example on the role of nuclear power generation, nor deterred market concentration as a result of the characteristic German practices of cross-ownership and links through lenders.

6.5 German Governance Arrangements by 2018

Thus, Germany has a combination of a general competition watchdog, the Federal Cartel Office, and a grid regulator, the Federal Network Agency, and there is a significant use of *regulatory instruments* to ensure the leading role of climate policy. These include the parallel structure of an Emissions Trading Authority under the Federal Environment Agency responsible for supervising the cap and trade scheme (although the *Länder* are responsible for issuing the licences to emit GHGs). The renewables targets set out in the *Energiekonzept* package were made legally binding: 35% renewables by 2020, 65% by 2040 and, by 2050, 80%. The revised feed-in tariff legislation, of course, rests on the legal obligation of the system operators to buy renewables. In contrast to the Canadian situation, the federal government has assumed additional responsibilities for planning and permitting of major infrastructure projects that tended in the past to be confined within *Länder* boundaries; in the German case these powers are intended to support the creation of an electrical grid capable of handling the increased proportion of renewables and to improve the north-south linkages demanded by the distribution of wind power, rather than provide pipelines for the oil and gas industry.

Financial instruments continue to be used to implement the climate goals through decarbonization of energy systems. The original feed-in tariff continues to be fine-tuned while major investments in green infrastructure are funded from eco-taxation (Table 5.9).

Table 5.9 German energy policy instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	• Regulation for managed competition	Hard
	• Arms-length energy regulator and competition regulator	Hard
	• Emissions trading authority	Hard
	• Legislated renewables targets	Hard
	• Nuclear and coal phase-out	Hard
	• Federal planning powers over infrastructure development	Hard
Financial	• Feed-in tariff	Hard
	• Support for technologies	Soft
	• Taxation	Hard
Informational	• Strategic direction	Hard
	• Public engagement	Soft
	• Energy efficiency and sustainability labels	Soft

Labelling has long been an important *information instrument* in Germany, and *strategic direction*, set by the *Energiekonzept* documents (2010) and implemented in the Energy Package (2011), is significant. The strategic goals stress the importance of renewable energy sources in the future energy mix, a direction reaffirmed in theory (if not in immediate practice) by the decision to phase out Germany's nuclear power generation capacity after the Fukushima accident; energy efficiency, including stringent new building efficiency requirements and upgrades for older buildings; and investment in the grid infrastructure necessary to support an increasing proportion of intermittent renewables including research and development of storage solutions.

7 ITALY

7.1 *Starting Point*

Germany and Italy were both regarded as 'neutrals' by the Arab states and the oil crisis tended to confirm policy positions that they had already taken after 1967 but which now needed stronger governance arrangements. In Italy's case, where domestic fossil fuel resource endowments appeared to be particularly poor, the crisis initially intensified the connection between energy policy and foreign policy, with Italy seeking to develop its position as a 'bridge' between the Middle East, North Africa and Europe, a policy promoted particularly by Aldo Moro as Foreign Minister. The temporary side-lining of this policy, after President Nixon's Energy Conference in 1974 revealed Italy's unwillingness to join France in rejecting United States' (USA) leadership, created the conditions for the development of Italy's own efforts to reduce external oil dependency through energy planning (Labbate, 2013). The Oil Plan was produced that same year and approved by Parliament, strengthening not only the role of the government in developing energy policy but also Eni, Italy's national champion in the energy sector. From here, hierarchical efforts intensified and there would be no fewer than five National Energy Plans between 1975 and 1988 (Table 5.10).

7.2 *Critical Juncture*

In Italy, the first EU electricity market directive plays a rather more immediately decisive role than in the other EU states in this study, coming

Table 5.10 Italian energy policy instruments, 1974

<i>Type of tools</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory tools	Legislation setting up state energy entities	Hard
Financial tools	Mandatory planning tools	Hard
	Taxation	Hard

towards the end of a period of considerable instability in Italian politics during the mid-1990s, with relatively low levels of institutionalization in energy sector governance, and the emergence of new actors and new ideas (Prontera, 2010). The Bersani Decree 1999, initiating the liberalization of electricity markets, and the related Letta Decree, 2000, marking the beginning of the liberalization of gas markets, were presented as a necessary response to EU developments rather than partisan proposals and there was continuity of policy development between the Prodi and Berlusconi coalitions in this respect. In contrast to Germany, the early stages of Italy's energy market liberalization were accomplished more quickly and were more far reaching than the rather tentative first EU Directive 96/92/EC required.

7.3 *Evolution of Italian Governance, 1974–2018*

The Italian energy landscape in the 1970s was dominated by the traditional state-owned monopolies, Eni in oil and gas and Enel in electricity. Eni was a particularly important player, developing the native gas fields and, as these began to fall behind domestic demand for gas, arranging for the import of gas from Europe and North Africa. By the late 1960s, Italy was both the largest producer and largest consumer of gas in Western Europe. The first oil crisis produced the familiar response of a move towards energy autonomy that included an ambitious plan for nuclear power generation, formalized in the 1975 National Energy Plan. While the nuclear project foundered on opposition in the regions and was finally killed off in a series of referenda at the time of the Chernobyl accident, centralized development of other energy sources continued. The result was a strong focus on natural gas, including gas-powered electricity generation, resulting, paradoxically, in greater import dependence as domestic demand increased while supplies dwindled (Prontera, 2018).

Partial liberalization began in the early 1990s, in the context of a public finance crisis rather than an ideologically driven move towards competitive markets. In connection with the plans to privatize Eni and Enel, private electricity production for the producers' own use (e.g. industrial plants) was allowed, with the obligation to sell any excess to Enel. Separate regulatory agencies for gas and electricity were created and, by the time of the EU's 1996 Directive on energy market liberalization, much of the preparatory work was in place. The Bersani and Letta Decrees began the process of vertical unbundling of electricity and gas markets, respectively. Bersani required Enel to split into three companies, responsible for production, transmission and distribution, and limited its share of national electricity generation to 50%. Letta imposed similar conditions on Eni and both included provision for third-party access to the electricity and gas networks. Further tranches of Eni and Enel were offered for sale over the ensuing years, gradually diluting the state's share of ownership. Italy was generally commended for these efforts by both the European Commission and the IEA; the latter's residual criticism being directed more towards the lack of coherence of the instruments of Italian energy policy with respect to its ambitious goals rather than laggardly market liberalization.

Italy's engagement with renewables also predates the climate/energy convergence. Like so much of Italy's energy policy, renewables were originally treated as a means to diversification of supply to promote energy security (Prontera, 2018) and became more significant after the collapse of the nuclear power generation plans. Thus, the National Energy Plan of 1988 focused on both energy efficiency and diversification, leading in 1991 to an obligation on the regions to produce regional energy plans that included local production. The year 1992 saw the first use of the feed-in tariff instrument with an obligation on the part of Enel to purchase the power.

Bersani changed the approach, moving towards the more orthodox financial mechanism of tradeable 'green certificates' which became the backbone of renewable energy policy in Italy from that time forward (Mahalingam & Reiner, 2016). Extensive tinkering took place with this particular market mechanism, changing everything from the maturity of the contracts to the size of production allowed. It was generally successful in promoting the development of renewables but, as elsewhere, persistent concerns have been raised about the efficiency of the instrument and the ultimate cost to consumers (Prontera, 2021). This has not, however, deterred successive governments from using this kind of soft financial

instrument and a similar tradeable certificate scheme formed the basis of the original plans for promoting energy efficiency. The experimentation has seen a recent incremental shrinking of renewable energy interventions by the state, in the line with the generally linear and less radical overall Italian approach.

7.4 *Italy Analysis*

As noted in other chapters, the Italian case is complicated by the constitutional reforms of 2001, which, in the energy sector, recognized shared regulatory competences over aspects of energy policy between the national government and the regions. Perhaps unsurprisingly, the emergence of the regions as autonomous policy actors has spurred the national government to renewed efforts at national coordination, often supported by EU directives, including a National Renewable Energy Plan (2010), a National Energy Strategy (2013), a National Energy Efficiency Action Plan (2014) and a new National Energy Strategy (2017) directed at the EU 2030 energy and climate change framework. National policy is the primary responsibility of the Ministry of Economic Development with an increasingly important role for the Ministry of Environment, Land and Sea through the latter's responsibility for climate change mitigation policies. There are independent regulatory agencies for energy markets and for competition. The IEA, though commending Italy's market liberalization efforts, has raised persistent concerns about the complexity and opacity of Italy's energy governance arrangements, especially lack of clarity about implementation responsibilities.

7.5 *Italian Governance Arrangements by 2018*

Current governance of energy in Italy has a stronger role for both *direct provision* and *regulation* than in the other countries in this study. While greater liberalization is planned to come into effect, the continuing existence of Enel as a major power generator and the main player in the electricity market and (to a lesser extent) the role of Snam in gas markets, together with the 'single buyer' system for wholesale electricity destined for small consumers protected from price fluctuations in the larger, liberalized market makes Italy's energy market different from the others in the study. The effect of the design of the electricity and gas markets has been to give the Italian arms-length regulatory agency less of a leading role than

in countries where the goal has been broader liberalization and the system might generally be characterized as supervisory at less of a distance than the other European countries in this study.

This supervisory authority has also been exercised in the extensive use of *market instruments*, notably *subsidies*, to improve energy efficiency and make Italy a leader in the deployment of renewable energy in accordance with the various plans. Together, tradable green certificates and five rounds of long-term, feed-in tariff support for renewable power generation (the *Conti Energia*) produced a boom in wind and PV installations at a significant cost to consumers (Cammi & Assanelli, 2012). The current system, which relies on tendering and a spending cap together with planning restrictions on the use of agricultural land for large-scale installations, has belatedly brought costs under control. It has done so apparently without dampening enthusiasm for renewable energy or the subsidy programmes that have become the key instruments to promote renewables (including in the heating and transportation sectors) and other energy and climate goals such as energy efficiency.

Information instruments, other than planning tools, have been correspondingly less important. Although the 2017 National Energy Strategy (NES) contains a reference in the Ministerial statement to the importance of ‘guiding citizens to responsible energy usage patterns’, this guidance continues to be provided largely through market mechanisms. As elsewhere, the potential abolition of the protected electricity market for consumers raises questions about exactly how much Italian citizens understand about the costs and benefits of liberalization and what could be done to improve matters. The decision to introduce Europe’s first mandatory course on climate change and sustainable development in public schools lies outside the time frame of this book but is a notable example of a, potentially, strong information instrument.

In Italy, as in Germany, although decentralization to the regions has been a significant factor in energy development, the kind of multi-level governance thereby created does not rule out policy coordination by the national government. The result has been a series of strategic national energy documents, especially the NES, although the extent to which these will remain consistent guides to policy development and provide some level of certainty to industry and consumers remains to be seen (Di Nucci & Prontera, 2021).

Thus, Italy has more hands-on governance in the form of *strategic direction* of the energy sector than might be supposed from either its

Table 5.11 Italian energy policy instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	• Heavily regulated markets	Hard
	• Independent regulatory agencies	Hard
	• Mandatory planning tools	Hard
Financial	• Tradeable certificates	Soft
	• Feed-in tariff	Hard
	• Taxation	Hard
Informational	• Subsidies	Soft
	• Information and education	Soft
	• Labelling	Soft

politics or its formal constitution. These include not just the larger NES but the strategic documents for energy efficiency and renewable energy. The 2012 agreement to allocate the national renewables target to the Regions is an interesting example of multi-level governance, resulting in the development of regional environmental and energy plans linked to cycles of EU structural funding. Moreover, the targets set out in these strategic documents have generally been met or exceeded, although, as noted above, the cost of doing so has been a continuing concern (Table 5.11).

8 THE NETHERLANDS

8.1 *Starting Point*

In the Netherlands, 1974 saw the first *Energy White Paper* in response to the oil crisis. It, too, intensified the hierarchical model, increasing both the role of the state in general and the Ministry of Economic Affairs in particular in this sector. The *White Paper* added explicit new policy goals—diversification of supply and energy efficiency—and proposed using the regulatory powers of the Ministry of Economic Affairs in a rather prescriptive way in order to achieve them. However, unlike the German case, where there was a corporatist consensus on how best to achieve energy security, the broad direction of post-oil shock energy policy in the Netherlands was contested within the energy sector itself. Existing policy actors, especially the utility companies, were unhappy with this direction and particularly with the state's unusual policy of restricting supplies of domestic natural gas to the electricity sector in order to provide cheap

Table 5.12 Dutch energy policy instruments, 1974

<i>Type of tools</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory tools	Mandatory strategic direction	Hard
	State monopolies and joint ventures	Hard
	Agreements with binding outcomes	Soft
Financial tools	Taxation	Hard

energy for industry, forcing reliance on expensive imported oil for power generation (Verbong & Geels, 2007). This internal conflict played out in a distinctive way over the ensuing decades (Table 5.12).

8.2 *Critical Junctures*

The Netherlands was also an early and relatively enthusiastic adopter of energy market liberalization, partly as a way of defusing the conflicts between the state and the energy utilities that had developed over the government's insistence on 'rationing' natural gas, partly in response to the poor performance of the Dutch economy and concerns about the 'Dutch disease' that mirrored the debates in Australia and Canada, and finally in response to the early competition policy discussions of the European Commission. One candidate for the critical juncture is the passage of the Energy Act 1989, which initiated competition in wholesale electricity markets. However, most commentators agree that it was a very incomplete reform that took nearly another decade to offer the same choice to electricity consumers and to start reforming the all-important gas market (van Damme, 2005). Thus, the critical juncture for the Netherlands is found, like Germany and Italy, in the response to the EU competition directives, notably in the passage of the 1998 Electricity Act (known as the E-Act). The corresponding draft Gas Act was introduced in the Dutch Parliament in 1999 but the complexity and political sensitivity of gas market reform meant that the passage of the legislation was not complete until 2004.

8.3 *Evolution of Dutch Governance, 1974–2018*

Prior to 1989, Dutch electricity markets were dominated by vertically integrated local monopolies operating on a national grid. Gas, coming mainly from the Groningen field discovered in 1959, was controlled by

the classic arrangement of the Nederlandse Aardolie Maatschappij (NAM), a monopoly collaboration between the Dutch government and the two main companies (Shell and Exxon/Mobil) for production. A corresponding state and company-controlled monopoly, Gasunie, was responsible for transmission and distribution. This arrangement made possible the strongly centralized coordination of energy policy and decisions such as directing gas to industrial users and households (Correljé & Verbong, 2004).

The 1989 electricity reform continued this tradition of central direction but sought to achieve efficiencies by creating more room for competition. Capacity still had to be approved by the government in negotiation with the electricity producers' association, which played the coordination role of the CEBG in the UK (van Damme, 2005), but the local monopoly power distributors were freed to buy their power outside their local areas. The result was a boom in local power generation projects that eventually made the retention of central direction increasingly difficult, a classic example of the unintended consequences of the early deregulatory schemes. Thus, both ideologically and pragmatically, the Dutch were active in the negotiations that resulted in the first EU energy competition directives and even, in some ways, ahead of them.

At the critical juncture, both electricity and gas liberalization proceeded relatively smoothly using mandatory vertical unbundling of production, network services and supply as the key policy instrument. In electricity, the E-Act required the owners of electricity networks who were also power producers to set up independent network companies, and an arms-length regulator was created to oversee the unbundling process and the subsequent operation of the market. In gas, wholesale supply was organized as a competitive market while transmission and distribution is owned by state entities, municipal, provincial or the national state, with the whole system under arms-length regulatory oversight. Unlike the situation in Germany, where the first responses to the 1996 EU Directives were tentative or even reluctant, the Dutch reform was far reaching and relatively effective (de Jong, 2006). It was praised by the European Commission and subsequent commentators noted that its outcomes actually anticipated the 2004 Directive, which was to some extent designed to force the laggards up to the standards set by the Dutch reforms.

Paradoxically, as in the English case, the success of market liberalization reforms created unintended difficulties once climate and energy policies began to converge. Liberalized energy markets naturally gravitated towards power generation by abundant natural gas and, while this

delivered impressive early gains in emissions reductions compared with coal or oil, it is not a long-term solution, especially as emissions targets become more stringent. In the Netherlands, we can see the first inkling of these difficulties in the different governance arrangements and policy instruments deployed in the 4th National Environmental Policy Plan in 2001. Certainly, the potential for a locally catastrophic rise in sea levels gave the climate change issue increased salience in the Netherlands and it follows that the Dutch would be among the first movers.

Compared with relative inattention in our other cases, the Dutch approach seems superficially impressive. However, the Plan, with its hybrid ‘transition management’ approach so attractive to academic commentators, was never able to resolve itself into a coherent set of governance arrangements. The result, detailed in Kern and Howlett (2009), was a contradictory stew of conflicting instruments and goals that led the IEA to warn about a lack of clarity in Dutch energy policy and a paradoxical tendency to lose sight of the goal of GHG emissions reductions amidst a plethora of other commitments (IEA, 2008, 2014). Many of these, like the development of a nuclear energy strategy and pilots for CCS to produce ‘clean gas’, were predictable failures.

Faced with evidence that the Netherlands would miss its 2020 commitments by a considerable margin, the first Rutte Coalition government returned to a traditional Dutch approach, resulting in a consensus document, the *Energy Agreement for Sustainable Growth* (2013), which lays out the Dutch path in terms clearly compatible with supervisory governance but exhibiting the strongest voluntary element in any of our cases. The agreement has been followed by a number of sectoral accords detailing how the sectors will contribute. The post-2017 government has maintained this approach with more ambitious goals, negotiating and signing a new Accord to phase out the use of natural gas (Beckman & van den Beukel, 2019). The trajectory presented above speaks to a more incremental and linear governance trajectory in terms of energy liberalization and other aspects of the energy sector.

8.4 *The Netherlands Analysis*

As a unitary state, the Netherlands is spared the tension between different orders of government sparring over resource rents. The fundamental asymmetry of interest between energy producers and energy consumers is, of course, still present but conflict does not take the form of a

disagreement over the division of legislative powers. The central position of the Ministry of Economic Affairs in the energy sector is somewhat stronger than its German counterpart, although there are significant roles for the Ministry of Infrastructure and Environment and the Environmental Assessment Agency in the climate change field (IEA, 2014).

Ironically, the dominant position of the Ministry of Economic Affairs was both a critical factor in adopting the transition management approach to energy policy and, according to many observers, a key reason for its disappointing outcome. What its proponents intended as a bottom up, participatory approach to change driven by social learning became a top down, tightly controlled series of policy experiments featuring the usual suspects as lead actors. The Rutte coalitions have discarded the experimentalist approach in favour of a new effort at negotiating a consensus position with social partners.

8.5 *Dutch Governance Arrangements by 2018*

Current governance arrangements for the energy sector in the Netherlands are almost polar opposite to the Italian case. The Netherlands was a first mover in energy market liberalization and was confronted with the problem of how to integrate climate change mitigation goals into these already liberalized markets especially in the context of abundant natural gas supplies from the North Sea. The failure of both the EU ETS and the Dutch transition management plan left the Netherlands substantially behind on both its short-term renewables targets and its longer-term goals for decarbonization and GHG mitigation beyond 2020. Current governance arrangements are guided by the *Energy Agreement for Sustainable Growth* (2013), a consensus document based on *voluntary commitments* from industry and social groups supported by *subsidy programmes* negotiated under the auspices of the Rutte/Asscher coalition.

Strategic direction is closely aligned with EU framework for energy and climate and is primarily exercised through the requirement for the government to report on progress towards energy and climate goals every four years. It was just such a report in 2011 that provided part of the impetus for the development of the 2013 *Energy Agreement*. The focus of the agreement is on reducing total energy consumption through energy saving and efficiency measures.

The Netherlands has a single regulatory agency to supervise the markets, the Authority for Consumers and Markets (ACM) that includes the

old competition and consumer authorities and the energy regulator. While new regulation is not a strong feature of the Energy Agreement, it does include provisions for better enforcement of energy saving obligations under the Environmental Management Act 2004. A strong regulatory approach, however, is clearly evident in the amendments to the Gas Act that forbid new connections to the Groningen gas field.

Subsidies are an important component of the Energy Agreement and are carefully designed on the basis of European and Dutch experience with the distorting effects of overly generous feed-in tariffs (Mulder, 2017). The main instrument to promote renewables, the *Stimulerend Duurzame Energietransitie* (SDE, now SDE++), is technology neutral and calibrated so that the subsidy gradually increases over the life of a programme with a fixed global budget. Thus, only the most efficient technologies will succeed in the early stages of the programme (when the subsidy is small) but latecomers risk finding the budget already committed. It is hoped that SDE++ will prove less costly to consumers than previous subsidy programmes. Two other instruments, net metering for prosumers (households and small businesses that both consume and produce energy) in contiguous postcodes and a tendering process for new offshore wind capacity in which proponents compete for the lowest subsidy are also carefully designed to improve cost effectiveness over previous programmes. Subsidies are also available for building efficiency programmes.

Voluntary/informational instruments are correspondingly more important in the Netherlands than in any of the other countries in this study. The Energy Agreement and the subsequent Accords are a classic example of the Polder Model and were billed as such during their negotiation period and adoption. Much of the commitment for energy saving and energy efficiency is in the form of sectoral or business-to-business agreements. In addition, there is a strong emphasis on information instruments in the form of labelling and public ratings, which include not just appliances and vehicles but also buildings, especially in the important rental market (Table 5.13).

9 CONCLUSION: THE TRAJECTORIES OF ENERGY GOVERNANCE

Overall, the picture is strikingly consistent. From very similar starting points, the six countries arrive at very similar end points, with broadly similar inflexion points. Hierarchical governance arrangements are

Table 5.13 Dutch energy policy instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	• Regulated competition	Hard
	• Combined energy and competition regulatory agency	Hard
	• Energy saving obligations	Hard
Financial	• Energy Tax	Hard
	• Grants and subsidies	Soft
	• Local net metering	Soft
	• Capacity auctions	Soft
	• Support for clean energy research and development	Soft
Informational	• Strategic direction of the energy mix	Soft
	• Voluntary agreements and accords	Soft
	• Labelling and consumer ratings	Soft
	• Negotiated national guidelines and targets	Soft

dismantled under the impetus of neoliberalism. However, while financial instruments have become relatively more important in the instrument mix, regulatory instruments did not disappear, they merely took on a different form.

Looked at more closely, however, individual similarities and differences in trajectories come into focus. Key factors in explaining these differences include the nature and extent of primary energy resource endowments; the relatively centralized or decentralized character of multi-level governance arrangements (which seems to be more important than the presence or absence of classical federalism); and the timing of the move towards market governance, with first movers sharing similar experiences from which latecomers drew various, not always identical, lessons. Drill down sufficiently far into the details, of course, and these similarities will disappear, and the six cases become six quite separate narratives (Table 5.14).

At this mid-level of detail, though, Canada and Australia share a very similar trajectory, as other chapters in this study have found. Decentralized multi-level governance arrangements provide significant roles for the provinces and states and a correspondingly steep challenge for national coordination. Blessed (or cursed) with extensive natural endowments of primary energy, such that energy security is a less significant part of the energy policy trilemma, unequal resource endowments among the provinces and states create a contentious national politics of energy. Attempts by the national government to act unilaterally have generally been turned back, putting a premium on the development of cooperative multi-level

Table 5.14 Summary of governance shifts

AUSTRALIA	
<i>1972 Whitlam government enters power</i>	Direct provision and strong regulatory approach based on left-nationalist agenda
<i>1990 Premiers' Conference</i>	Endorsement of the 'competitiveness' agenda and openness to liberalizing energy markets
CANADA	
<i>1974 Trudeau government responds to the first oil price shock</i>	Regulation to enforce separate Eastern and Western Canadian oil markets
<i>1988 election returns Mulroney's Conservatives to power</i>	The way is opened for the ratification of the Canada-US Free Trade Agreement (CUFTA) and liberalizing energy markets
ENGLAND	
<i>1974 Miners' strike and return of Labour Party to power</i>	Temporary intensification of top-down energy planning and regulated direct provision of energy
<i>1983 Energy Act</i>	UK government signals intention to implement a self-consciously neoliberal agenda with respect to energy provision
GERMANY	
<i>1974 response to the first oil price shock</i>	Ambitious corporatist strategy to increase energy security through coal and nuclear evokes environmental opposition
<i>1996 First EU Electricity Market directive</i>	Lack of fit between market liberalization on the UK model and Germany's energy market ushers in a lengthy period of resistance and, eventually, reform
ITALY	
<i>1974 response to oil price shocks</i>	Italy looks to find energy security in natural gas and act as a bridge between Europe and non-European suppliers
<i>1998 Bersani Decree</i>	Electricity (and, later, gas) market liberalization embraced as key component of the state's response to the fiscal challenges of the 1990s
THE NETHERLANDS	
<i>1974 response to the first oil price shock</i>	Highly interventionist efforts to develop local gas resources and 'ration' natural gas in favour of agriculture and manufacturing
<i>1998 E-Act</i>	Mandatory vertical unbundling of electricity production, distribution and sale, followed by similar legislation for gas markets

governance institutions. National climate mitigation policies have been rendered especially contentious because of their unequal impacts and the legacies of energy inefficiency related to easy access to primary energy.

England and the Netherlands form another pair. Significant but by no means inexhaustible resources of natural gas, a vital primary resource in the transition away from coal, reduced energy security concerns over much of the trajectory of change and provided a windfall of GHG emission reductions in the power generation sector. Relatively centralized multi-level governance arrangements, especially in the UK even after devolution, provided for the possibility of continuing hierarchical governance, yet this was counterbalanced in both countries by political dynamics making them first movers in deregulation and privatization of energy assets.

Italy and Germany, by contrast, share many similarities with respect to these key variables. Multi-level governance arrangements fall somewhere between the heavily centralized variants in the UK and the Netherlands and the very decentralized and constitutionally protected classical federalism in Canada and Australia. Lacking modern primary energy resources, especially gas, energy security concerns have always been prominent in these two countries and energy policy has intersected with foreign policy in unique ways. As a result, the impulse to embrace market governance came relatively late and the role of EU policies was correspondingly greater, both in the design of market and supervisory arrangements and in providing 'cover' for domestic political actors seeking to bring these changes about.

With respect to the major policy instruments, *direct provision of services* has become, with few exceptions, relatively insignificant. Where they existed, the privatization of national energy champions such as Petro Canada and BP has been completed and vertical unbundling of electricity and gas provision has largely followed. Exceptions include Italy, where the national government continues to hold substantial minority stakes in Enel and Eni and in continuing public provision at local and regional level in federal states, for example Hydro Quebec in Canada, Hydro Tasmania in Australia and local German providers such as Stadtwerke Köln.

In a rather unexpected way, *regulation* has become proportionately more important as direct provision has faded and been replaced by the use of arms-length regulatory agencies to police competition and service provision. The EU has been a powerful influence for the development of energy regulators in Europe. The existence of a national electricity market in Australia makes their National Energy Regulator look more like a European agency than Canada's Energy Regulator, whose jurisdiction remains largely limited to interprovincial infrastructure and international trade. The intersection of climate change and energy policy means that the

use of targeted regulatory instruments also remains important. These would include, for example, sectoral emissions reductions targets or caps, renewable energy mandates and technology-specific regulations such as those retiring nuclear or coal-fired power. The tension between the use of these regulatory instruments and the logic of deregulation remains strong in all six countries and is periodically contested at times of acute political conflict.

The use of *financial instruments* is central to the reforms that have been carried out but, as noted, the result has not been a consistent shift towards market governance as early advocates of neoliberalism had hoped. Many of the apparently soft financial instruments have turned out to create opportunities for strong implementation through settings such as generous subsidies or stringent obligations. While the climate change agenda has been in part responsible for the plethora of subsidies and other financial incentives such as obligations to buy power from small renewables producers at favourable rates (the feed-in tariff) and efforts to price carbon through taxes and cap and trade schemes, support for regionally important industries such as coal remains a prominent policy objective, especially in federal states. As the German and Italian examples show particularly clearly, the challenge is how to contain the costs to consumers of market-distorting measures that promote broad climate change goals and to maintain a measure of coherence between the conflicting elements of the energy trilemma.

Informational instruments, including such procedural instruments as strategic planning, remain widespread and, in the Netherlands, a central plank of energy governance. Information instruments are used in conjunction with subsidies to support energy efficiency measures and, in the form of performance measures, to address transaction costs and information asymmetries in the new energy markets. Procedural elements of these instruments, such as requirements for public participation in decision-making, continue to be used, both as a way of maintaining the legitimacy of supervisory institutions and in areas where significant transformation of energy systems would require unpopular lifestyle changes. Once again, there are possibilities to tweak the design of these soft instruments to significantly constrain behavioural alternatives and many governments have taken this opportunity, especially in guiding the choice of competing technologies in the context of meeting climate change goals.

One outcome shared with the other sectors in this volume is that energy policy mixes have generally become more complex, involving multiple instruments and more than one type of instrument. In the energy sector,

this outcome is partly a consequence of policy layering, the result of a decade or more of tinkering with regulatory arrangements for more liberalized energy markets to arrive at a balance of the energy trilemma suited to each country's particular political context. In part, it is also the result of the 'stretching' that has occurred as energy policy has intersected with the climate change elements of environmental policy, blurring the boundaries and sharing instruments across them as a comparison of the energy and environment chapters in this volume will demonstrate.

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The Environmental Sector

1 INTRODUCTION

A combination of critical pollution events and a growing environmental movement in OECD states triggered the creation, in the 1970s, of environmental institutions and public policy across the case countries and the European Communities. This chapter starts the analysis at 1975 reflecting this unique characteristic of this sector. Environmental policy shares characteristics found in the health, education and, most especially, energy policy sectors but, nevertheless, it has other distinctive characteristics. First, of the four sectors, environmental policy is the most recently articulated policy priority. Environmental policy existed before 1969: for example Edward I prohibited the burning of ‘sea coal’ to protect English public health in 1273 (Vogel, 1986). Nonetheless, state actors framed such policies in terms of other policy priorities such as health. Only from the 1960s has environment become a separate policy domain (McCormick, 1991). This reality has significant repercussions. Most fundamentally, public authorities have had to insert a new policy sector (and its values and priorities) into other, more established policy arenas and priorities. While this affords policy recognition it can, even in the comparatively recent European Union (EU) arena, leave environmental policy-makers and their constituencies as junior political partners, lower in the administrative pecking order. Another consequence is that elements of environmental

policy were wrested away from traditional homes, with the possibility of ownership reversal (the 2010 dismemberment of the Netherlands environment ministry a prototypical example).

Problem recognition is complex in this policy sector for two reasons. First, uncertainty about the nature of the problem is particularly strong in this sector, with policy-makers only gradually learning the implication of how human pollution interacts with the biosphere. Second, the often transnational dynamic of environmental degradation can further slow/inhibit problem recognition and consequent action. High-profile environmental problems such as the ozone layer have required international governance efforts.

Another characteristic concerns the costs and benefits of environmental protection. For elements of education, health and energy policy, the benefits, and negative consequences of unsuccessful policy efforts are widely distributed across Western Democratic populations. Likewise, policy costs are usually distributed widely through general taxation. By comparison, the benefits and discernible outcomes of environmental policies are more diffuse across the biosphere and society. If the environmental problem is 'not in my back yard', the protection of certain unseen species, for example, or the reduction of cancer risks make the policy benefits more abstract, long-term. The transnational nature of many environmental problems exacerbates such dynamics. Although all society can contribute to global environmental damage through expanding population growth and activity, environmental policy (particularly in the 1970s–1990s) concentrated on discrete and specific sectors that were easier to identify and regulate—for example large combustion power plants. Additionally, economic groups like farmers are more easily mobilized than national and global populations over a long-term environmental policy trajectory.

Compared to our other cases, the EU plays a more powerful role in shaping Member State environmental governance; consequently, alongside our case countries this chapter studies the EU as a separate political entity. As Chap. 2 explains, the EU is a regulatory state; environmental policy is a high-profile element of this regulatory structure. More generally, considerable remedial action and pollution limitation can occur without a substantial outlay from the public authority. Whether by imposing rules or extracting levies on a particular industry, the exchequer costs can be limited. Equally, the desire to demonstrate remedial action in the face of pollution incidents has led many environmental proponents to propose regulatory instruments. Nevertheless, political concerns about

concentrated costs of environmental remediation and protection, and worries about producers' economic competitiveness, have often led subsidies to feature significantly in environmental policy.

2 POLICY INSTRUMENTS

2.1 *Neoliberal Governance Expectations*

Given our core question concerning neoliberal ideology's governance impact, it is worth anticipating how it might manifest itself in the environmental sector. A conventional neoliberal interpretation expects a move towards deregulating environmental policy, and removing or softening policy provisions. We expect greater concern for protecting the market's functioning and enhancing market actors' competitiveness. Market mechanisms such as emissions trading systems could theoretically uphold and reinforce market functioning, according to the basic neoliberal approach, and provide more attractive means for raising the revenue needed to balance public budgets (Weale et al., 2000).

The neoliberal approach is not inherently anti-environment; it potentially could increase protection with a focus on reducing government expenditures (e.g. reducing government subsidies for environmentally detrimental activities) (Weale et al., 2000, p. 284). The conventional neoliberalism concerning environmental instruments emphasizes softer, flexible regulatory approaches; we expect the addition of market and informational instruments that work with market dynamics and a reduction of environmental and non-environmental subsidies. Furthermore, the instruments would involve and even be driven by market actors themselves.

Having offered these expectations, this chapter demonstrates that neoliberalism is deployed in different ways and contexts providing more nuanced picture. For example, the neoliberal approach of the Dutch Liberals differs substantially from the neoliberalism of Australian Labor politicians or British Conservatives.

2.2 *Environmental Policy Instruments*

This section surveys commonly used environmental governance tools based on Chap. 1's categorization: regulation, finance and information. Table 6.1 lays out essential types but is not exhaustive. It notes the prevailing characteristics of the instrument type, that is whether the instrument

Table 6.1 Environmental policy tools

<i>Chapter 1 typology</i>	<i>Environmental governance categories</i>	<i>Assessment of instrument type</i>
Regulatory tools	Requiring licences and permits for activity	Hard
	Specifying standards for products and processes	Hard
	Banning certain activities	Hard
	Issuing executive orders	Hard
	Specifying design aspects	Hard
	Designating zones for specific activities	Hard
	Negotiating agreements that set enforceable obligations	Hard
	Entering voluntary or unilateral agreements	Soft
Financial tools	Subsidies provide money or tax breaks to support operations	Soft
	Grants offer money to achieve objectives	Soft
	Eco-taxes	Hard
	Levies and charges on designated activities to fund remediation	Hard
	Fines to penalize certain activities	Hard
Informational tools	Deposit schemes	Hard
	Data collection and analysis to inform policy	Hard
	Data collection for public display and ranking	Soft
	Strategic plans and targets	Hard
	Eco-labels	Soft
	Environmental management systems (EMS) and eco-audits	Soft
	Environmental campaigns	Soft
	Environmental training and education	Soft
Instrument combining all three types	Emissions trading	Hard

generally is compulsory or voluntary (*hard* vs. *soft*). We stress that some instruments can be both hard and soft depending on the context.

Although geographic variation influences all our sectoral cases, the geographic and contextual characteristics feature heavily in the design and implementation of environmental policy. Whether environmental harm is diffuse in its causes (e.g. climate policy) or concentrated (e.g. a hazardous

waste site) is important for political mobilization around the policy problem and posing of policy solutions. Less diffuse environmental problems often trigger specific policy solutions, including regulation, whereas instruments tend to be ‘softer’ (i.e. less prescriptive) on more diffuse problems such as agricultural impacts. In contrast to the precision of obligations and delegation of authority found in more ‘command and control’ regulation, ‘softer’ instruments tend to be weaker in specifying obligations, precision and delegation (Abbott & Snidal, 2000, pp. 421–422).

Regulatory Tools The essence of regulation is a public or private entity wielding authoritative action to steer public and societal actors towards a particular aim; the potential for sanctions underpins this authority (Howlett, 2011). The action normally involves rules that define actors’ behaviour or specifies objectives requiring implementation within a fixed time frame. Environmental regulations include licences, permits, standards, executive orders, bans, design guidance, zoning and so on (Howlett, 2011; Majone, 1976). Environmental regulations can focus more-or-less on command and control and are often nuanced; they have potential to be more flexible and/or soft in design, or bring in innovations involving other instruments in a process Gunningham et al. (1998) label ‘smart’ design. In this context, voluntary agreements (i.e. voluntary commitments undertaken to pursue actions that improve the environment—see OECD, 1994, p. 4) may fit as a regulatory form if they institute obligations and sanctions.

Financial Tools Financial instruments typically take a positive and/or negative approach to monetary incentives and often involve market mechanisms. An important element of many environmental programmes is the provision of grants, subsidies and tax relief to shape public and private actor behaviour. The corollary of these are eco-taxes, charges and levies on polluters, fines and deposit schemes. Instrument design variations exist in terms of targeting products versus processes, inputs versus outputs and revenue usage (Ekins, 1999). The environmental sector has witnessed the creation of market mechanisms specifically through emissions trading: the system sets emission allowances for various pollution forms, and actors holding allowances can sell them to other actors. As this instrument straddles the other categories, given the importance of rules and information in its design, Table 6.1 presents it separately (Wurzel, 2008).

Informational Tools Informational measures generally focus on data collection to support policies or use information to target actor behaviour. Data might inform implementation efforts or persuade actors to alter course. Equally, information might serve as persuasive communication or targeting. It is useful to differentiate these instruments in terms of their complexity. At one end are extensive management systems such as those the International Standards Organisation promulgates. The other end of the spectrum includes simple ‘nudges’, such as signage that encourages behavioural change without forcing it (Thaler & Sunstein, 2009).

3 AUSTRALIA

3.1 *Starting Point*

From its 1972 election until its ouster in 1975, Prime Minister Gough Whitlam and his Labor government instituted the first explicit Australian environmental policy (Fisher, 2003). This included substantial federal public spending to purchase land for parks, conserve areas of particular interest and trigger water conservation, such as ecological improvements of the Murray-Darling riverine system (Whitlam, 1972). In 1974 and 1975, the Whitlam government developed Australia’s core environmental legislation, notably the Environmental Protection (Impact of Proposals) Act 1974. The legislation focused on building institutions, and administrative processes and responsibilities (Parliament of the Commonwealth of Australia, 2012). As Table 6.2 depicts, the early 1970s established the core Australian environmental approach using traditional regulatory, command-and-control interventions in specific media (e.g. air). The government’s line was that existing (traditional, hierarchical) bureaucratic methods and approaches could address these policy developments (Papadakis & Grant, 2003, pp. 32–33). This emphasis did not restrict federal government

Table 6.2 Australian environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory tools	• Legislation establishing institutions and administrative processes	• Hard
	• Legislation establishing conservation areas	• Hard
Financial tools	Government expenditure to conserve certain areas	• Soft

consideration of other instruments as the voluntary agreement (lasting from 1978 to 1987) between the Commonwealth government and the Federated Chamber of Automotive Industries demonstrates (Ibid., p. 43).

Since 1970 Australian environmental governance has witnessed two critical junctures involving Labor governments. The first, described above, was the Whitlam government's initial environmental policy creation. After the 1975 ouster of the Labor government, the subsequent Coalition government adopted a largely status quo approach. This changed with the 1983 Hawke Labor government bringing a renewed environmental governance effort. Hawke campaigned on the idea that Labor was no longer seeking confrontation with various economic and political interests across the spectrum of federal governance and was notable for pushing a consensus-oriented approach to avoid the ousting the Whitlam government suffered. As the next section explores, Labor's general governance focus on consultative approaches, embracing neoliberal thinking and the desire to balance environmental and competitiveness decisions have all had a long-term governance impact for Australia.

3.2 *Evolving Australian Governance, 1975–2018*

After its election, the Hawke government adopted prominent environmental stances, such as stopping the Tasmanian state government's damming/flooding of the Franklin River. Significantly for our analysis, the Hawke regime moved away from the 1970s regulatory efforts that provoked the state and territorial governments. Instead it used a more consultative, 'new federalist' approach to intergovernmental relations (Crowley, 2001, pp. 258–259). The Hawke government negotiated the Intergovernmental Agreement on the Environment to clarify environmental powers between government levels. In this period, regulation formed the central policy instrument, reinforced by the 1983 Conservation Strategy for Australia setting various national objectives (Australian Government, 1992).

The Hawke government also created various consultative bodies/processes, notably the Economic Planning Advisory Council. This set of consultative processes, with clear corporatist overtones focused on building relations with industrial sectors and trade unions, and extended to recruiting environmental non-governmental organizations to have input in and legitimize the environmental governance effort (Gerritsen, 1986; Crowley, 2001). This more consultative, comprehensive 1980s approach to environmental governance also involved gradual shifting towards the idea of

empowering and incentivizing businesses to deal with market failures and create their own solutions. A shift in policy priorities towards sustainable development underpinned this re-orientation to the business role, with the idea that economic development and environmental protection could be potentially compatible (Papadakis & Grant, 2003). Subsequently, the Hawke government proposed a national strategy based on an extensive consultation process, leading to all levels of Australian political system, in December 1992, agreeing to the National Strategy for Ecologically Sustainable Development.

The Labor government furthermore supplemented new regulations with other (generally softer) instruments, including voluntary agreements, subsidies, taxes and market instruments defining policy rights. The National Action Plan for Salinity and Water Quality National MBI (market-based instrument) Pilot Programs, running from 2003 to 2008, institutionalized this governance shift. This programme aimed to increase the national capacity to use MBIs by national, state and territorial support; states were heavily involved in the initiative (BDA Group, 2009).

Although the Hawke government took a prominent international position regarding climate commitments, the subsequent Keating Labor government limited its climate commitments to actions that did not adversely affect economic growth and competitiveness (McDonald, 2015). The succeeding Howard (Coalition) government followed suit, focusing on funding to support climate action. In the 1980s–1990s, Labor governments gave considerable weight to issues of energy supply and balance of payments, basing their policy strategy on harnessing Australia's coal reserves. This policy choice, that is protecting energy supply and generating export income, stored up policy challenges and further reinforced a dominant business interest that would figure heavily in later climate change debates (Walker, 2012).

The year 2006 witnessed an extremely prolonged drought in Australia. Interviews of policy-makers and academics indicate that many policy-makers viewed this as a key environmental switch point, and the general Australian population began to view drought conditions as a major governance problem (Interview, Commonwealth policy official, 7 August 2013; Interview, national climate change scientist, 14 August 2013). The 2006 and prior droughts helped frame climate change as a contentious policy/political issue that arguably dominated Australian national politics into 2020 (Rootes, 2008, 2014). Nevertheless, using the criteria for critical

junctures in Chap. 1, the droughts do not constitute a critical juncture despite this problem framing and opportunities for substantial policy change.

Following a bi-partisan effort and a failed attempt to implement an Emissions Trading Scheme (ETS), the Julia Gillard Labor government (2010–2013) did adopt the Clean Energy Future Plan, with a 2012 carbon pricing scheme at its heart. The Gillard plan also created a range of institutions, including one to support renewable energy and another to administer energy/climate emissions reporting (Interview, ministry officials, 5 August 2013). The Abbott Coalition government election in 2013 sharply reversed this clear and substantial policy instrument direction (Parliament of the Commonwealth of Australia, 2014; Prime Minister of Australia, 2014). Abbott's Coalition government shifted the governance focus from the Labor plan (setting the goals through pricing but leaving the means to business) to a system (labelled 'Direct Action') keeping both the goals and the means of achieving climate reductions open-ended (Parliament of the Commonwealth of Australia, 2014). The central Coalition instrument has been the Emissions Reduction Fund (ERF) giving financial incentives to induce businesses and farmers to install renewable energy infrastructure (Australian Government, 2014, p. 21). This approach essentially returns to the Howard government's focus on grants as instruments and supporting the Australian energy sector (Crowley, 2017).

3.3 *Australia Analysis*

The impact of droughts on Australian public policy demonstrates that environmental crises can create significant contexts in which governance change is possible. In one period, there was even a bi-partisan response to the crisis. Nevertheless, the differences in how different governments have defined and responded to this policy problem indicate the prevalence and importance of other factors.

One of the distinctive features about tracing potential Australian critical junctures is the prominent role of Commonwealth party politics and government changes. A Labor government set in motion Australian environmental policy (the first juncture), and the Labor government's return in 1983 extended it, but along a particular neoliberal path (the second critical juncture). All the substantial policy departure and innovation in Australian climate policy occurred under Labor. The Labor programme

was eventually de-railed as the Conservative Opposition (embracing a neoliberal, anti-regulation outlook) linked the 2012 economic downturn to the issue of rising energy bills and livings costs before implementing its 2013 policies in government (Taylor & Hoyle, 2014).

Nonetheless, an important ideological shift crosses the parties: Labor government philosophy moved towards a more neoliberal framing of policy issues. The Hawke government took particular lessons from the 1970s in its approach to economic, environmental and constitutional questions. Its members witnessed the 1974–1975 recession’s damaging impact on the Whitlam Labor government’s ambitious policy and spending programmes (Lavelle, 2005). While the Hawke government adopted a more interventionist policy stance, its approach was infused with pragmatism reflecting the past government experiences and an ideological shift.

Conventional explanations of the Hawke/Keating governments are that they made an ideational shift towards neoliberalism (Pusey, 1991). Lavelle (2005) suggests that this change was more nuanced, starting in the 1975 Whitlam government which had insufficient time for deeply embedded ideological change. It was a pragmatic Labor decision to tailor policies along economic rationalist lines, including the privatizing of government utilities and implementing fiscal austerity. Whatever the motivation, the outcome was a social democratic-oriented outlook seeking to make more neoliberal orientated reforms to operate in a global capitalist economy. The ideational change (i.e. seeking to limit government intervention and empower business while simultaneously reflecting more adverse political conditions and financial constraints) led both Labor and Coalition policy-makers to design more flexible, softer regulations, supplemented with market instruments (Papadakis & Grant, 2003).

3.4 *Australian Governance Arrangements, 2018*

Table 6.3 highlights several market experiments that the Australian Commonwealth and individual states have adopted, revealing some environmental policy innovation. Nevertheless, the core instrument underpinning Australian environmental policy remains the regulations creating rules and institutions; the 1999 Environment Protection and Biodiversity Act remains the lynchpin of Commonwealth governance. The Act provides the national framework for environmental protection, requires environmental impact assessments and has various enforcement mechanisms (OECD, 2019). In 2018, Australia did have energy taxes in place but

Table 6.3 Australian environmental policy instruments, 2018

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Regulations over a diverse range of emissions and for environmental protections at national and state/territorial levels, depending on jurisdiction 	<ul style="list-style-type: none"> • Hard
Financial	<ul style="list-style-type: none"> • Rules setting particular standards 	<ul style="list-style-type: none"> • Hard
	<ul style="list-style-type: none"> • National grants to states and other actors 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • Emissions Reduction Fund (Auction scheme) 	<ul style="list-style-type: none"> • Soft
Informational	<ul style="list-style-type: none"> • Market-based systems to protect particular vulnerable systems, particularly the Murray-Darling Basin water trading 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • National and state user charges and fees 	<ul style="list-style-type: none"> • Hard
	<ul style="list-style-type: none"> • Support for clean energy and environmental research and development 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • Voluntary agreements—for example Australian Packaging Covenant 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • National and state use of reporting information 	<ul style="list-style-type: none"> • Hard
	<ul style="list-style-type: none"> • National guidelines and targets 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • Environmental awareness efforts—for example national strategies 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • Community partnerships and consultation 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • ISO 14001 management standard 	<ul style="list-style-type: none"> • Soft
	<ul style="list-style-type: none"> • Eco-labels 	<ul style="list-style-type: none"> • Soft

often with low tax rates. Additionally, the National Water Initiative seeks to develop water planning arrangements, water rights and a water training system with respect to the Murray-Darling. It has gained considerable attention although the system's environmental protection record is mixed, generating considerable criticism. These systems also include informational instruments, including capacity building and stakeholder consultation. Spending on environmental research and development operated at a decreased level from 2009 to 2018 (OECD, 2019). Important informational instruments exist, such as the provision of national guidelines for water quality management. Numerous businesses have adopted the International Standards Organisation (ISO) 14001 certification of their environmental management systems, and the Commonwealth has instituted eco-labels. The national government has arranged several voluntary agreements with business, including the Australian Packaging Covenant.

4 CANADA

4.1 *Starting point*

Certain Canadian regulatory protections with an environmental dimension existed before 1970 (e.g. the 1939 Pest Control Products Act—Ilgen, 1985). Nevertheless, the global environmental movement resonated strongly in the late 1960s, particularly in the United States (USA); these developments, together with Canadian environmental incidents, created strong Canadian public awareness of the policy problem in 1969–1970 (Harrison, 1996). Given that provinces have a greater policy scope in areas protected by the Canadian Constitution (which did not mention the environment explicitly), the Provinces of Alberta, British Columbia and Ontario responded individually by developing environmental regulation. In 1970–1971, the federal level, operating with more limited constitutional powers, also reacted to growing public awareness by establishing key institutions and core environmental legislation. The legislative scope was very circumscribed; only operative under particular conditions that could be jurisdictional (e.g. federal activity under the Clean Water Act could occur in federal or interjurisdictional waters), or depending on the province formally adopting the standards (i.e. the Clean Air Act, see Harrison, 1996).

In 1970–1971, the federal government created Environment Canada (a federal environmental agency) and three core regulatory programmes (the Clean Air Act, Canada Water Act and an amended Fisheries Act) in 1971. Here the constitutional and institutional constraints were vital in shaping this legislation. These three Acts were enabling legislation empowering the federal government to forge pollution agreements with provinces and industry. The legislation established general standards, leaving implementation and enforcement to the provinces (Kelemen, 2004). In 1975, the government passed the Environmental Contaminants Act. As demonstrated below, these initiatives contained numerous constraints determining the course of future federal policy (Table 6.4).

Beyond the original framing of the environment as a policy problem, it is difficult to pinpoint which policy changes constitute critical junctures. The persistent federal reluctance to intervene heavily in provincial and territorial environmental governance has remained since 1971. The closest possibilities for critical junctures are Brian Mulroney Progressive Conservative government's environmental emphasis in the late 1980s,

Table 6.4 Canadian environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Department of the Environment Act • Regulatory programmes to protect air, water and fisheries, and regulation of certain processes 	<ul style="list-style-type: none"> • Hard • Hard

and the Chrétien Liberal government Budget cuts in 1995. Nonetheless, it is more plausible to see these moves as accentuating particular directions Canadian environmental policy was taking, rather than new directional changes/junctures.

4.2 *Evolving Canadian Governance, 1975–2018*

The 1970–1971 Canadian federal legislation gave the federal level some powers to shape environmental governance, but, crucially, did not compel federal action. By 1972, federal ministers were abstaining from setting national standards; publicly asserting the preeminent provincial jurisdiction over environmental policy and a federal role of providing technical support to the provinces (Skogstad, 1996). Subsequent intergovernmental conflicts that arose over energy issues (covered in Chap. 5) and wider constitutional concerns (e.g. Quebec, see Chap. 2) reinforced this tendency and spurred a strong provincial and industry resistance that further limited federal efforts (Ibid.).

Although the federal level published several significant regulations (e.g. the Environmental Contaminants Act) during the remaining 1970s, Environment Canada officials, operating under budget limitations, had limited scope to shape governance and pursue federal-level implementation. Even where legislation had ambitious elements, federal officials believed that they lacked authority and political backing to enforce compliance (Harrison, 1996). The federal government did not clarify the legislation or pursue industry, instead relying on subsidies such as tax exemptions to motivate, often unsuccessfully, industries such as the paper mills and on the provinces to enforce the federal regulations. More significant were bilateral improvements with the USA on water quality and acid rain emissions; here Canadian governments in the 1970s and early 1980s provided subsidies and relied on provincial regulation (Harrison, 2012; VanNijnatten, 2009).

The Mulroney Progressive Conservative government re-prioritized environmental governance by 1988, but this involved no qualitative governance change: some ambitious legislation but more determination to use money to force change. The 1988 Canadian Environmental Protection Act (CEPA) strengthened the federal-level role in adhering to and enforcing standards in toxic substance control (Skogstad, 1996). The Environment Minister pushed for a multi-faceted Green Plan adopted eventually in 1990 (Hoberg & Harrison, 1994). The federal initiatives contained in this Plan focused on spending an extra \$3 billion Canadian dollars over the next six years on a broad range of different objectives and initiatives that distributed money for research centres, environmental education and monitoring. The plan offered targets for extending the regulatory scope of acid rain protection and other areas (Hoberg & Harrison, 1994; Weiburst, 2009).

This renewed governance momentum and Green Plan targets did not endure. The 1993 Liberal government enacted significant federal budget cuts. Although differing strongly in rhetorical approach to environmental protection, the various governments since 1993 have generally followed this limited governance path. The 2006–2015 Harper government used various means to rein in general environmental governance. The 2012 Omnibus Budget Implementation Bill demonstrates the contemporary level of Canadian federal ambition. The Harper government passed this budgetary Bill with an explicit focus on economic competitiveness, jobs and growth, but it also had provisions to replace the Environmental Assessment Act and substantially modify the Fisheries Act (Government of Canada, 2012).

In comparison to its predecessor, the 2015 Trudeau Liberal government stressed its green and climate change credentials while also supporting fossil fuel-based projects. The government allocated money in the 2016–2017 Budgets to specific funds intended to strengthen provincial and local community green infrastructure (e.g. the Cleanwater and Waste Water Fund—see Infrastructure Canada, 2019). Even more prominent was the 2018 proposal to create a revenue-neutral carbon pricing scheme (Canada, 2018). Nevertheless, even these schemes reflect an approach focused on financially supporting provincial/local efforts. The carbon pricing scheme sets a national target but allows provinces to design their own efforts to meet it.

4.3 *Analysis*

Compared to Australia, government changes did not trigger key Canadian environmental shifts (consequently not qualifying as critical junctures). The Mulroney government entered power in 1984, and its first budget cut Environment Canada's finances by 14% (Harrison, 1996). Similar to the 1970s establishment of environmental policy, the major environmental governance trigger was a steep increase of public environmental concern that peaked in 1990 and global agenda setting. Issues such as the ozone layer and acid rain helped shift the political agenda and the Progressive Conservative government's response. Several prominent environmental incidents, such as the 1986 Polychlorinated biphenyl spill in Kenora, Ontario, triggered federal responses (Environment Canada, 2008).

The 1988 Conservative election campaign followed the approach of funding major projects, provoking less opposition compared to specific regulatory action and establishing the Green Plan. Accordingly, the major change was Conservative government tolerance for an environmental effort; this was not a wholesale government conversion but rather a conscious desire to allow environment actors to promote this policy priority. Electoral vulnerability rather than an ideological shift played the critical role, shaped by the institutional constraints and limitations operating in the Canadian federal system.

Arguably the closest approximation to a critical juncture came under the more centrist Jean Chrétien Liberal government. Having replaced the Mulroney government in 1993, the new federal government faced global capital issues and a deficit issue that country and global commentators were calling a crisis. Whatever these fears' merits, the Liberal Finance Minister Paul Martin issued a 1995 budget focused on spending cuts (Crowley & Knox, 2012).

This decision put substantial resource constraints on federal policy-making and its tendency to use budgets to shape provincial behaviour. The second implication is broader and more pervasive: the core government response to economic stresses was to constrain federal efforts. Shrinking the state and state activity was primary, reinforcing the secondary status of environmental protection. The Harper government confirmed this reality, with the greater environmental innovation occurring at the provincial level as explained below. The Quebec independence referendum was another significant 1995 event. In terms of environmental governance impact, it was arguably less significant than economic constraints, but the

Quebec question reinforced a restrained approach to federal-level interventions.

Three essential limitations have existed for Canadian federal policy since 1993. First, the national economy became increasingly geared in the 1990s to fossil fuel economics (MacNeil & Paterson, 2016). Second, the federal-provincial balance means that significant federal regulatory intervention is either constitutionally limited and/or discouraged by Canadian intergovernmental norms (Toner & Meadowcroft, 2009). The political realm thirdly operates a stable, neoliberal infused belief that state environmental policy intervention should be limited and compatible with economic competitiveness and growth demands.

The governance innovation occurring since the Chrétien government originates from two sources: the Canadian provinces and the USA, with those sources sometimes intersecting (VanNijnatten, 2009). For example, the Harper government explicitly linked its climate change behaviour to its neighbour (Winfield & Macdonald, 2012). British Columbia adopted a carbon neutral tax while Quebec, Ontario and Alberta instituted provincial measures of varying ambition (Harrison, 2012). Alberta eventually blocked provincial efforts to build a nationwide Emissions Trading Scheme, but the American states' initiatives, particularly the Western Climate Initiative and the Regional Greenhouse Initiative, have led to a provincial partnership (Winfield & Macdonald, 2012).

4.4 *Canadian Governance Arrangements, 2018*

Table 6.5 not only focuses on the federal-level jurisdiction but also highlights the particular provincial dominance in utilizing market mechanisms while the federal government makes heavy use of grants to incentivize provincial governance. The 1999 Canadian Environmental Protection Act remains the key Canadian statute enshrining various regulations concerning issues like toxic substances and interprovincial hazardous waste movement. It reflects the prominence of regulatory approaches as key governance elements, including regulations under the Fisheries and Canada Wildlife Act (OECD, 2017). Although the provinces manage most air emissions, the federal level has set air emissions standards for certain industrial processes and emissions. The Environmental Enforcement Act contains a set of fines applicable to particular offences.

Important informational instruments include the Canadian Environmental Quality Guidelines, setting guidance for provinces and

Table 6.5 Canadian environmental policy instruments, 2018

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	• Federal and provincial/territorial regulations concerning a diverse range of emissions and environmental protections	• Hard
	• Federal level permitting processes, sanctions	• Hard
	• Federal-level standards	• Hard
Financial	• Federal grants and subsidies, provincial funding	• Soft
	• Particular provinces operate market-oriented schemes including deposit schemes and taxation incentives (mixed with other regulatory, informational measures to combat climate change)	• Varies but can be hard
Informational	• Federal guidelines	• Hard
	• Voluntary agreement schemes—for example environmental performance agreements	• Soft
	• International environmental management systems	• Soft
	• Eco-labels	• Soft
	• Environmental data collection—for example the Pollutant Release Inventory	• Hard
	• Consultative procedures	• Soft
	• Public education, outreach programmes	• Soft

territories. Another is the Toxic Substances List, requiring the environment ministry to adopt control measures such as regulations, outright bans, voluntary agreements, plans or other instruments. The federal state has established voluntary agreements and codes of practice for particular industries, compliance promotion campaigns and environmental awareness campaigns for the public and other informational instruments (OECD, 2017).

5 ENGLAND

Unlike education policy sectors, the United Kingdom's (UK) engagement with EU environmental policy setting means that it is appropriate analytically to discuss the English governance trajectory in the context of wider UK governance. For convenience and analytical consistency, this chapter refers to UK policy choices. The devolution settlements in Scotland, Wales and Northern Ireland create a complex picture in which some environmental policy and planning matters are devolved to individual UK nations,

except England (Burns et al., 2018). The UK Parliament passes laws which regulate the environment in England and underpin the environmental governance in other UK nations.

5.1 *Starting Point*

The UK has the oldest environmental governance system, reflecting its pioneering industrial role. Legislation was framed in terms of public health concerns, such as the 1863 Alkali Act. What followed was an accumulation of protective policies by the 1970s, focused on inducing polluter compliance through consensus-seeking policies (Vogel, 1986). In this established context, the framing of the environment as a policy priority saw a greater push to reform this governance system in the early 1970s. Important regulatory examples include the Prevention of Pollution in Navigable Waters (1971), Control of Pollution Act (1974), Water Act (1973) and the Health and Safety at Work Act (1974) (National Archives 2005). The UK moreover had a limited tradition in negotiated agreements: two focused on water pollution, one on pesticides safety and another focused on reducing lead content in fuel. These ‘gentlemen’s agreements’ were weak in their implications (Haigh, 2011, paras. 6.7–7). Informational instruments also existed, such as the national energy conservation campaigns conducted during the 1970s energy crisis (National Archives 2005).

The 1973 UK accession to the European Communities (EC) created a further, newer governance dynamic that influenced UK policy over the next five decades; hence its inclusion in Table 6.6. As the EU governance section notes below, the EC in 1975 had created mechanisms for Member States to systematically gather data and send it to the EC. Overall, a general preference for regulations continued in the UK in the 1970s (Jordan et al., 2003).

Table 6.6 English environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	• Regulations—for example Control of Pollution Act—focusing on a flexible, consensus-based approach	• Hard
	• Implementation of EC regulations	• Hard
	• Negotiated agreements on pesticides safety (1957) and domestic fabric washing products (1972, 1975)	• Soft
Informational	• Conservation campaigns	• Soft
	• EC Member State exchanges and data reporting	• Hard

Because the UK joined the EC in 1973, with the 1975 referendum on continued membership, we are including the reality of UK membership as the most important turning point in the period under consideration, but not a critical juncture. The historical UK governance tradition up to 1975 differed substantially from that of the other Member States that were critical in informing the EU approach. This meant that in certain (but not all) areas the UK had to develop a more organized, proactive policy approach anchored to clear targets. Although several important moments occurred before 2019, the main critical juncture is the 2015 Conservative election. Although the austerity politics of the 2010 Conservative/Liberal Democratic coalition indicated a direction towards certain cuts, the 2015 result signalled the UK's greater distancing from the direction of European integration.

5.2 Evolving English Environmental Governance, 1975–2018

From the 1973 accession, there was a general formalization (i.e. strengthening of the instruments) of UK environmental policy. This occurred despite a UK government tendency to believe that EU governance impact would be limited, partly because of substantial extant national legislation and the belief that environmental problems existed outside the UK (Lowe & Ward, 1998a). Understanding the implications of and implementing EC directives, such as those concerning water, took time. Greater UK impact of the EC environmental trajectory was more discernible in the 1980s as implementation issues and the surge of EC environmental legislation occurred. However, scholarly consensus views the specific European integration impact as mixed: certain areas of national governance (e.g. planning) were largely untouched, and the UK, even during its early membership years, took a leading role in pushing EC environmental innovation in such areas as waste policy (Wurzel, 2002). Nevertheless, EC environmental policy did drive an increased UK policy performance and tougher standards in areas such as water policy (Lowe & Ward, 1998b).

In the late 1980s, the UK government prioritized sustainable development, as the 1990 White Paper and the 1990 Environmental Protection Act embodied (Department of the Environment, 1990; Weale et al., 2000). The 1990 Act took as its operating principle the concept of Integrated Pollution Control, in which policy action should address all the emissions and consequences of a pollution process. Simultaneously, there was a growing recognition that regulations would not secure sustainable

development and ambitious EU/global environmental targets on their own, indicating the necessity of involving stakeholders and using flexible, cost-effective instruments (Jordan et al., 2003). The 1990s witnessed a (fairly sporadic) increase of negotiated agreements and financial instruments including a fuel duty escalator, vehicle excise tax reductions and the Landfill Tax. The Tony Blair New Labour government instituted some high-profile fiscal instruments, particularly the world's first ETS for six greenhouse gases, the Climate Change Levy and the Aggregates Tax (Wurzel et al., 2013). Nevertheless, reflecting both the EU governance approach and UK environmental policy tradition, regulations remained the key instrument in this period.

Under Blair and his successors, the UK government pushed particular market-oriented approaches and the idea of improving regulation (Burns et al., 2019). The 2010 Conservative/Liberal Coalition government followed New Labour in seeking to reduce regulatory burdens while still pursuing environmental ambitions. However, the Coalition austerity strategy had direct environmental policy consequences with budget cuts affecting UK institutional capacity and size (Zito, 2015). The 2015 Cameron Conservative government continued the trends of cuts and administrative reorganization; reduction of 'EU red tape' formed a core government position in the UK-EU negotiations before the 2016 UK-EU referendum. The referendum aftermath did not witness an explicit shift in substantive UK environmental policy. This reflected the UK's transitional status, where it had to maintain its EU obligations until the exit point, the post-referendum continuation of public support for environmental policy and the fact that pro-Brexit Conservative government leaders articulated a continuing sustainable development ambition and other 'green' rhetoric (Burns et al., 2019).

5.3 *Analysis*

The key UK environmental governance dynamic since 1975 centres around European integration. The Royal Commission on Environmental Protection (1998, para. 1.24) calculated that, by 1998, 80% of UK environmental policy originated or involved negotiations with the EU. This should not obscure the fact that the UK had substantial input in EU policy evolution, including the move towards more flexible regulations as the EU section below explains. Equally, European integration had a stronger

impact on certain areas, such as water policy, parts of which the EU followed the policy design found in other Member States including Germany.

Rather more ambiguous are the full consequences of the Conservative UK-EU referendum implementation and the Brexit aftermath. Signed in 2018 and amended in the 2020 Withdrawal Agreement Act, the EU Withdrawal Act (EUWA) repealed the European Communities Act 1972, which gave direct force in UK law for EU primary and secondary law. To prevent policy uncertainty, the EUWA retains all existing EU legislation present in UK national law, but gives ministers general powers to manage the essential problem that much of the transposed law makes reference to EU institutional roles and obligations. However, given the post-Brexit aftermath and other urgent contending policy priorities (such as trading agreements), the questions (1) of whether the UK government has capacity to build new environmental law and innovate, (2) of how closely the UK shadows the EU Single Market and (3) how these decisions are made, form the critical governance challenge. Conservative government decisions since the 2015 election have put environmental governance on a divergent decision-making course (as opposed to policy content) from the EU.

5.4 English Governance Arrangements, 2018

During the UK Brexit transitional period, regulations remained the core element of the environmental governance structure whilst reflecting the overarching trajectory of EU directives towards more flexible approaches. Particularly important in the English context is the Environmental Permitting Regulations, amended for 2018 and offering an integrated approach to industrial installations (DEFRA, 2020).

Concerning financial instruments, the UK remained in the EU ETS in 2018 but moved to a national scheme in 2021. Intensive private sector energy users meeting set criteria had to participate in the CRC (Carbon Reduction Commitment) Energy Efficiency Scheme, requiring these organizations to purchase yearly emissions allowances. The Climate Change Levy, the Aggregates Levy and the Landfill Tax are hard and strong taxation instruments operating in 2018. The UK government also promoted purchase of energy and water efficient equipment via Enhanced Capital Allowances, a financial incentive scheme.

The UK's EU membership provided a range of informational instruments, discussed below; English firms could also access a range of

Table 6.7 English environmental instruments, 2018

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Environmental Permitting Regulations 2018 and other regulations • Non-binding environmental agreements including the Climate Change Agreement 	<ul style="list-style-type: none"> • Hard • Soft
Financial	<ul style="list-style-type: none"> • CRC Energy Efficiency Scheme • Climate Change Levy, Aggregates Levy and Landfill Tax • Enhanced capital allowances 	<ul style="list-style-type: none"> • Hard • Hard • Soft
Informational	<ul style="list-style-type: none"> • EMAS and ISO 14001 • Eco-labels • Environmental Information Regulations 2004 	<ul style="list-style-type: none"> • Soft • Soft • Hard
All	<ul style="list-style-type: none"> • EU ETS 	<ul style="list-style-type: none"> • Hard

international eco-labels and EMS systems such as the International Standards Organisation (ISO) 14001. The 2004 Environmental Information Regulations provides the public with environmental information retained by public authorities. Voluntary agreements still exist in areas such as groceries (Courtauld Commitment); a notable example involves the Environment Agency agreeing with UK industry to reduce energy use and climate emissions in return for a Climate Change Levy reduction (Table 6.7).

6 THE EU LEVEL

6.1 *Starting Point*

Like our case countries, the European Communities (EC, the EU's name before the Maastricht Treaty came into effect in 1993) possessed 'incidental' measures addressing activities generating an environmental impact (Hildebrand, 1993). Perhaps the most important of these tackled classifying, labelling and packaging dangerous substances. By the late 1960s/early 1970s, environmental movement pressure in member countries such as the Netherlands and Germany was leading to national action. In 1972, the six member and the three prospective enlargement states were beginning to create national environmental policies after the Stockholm Conference (Andersen & Liefferink, 1997). The Commission harnessed

Table 6.8 EU environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Mainly directives, some addressing specific industrial products (e.g. detergents) and others establishing a framework with daughter directives to follow 	<ul style="list-style-type: none"> • Hard
Informational	<ul style="list-style-type: none"> • First Community Action Programme on the Environment • Informational procedures—for example Council Decision 75/441/EEC 	<ul style="list-style-type: none"> • Soft • Hard

this concern to issue a 1971 strategic memorandum about this agenda, proposing developing strategy and legislation (Hildebrand, 1993).

Although the EC had some non-regulatory measures, regulatory tools, mainly directives, dominated the explicitly environmental policy agenda (Haigh, 2011). By 1975, directives appeared for surface water for drinking, waste oils, detergents and waste. Importantly, implementing this regulatory agenda always has rested in Member States' hands, with some Commission monitoring. To support these efforts, the EU did institute informational tools such as a decision to assist air pollution regulation by establishing a common procedure for the information exchange between surveillance and monitoring networks (European Communities, 1975) (Table 6.8).

EU environmental governance contains two potential critical junctures. The first is the 1971 enactment of environmental policy. From this point, the EU saw a steady growth in the amount and scope of instruments until after 2000. Scholars differ on where to fix the critical juncture that starts the decline in policy ambition (e.g. the first Maastricht Treaty Referendum result and the global economic crisis of 2007). We fix the important turning point as 1999: a positive integration accomplishment was the core trigger, namely certain Member States adopting the Euro as the common currency. The key implication of this choice was EU and Member State priorities increasingly focused on the smooth operation of domestic economic policy under the Euro constraints rather than environmental policy.

6.2 *Evolving EU Environmental Governance, 1975–2018*

Throughout the 1970s, the EC process concentrated on creating a number of directives (in areas such as waste and water). This reflected the burgeoning Member State policies, triggering the Commission and

Member States agreeing on the need for a common response (Zito, 2000). These directives gave Member States scope to tailor how they achieved the directive objectives to their specific domestic legal and policy circumstances.

From 1971, the EU adopted environmental legislation at a gradually increasing rate towards 1991. It then dropped before rising significantly and starting a long decrease in 2002 (Haigh, 2011). From 1972 to 2002, the dominant EU instruments continued to be various forms of regulation and hierarchical governance. In the 1970s/1980s, this effort focused on producing standards to limit emissions. Since the late 1980s, procedural laws (such as the Directive on Environmental Impact Assessment (85/337)) supplemented the earlier EU environmental standards (Wurzel et al., 2013). Information campaigns were negligible, rare exceptions included the eco-label Blue Flag (Blue Flag, 2016). In terms of financial instruments, EU funding efforts (e.g. the LIFE programme) have been microscopic compared to the rest of the EU budget (McCormick, 2001).

Despite continued and considerable legislative output, the EU has increasingly emphasized more flexible tools since 2000. Broad framework laws, such as the EU Water Framework Directive, are more typical: they specify only the most crucial environmental objectives. Since the mid-1990s all Commission environmental proposals must incorporate a cost-effectiveness statement (Wurzel et al., 2013); the guidance warns against proposals becoming unwieldy (CEC, 2002, p. 12). The Emissions Trading Scheme Directive is the central EU climate change tool. It involved a major instrumental addition with its efforts to create a carbon emissions trading market, forcing administrative adjustment on Member States such as Germany and the Netherlands (Wurzel et al., 2013). Despite this instrument's visibility, the Commission and EU have considered at length cost-effectiveness and transparency considerations and placed more emphasis on a limited approach (Gravey & Jordan, 2020).

6.3 *Analysis*

The EU environmental governance picture reveals an increasing scope of governance and range of instruments up to 2002, suggesting the absence of a critical juncture before this. The increasing activity of the most energetic European states helped create a self-reinforcing logic ratcheting up protection levels. Facing growing public and political concern, the EU institutional dynamics shaped the policy outcome as the EU created

strategy and regulations to harmonize Member State efforts and protect the Common Market. The EC/EU reacted partly to the Member State activity mentioned above, and in doing so reinforced this environmental policy momentum in more ambitious states. Member States' political concerns about the environment (often involving transnational incidents such as the Torrey Canyon disaster) and EU level fears about potential trade barriers and the impact of transboundary activity (and pollution) within the Common Market created the right environment for Commission and the EU action (Knill & Liefferink, 2007).

Nevertheless, questions about continuing EU integration, even in the popular area of environment, appeared in various events including the *Subsidiarity* debate (discussions about which governance level is appropriate for policy action) and the Franco-British attempt to repatriate EU legislation back to Member States (Wurzel, 2002). Although the EU continued expanding its environmental policy in the 1990s, there was greater emphasis on consolidating public policy and proposing less intrusive legislation and non-legislative instruments (Krämer, 1997).

The quantitative shift in the number of adopted instruments suggests a critical juncture (more precisely an important turning point), specifically 1999 when 11 EU Member States adopted the Euro as a common currency. Needing to adjust macroeconomic policies and meet the challenges of more limited policy-making, the environment lost prominence on EU and Member State agendas. The evolution of the 2000 Lisbon process, which initially celebrated sustainability as an important goal, demonstrates how the environment gradually became a less important feature over its ten-year period (Interview, European Commission official, 10 January 2017). The year 1999 also saw EU Commission President Santer and fellow Commissioners resign. This event did not directly shape EU environmental policy although it did hinder EU decision-making and Commission leadership (Cini, 2008). More importantly, the resignation was a culmination of questioning about EU integration ambitions by governments and national populations that has reshaped EU environmental governance and broader EU integration. The EU's reliance for legitimacy on creating effective public policies, especially environmental ones, was open to challenge (Knill & Lenschow, 2000). Two trends reinforced this trajectory of lessening ambition in the number and scope of EU environmental proposals. First, the 2004 and subsequent enlargements have added poorer Member States, which wanted to go more slowly on certain environmental policy issues such as climate change (Wurzel et al., 2019). Second, the

2007 global financial and economic crisis and aftermath persuaded the Commission and the EU to prioritize resources and policy attention to these crises (Burns et al., 2020).

6.4 *EU Governance Arrangements, 2018*

The dominant EU governance tools are regulatory ones. The most prevalent tool is the directive: legislation where the EU specifies the binding goals and objectives, allowing Member States to place these standards into their national legislation and context. Less than a third of EU legislation are regulations, which apply directly into national law and are binding in their entirety (McCormick, 2001). The dominance of regulatory instruments is noteworthy even for the climate emergency. Directives such as the Energy Performance of Buildings Directive are key elements, constituting 75% of the policy mix for this policy problem (Moore et al., 2021). The number of voluntary agreements, in which businesses agree with the Commission certain design principles, has dwindled (and was always limited due to legal restrictions), but still covers products such as imaging equipment (European Commission, 2020).

Concerning financial instruments, the largest budgetary sums reside in EU funding policies that currently include environmental goals such as low carbon futures and sustainability, but there is a strong question as to whether environmental priorities have been enhanced over other policy considerations (Lenschow, 1999). Examples include the Cohesion Fund, aimed at funding projects in less prosperous Member States. The LIFE programme was a bespoke but comparatively small instrument targeting environment and climate actions; the revenue generated by the EU ETS is used to fund the Innovation Fund earmarked for low carbon technology. The one instrument that climate change has made prominent is the ETS, which straddles our three instrument categories.

Non-binding Recommendations and Opinions are longstanding EU environmental policy features. Other more recent informational instruments that developed include the Eco-management and Audit Scheme (EMAS—a voluntary system of environmental management standards to guide business practices), Energy Labelling and the EU Eco-label (Table 6.9).

Table 6.9 EU environmental policy instruments, 2018

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Directives • Regulations • Decisions 	<ul style="list-style-type: none"> • Hard • Hard • Hard
Financial	<ul style="list-style-type: none"> • EU funding schemes containing environmental objectives • LIFE 	<ul style="list-style-type: none"> • Soft • Soft
Informational	<ul style="list-style-type: none"> • Non-binding recommendations • Non-binding opinions • Eco-label • EMAS • Informational campaigns including Green Week 	<ul style="list-style-type: none"> • Soft • Soft • Soft • Soft • Soft
All	<ul style="list-style-type: none"> • The Emissions Trading Scheme (ETS) 	<ul style="list-style-type: none"> • Hard

7 GERMANY

7.1 *Starting Point*

As with other countries experiencing significant industrial revolution impacts, 1969 West Germany had individual regulations, such as the 1959 Federal Air Purity Act and the Act's supporting 1964 technical instructions. As elsewhere, these regulations reflected concerns about health, purity of raw materials for industry and so on. The 1969 election of a new German federal government, formed by a coalition of the Social Democratic Party (SPD) and the Free Democratic Party (FDP), triggered the move towards an explicit federal environmental policy (Weidner, 1995; Pehle, 1997). The USA and United Nations policy activities also stimulated the German federal government (Pehle & Jansen, 1998).

The SPD-FDP Coalition enacted a number of institutional and policy changes between 1969 and 1974. Most importantly, the government amended the Basic Law, the German Federal Republic (BRD) Constitution, in 1972 to include such areas as waste and air pollution. The year 1970 saw the government create its first action programme, with the first comprehensive federal programme following in 1971. The federal government produced two key legislative pieces: the Waste Disposal Act 1972 and the Federal Emission Control Act 1974. These laws focused on guiding industry in accordance to previous industrial regulation, rather than promoting ambitious norms (Hucke, 1985). Political factors predominated in the push to frame an environmental policy, but the Federal Republic's

Table 6.10 German environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Regulations of varying stringency • Regulations to implement EC directives • Flexible, non-binding voluntary agreements 	<ul style="list-style-type: none"> • Hard • Hard • Soft

institutional legacy structured its framing. Equally, the 1974 Emissions Control Act articulates a key German policy idea, the principle of precaution (*Vorsorgeprinzip*: the idea to prevent pollution from occurring, necessitating an active state role) as the basis for a robust environmental policy (Weale et al., 2000). The instrument focus was regulatory permits although there were important exceptions. First, by 1974 federal actors were considering waste water charges, but an intergovernmental disagreement over competences delayed actual agreement (Andersen, 1994). By 1975, Germany had five voluntary and non-binding agreements in place with industry (Töller, 2013) (Table 6.10).

The most significant critical juncture was the identification of environmental policy as a distinct priority in the late 1960s. From 1979 to 1989, Germany managed to reform and build its environmental policy (Pehle, 1997). A significant path alteration occurred with the 1990 German Reunification, and the policy adjustments this stimulated as well as the subsequent economic problems Germany faced. This resulted in a stronger orientation towards economic competitiveness. By contrast, the 1998 change of government led the left-Green coalition to push for more ambitious policy in the face of competitiveness arguments.

7.2 *Evolving German Environmental Governance, 1975–2018*

After the environmental sector's initial establishment, the rest of the 1970s witnessed an extension of the regulatory portfolio, but with a lessened intensity (Weidner, 1991). The government also passed the Waste Water Charges Act, which created a financial tool (BRD, 1976). The rest of the decade involved a (ultimately successful) rear-guard action against the political pressures to ease these efforts. The slowdown did not reverse the trajectory of the early 1970s; it added some vital dimensions to Germany's approach for the future. The governance focus of this decade and the

1980s was hierarchical, with legislation creating general goals and principles; these statutes were implemented through highly detailed regulations and administrative directives (including technical guidelines) that were binding on state (*Länder*) authorities to implement (Kelemen, 2004). These hierarchical tools did not focus on procedural issues but rather on specifying technical standards and the substance of the legislation. This period focused on enhancing administrative control and in doing so used the precautionary principle to pursue more stringent standards than otherwise necessary (Weale et al., 2000).

The Federal Republic gradually started increasing new environmental regulations by the 1980s. This era's quintessential regulation was the Large Combustion Plant Ordinance of 1983 (Newig, 2007). Instrumental to this regulatory increase was the rise of the Green environmental movement and the Green Party, which posed an electoral threat for Germany's mainstream parties; the 1986 Chernobyl disaster reinforced this move. However, such directives as the 1983 Ordinance triggered increasing opposition from German industry about regulatory stringency. These actors argued that Germany's environmental policies, compared to those in other countries, damaged economic competitiveness (Weale et al., 2000). The post-Reunification Kohl government grappled with the consequences of Reunification and economic recession. The reconstruction of the East German *Länder* led the federal level to favour standard economic growth and planning/infrastructure policies such as road building (Anderson, 1999). In the wake of Reunification, and by 1993, industrialists argued that environmental and other German regulations were stifling competitiveness. Although German environmental policy-makers refuted this stance and the ecological argument remained (as did the production of high-value ecological goods), a number of planned measures were scrapped (Pehle, 1997).

Despite these concerns, regulations have remained the key governance instrument, reinforced by EU legislative requirements. The increase in voluntary agreements (VAs) was notable in the early 1990s as the Kohl government implemented a coalition agreement giving VAs preference over traditional regulation (Knebel et al., 2000); this federal move also reflected VAs substantial use by the SPD-Green coalitions in various *Land* governments of the 1980s and 1990s (Lees, 2005). Although German VAs are not legally binding, many of them were adopted under the 'shadow of the law'—that is recognition that regulation could be the next alternative step (Jordan et al., 2004).

When the Green Party took power in the 1998 elections, one of its critical coalition demands was for ecological tax reform (i.e. the shift of the national taxation burden towards incentivizing better environmental performances). Successor governments continued this agenda over time, with a substantial budgetary adjustment to cut environmentally damaging subsidies and enhance extant eco-taxes (Umweltbundesamt 2004). Thus hierarchical governance remains, but with a greater emphasis towards market-based incentives, and some supporting informational instruments.

7.3 *Analysis*

Germany operated through the 1980s as a front runner in pushing environmental policy forward. German Reunification (1990) changed this outlook. The Reunification challenges were swiftly followed by the most serious German economic downturn since the post-war cataclysm. The level of environmental degradation in the former German Democratic Republic, which surprised West German officials, was combined to a difficult economic situation, particularly in the Eastern *Länder* (Weidner, 1995). These realities reshaped German ambition about how to fund its governance of the reunified territories and build expertise there; a German research institute estimated that the transfers reached 1.3 trillion Euros by 2000 (Graham, 2009). The solution to this enormous challenge was to keep BRD administrative and legal structures while amending regulation to speed the process and restrict debate (Weidner, 1995). Lees (2005) also notes the Reunification's longer-term political impact of increasing the number of *Länder* concerned about their economic wellbeing; consequently some *Länder* became less inclined towards progressive environmental solutions that they feared they could not meet.

In this context, the German government's environmental policy focus evolved, giving higher priority to concerns about how environmental regulations would create costs affecting German economic competitiveness. This pushed back against the 1980s ideological argument that viewed enhanced environmental protection as compatible with growth (Weale et al., 2000). The Christian Democratic Union/Christian Social Union (CDU/CSU)-FDP Coalition government of 1982–1998 adopted a 1991 coalition agreement formally giving preference to VAs over environmental regulations (Wurzel et al., 2003).

The 1998 election of the SPD-Green/Alliance 90 Coalition forms the second critical juncture. The new coalition agreement involved more

ambitious environmental policy targeting and experimentation with policy instruments. The coalition agreement explicitly declares an ecological modernization objective (i.e. that a focus on ecological standards can promote economic growth, productivity and environmental protection; SPD et al. 1998). This idea was not new to the coalition as a (CDU) environment minister in the previous coalition, Klaus Töpfer, had publicly backed the idea (Töpfer, 1989). This was less an ideological shift than a determination of a heavily Green-infused government to promote substantial changes in environmental practices. Chapter 5 covers the move of this government away from nuclear power, leaving this chapter to focus on other environmental initiatives. The coalition embraced ecological tax reform: the idea that institution of ecological taxation and incentives could be used to generate revenue to help the economic sector with welfare and other costs (SPD et al. 1998). There were also, among others, initiatives to improve environmental standards in production processes in a way that also reduced waste. Over time, the subsequent Merkel (CDU/CSU)-led governments have not drastically changed this course (Huß, 2014).

7.4 *German Governance Arrangements, 2018*

The most important policy tool is German environmental regulation, which in turn transposes the range of EU policies discussed previously (European Commission, 2019a). One important regulatory example is the Federal Emissions Control Act, with its integrated permitting system for industrial sites, statutory instruments and technical instructions with various administrative provisions (UBA, 2020). Other legislation covers a range of policy issues including water management and hazardous substances governance. Non-binding VAs are also prevalent in the German context.

The EU ETS forms a substantial part of Germany's climate change approach. The bulk of German eco-tax revenue (83% in 2016) came from taxation on energy (OECD, 2016). Other notable federal eco-taxes include one on motor vehicles and the Waste Water Charges Act, charging polluters for discharging waste water including particular contaminants. In terms of grants and funding, Germany benefits from EU Cohesion and Structural funding, rural development moneys, the EU LIFE instrument and so forth. There are multiple federal funding programmes for environmental activities including two longstanding ones, 'chance.natur' focused on nature protection and the Environmental Innovation Programme (BMU, 2020).

Table 6.11 German environmental instruments 2018

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Federal Emissions Control Act and other regulations • Emission Control Act permit and other permits • Non-binding environmental agreements 	<ul style="list-style-type: none"> • Hard • Hard • Soft
Financial	<ul style="list-style-type: none"> • Energy taxes, motor vehicle usage taxes, road taxes, waste water charge • EU funding • National funding including chance.natur 	<ul style="list-style-type: none"> • Hard • Soft • Soft
Informational	<ul style="list-style-type: none"> • EMAS and ISO 14001 • Blue Angel • Other eco-labels • Online information • Educational campaigns 	<ul style="list-style-type: none"> • Soft • Soft • Soft • Soft • Soft
All	<ul style="list-style-type: none"> • EU ETS 	<ul style="list-style-type: none"> • Hard

Germany's governance portfolio contains numerous informational instruments. The EU and ISO EMS tools have a visible role in firms' voluntary efforts (Wurzel et al., 2019). There are many operating in the German context, but Blue Angel was particularly pioneering. The federal level makes a substantial effort to provide information for the general public and specific sectors through educational outreach and online portals (Table 6.11).

8 ITALY

8.1 *Starting Point*

Italy shares the pre-1970s legacy of having individual instruments with non-environmental declared objectives and environmental implications. Two illustrations are the 1965 public health legislation on water supply and the 1922/1939 legislation protecting outstanding areas of natural beauty (Piccioni, 2010). The first explicit environmental instruments came in 1966 with Act No. 615 and its implementing regulations to tackle serious air pollution in urban centres (Lewanski, 1998). Compared to Germany and the Netherlands, the incidental EC measures mentioned above form an even more substantial portion of this instrumental array (Table 6.12).

Table 6.12 Italian environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Regulatory measures • Regulations to implement EC directives 	<ul style="list-style-type: none"> • Hard • Hard

It is difficult to pinpoint critical junctures that are meaningful across more than one policy/media type. The Seveso and Chernobyl accidents mobilized environmental awareness (some scholars view these as turning points—e.g. Lewanski, 1998), but the complexity of the Italian decision-making and administrative systems led to rather minimal policy results (Bianchi, 1992). Even with the 1986 creation of the national environmental ministry, governance output has been largely sporadic and, importantly, dominated by EU governance efforts. It is plausible to argue that EU recognition of environmental policy and the subsequent lessening of the EU's ambition discussed previously represent the key critical junctures in Italian environmental governance. From the 1980s onwards Italy witnessed a significant increase in environmental legislation in order to transpose EU Directives, with the further consequence of greater instrument experimentation (Orlando, 2012).

8.2 *Evolving Italian Environmental Governance, 1975–2018*

The 1976 Seveso chemical plant incident coincided with the creation of explicitly environmental legislation. Concern about potential industrial incidents (nuclear and otherwise) generated increased environmental concern. The 1976 Act No. 319 involving water pollution was passed that same year although it resulted from a ten-year debate (Reich, 1984). Other measures followed such as the 1982 Solid Waste Law and legislation involving sea protection and biodegradability of detergents, but the reality was that Italian courts were focusing on a few articles of criminal code to sanction pollution (Graziadei, 1990). Perhaps the most significant governance change was Law 349/1986 creating the Ministry of Environment. Nevertheless, lack of institutional capacity and the ongoing trickle of legislation remained, and the change was arguably symbolic (Weale et al., 2000, pp. 152–153; Pridham, 1996). Law 349 created a set of rules on sanctioning measures, information provision, directions on coordination and so on. Concerns about implementing, or being seen to

fail to implement EC directives, induced a significant extension of the environmental regulatory framework in the late 1980s (Liberatore, 1992). Bianchi (1992) postulates that the importance of EC legislation may have stifled native legislation; nonetheless, following the 1986 period, Italy stood out as the Mediterranean Member State with the greatest number of non-compliance failures brought to the European Court of Justice and the lowest Member State transposition of EC directives into national law (Pridham, 1996).

Although the Ministry's 1986 creation helped the environmental governance picture, the 1992–1996 Tangentopoli corruption scandals triggered a hiatus in efforts. The 1996 Prodi government instigated a substantial legislative increase. This shift coincided with the 1997 Bassanini laws, endeavouring to decentralize and simplify Italian public administrative procedures (Newell, 2010). These Bassanini Acts introduced a simplified environmental permit procedure. By the late 1990s, the central government granted greater regulatory powers to the regions and increased provincial and municipal administrative powers (Orlando, 2012; Alberton & Domorenok, 2012).

The 1996–1998 Prodi government also introduced a carbon tax on carbon, coke and other elements used by large combustion plants to combat acidification (Capozza & Garrone, 2007). The government established a 1997 waste management charge, which municipalities levied and collected. The 2002 National Environmental Strategy for Sustainable Development saw a greater focus on voluntary instruments although a significant element of these documents, such as the eco-label and the environmental management systems, originated outside Italy (Ibid.). These instruments underline the continuing importance of EU environmental instruments in the Italian context.

8.3 *Analysis*

The moment that most closely approximates a critical juncture is the election of Prodi's 1996 Olive Tree Coalition. This grouping included the Federation of the Greens Party and saw a more energetic engagement with climate change, waste management and air protection. The government also instituted the Bassanini Acts, which had significant impact on Italian environmental regulatory approach. Nevertheless, despite the increased amount of instruments, it is hard to declare this a decisive governance shift.

8.4 *Italian Governance Arrangements, 2018*

As a rule-taking Member State, Italy has the same regulatory dominance found in the wider EU membership. A key governance moment was enactment of the Legislative Decree 152/2006 (Environmental Protection Code). This Code consolidated a range of environmental Acts and transposed a number of EU environmental directives (OECD, 2013). The Code uses EU-derived principles to provide the main legislative framework with respect to soil protection, waste policy, water policy, air quality environmental damage and so on (Chilosi et al., 2017). Transposition of EU directives is central to this array (Capozza & Garrone, 2007). There are other laws addressing specific pollution emissions. Equally, the most significant climate change instrument is the EU ETS (European Commission, 2019b; OECD, 2013).

In terms of financial instruments, Italian governance contains environmental taxes (Chilosi et al., 2017; OECD, 2013). The state instituted a Landfill Tax (2007) to deter the production of solid waste and encourage energy recovery and a municipal charge (2013) to enable municipalities to maintain a range of waste management services. Other financial incentives exist to influence, for instance, new car purchases (Spain, 2017; EEA, 2016). The EU is an important source of funding, with a certain percentage of funding from the Common Agricultural Policy, for example, earmarked for environmental governance. Italy has its own national environmental funding, including the National Development and Cohesion Fund (European Commission, 2019b).

In addition to the EU's data gathering requirements, Italy has its own SINANet, the Portal of Environmental Assessments and other environmental databases (OECD, 2013; European Commission, 2019b). The EU and the national government support regional educational initiatives promoting environmental awareness. There are some voluntary labels such as the Per il Clima label to help consumers understand carbon consequences of particular products and services (Ecolabelindex, 2020). A range of EU and international instruments exist that Italian actors can participate in, such as EMAS and the EU Eco-label where Italian organizations and sites are leading EU Member States users (Spain, 2017) (Table 6.13).

Table 6.13 Italian environmental instruments, 2018

<i>Instrument type</i>	<i>Characteristics</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • 2006 Environmental Protection Code and other regulations setting particular standards • Environmental permitting legislation 	<ul style="list-style-type: none"> • Hard • Hard
Financial	<ul style="list-style-type: none"> • Landfill and waste taxes • EU funding (Cohesion Policy, LIFE etc.) • Cohesion Fund; National Development and other national funds 	<ul style="list-style-type: none"> • Hard • Soft • Soft
Informational	<ul style="list-style-type: none"> • Databases • Environmental education • Per il Clima label and others • EU EMAS • EU and international instruments (eco-label etc.) • White Certificates (an Energy Efficiency Obligation) scheme 	<ul style="list-style-type: none"> • Soft • Soft • Soft • Soft • Soft • Soft
All	<ul style="list-style-type: none"> • EU ETS 	<ul style="list-style-type: none"> • Hard

9 THE NETHERLANDS

9.1 *Starting Point*

The particular circumstances of the Netherlands have shaped a strong national tradition in water management and planning setting water levels and quality, and this tradition informs Dutch governance more broadly and concerning the environment (Middendorp, 1991). There were also individual measures responding to Dutch industrial and urban development: these took the form of regulations such as the Nature Conservancy Act (Hanf and van de Gronden 1998). Accordingly a longstanding tradition of planning, consensus building and regulation exists in the Dutch environmental case.

Through 1968–1972, environmental incidents generated a strong environmental interest in the Dutch public and led to the creation of crucial environmental movement bodies. In this new problem definition of the environment, the Dutch selected policy instruments that concentrated on certain environmental problems: there was targeting of specific polluter activities in particular societal sectors and environment media aimed at prohibiting specific pollution and taking remedial steps. Instruments heavily focused on regulation targeted waste, water, air and other sectoral

Table 6.14 Dutch environmental governance, 1975

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Regulation • Regulations to implement EC directives 	<ul style="list-style-type: none"> • Hard • Hard
Financial	<ul style="list-style-type: none"> • Levies contained within the SWPA 	<ul style="list-style-type: none"> • Hard
Informational	<ul style="list-style-type: none"> • SINANet and other databases 	<ul style="list-style-type: none"> • Soft

problems (van Tatenhove, 1993). The 1969 Surface Water Pollution Act (SWPA) was notable as it not only imposed a permit system on waste water discharges but also included a levy system on industry and households to finance public sewage efforts (Andersen, 1994) (Table 6.14).

Beyond recognition of the environmental policy problem in the late 1960s, we focus on two critical junctures that align with changes of government. The first critical juncture occurs in 1982 with the Christian Democratic Appeal Party—People’s Party for Freedom and Democracy (VVD) Coalition assuming power. This Lubbers government coalition made fundamental governance changes to the environmental policy sector in 1982–1986, in the context of reassessing the government’s role (Lauber, 2000). The second critical juncture came in October 2010 when the VVD and CDA formed a short-lived minority government, supported by the anti-immigrant Freedom Party (PVV). Wiering et al. (2018) suggest that a lessening of ambition started in the early 2000s parallel to the EU context, and some evidence supports this. We view the 2010 Coalition as an explicit marker of this governance change reflecting a culmination of right-wing governments and greater prominence of far-right populist parties. Although the 2010 Coalition found it politically difficult to produce decisive changes in direction (Lieverink & Wiering, 2011), the lower environmental prioritizing was decisive in itself for the Netherlands’ current environmental governance positioning.

9.2 *Evolving Dutch Environmental Governance, 1975–2018*

The 1970s Dutch governance strategy was to use framework legislation to define the broad lines of responsibility in the policy response and the range of potential instruments (Hanf & van de Gronden, 1998). Specific regulations were issued via executive decrees with powers delegated to various government authorities. This command-and-control legislation (e.g.

Chemical Wastes Act 1976 and Noise Abatement Act 1979) focused on prohibiting activities threatening the environment. The 1970s legislation gave provinces significant licensing powers, particularly targeting cases involving technically complex pollution processes (Hanf & van de Gronden, 1998; Liefferink, 1997, pp. 219–220). Given the technical demands required in implementation, Dutch policy operated a combination of command-and-control regulation and consensus-orientated interaction where multiple levels and groupings of public and private actors are the norm.

In light of criticisms raised about the Dutch regulatory approach and its implementation and coordination problems (Bressers, 1990), Dutch actors articulated a new approach in the 1970s (Bennett, 1990). Nevertheless, at a critical juncture in 1982, the Dutch government implemented various long-term governance changes on more integrated thematic approaches and multi-year strategic plans (Hanf & van de Gronden, 1998). The policies focused on specific pollution sources and targeting societal actor groups including consumers, industry, farmers and so on. The Dutch government shifted strategy to streamlining regulation and re-thinking the nature of policy instruments while increasing business and industry responsibility in a self-governing process (van Tatenhove, 1993). The governance toolbox was extended to information, education, covenants and eco-taxation, in order to promote concepts of shared and self-responsibility on the part of target groups and consumers (van Tatenhove, 1993).

Covenants (a negotiated written agreement where the parties set environmental targets) are a notable Dutch governance innovation given the often strong formalization of commitments and their extensive national scope compared to other European states (Bressers et al., 2011, p. 189; Liefferink et al., 2017). The licensing system underpins the covenant system (Bressers et al., 2011, p. 190). Stricter command-and-control regulation also served as alternative/stick necessary to push higher environmental standards and make negotiated settlements an attractive alternative. The promise of these instruments and the threat of a regulatory alternative did not always occur, as the 2013 Energy Agreement demonstrates—see our Energy chapter (Peters, 2020; Liefferink et al., 2017).

In 2010, the Netherlands ranked fourth in the EU for transportation taxes and second in pollution/resource taxes (CEU, 2010, pp. 232–234). It also had one of the highest proportions of revenue derived from eco-taxes. This, and a broader realization of the gap between ambition and

reality, led the Secretary of State to argue that further Dutch eco-tax efforts would depend on other European countries increasing their environmental tax efforts (Wiering et al., 2018). The 2010–2012 rightist coalition went further, actively dismantling part of the environmental taxation structure, such as waste, groundwater and packaging taxes; the aim was to prefer ‘solid and simple taxes’ (Interview, Ministry of Finance official, 2011). The move towards less ambitious environmental governance was manifest in the design and calibration of policy instruments. Rather than leading efforts to toughen EU climate efforts, the Netherlands relied on the domestic Energy Agreement, with doubts raised about its effectiveness (Lieverink et al., 2017).

9.3 *Analysis*

The 1982 juncture reflects certain political dynamics. There was growing dissatisfaction with, and increased ecological understanding of, many aspects of Dutch environmental policy and other direct consequences of the 1970s environmental decisions (Bressers, 1990). One governance focus highlighted policy integration; another was the Dutch experience with tax instruments, notably the 1969 SWPA levy (Andersen, 1994, pp. 148–149).

The Lubbers Coalition government’s ideational aim was reducing the scope of government responsibility and regulation while increasing responsibility of societal/economic actors. Simplifying or reducing regulations in all areas would reduce the burden on the overloaded government and increase efficiency. This was a core VVD tenet—in keeping with the Reagan/Thatcher period of rightist, neoliberal governments seeking to redefine state/society relational boundaries (van Vliet, 1993). The VVD politician, Pieter Winsemius, became environment minister in 1982, bringing considerable entrepreneurial energy and the ability to articulate a coherent ideational vision that incorporated VVD concerns about burdens to industry, while simultaneously persuading civil society to accept the philosophy of self-responsibility and environment protection (Hanf & van de Gronden, 1998, p. 165).

Before unravelling in April 2012, the 2010 minority government shifted the national focus away from environmental issues, focusing attention on reducing budgets and boosting growth. This approach was not new: the Balkenende Centre-right government in 2002 proposed a

budget shifting away substantially from environmental priorities and cutting a range of environmental taxations and subsidies, but the successor 2007–2010 Christian Democratic/Social Democratic Coalition rowed back from this direction (ENDS Europe, 2002; Liefferink & Birkel, 2010).

The 2010 Coalition agreement repeatedly referred to a ‘level playing field in Europe’ on the subject of pollution emissions (Government of the Netherlands, 2010, article 7). This political orientation shaped Dutch governments’ approach to policy innovation and ambition; the possibility of additional domestic environmental targets was linked to other countries’ targets. The focus was on reducing regulatory burdens and emphasizing conditionality of Dutch efforts, with a greater responsibility placed on the international and EU arenas to initiate significant reductions.

9.4 Dutch Governance Arrangements, 2018

Although Table 6.15 indicates a range of substantial instruments, both EU and national regulatory efforts are the key foundations of Dutch environmental governance (OECD, 2015, pp. 93–94). In 2018 (and until the planned 2021 replacement) the Environmental Management Act, the Environmental Permitting Act and a range of secondary legislation

Table 6.15 Dutch environmental instruments, 2018

<i>Instrument type</i>	<i>Environmental governance categories</i>	<i>Assessment</i>
Regulatory	<ul style="list-style-type: none"> • Environmental Management Act, Environmental Permitting Act and roughly 250 decrees and regulations • 2013–2023 Energy Agreement and other covenants 	<ul style="list-style-type: none"> • Hard • Soft, but can become hard
Financial	<ul style="list-style-type: none"> • Energy tax • Tax on motor vehicles and other taxes • EU funding • Tax incentive schemes—for example Green Funds 	<ul style="list-style-type: none"> • Hard • Hard • Soft • Soft
Informational	<ul style="list-style-type: none"> • Fourth National Environmental Policy Plan (NMP4) and other strategic plans • EMAS and ISO 14001 • Milieukeur, EU Eco-label • Environmental campaigns 	<ul style="list-style-type: none"> • Soft • Soft • Soft • Soft
All	<ul style="list-style-type: none"> • EU ETS 	<ul style="list-style-type: none"> • Hard

provided the Dutch governance framework (Bulles et al., 2018). Negotiated long-term covenants, with potential for binding clauses and sanctions, remain in place, including the 2013–2023 Energy Agreement and the 2019 Climate Agreement that falls outside our scope.

One aspect of negotiated agreements is that they may include the linked use of financial instruments, such as feed-in tariffs, tax incentives and energy tax rebates. Beyond these linked instruments are various environmental charges and taxes, including notable ones like the energy tax and taxes on motor vehicles, tap water and Landfill Tax waste. The Netherlands also utilizes tax incentives such as Energy Investment Tax Allowance and the Green Funds Scheme. There is a feed-in tariff system supporting renewable energy producers.

One noteworthy, ongoing area is the Dutch use of plans (e.g. the National Policy Strategy for Infrastructure and Spatial Planning) to guide environmental governance strategy, but the ageing (2001–2030) Fourth National Environmental Policy Plan's (NMP4) impact is limited if the necessary supporting policy instruments are absent (OECD, 2015). Dutch firms make significant use of EMAS and ISO 14001, but comparatively less of the EU Eco-label and the Dutch Milieukeur, a label for processes and services (Wurzel et al., 2013). The government has also instituted a range of environmental campaigns. Similar to other Member States, the EU ETS features heavily in Dutch climate change mitigation efforts.

10 CONCLUSIONS

Table 6.16 offers a summary of key governance shifts and the associated instruments. This outline makes clear several key points.

Despite various changes in environmental governance across these seven systems, regulatory tools dominate. In EU Member States, this is doubly reinforced by the EU's predominance of the regulatory tool. Variation in the mix between countries tends to lie in the nature of how regulations are set and implemented. This variation also exists in the evolution of EU Member States and the EU itself: the regulatory focus in some key areas reflected for instance a more German regulatory approach whereas some areas experienced more flexible approaches pushed on more than one occasion by the UK. The EU itself has had the most limited policy array to support its regulatory regime, reflecting its budgetary and treaty limits. The one major exception, the ETS, features importantly in all the Member States.

Table 6.16 Summary of governance shifts

AUSTRALIA	
<i>1983: Hawke government enters power</i>	Regulation continues as key feature with some additional instruments
<i>2011: Clean Energy Future Plan</i>	Plan contains carbon trading and other instruments
<i>2014: Plan dismantled</i>	Abbott government dismantled key mechanisms
CANADA	
<i>1988: Canadian Environmental Protection Act (CEPA)</i>	Mulroney government increases federal financial spending and support for regulatory efforts
<i>1995: Liberal budget</i>	Martin Budget shrinks federal capacity to push environmental governance
ENGLAND	
<i>1975: UK-EU Referendum result</i>	UK sets its course of integration and implementing the EC's regulatory provision
<i>2015: Conservative government elected</i>	Cameron government shrinks budget, closes Department of Energy and Climate Change and promises UK-EU referendum
EUROPEAN UNION	
<i>1999: Adoption of the Euro</i>	European environmental governance over time becomes less of a priority
GERMANY	
<i>1990: Aftermath of Reunification</i>	Retrenchment of environmental ambition, greater use of voluntary agreements to supplement regulatory mix
<i>1998: Election of the Red-Green coalition</i>	Greater use of financial instruments and informational instruments to complement regulation
ITALY	
<i>1986: Law 349/1986</i>	Creation of the Environment Ministry
<i>1996–1997: Prodi government</i>	Government created the Bassanini laws and added taxation instruments
THE NETHERLANDS	
<i>1996: CDA-VVD Coalition elected</i>	Governance toolbox extended to information, education, covenants and eco-taxation
<i>2010: VVD-CDA Coalition elected</i>	Coalition removed certain taxes and emphasized conditionality concerning climate change objectives

All our case countries have had a greater array/mix of informational and financial instruments (both in numbers of and types of tools) in place (e.g. the Netherlands and Germany), but the primacy of regulation remains. Simultaneously, softer, more voluntary instruments (which may become legally binding or more typically operate in the shadow of the law), particularly negotiated agreements in Australia, Canada, Germany,

England and the Netherlands, add a different dimension to the regulatory mix. Financial instruments often involve soft subsidies, although budgetary allocation can be an important means of steering in federal systems such as Canada and Australia. Many of the taxation tools are quite hard in their focus (but may involve loopholes to protect certain polluters or may constitute important tools of governance but extract limited revenue—e.g. charges). On the whole, most informational instruments in the six states and the EU are soft, although some (e.g. EMAS) because of their links to regulation, oversight and market visibility can have a strong governance impact on societal and corporate behaviour.

The triggers that constitute critical junctions are relatively few. We have the election of two centre-left governments promoting a progressive agenda (the Hawke government, the German Red-Green Coalition), and a centre-right government pushing a new approach to environmental government. We also see two governments enter power causing major shifts in governance ambition (the VVD-CDA 2010 coalition, the 2015 Conservative government), reflecting particular attitudes to the role of the state in governing and issues of economic competitiveness as well as the Conservative move to grapple with the UK-EU relationship. Concerning circumstances external to the policy sector, the Kohl 1990 Coalition responded to German Reunification by reducing the government's environmental governance ambition. Key events more readily identified as turning points (as opposed to critical junctures) echo these dynamics, with leaders assessing external conditions in a way that leads them to prioritize economic competitiveness, emphasize flexibility in regulatory approaches to avoid harming business and making environmental action conditional on other countries. The shift in EU environmental ambition has had a knock-on impact in terms of governance within the four Member States that continued through 2018.

In terms of key processes and dynamics shaping environmental governance changes, we highlight five important patterns. First, governments came into power with a progressive perspective but reflecting sustainable development and often neoliberal ideas of weighting environmental and economic concerns; this occurred in Australia, Canada, Germany, Italy and the Netherlands. Second, we have governments elected into power or already in power deciding that internal and external conditions require an approach to environmental ambition that gives greater weight to economic priorities and conditional approaches. This can be seen in Australia, Canada, England, Germany and the Netherlands; although the EU has a

multi-institutional approach to governing, the down-grading of environmental ambition is also found in its trajectory. This leads to the third dynamic: the EU and its transformative impact on politics and policy within the Member States, sometimes termed ‘Europeanisation’. A fourth important dynamic is how the national system (e.g. federal constitutional constraints) continues to limit and channel environmental governance down certain paths. Fifth and finally, policy learning enables policy-makers to recognize that regulations may require more integrated approaches, supporting measures, precision and implementation, meaning that regulation does not remain unaltered over time; policy-makers are seeking to find smarter mixes.

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Comparative Analysis

1 INTRODUCTION

The diachronic reconstruction of the policy dynamics presented in the previous chapters demonstrates the complexity of changes that four policy sectors have undergone in six countries during recent decades. This chapter grasps the core aspects of these change processes in the governance arrangements—and thus how the environment, education, energy and health sectors have been steered—in Australia, Canada, Germany, England, Italy and the Netherlands. To do this, we first conduct a comparison across four dimensions that we have derived in Chap. 1: magnitude of change, changes in the composition of the instrument mixes, type of change and level of conflict/consensus in the policy dynamics. This comparison will be organized by country and policy field. It is based on the authors' systematic assessment of the analysed cases, according to the adopted criteria.

This comparison will show if and how there are similarities or differences in governance changes and whether they are country or policy field-driven. Utilizing this comparison, we can then proceed to extract the eventual patterns emerging from the analysed processes, which will also allow us to assess if and how the neoliberal view and its policies' operational dimensions have truly impacted the redesign of governance arrangements within public policies. It also allows us to assess the degree of convergence operating with respect to these dimensions.

2 MAGNITUDE OF CHANGE

This dimension concerns how different the current instrument mix is from that of three or four decades ago. This is part of our operationalization of the degree of change studied in the convergence literature. This assessment could seem trivial because significant changes should be expected over four decades due to alterations in so many structural and contextual conditions. However, the assessment is important exactly because, while the initial situation was rather similar in all countries and sectors (a substantial hegemony of regulatory tools), the environmental changes that occurred over time permit us to show whether they impacted the magnitude of change or if national factors influenced the extent to which policy sectors have evolved over time. We evaluated this dimension with a binary approach defining the outcome in 2018 as either highly differentiated or moderately differentiated with respect to what we have considered as the ‘departure point’ of each sectoral trajectory. The differentiation combines these possible dimensions that will be reflected in the 2018 mix—two are more quantitative and the other two are more qualitative: (1) a substantial increase or decrease in the number of instruments across all categories; (2) a broader or narrower range of instrument types being deployed in the mix; (3) a qualitative change in how the instruments function and (4) a significant change in the calibration of the instruments in question. Our judgement is based on the consideration that all factors can affect public policy in the long term. Policies are ‘moving events, routines, strategies, and adaptations’ (Hecló, 1972, p. 83). In the policy field, as in politics, change is the norm (Lewis & Steinmo, 2010), whereby ‘all policy is policy change’ (Hogwood & Peters, 1983, p. 25) is neither provocation nor symbolic metaphor but an inexorable fact. Thus, after 40 years, one cannot expect there to be no change in a policy field in terms of governance arrangements and policy tool adoption. The assessment therefore attempts to discern which cases have significantly changed the content of the adopted instrumentation and which have only partially accomplished this. Table 7.1 summarizes the assessment of magnitude of change.

2.1 *Overall Assessment*

In two-thirds of cases (16 out of 24), the instrument mix has changed considerably over the past several decades. This is an unsurprising outcome in line with expectations that neoliberalism and other factors might

Table 7.1 Magnitude of change: difference between the point of the departure and 2018

	<i>Education</i>	<i>Energy</i>	<i>Environment</i>	<i>Health</i>	<i>Total by country</i>
Australia	Highly different	Highly different	Highly different	Highly different	<i>Highly: 4</i> <i>Moderately: 0</i>
Canada	Moderately different	Moderately different	Moderately different	Moderately different	<i>Highly: 0</i> <i>Moderately: 4</i>
England	Highly different	Highly different	Highly different	Highly different	<i>Highly: 4</i> <i>Moderately: 0</i>
Germany	Moderately different	Highly different	Highly different	Highly different	<i>Highly: 3</i> <i>Moderately: 1</i>
Italy	Highly different	Moderately different	Moderately different	Highly different	<i>Highly: 2</i> <i>Moderately: 2</i>
The Netherlands	Moderately different	Highly different	Highly different	Highly different	<i>Highly: 3</i> <i>Moderately: 1</i>
Total by policy sector	<i>Highly: 3</i> <i>Moderately: 3</i>	<i>Highly: 4</i> <i>Moderately: 2</i>	<i>Highly: 4</i> <i>Moderately: 2</i>	<i>Highly: 5</i> <i>Moderately: 1</i>	

transform state governance. However, it is more remarkable that 8 out of 24 cases show only a moderate magnitude of change. They are concentrated in one particular country (Canada, with all policy sectors with the same assessment) and one particular policy field (Education, with three out of six countries where the magnitude of change was low). This result is surprising, given that it contrasts with the core assumption in public policy that the characteristics of governance should change significantly over the long term. The composition of these changes is presented in the following section, yet this evidence is particularly relevant here when we consider that the analysed period comprises the era of neoliberal revolution. It is unlikely that Canada has remained largely untouched by the neoliberal era. And how is it possible that one of the sectors considered to be the most threatened by neoliberal reforms, Education, appears to have been capable of resisting a significant instrument mix reshuffle over time? These questions, investigated below, highlight the importance of national and policy idiosyncrasies and looking beyond the high-level conclusions presented in Table 7.1. Such idiosyncrasies suggest that to label a historical era according to a specific zeitgeist can be very misleading from a public policy perspective.

2.2 *Analysis by Country*

An analysis by country facilitates a better understanding of any unexpected results in the overall picture. There are two countries (Australia and England) that present highly different magnitudes in all four sectors.

These two countries are the most innovative in terms of policy design. Two other countries (Germany and the Netherlands) present highly different instrument mixes in three out of four sectors (the exception being Education). Italy is in the middle with its two highly differentiated policy fields (Health and Education) and two moderately differentiated (Energy and Environment). By contrast, Canada has four moderately different instrument mixes. Canada appears to be the country that has changed the least in the configuration of instrument mixes.

These national results are interesting in terms of conditions that favour or deter significantly redesigned instrument mixes over time. The most innovative designs of Australia and England are not unexpected due to their Westminster political models. In the case of Australia, the characteristic of its federal dynamics has evolved through a process of ‘centralization’, or strong federal coordination in the policy field, in recent decades (Fenna, 2019). Regarding Germany and the Netherlands, which we consider to be innovative in their approaches to instrument mixes, this is the result of two political systems with substantive attention to promptly modernizing their policies. In comparison to the other policy sectors, limited innovation in Education results from dependency on a country’s constitutional provisions concerning Education: the Netherlands guarantees that government must fund public and private schools; Germany assigns all the powers to the hands of the *Länder*, making it rather complicated to elaborate upon cooperative coordination that changes subnational education systems. Italy is in the middle, and its highly differentiated results within Education and Health reflect changes in political coalitions and financial pressures, such as the financial crisis and the Tangentopoli scandal laying the groundwork for neoliberal reforms in healthcare. At the same time, Italy’s moderate differentiation in Energy and Environment stems from its specific national configuration regarding vested interests in Energy (Prontera, 2021), and the weight of its economic interests and priorities versus a much less focused national environmental approach (Weale et al., 2000).

The Canadian case is unexpected in its divergence from the other national trajectories. Here, however, it must be reiterated that our analysis

has inevitably focused on the federal role in governance changes—this role is complicated and protracted in a system characterized by very competitive dual federalism, where the provinces not only have de jure legislative competence in the policy areas we have studied but have not hesitated to assert themselves against what they have seen as federal ‘intrusion’ into their affairs (Braun et al., 2002; Colino, 2010, 2013). More significant changes have been introduced at the provincial level (as has been demonstrated in Education and in provincial approaches to energy and climate change) and the key question here must be why these more innovative approaches were not more widely adopted and why they have not added up to a consistent trajectory of change.

2.3 *Analysis by Sector*

Excluding Canada, the health sector is the one that presents the most highly different in the remaining five countries: it is the sector in which instrument mixes have changed the most. By contrast, in Education, three countries are either moderately or highly different. That Health is the sector where there has been a greater magnitude of change cannot be taken as a prevailing expectation because it is more institutionalized than Energy and Environment, following Education only in terms of institutionalization. These characteristics of health policy can be identified within the characteristics of the sector itself. Health is a sector where the impact of new technology is very high and in which the control of public funding is one of the main goals for policy-makers. These two conditions should be considered powerful drivers that introduce changes over time, pushing healthcare to be both more effective and efficient (Weisbrod, 1991; Saltman, 2019).

Regarding Environment and Energy, most nations were highly innovative, except for Italy and Canada, due to the motivations presented above. This pattern demonstrates how there is an intrinsic dynamic of change for ‘young’ sectors that develop over time when there are no specific contextual constraints. In the environmental sector all dimensions of change have figured in the trajectories of EU and state environmental policy. Accordingly, the sheer number of environmental instruments seeking to redress a wider number of environmental issues and vulnerabilities has increased substantially since the policy area was established in the early 1970s in our case countries. What tends to get overlooked in focusing on

these numeric and instrument type changes is the qualitative evolution of instruments. Accordingly, the EU and its Member States, for example, have over time adopted a varying approach to how flexible EU directives are. Furthermore, despite all of this apparent innovation, the reality that the calibration and implementation of the extant legislation limits the environmental impact that instruments such as the EU Emissions Trading System can achieve.

With respect to Energy, Table 7.1 records the extent to which countries have departed from the strongly centralized control of energy policy enabled by public ownership and regulation of energy production and supply found in the 1970s towards decentralized models today. An interventionist approach to the development of primary energy resources, especially oil and gas, and the persistence of public ownership in Canadian provinces has impeded this trajectory in Canada. The Italian case has some of the same tension between the newly empowered regions and the central government but is also constrained by the complexity of Italian national politics and ongoing concerns with energy security. Both raise important questions for the other countries in the study. Has Australia really managed to avoid the conflicts between energy-producing and energy-consuming states that bedevilled Canadian energy policy? What has been the role of the EU in diffusing a common template for the energy instrument mix amongst its Member States and are there important deviations from this template in Germany, England and the Netherlands as well?

Finally, Education is rather interesting: the fact that three countries have reached highly differentiated results while the other three have been more moderate in policy change is puzzling. We would have expected a more conservative trend in Education due to its characteristics that are deeply embedded in the historical evolution of a society and, in many countries, of the State. The comparison clearly indicates that broad change in Education is possible, but this can be related only to political dynamics and their capacity to overcome institutional and policy legacies (as shown by Australia, England and Italy). Meanwhile, the findings that three countries have introduced only moderate changes in educational governance arrangements also suggest that legacies matter. However, from another perspective, the educational sector can demonstrate both the peculiarity of and relevance to the national context in which it operates.

3 CHANGE IN THE COMPOSITION OF THE INSTRUMENT MIX

The second analysed dimension comprises the changes in the composition of adopted instrument mixes. This dimension is how we operationalize and assess the direction of convergence discussed in Chap. 1; we seek to understand how the type and mix of instruments has changed over time. As discussed in the empirical chapters, regulation (very often hard regulation) was the prevailing family of policy instruments adopted at the departure points of every analysed sectoral trajectory. Thus, we have compared the point of departure with the situation in 2018 by evaluating whether there were more (or less) regulations, more (or less) financing or more (or less) information with respect to the starting point in the final governance arrangements. It must be emphasized that this assessment does not explain how sectors are governed in different countries, but simply extracts the variations in the composition of the toolbox concerning the past. However, this assessment is essential concerning the thesis of this book, which argues that the neoliberal trend has had less impact on the characteristics of governance arrangements in public policy than what has been claimed by neoliberalism's adherents and opponents. If neoliberalism had prevailed in public policy, then we should find a prevalence of financial and/or information tools, while regulation should have been used much less. Table 7.2 presents the results of the assessment of instrument mixes in 2018.

3.1 *Overall Assessment*

A change in the instrument mix occurred in all 24 cases: no instrument mix was the same as that of several decades ago. An interesting finding concerns the variety of policy instruments used. Policy-makers have drawn heavily from all the 'compartments' of the toolbox. In 14 cases, regulatory, financial and informational instruments were strengthened. In another eight cases, two categories were combined (Reg + Fin; Reg + Info; Fin + Info). Only two cases used instruments of just one type: regulatory instruments in Italian Education and informational instruments in Canadian Education. These two cases can be easily comprehended through national characteristics. In the Italian case, the characteristic of governance changes, which have had a high magnitude, is in its substantial redesign of the main regulations of the system. This was accomplished by significantly changing the constitutive rules and procedures without a concrete use of

Table 7.2 Composition of instrument mixes in 2018 in the analysed sectors/countries

	<i>Education</i>	<i>Energy</i>	<i>Environment</i>	<i>Health</i>	<i>Total by country</i>
Australia	REG + INFO (RI)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	REG + FIN (RF)	2 RFI, 1 RF, 1 RI
Canada	INFO (I)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	REG + FIN (RF)	2 RFI, 1 RF, 1 I
England	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	4 RFI
Germany	REG + INFO (RI)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	REG + FIN (RF)	2 RFI, 1 RF, 1 RI
Italy	REG (R)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	REG + FIN (RF)	2 RFI, 1 R, 1 FI
The Netherlands	REG + FIN (RF)	FIN + INFO (FI)	REG + FIN + INFO (RFI)	REG + FIN + INFO (RFI)	2 RFI, 1 RF, 1 FI
Total by policy sector	1 RFI, 1 RF, 2 RI, 1 R, 1 I	5 RFI, 1 FI	6 RFI	2 RFI, 4 RF	

financial or information tools. In the Canadian case, only information tools were added to the toolbox due to the characteristics of Canadian federalism, where the federal government has somewhat limited leadership regarding provincial educational policies.

With these two exceptions, the adopted mixes vary more than in the past, and they rely on a larger array of tools. This is true across all sectors and in all countries. The use of the complete set of instruments at their disposal is not unexpected, obviously, but what is relevant is that regulatory tools were enhanced or reinforced in 22 out of 24 cases. The exceptions are Education in Canada and Energy in the Netherlands. The ongoing reinforcement and use of regulatory tools should be considered a critical finding. Regulation, and thus hierarchy, is still present in a significant way within the instrument mixes, meaning that the state has continued to exercise its power. Some commentators would likely observe that regulation does not necessarily mean strong regulation, as it could also include soft regulation. We must emphasize this point, underscoring that both soft and hard regulation still indicate that the state designs the main rules within a specific policy field: hierarchy is always present, and soft regulation always works in the shadow of hierarchy (Héritier & Eckert, 2008; Capano, 2011; Capano et al., 2015). Regarding the two countries

where the use of regulation has not increased, the Canadian case in Education applies the ‘usual disclaimer’ regarding federal dynamics in a policy sector where provincial authority is constitutionally protected. The Dutch Energy case can be explained by the peculiarity, noted by the IEA, that Dutch industry, particularly the petrochemical industry, has a disproportionate share of final energy demand compared with the other countries in our study (IEA, 2020, 23). The Dutch state has sought to protect the competitiveness of these companies, seen as vital for the economic health of the country as a whole, that are more exposed to global competition and might suffer from costs imposed by policy tools. Even here, developments post-2018 have moved the Netherlands closer to the instrument mixes found in the other countries by adding significant new regulatory tools.

In 20 cases, financial instruments were introduced and strengthened. In 18, information tools were introduced (these were not widely used several decades ago). The massive adoption of financial and information tools is directly linked to the impact of neoliberal ideas and new public management techniques. Thus, the increase in financial and information tools is empirical evidence of the impact public policies of the neoliberal wave had on governance arrangements. The use of these tools might be indicative, functioning as a smoking gun, of the neoliberal prevalence in public policy. However, this is only one side of the story. The other side demonstrates how regulatory instruments remain the prevalent instruments. The state continues to regulate, although it regulates in different ways. Regulatory instruments have not been abandoned, but rather reinforced, complemented by new tools, market-driven and knowledge-based. This is a fundamental reality for understanding the trajectory of the state in advanced industrial democracies.

Having assessed the evolution and introduction of the instruments, it is worth noting some of the broader analytical implications of the policy mixes at work, which we will pick up again in Chap. 8. In all of the sectors and countries, even in the education sector in Italy where regulatory layering happened in the main, we see the governance reality of instruments being added and layered on top of each other, without abandoning previous instruments (Howlett et al., 2018). Regulatory layering can be expected across all the time period and in each country and policy sector being considered. This underlines the nature of regulation which is reflectively flexible. In other words it can be adapted to new circumstances and new actors. It can underpin new forms of instruments and receive support

from them. This does not exclude the possibility that there will be incoherence in purpose and design between the mix of added layers, known as ‘tense layering’ (Kay, 2007). It will be the evolving policy approach and the feedback that the sector receives that will determine the degree and length of time that the layer endures before being replaced or allowed to dwindle into insignificance (‘drift’).

3.2 *Analysis by Country*

Only in England do we find the same combination of instruments across all four sectors (Reg + Fin + Info). In the other countries, the instrument mixes are differentiated according to the characteristics of their policy sectors. This confirms that England is an outlier; it seems to be the only country where the same template has been implemented despite the characteristics of the policy sector *per se*. Thus, England alone developed and institutionalized a kind of national policy style to design post-1970s governance arrangements with a conscious embrace of a full spectrum of instruments. By contrast, there are no similar patterns in the other countries, entailing that, for them, the characteristics of the policy fields matter more than their individual features.

3.3 *Analysis by Sector*

Regarding the Environment policy sector, all six countries used the same governance approach: more regulation, more financial and more information (Reg + Fin + Info). One source of convergence reflects the fact that four of the six analysed countries belonged to the European Union (EU), functioning as a supranational driver that has helped them to converge on the same mix. Although limited by the treaties from strong engagement with eco-taxation, the EU has managed to get its Member States to accept the ETS scheme and informational instruments which form a strong part of the member state toolkit. Speaking more generally about the trajectory of all six states and the EU, policy-makers have sought to innovate and harness new policy tool dimensions (e.g. harnessing market dynamics and consumer choice) to address policy problems as well as, particularly in the case of information instruments, a desire sometimes to avoid the pushback by interest groups and population against the perceived or real costs of regulation and financial instruments that wield sticks (i.e. charges and taxation).

In the Energy sector, five out of six countries have adopted the same ‘catch-all’ formula (Reg + Fin + Info) and, as noted, the outlier moved in this direction after 2018. Two comments need to be made about this apparent convergence, one obvious, the other less so. First, energy policy, so clearly an early target for neoliberal reduction to market principles and light touch, arms-length regulation, has not moved in lock step towards a retreat of the state at all. The second, less obvious, is that energy policy is now characterized by complex instrument mixes utilizing the entire contents of the policy toolbox. This is partly due to a belated recognition of the intractability of the climate change problem and the effects noted in the discussion of environmental policy but also a recognition of the multiple goals that the energy policy trilemma presents to policy-makers and the difficulty of encompassing them all within a simple policy formula. Indeed, within the ‘regulatory + financial + information’ template itself, national differences in emphasis between the categories of instruments and in the design of instruments (particularly regulatory instruments) are notable.

The Health sector is also quite homogeneous: all countries have strengthened both regulative and financial instruments. Regulative instruments help ensure against opportunistic behaviour by actors such as insurers while trying to protect some equality in provision. Financial instruments are equally relied upon to incentivize the triangle of insurers, providers and users. By contrast, in most of the countries, informational instruments have taken the more limited form of health campaigns and data gathering/monitoring. England and the Netherlands (and, to a much smaller extent, Canada) have added relevant informational instruments, reflecting a greater neoliberal ambition to involve society as informed consumers and choosers of healthcare. Education displays a wider variety of instrument mixes, confirming its peculiarity in terms of national idiosyncrasy. To take two examples, Canadian institutional boundaries limit the scope of the ability of the Canadian government to intervene to maintain a consistent trajectory. By contrast the Westminster model in the English context has allowed the government more scope, and the neoliberal approach of both the Conservatives and New Labour has involved using information to incentivize family choices and to enhance school performance in line with market precepts.

Overall, there are some apparently intrinsic characteristics of Energy, Environment and Health issues that drive the choices concerning the instrument to be adopted. In Education, for example, the inherited

institutional and policy legacies inform the characteristics of educational issues in a specific country, whereby the relevance of policy in driving policy instrument choice is embedded in national history. In Energy, whether countries are producers of primary energy or not, and the implications of these differences for the relative salience of energy security on the national policy agenda (which itself will vary depending on the international situation) will affect instrument choice.

It is very interesting to identify where financial and informational tools are not used. Informational tools are poorly established/used in Health (in only two out of six countries), and yet they have been introduced in all six countries within Energy and Environment. This lower use of informational tools in Health policies could be due to our way of detecting data on this instrumental dimension. However there is an intrinsic characteristic of health policy reforms to have been substantially characterized by interventions focused above all on regulating the provision of healthcare and on redesigning the ways of funding/paying the service.

Financial tools are not often used in Education (only two countries out of six), while they are used everywhere (in all countries) in the other three sectors. This can be easily explained by the national paths in education. The use of financial tools does not belong to the tradition of state education in the Western world; thus, the fact that only England and the Netherlands have adopted them can be explained in terms of national developments of education policy. In England, the use of financial tools reflects its choice of adopting a market-oriented policy design in education. Accordingly, financial tools were intended as incentives. In the Netherlands, the relatively marginal use of financial tools has been introduced to punish low-performing schools and should therefore be considered a sanction.

4 RADICAL VERSUS INCREMENTAL CHANGE

We have previously noted how instrument mixes in different countries and policy areas significantly differ today from a few decades ago. It is worth examining whether the evolution of instrument mixes has occurred primarily through *radical* or *incremental* changes (Lindblom, 1959; Hayes, 2002; Capano, 2009). This issue operationalizes a second convergence dynamic, the pace and nature of change, that is contained in understanding the degree of change developed (see Chap. 1).

By incremental change, we mean evolution through a succession of ‘small steps’ that introduce small innovations which deviate marginally from previously experienced modes. This governance strategy therefore involves gradual change, even if the incremental steps follow each other quickly (Howlett & Cashore, 2009). In terms of the elements of change, these might include the larger aims of the policy area, the broader overarching programme for fulfilling these objectives and the change in the instrument mix of instruments seeking to implement the policy objectives and programme (Hall, 1993). We expect to see gradual change across all of these dimensions.

Radical change, by contrast, proceeds by ‘big leaps’ via the approval of major reforms that drastically alter the pre-existing arrangement. Change here is ‘abrupt and sharp’ (Streeck & Thelen, 2005, p. 8). Following this strategy, elements of innovation are not introduced gradually, but rather all at once in terms of objective, programmatic and instrument changes. In the course of a study that covers developments over several decades, it is important to distinguish this kind of abrupt change from the long-term effects of incremental changes that proceed in the same direction over a period of time. Both may produce significant differences in the instrument mix from the starting point to the end of the study, but the dynamics are quite different (Howlett & Goetz, 2014).

4.1 *Overall Assessment*

We begin with an all-encompassing look at the data listed in Table 7.3. In the vast majority of cases (17 out of 24), changes in instrument mixes occur incrementally. Changes effected through radical reforms are concentrated primarily in England (three policy domains out of four). If we focus on the individual policy sectors, we note a substantial balance between radical and incremental modes in Education, Energy and Health. In Environment, however, change is always incremental (in all six countries, without exception). This analysis would look radically different if the book started the environmental analysis prior to 1969; in other words, the major paradigmatic change in this sector was the framing of the environment as a distinct policy problem in the late 1960s and early 1970s.

It is interesting to compare the data reported in Table 7.3 with that of 7.1 (regarding the magnitude of change). Comparing the two tables, it emerges that in the seven cases where the change was radical, it was always large in magnitude at the end. The picture looks different if we focus on

Table 7.3 Radical versus incremental change

	<i>Education</i>	<i>Energy</i>	<i>Environment</i>	<i>Health</i>	<i>Total by country</i>
Australia	Radical	Incremental	Incremental	Incremental	<i>Radical 1</i> <i>Incremental 3</i>
Canada	Incremental	Incremental	Incremental	Incremental	<i>Radical 0</i> <i>Incremental 4</i>
England	Radical	Radical	Incremental	Radical	<i>Radical 3</i> <i>Incremental 1</i>
Germany	Incremental	Radical	Incremental	Radical	<i>Radical 2</i> <i>Incremental 2</i>
Italy	Incremental	Incremental	Incremental	Radical	<i>Radical 1</i> <i>Incremental 3</i>
The Netherlands	Incremental	Incremental	Incremental	Incremental	<i>Radical 0</i> <i>Incremental 4</i>
Total by policy sector	<i>Radical 2</i> <i>Incremental 4</i>	<i>Radical 2</i> <i>Incremental 4</i>	<i>Radical 0</i> <i>Incremental 6</i>	<i>Radical 3</i> <i>Incremental 3</i>	

the 17 cases of incremental change: 9 cases led to ‘highly different’ modes of governance; 8 cases led to ‘moderately different’ modes of governance. This confirms that incremental strategies can also lead to major changes.

The thesis put forward by Charles Lindblom (1979) therefore seems to be confirmed: moving forward in incremental steps does not necessarily mean being poorly innovative and preserving the status quo. By contrast, in the medium and long term, moving ahead incrementally can prove to be an effective strategy to reform the system in depth. As Lindblom puts it, ‘A fast-moving sequence of small changes can more speedily accomplish a drastic alteration of the status quo than can an only infrequent major policy change’ (Lindblom, 1979, p. 520).

In fact, ‘big bang’ reforms often create disorientation, arouse resistance and are not always fully implemented. It happens frequently that ‘big reforms’, especially if they are ideologically divisive, contradict each other: a reform in a certain direction is followed by another moving the opposite direction, neutralizing the effects of the former. This has been the case of the pendulum in health reforms in England during 1990s or in Italian Education at during the first decade of the new millennium. Progressing via small steps, by contrast, makes it possible to consolidate change and to proceed more smoothly with fewer shocks, producing more lasting and

far-reaching reforms in the medium to long term. The data reported in Table 7.3 confirm that it is possible to innovate policies that also proceed incrementally.

The challenge for the incremental approach to change is to keep these small changes moving in the same direction, especially in countries where unstable electoral politics can result in frequent changes in governments or in federal systems where national characteristics are actually the result of accumulated changes at subnational levels. The difference between ‘progressive incrementalism’ of the kind described by Lindblom in the passage just cited and this kind of ‘disjointed incrementalism’ is large and important. The former will result in a consistent trajectory of change; the latter may have the features of a random walk or even a return to a starting point after a period of apparent radical experimentation (Cashore & Howlett, 2007).

4.2 *Analysis by Country*

Turning to the comparison between the six countries, we would expect changes in the instrument mix to be more likely to occur radically through big bang reforms in the countries closer to the Westminster model, where the number of veto points is lower. By contrast, in consensual democracies where veto points are more numerous, we would predict more gradual, incremental trajectories of change.

As confirmed by many studies on the subject (Lijphart, 1984, 1999; Lijphart & Crepaz, 1991; Tsebelis, 2002; Coppedge et al., 2020), England should be considered—despite some changes in recent times—a majoritarian model, while the Netherlands, Italy and Germany are—albeit to different degrees—consensual systems.

Canada and Australia have a clear Westminster imprint, but this imprint is diluted by a strong federal dimension. As argued above, Australia is the most consensual of the Westminster countries considered here. Despite its federal structure, Canada displays many distinctive features of the majoritarian model (in particular, the high degree of executive dominance).

We can compare these expectations with the data reported in Table 7.3. Two countries (Canada and the Netherlands) evolved incrementally in all four policy sectors. Italy and Australia were incremental in three out of four sectors. Conversely, England has evolved through ‘radical steps’ in three out of four sectors (the exception being Environment). In Germany, there is a balance between radical and incremental trajectories. Part of this mixed

picture reflects the differential role of the EU. The EU effort to liberalize energy markets provided a stark challenge to Germany's energy system while the EU environmental approach reflects both the influence of Germany in formulating many of the instruments and standards as well as the overarching incrementalism in the approach that the EU has taken concerning the environment since the 1970s. Questions about maintaining the healthcare system in the face of the 1990–1991 fiscal crisis and Reunification overtook the strong reliance on decentralized and corporatist systems.

To a large extent, our expectations based on the contrast between majoritarian and consensus democracies are confirmed. The only—at least partial—exception is Canada. It was to be expected that changes would tend to be more radical in Canada (and perhaps also in Australia) than in Germany. Regarding Canada and Australia, the federal dimension seems to have a greater impact than the party-executive dimension (Lijphart, 1999), but appearances are to some extent misleading. In Canada, some quite radical changes in all policy sectors can be found in one province or another but the overall effect is diluted and even reversed by the frequency of elections and the resulting inability to maintain a consistent trajectory of change. The federal-provincial agreement on climate change negotiated in 2015 was rapidly undermined by changes in provincial governments after elections and progress in the adoption of new instruments and in the stringency of existing instruments commensurately more difficult to achieve. In Australia, the highly institutionalized cooperation between the states and the federal government has tended to isolate dissenting states (e.g. Western Australia in the energy case) and conflict has erupted instead with federal party caucuses and the federal Cabinet. This conflict has led to rapid policy reversals on the climate change file and loss of control over the trajectory of change.

Focusing on the exceptions often provides interesting food for thought. Table 7.3 shows, for example, that in Italy change is incremental in three out of four policy sectors, with the exception of Health. In Australia, change is predominantly incremental, with the exception of Education. In Italy, the exceptionality of the health sector can be explained by the anomalous political and institutional conditions in which the 1992–1993 reform was generated, discussed and approved (Toth, 2015). These peculiar conditions allowed the approval of a 'big bang' reform, which would not have been politically feasible in normal times. As for the Australian case, Education had become highly politicized and thus a matter of ideological investments by political parties.

4.3 *Analysis by Sector*

When comparing the four policy domains, it was, perhaps, plausible to expect a difference between the more ‘established’ policy domains such as Education and Health and the more ‘recent’ domains of Energy and Environment. Sectors like Education and Health have deep roots and employ a high number of workers (in both England and Italy, the National Health Service is the largest employer in the country). As discussed in previous chapters, Environment and Energy are ‘younger’ sectors that have become politically salient only during recent decades. Theories of institutional change argue that more institutionalized and established systems are more difficult to reform radically (Wilsford, 1994). Accordingly, we might have expected reforms to be more radical in Energy and Environment and more incremental in Education and Health.

The data provided in Table 7.3 contradict these expectations. Sectors such as Energy and Environment do not show more radical modes of change than Education and Health. Moreover, in the case of environmental policies, the opposite seems true. In the other sectors, there is a rough balance between incremental and radical change, yet in the environmental sector, change was incremental in all six countries considered. This relative position of environment is surprising and merits more comparative study.

Part of the explanation arguably rests with the fact that the environmental policy sector only came into being in the late 1960s and early 1970s, with many of the longstanding environmental policy problems and therefore policy challenges remaining in place currently. Land use, air pollution, water pollution, waste and so on are all challenges that existed in the 1970s and remain challenges today. We would expect a more radical policy change in the near future if the current projections for the climate crisis are realized requiring commensurate adjustment in mitigation and adaptation policies. For four of the countries, a further explanation rests on the ‘EU factor’. As discussed in the previous chapters, the Environment is the policy sector most influenced by the European level and where EU legislation forms a core of the policy area that Member States must implement. The European umbrella and legal requirements restrict the scope of the member countries to operate independently as well as create incentives to look for common solutions (e.g. climate change), discouraging sudden reversals among one government or another. EU policy-making also places

a premium on taking major decisions by consensus across the Member States as well as its supranational institutions; equally, the constitutional and institutional set-up of the EU limits the power of the EU to innovate in particular ways (e.g. the limited EU-level budget for environmental purposes).

5 CONFLICTUAL VERSUS CONSENSUAL

As noted earlier, policy instruments and how they are combined have changed significantly over the past several decades. This change in instrument mixes has affected all the countries and policy areas considered in this book. In most cases, not only new regulatory instruments but also new financial and information instruments have been introduced: the overall effect is that disparities in the composition of instrument mixes are now much greater than three or four decades ago. Accordingly, this is an opportune time to inquire whether this transformation in composition has generated opposition among political forces or if, on the contrary, the change has taken place in a climate of mutual agreement. This analysis follows our discussion of institutions and political dynamics in Chaps. 1 and 2 especially.

Similar to our earlier evaluations, here we classify individual cases using two dichotomous labels. Change is ‘conflictual’ when the transformations in the composition of the instrument mixes have proven to be a divisive theme in the political debate: the main political forces in the country have sustained antithetical positions, emphasizing the political salience of the issue. By contrast, change may be defined as ‘consensual’ insofar as the main political forces have not expressed radically different positions, revealing a substantial consensus as to the composition of the instrument mix to be implemented.

To limit misunderstanding, note that the consensus or conflict between political forces does not concern the specific instrument adopted or the goals of the policy packages. We are focusing on the *type* of instruments adopted. For example, we are asking whether introducing typically informative instruments, previously unused, into the instrument mix is a politically divisive issue. Is the use of financial instruments in certain policy areas a strategy shared by the main parties in Parliament, or does it generate fierce opposition? In Table 7.4, each of our 24 cases is labelled as either ‘conflictual’ or ‘consensual’.

Table 7.4 Conflictual versus consensual

	<i>Education</i>	<i>Energy</i>	<i>Environment</i>	<i>Health</i>	<i>Total by country</i>
Australia	Consensual	Consensual	Conflictual	Consensual	<i>Conflictual 1 Consensual 3</i>
Canada	Consensual	Conflictual	Conflictual	Consensual	<i>Conflictual 2 Consensual 2</i>
England	Consensual	Consensual	Consensual	Consensual	<i>Conflictual 0 Consensual 4</i>
Germany	Consensual	Consensual	Consensual	Consensual	<i>Conflictual 0 Consensual 4</i>
Italy	Conflictual	Consensual	Consensual	Consensual	<i>Conflictual 1 Consensual 3</i>
The Netherlands	Consensual	Consensual	Consensual	Consensual	<i>Conflictual 0 Consensual 4</i>
Total by policy sector	<i>Conflictual 1 Consensual 5</i>	<i>Conflictual 1 Consensual 5</i>	<i>Conflictual 2 Consensual 4</i>	<i>Conflictual 0 Consensual 6</i>	

5.1 Overall Assessment

When evaluated as a whole, the data in Table 7.4 are decidedly surprising. The composition of the instrument mix manifests as a highly contentious issue in only 4 of the 24 cases. They concern the Environment in Australia and Canada, Education in Italy and Energy in Canada. In all other cases—20 out of 24, that is the vast majority—the instrument mix did not generate an open policy conflict.

We frankly would not have expected such a scenario. Prior to our investigation, we expected that political forces of different ideological leanings would have very different views on how to design instrument mixes. One could, for example, hypothesize that left-wing parties (and leftist governments) would prefer to make greater use of regulatory instruments, especially insofar as these involve greater public intervention and the goal of uniform treatment of all citizens. By contrast, neoliberal political forces should, on the contrary, (theoretically) privilege the use of financial levers and informational tools, which enhance individual autonomy and often deploy market dynamics. It was therefore plausible to expect greater ideological contrasts regarding the composition of instrument mixes, but—according to the data reported in Table 7.4—this does not seem to be the case.

5.2 *Analysis by Country*

Focusing now on the similarities and differences between the six countries: what was to be expected? Countries with more polarized political systems should have more conflicting situations. To test this hypothesis, we must first identify which of the six countries analysed here are the most and the least polarized.

To operationalize this we turn to the concept of ‘party system polarization’ advanced by Russell Dalton (2008, p. 900): he focused on the ‘degree of ideological differentiation among political parties in a system’. According to Dalton (2017), our six countries can be classified as follows: Australia and Canada have traditionally low-polarized party systems; Italy and Netherlands, by contrast, have highly polarized party systems; Germany and England exhibited average values in the past, yet with a trend towards increasing polarization. Note that ideological polarization is an elusive concept and difficult to measure, the value of which can, moreover, fluctuate greatly depending on historical conjuncture and individual legislatures. That said, the expectations produced by the Dalton index are not particularly confirmed by the data reported in Table 7.4. Three countries (England, Germany and the Netherlands) emerge as ‘consensual’ in all four policy sectors. Two countries (Australia and Italy) are predominantly consensual (three sectors out of four). Australia is the exception, reflecting the tensions between a progressive Labor government in the 1970s and the conservative reaction to its policy agenda. Labor resolved this tension by embracing the role of the fossil fuel industry in underpinning the economic settlement; in doing so, the Labor government sowed the seeds for the existential challenge climate change raises for both Australia’s energy future and its environmental health. Thus the consensual economic-energy balance established in Australia sharpens the importance of the ideological division over climate policy. Canada emerges as a country where two sectors are ‘conflictual’ and two ‘consensual’. As explained in the sectoral chapters, part of the conflictual dynamic is explained, in the case of Australia and Canada, by the resistance that the national governments have faced in trying to use interprovincial or international trade powers to insert federal governance, which have met strong resistance from the states and provinces.

5.3 *Analysis by Sector*

Progressing with the analysis of Table 7.4's data, we now compare the four policy areas. Health is the only area in which the issue of the instrument mix is always consensual (six out of six countries). The most conflictual seems to be Environment (the issue is conflictual in Australia and Canada as discussed above). In the Energy and Education sectors, the issue of instrument mix composition was found to be truly contentious in only one out of six countries.

Again, with respect to the data, it is best to first ask ourselves what we should have expected. Are there, on paper, policy domains that are more adversarial than others? It is difficult to determine which of the four policy sectors considered here are essentially more conflictual and which are more consensual. In all four policy sectors, conflicting ideas and interests clash: for example the longstanding debate between public versus private provision in areas such as Education and Health, or the ever-present dilemma between economic development and negative externalities in areas such as Energy and Environment. We expected a high level of ideological conflict in all of the policy areas analysed, yet the data reported in Table 7.4 suggest an opposite conclusion. Only in limited instances such as the climate change measures to be used to govern in Australia do we find a strong ideological difference, in preferred tools to reduce emissions.

We must therefore deduce that—at least in the six countries considered—disagreements between political forces stem from the goals of the policies, or certain individual reform measures, not from the more general composition of the instrument mix. A broad 'transversal' consensus emerges regarding the fact that, to govern complex policy domains, it is necessary to combine regulatory, financial and information instruments. Policy-makers can typically draw from these categories of instruments without generating any particular ideological objections.

6 CONCLUSIONS

In the four chapters on policy sectors and the preceding sections of this chapter, we have provided a large amount of data, developing interpretations that ultimately allow us to respond to the research propositions formulated in Chap. 1 (see Sect. 5). Here, we assemble the various pieces of the puzzle to draw conclusions and trace—as stated in the title of this book—the general 'trajectories of governance'.

From the overall analysis of the 24 selected cases, a common pattern of change emerges. This common pattern is distinguished by four characteristics.

The first characteristic (see Table 7.1) concerns what we identify as the ‘magnitude of change’ (i.e. how different the current instrument mix is from that of four decades ago). The current instrument mixes are, in the vast majority of cases, very different from those observed in the past. This conclusion is not particularly surprising, and it confirms our initial conjectures. What may be surprising, however, are the limited cases that constitute exceptions to this common trait. The Canadian case, in particular, stands out as the country—at least, at the level of federal policies—that demonstrates the greatest continuity in governance modes. The Education sector turns out to be more change resistant than the other three sectors.

The second largely prevalent characteristic concerns incremental changes in the instrument mix (see Table 7.4). This is a conclusion that cannot be taken for granted. We expected different trajectories characterized by alternating phases of stability and phases of sudden change. We also may have expected, at least in some countries, an oscillating trend, with radical and highly ideological reforms and subsequent turnabouts, determined by the succession of governments or the influence of ephemeral fashions. Yet in many of the countries analysed, profound long-term change in the composition of instrument mixes was achieved through small incremental steps.

The third characteristic is, in part, concatenated with the second. It is evident that the issue of the composition of instrument mixes is much more ‘consensual’ than ‘conflictual’ (see Table 7.3). The composition of instrument mixes does not seem to be an ideologically divisive issue. Among the competing political forces, there tends to be a substantial consensus on the types of instruments to be used. This finding is, to a large extent, unexpected. We expected that political forces of the right and left would conflict over such a crucial issue, supporting opposing positions. Apparently, this is not the case. Over the last few decades, even the centre-left forces traditionally in favour of greater state intervention have opened themselves up to greater use of financial and informative tools. Similarly, the conservative forces (closer to the neoliberal thesis) have not, in fact, eroded the central role of the State nor abandoned more coercive policy instruments.

The fourth characteristic of the common pattern is an observation: instrument mixes have become—this is true for all countries and policy

domains—more composite and more complex than in the past (see Table 7.2). This confirms one of the research propositions we formulated at the beginning of the book. It is false to claim that the State has taken a step backwards: the State still occupies a central position. Nor is it necessarily true that the State uses less coercive or hierarchical instruments than in the past: the State uses a wide range of instruments, entailing different degrees of coercion. Generally, governments over the decades have increased the variety of instrument mixes, elaborating combinations that include all types of policy instruments: regulatory, financial and informational. We have noted that financial instruments are used less in the Education sector, while information is used less in the Health sector. Little use is made of information in Italy. However, these are minor exceptions that do not contradict the overall trend: the current instrument mixes are decidedly more composite than in the past.

The common pattern outlined above answers the question formulated at the beginning of this book regarding the presence or absence of convergence within the choice of policy instruments. We conclude that there has been convergence to a large extent, albeit on a different basis than could be expected from neoliberal theories. The next chapter explores this theme in greater depth.

Finally, we arrive at a question that we mentioned at the beginning of this chapter and that, evidently, structures the entire research design: in this work, six countries were selected and the same four policy domains were examined in each of them. Thus, the question arises: do the similarities and differences found among the 24 cases analysed depend more on the country or the policy sector? What matters most?

The answer to this question is decidedly complicated. In the previous sections, we provided considerable evidence in this regard to formulate certain conjectures. If we consider only the composition of their instrument mixes (see Tables 7.2 and 7.5), the trajectories of the six countries are identical in the Environment sector and very similar in the Energy and Health sectors. The only divergent trajectories with respect to instrument mixes are in the Education sector. Accordingly, the sector of Education may play a larger role in determining instrument mixes than the characteristics of any country (at least in three of the four sectors). Table 7.5 stresses the point there are strong patterns that cross our case countries. The incremental trajectory of the environmental sector since in 1975 is notable; interestingly health policy differs in the number of radical versus incremental outcomes. Equally, the results indicate the consensual focus of

Table 7.5 Summary of combined policy sector data

	<i>Education</i>	<i>Energy</i>	<i>Environment</i>	<i>Health</i>
<i>Total by policy sector across six countries</i>	Highly different: 3 Moderately different: 3 Different: 3	Highly different: 4 Moderately different: 2 5	Highly different: 4 Moderately different: 2 6	Highly different: 5 Moderately different: 1 2
	REG+FIN+INFO 1 REG+FIN 2 REG+INFO 1 REG, 1 INFO	REG+FIN+INFO 1 FIN+INFO	REG+FIN+INFO	REG+FIN+INFO 4 REG+FIN
	Radical: 2 Incremental: 4 Conflictual: 1 Consensual: 5	Radical: 2 Incremental: 4 Conflictual: 1 Consensual: 5	Radical 0 Incremental: 6 Conflictual: 2 Consensual: 4	Radical 3 Incremental: 3 Conflictual: 0 Consensual: 6

health policy, but the conflict over Australian climate policy and the tensions in the Canadian dual federal system highlight at the same time the importance of country context on this dimension.

However, in the context of the other dimensions of change (see Tables 7.1, 7.3, and 7.4), individual policy sectors lose any homogeneity. Certain typical ‘national traits’ emerge that can be found across all policy sectors. As to these dimensions of change, collectively, governance modes appear more country-driven than sector-driven. As noted above, this is particularly true of the English case, but it is also true—to a lesser extent—of the other five countries.

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The Conclusions: The Changing and Unchanging State

1 INTRODUCTION: OVERVIEW

Studying our six countries and four policy sectors over the five decades since 1970 demonstrates that states have transformed substantial elements of their governance toolbox. The number and type of instruments and the mechanisms states rely on give greater emphasis to market and price incentives as well as steering at a distance. As Chap. 7 indicates, the influence of neoliberal thinking may have been arguably greater in some of our case countries, such as England, compared to others we surveyed in our time frame. Nevertheless, in line with our second core proposition, there has been less governance convergence towards neoliberal principles than proponents of the ideology's core tenets would expect. At the very heart of our story is the emphatic reality that the role of the state has not decreased but rather has been transformed, with neoliberalism being a significant dynamic in that change.

There are two particularly significant implications of these findings for the debate on the futures of neoliberalism and the state that we wish to highlight. In both cases, the research and analysis we have conducted in reflecting the propositions posed in Chap. 1 lead us to these important findings. Put succinctly, scholars too readily assume the demise of the state or, secondly, the demise of neoliberalism. The influence and governance scope of the state mechanism, and the impact of the neoliberal ideology

are more nuanced in their scope, requiring the instrumental analysis our book has emphasized. Our key findings, moreover, in relation to the proposition about the role of the state and the impact of neoliberalism for the discipline are that the reactions between the institution and ideology are complex and interrelated. The state continues to steer, but the approach to steering has been modified and challenged by neoliberal thinking as well as other pressures on how states govern. The state retains central positioning even if the approach to instruments has evolved and broadened.

On the point of the fate and role of neoliberalism, we can reference both the global economic crisis of 2007–2008 and the COVID-19 pandemic of 2020. A number of experts and academics have declared the death of neoliberalism (see, e.g., Cooper, 2020; Jacques, 2016; Sitaraman, 2019; Saad-Filho, 2020; Wong, 2020). To be fair to many of these interventions, these writers, such as Saad-Filho, are often focusing on what they see as the failings of neoliberal approaches in light of the crises, rather than predicting any finality to the ideology. Nevertheless, there is a very substantial set of voices (responding to the same crises) declaring that elements of the neoliberal ideology remain deeply influential in many governance contexts (to only take a few examples, see Aalbers, 2013; Šumonja, 2020). Our case evidence leads us to endorse the latter caution against premature announcements of the death of neoliberalism. Secondly, in an analysis that shares many of the concerns and analytical points with the future of neoliberalism debate, there is also a growing set of claims about the return of the state—in response to the recent financial crisis, the current global health crisis and other events. Observers are also raising worries about implications of various state responses to the COVID-19 pandemic that are out of keeping with the Western liberal democratic tradition (e.g. see Goodwin, 2020; Flynn, 2020; Coyne & Yatsyshina, 2020). The danger of such discussions, as some of the authors such as Flynn explicitly acknowledge, is that the focus of these narratives on ‘return’ can obscure the reality of a continuing central role for the state during the whole period.

The findings in our previous chapters strongly emphasize the reality that the state has never lost its central steering role in the decades since neoliberalism explicitly entered the political rhetoric of Western Democratic governments as well as other regimes. Neoliberal thinking helped to shape a re-thinking of the tools in use as well as how these tools were utilized, but the core role of the state remains. Our sectoral studies underline, for example, the importance of regulatory, state-driven policy tools that

continue to govern as well as form the underpinning of other governance instruments. At the same time, however, the findings indicate the corollary dynamic, that is that neoliberalism has embedded itself in how the Western Democratic state has functioned, in the innovations in governance that these states have adopted and in how the state will continue to function in the years to come. The fundamental message of this chapter is that a more nuanced understanding of the state, the nature of governance and the role of neoliberalism is necessary. Economic crises, populism and pandemics have not killed neoliberalism, although these events and the disruption they have triggered have brought in other voices and forced a change in both rhetoric and policy content. Steering at a distance, and expectations about efficiency and accountability remain embedded in contemporary governance and are likely to be so for more decades to come. As one pathway for the state in deciding what is an appropriate toolbox, neoliberalism will remain in place, just as Keynesianism endures and—explicitly or implicitly—has been re-emphasized in the COVID-19 pandemic in various countries (Béland et al., 2021).

This chapter presents an overview of neoliberalism's impact on governance and how the state wields its tools for governing. The next section revisits the framing of neoliberalism in order to move the concept away from its typical dichotomous positioning. As part of the reassessment of neoliberalism, the section also reflects on the importance of elections, institutions and ideas in shaping the state trajectory. The third section suggests important future research directions that are needed to develop a more nuanced understanding of state governance. The fourth section concludes the book by reflecting about the future of the state.

2 CORE THEORETICAL THEMES

2.1 *Neoliberalism and the Findings*

Neoliberalism has certain core beliefs: the economic market contains the necessary mechanisms to resolve the full range of collective action problems that humankind faces; political values should be structured to enhance the roles and responsibilities of individuals and competitive markets; the tendency of states to conduct interventions in economic, social and other policy problems is likely to be defective and at best inefficient; the continuing role for the state, nevertheless, is to generate favourable political conditions for the operation of the market (e.g. through the enforcement

of contracts) and to address a relatively small number of market failures. Our findings from the case studies underline the reality that the fundamental expectations for governance laid out in the Chicago School, Thatcher, Reagan and so on ideologies have not been fulfilled. The state continues to conduct interventions in markets and many of the traditional tools of public policy remain firmly in place.

Nonetheless, the evidence shows equally that neoliberalism has had a direct impact on state governance in terms of the tools that are utilized and how these tools are wielded by the state. We see at varying points marketization principles, for example, being used to govern in all policy sectors. Neoliberalism has also had an equally significant indirect impact in that it has shaped how both the elites and the general population have viewed the larger world beyond the policy sector, which in turn has constrained expectations of policy actors in each sector. Thus, the argument about the importance of global markets and the need to protect or enhance economic competitiveness has made its mark on state governance, whether in an older policy sector such as education or a newer one such as the environment. Such values and ideologies have both shaped the policy agenda in terms of priorities for action and constrained the range of possible approaches to solutions, creating, for instance, the challenge of acknowledging the relative importance of the climate crisis when it remains unclear if any set of current solutions acceptable to neoliberals will be sufficient to avert possible disaster.

Rather than understanding neoliberalism in dichotomous terms (alive vs. dead, success vs. failure), our evidence indicates the need to see the governance practice in terms of hybrid approaches and practices, in which neoliberalism has a significant, embedded presence (Stenson & Watt, 1999). Here some of the literature on 'advanced liberalism' helps to illuminate the important but hybrid presence of neoliberalism, which shows no signs of ceasing in the context of our case countries. Without engaging with the epistemological and ontological considerations about governmentality that inform the advanced liberal approach (see especially Rose, 1993, 1996) and its critics (e.g. Barnett et al., 2008), we find some of the advanced liberalism's analytical categories useful for understanding our cases. The advanced liberal analysis sees a governance trend involving states articulating the goals of new public management, deregulation, privatization, individual responsibility in a way that diffuses government power across various areas of civil society and the private sphere (Green, 2007, p. 60). In doing so, state power can be strengthened through new

techniques and strategies which uphold the autonomy of these societal sectors while at the same time allowing governments to exert control and steer individuals and organizations. Some scholars go further to argue that this is a process where states have been reconfigured, but in such a way where the states remain an important domain of knowledge, powers and practices (Higgins, 2001).

The advanced liberalism literature has isolated several logics which it detects in modern governance that underpin such a state reconfiguration. One prominent logic is that a range of new techniques for exercising scrutiny over authority have been put into place, most notably audits, accountability and budget disciplines (Rose, 1993, p. 295). Scholars in this area stress the implications for experts and their engagement with society, with the questions raised about the truths these experts hold, as well as the desire to empower societal actors to make their own choices and take on responsibilities for the achievement of policy goals. Particularly important for our analysis is how these techniques place a distancing between political authority and the machinery that actually governs.

A distinct yet related logic is that the tools of direct governance should be moved from the central state mechanisms and engagement with society, and devolved to bodies and organizations autonomous from the state (Rose, 1996, p. 157). Instead of governing, the state should steer society by shaping the exercise of the powers found in these latter groups: these include firms and corporate entities, organizations such as schools and hospitals, communities, professional bodies such as medical associations and individuals (e.g. enabling citizens to act as consumers who can exercise choice between, for example, different sustainable goods and effective schools). This effort has involved implanting particular norms such as the importance of competition. These norms are enforced by 'contracts, targets, indicators, performance measures, monitoring and evaluation'; these policy tools are more formal and give at least the appearance of greater transparency of how performance is assessed compared to more traditional governance (Higgins, 2001, p. 303). The tools used both govern the conduct of these societal actors and confer upon them a certain degree of 'decisional power and responsibility for their actions' (Rose, 1996, p. 157). Thus, the state has given more scope to tools that transform individuals and organizations into actors that can undertake active roles and manage their own risk.

By these logics, those who govern should opt for a more coordinating role as opposed to one involved in directing and intervening, while

ensuring that conditions are favourable for firms, organizations and individuals to manage and regulate themselves. Nevertheless, our cases reveal that even where the advanced liberal logics have embedded themselves in the governance process, the state remains at the core, the central actor. The state's relationship with actors has changed, and there are elements of self-governance and certainly on issues—such as the environment—transnational governance, but in the main policy priorities the centrality of the state and its steering remain. Furthermore, there is a core element of coercion at work that the state exerts over society generally as well as over the most directly affected interest groups. Although this hybridity has elements that meet the neoliberal expectations (increased use of market, financial and informational choice to empower societal actors), the sustained existence and impact of more traditional regulation as well as newer regulatory versions emphasizes the need for a more nuanced approach.

The hybrid nature of this governance is reflected in all of our four policy sectors. In the education sphere, Australian governments instituted various measures including grant programmes and series of guidelines to inform performance while aiming to give greater autonomy to schools but ensuring performance through testing and reporting. The Canadian educational system has witnessed provincial governments being granted greater power to institute standardization and parental choice while the federal level remains more in a coordinating role. In the wake of the Programme for International Student Assessment (PISA) results, German *Länder* reduced the power of supervisory authorities in favour of the schools while at the same time imposing new sets of standards and evaluation procedures. The Thatcher revolution in education involved new systems and curricula that enabled more competition between schools in England while also empowering school heads and school boards. The series of reforms in Italy gave more planning powers to regional governments and greater managerial powers to school heads while creating an infrastructure for a national assessment of schools. Several decades of reforms in the Netherlands saw greater school autonomy and the enhancement of the powers of school boards, matched by quality standards and other accountability standards. Nevertheless, in all six countries, state authority remains, and indeed in certain countries such as England state power has increased via the reforms. There may be a move towards an 'inspection state', but the central state steering remains.

Shifting to health policy, a series of Australian federal governments have sought to alter the regulation of the insurance market to incentivize actors

in a way that enhanced sectoral efficiency. England has witnessed several efforts to reform the National Health Service, including the incorporation of internal market rules to provide competition, enhancing patient choice and empowering general practitioners. The Kohl government in 1993 sought to bring greater competition between the sickness funds to give German citizens greater choice in health funds. The 1992–1993 reforms in Italy saw the strengthening of regional autonomy while also transforming local health units and major hospitals into public companies. The second Balkenende government instituted a mandatory insurance scheme containing a regulated competition system seeking to create competition and citizen choice in the Dutch healthcare system. Nevertheless, the hybridity is striking in the organizational model of health provision found particularly in England and Canada. The Australian federal government exercises strong steering through its funding role and setting of the benefits provision. In both Germany and Italy the state has maintained a strong public regulatory effort to govern insurers and regulate healthcare service. Over the time period studied in this book, the Dutch government has expanded its role in supervising and regulating the healthcare system.

England and the Netherlands initiated the liberalization of energy markets in the name of efficiency, with the Thatcher government and both its Conservative and New Labour successors promoting privatization, competition and enhancement of consumer choice in electricity and gas markets. Although the European Union (EU) electricity market directive triggered the process, both Germany and Italy have followed through with significant market liberalization efforts of their own. Australia and Canada have followed a similar, if uneven, trajectory with different states and provinces acting as leaders and laggards. On closer inspection, however, it has been the supervisory role of the state, exercised largely through regulatory instruments, which has created, shaped and reformed these markets. Thus, although these liberalization efforts have occurred at much the same time, what emerges most clearly is the persistence of national (and, in the Canadian and Australian cases, subnational) idiosyncrasies rather than convergence on a single model of liberalized best practice, the result of governments pursuing their own policy objectives with respect to energy and its related sectors such as climate change or consumer protection. We find the federal state in Germany able to set overall direction for energy policy in the context of the *Energiewende*, just as the British government—in spite of and even to some extent in response to the ideologies of Thatcher or Blair—has maintained its central steering role with

respect to energy, reorganizing and reinventing rather than abandoning its hierarchical and supervisory instruments. Regulatory tools have played core roles in Australia, Canada, Italy and the Netherlands, dictating everything from the choice of primary energy sources for power generation, the fate of stranded infrastructure and the options available to consumers in the face of rising energy prices, at the same time that governments paid lip-service to the idea that these should be the transparent outcomes of competitive energy markets rather than the relatively opaque results of sectoral policy processes. Even when governments were elected on avowedly neoliberal platforms, too much was at stake to do otherwise.

Regulatory tools perform a similarly core foundational function in environmental governance in each of the six case countries, including in areas of underpinning market and informational instruments to empower more actors to act in a sustainable fashion. Australia, Canada and the Member States of the EU have experimented with market-based systems such as the Murray-Darling Basin water trading, the Emissions Trading Scheme and provincial climate schemes in Canada. The environment sector has witnessed a substantial increase in instruments seeking to place shared responsibility on societal actors. Accordingly, voluntary agreements, internal audit schemes, management standards and codes of practice have been set up in the EU and all six case countries. At the same time, all six countries and the EU have set up eco-label and other informational schemes to empower responses from both corporations and members of the population, whether acting as environmentally engaged consumers (eco-labels) and/or citizens (community consultation and educational campaigns). The focus on sustainable development in Australia, Canada and the EU also indicates the embedded nature of market dynamics and the desire of policy actors to balance both concerns. This has also led an effort, for instance in the EU, to incorporate concerns about market competitiveness into the design of regulations. Despite the evolution of regulation that we see in a number of countries, as well as having the regulation supplemented by a range of financial and informational instruments, the continued importance of hierarchical governance is demonstrated across all six cases and the EU. Environmental protection is not simply framed in a neoliberal mode; certain core values of environmental protection that were embedded in the initial framing of the sector in the 1970s still exert a powerful framing role.

2.2 *The Role of Institutions*

The framing premise of this book has been the question of whether a particular ideology, neoliberalism, has transformed the role of the state to the degree that its proponents have expected. Part of the partial and hybrid nature of that answer rests on the continued importance of institutions. The more traditional notions of institutions as sources of authority, norms and rules that shape the subsequent governance choices and thinking of the policy-makers that follow are highlighted in this section.

One of the key reasons for our country selection was to highlight the impact of federalism more generally as well as the differences within federal systems. The institutional differences found in the relatively unitary and non-devolved English politics and the comprehensive policy and budgetary power of the United Kingdom (UK) central government is stark in comparison to the range of veto points (as well as separate laboratories for policy ideas) found in Australian and Canadian states and provinces, despite the shared Anglo-Commonwealth histories and values. Equally strong is the comparative difference between, for example, the dual federal approach found in Australia and Canada versus the cooperative and administrative federalism operating in Germany. As Chap. 2 emphasizes, elements of cooperation and conflictual tensions exist to varying degrees in all of our case countries.

Thus, we can see the greater scope for the Australian federal level to wield regulatory and financial power compared to what we find in Canada. Equally, the more cooperative approach to federalism in Australia has allowed more coordination and strategies to improve interconnectedness and access to the national electricity grid, and monitor and adjust the sector in the wake of the market liberalization changes. However, federal efforts in Germany to push educational reform met a level of resistance we might expect in Canada; in the latter case, the Canadian federal government managed to succeed in establishing what might be considered at the very least symbolic efforts to stimulate intergovernmental cooperation within the limits of the Canadian constitution. Likewise, the cooperative federalism found in Germany has not always had the expected effects in the energy sector although it has enabled the federal government to more systematically address climate concerns within energy policy compared to the two dual federal states. The differences in intergovernmental cooperation can be seen in sectors within the same federal country; Canadian federal coordination and efforts to collaborate have met with more

difficulty in the energy and environment sectors. By comparison to these federal systems, the unitary dominance of the Westminster system in England enabled both right and left governments to follow a profoundly transforming programme that centralized and marketized the educational system and the energy sector.

Beyond the question of the organization of intergovernmental politics, we see other deep institutional dynamics playing significant roles in the evolving state governance. One example is the Netherlands where the traditions of pillarization have guided governance reform down particular pathways. Accordingly, the pillarization dynamics have helped to enshrine the autonomy of Dutch schools, and reforms such as those in 1988 gave schools greater control over organizational and financial powers. Germany shows corporatist dynamics, for example, with respect to health policy. Elements of the classic German health policy have changed, but core elements remain in place, such as involving representatives of sickness funds, hospitals and practitioners in the process of regulating the healthcare sector. The energy case study makes the point that elements of corporatism had their presence in English public policy that the Thatcher government had to work gradually to dismantle and impose its neoliberal vision in its place.

A separate institutional dynamic that the book has uncovered is the differential impact of the European Union, reflecting its institutional limitations in terms of the EU's policy scope. The relatively limited budgetary and policy authority that the EU has with respect to the education and health sectors stands in significant contrast to what we see in the energy and environment fields. The EU, particularly in terms of its internal market rules and norms, does have some impact on the former policy sectors. Efforts to create a common approach to educational qualifications have had substantial direct impact on the sector, and the dynamic for workers and citizens more generally to exercise their free movement rights raises questions for healthcare protection and provision. Nevertheless, the EU electricity market by comparison reframed the governance approach of a number of our case countries, arguably most dramatically with respect to Germany. The EU's influence is even more salient in the case of the environmental sector where EU regulatory, financial and informational instruments provide a bedrock for much of the governance occurring in our four EU Member States.

2.3 *The Role of Elections*

The framework of this book has stressed the importance of politics, in addition to ideational and institutional factors. Given the longitudinal focus of the book, it is worth emphasizing something that tends to be kept more in the background of policy analyses, namely the role of national elections in shaping and reshaping the trajectory of national governance approaches. These dynamics can be particularly seen in our first case country, Australia. It is notable how the entrance of Labor governments has fashioned the shape of Australian governance in education and environment in the 1970s and 1980s. These political changes have brought both progressive and neoliberal approaches to the fore. These significant moments are not only the preserve of the Australian left: the Howard government instituted a significant reform of private health insurance on the back of the 2007 election. At the same time, Australia is the best case for a dynamic that our evidence has seen less frequently, specifically as an event for focusing opposition and backward reflection upon and perhaps even testing of policy and instrument choices. Accordingly, the Conservative coalition in Australia used the electoral competition process to build a governance position hostile to Labor's climate change remedies, culminating in the election of the 2013 Abbot government, which quickly dismantled the core elements of Labor's climate change programme.

The sectoral case studies find indications in the other countries, more visible in some countries (e.g. England) than others (e.g. Italy). Although the neoliberal programme took some time to change the governance picture found in education and energy, the UK's 1979 election of the Thatcher government set a marker for ambition of the succeeding Conservative governments, which its ideologues such as Lawson implemented over the course of the later governments. On the back of its 1997 election, Blair's Labour government instigated a major re-think of elements of the Conservative 1990 reforms, seeking to bring some competitive dynamics to the healthcare system. Although the full implications of the UK leaving the EU are not the focus of this book—nor will be fully known for decades to come—the significance of the 2015 election with the Conservative platform promising a referendum on EU membership only looms more significantly in all dimensions of UK policy-making. Another significant electoral marker for public policy is the 1982 Dutch national elections with the election of the Lubbers government, which

used its mandate to instigate a range of neoliberal changes in education and environmental policy.

In highlighting the role of elections in our conclusion, we are not downplaying other factors that have shaped critical junctures and governance shifts. Certain crises and events (German Reunification, the Chernobyl nuclear accident, the 1970s oil shocks and the financial crisis of 2008–2010) and particular decisions (budgets, new institutional arrangements and legislative programmes) can also trigger change, both directly and indirectly. Particularly in the energy and environment sectors, we see environmental and energy sector accidents sending potential shocks and negative feedback into the system. At the same time, however, the evidence in the chapters suggests that the political and policy elites must take the step of framing (and/or accepting the framing of others) events as a prompt for action. This reinforces the importance of highlighting elections in our concluding analysis to emphasize the role of politics and contestation in shaping governance.

2.4 *Sequences and Critical Junctures*

The emergence of the role of elections as a pivotal driver of governance change raises a broader question of the explanation of governance trajectories in terms of sequences and critical junctures. The idea that existing governance arrangements are the outcome of successive rounds of policy-making, each relatively stable until undermined or ‘punctuated’ by events such as elections, economic crises or international tensions, is well established in comparative politics and presented in Chap. 1 (Sect. 4.2). Our cases contribute to contemporary interest in providing a more nuanced understanding of stability and change in governance arrangements over time, especially in understanding both the hidden dynamics of periods of apparent stability and the range of events, internal to a policy sector and external to it, that may be described as ‘critical junctures’ that open up possibilities for a change in trajectory.

Neoliberalism is a set of ideas that attempted both transformational change in governance and the creation of a new orthodoxy supported by institutions and practices that would prevent backsliding. Much of the early literature on the explanation of policy change emphasized the difficulty of a radical transformation on this scale, citing a variety of self-reinforcing mechanisms that lock the consequences of an original decision into a developmental pathway that would be increasingly difficult to

change (Pierson, 2000; Rosenbloom et al., 2019). At first, these arguments were deployed to suggest that the institutions developed during the era of a more activist state would be strongly resistant to the neoliberal project unless events outside these well-established policy subsystems provided a critical juncture in the form of an ‘endogenous shock’ powerful enough to undermine them (Pierson, 1994). Our country analysis usually begins with a series of such shocks, leading to the election of governments committed to responding to the challenges of the 1970s and 1980s with transformational change. However, these governments, in turn, attempted to exploit the very same mechanisms of institutional rigidity to ensure that their policy innovations would be difficult or impossible to reverse (Carey et al., 2019).

Thus, our cases document a broad expectation that the new instrument mixes introduced in the 1980s and 1990s would themselves benefit from positive feedback loops, creating a desirable self-reinforcing ‘stickiness’ of the neoliberal reforms (Pierson, 1993). Both the existence of sunk costs, for example, in energy infrastructure or the training of particular educational or health professional specialties, and the increasing benefits expected from supporting an existing line of development were proposed as self-reinforcing in this sense. In addition, the literature cites growing familiarity with practices such as competitive markets or shadow markets for goods and services previously provided by the state and subsequent decisions taken in the expectation that these markets will persist and expand in scope as further means of self-reinforcement. Where time was short or opposition especially strong, neoliberal reforms such as utility privatizations were sometimes even undertaken in the spirit of the Great Leap Forward (Moran, 2001), a deliberately destructive attempt to engineer a crisis and ensure that the cost of reversing the neoliberal measures introduced to address it would be unacceptably high.

Instead, our cases demonstrate how the progress of neoliberalism has been much more complex and uneven, encountering both opportunities and setbacks as a result of intra-sectoral feedback mechanisms that have often been negative and disruptive of the original trajectory (as a result of learning) as well as featuring the familiar positive feedback loops of the path dependency literature (Daugbjerg, 2009; Howlett & Rayner, 2006). For example, in the energy sector the neoliberal steps led to costs to consumers and posed longer-term issues in terms of compatibility of these steps to climate policy demands. An illustration of the complex evolution that follows is that Germany was much slower in implementing EU

market liberalization policies. This actually placed Germany in a better position to respond to climate change demands because German policy-makers did not assume that the EU emissions trading system could be relied on as the main climate change response, and they accordingly implemented tax and regulatory instruments to address the need to reduce energy consumption. The EU and the Member States only gradually realized that the more voluntary (and less politically challenging) approaches to climate change were not addressing climate imperatives.

This slow (and sometimes apparently directionless) process of incremental change remains at risk of punctuation and re-orientation by dramatic external events, of which the financial crisis of 2008 was significant in most of our cases. While sectors like education might not face particular exogenous focusing events such as the Fukushima nuclear accident and the Seveso chemical plant disasters, reports, such as one by the Programme for International Student Assessment, have provided negative feedback when policies are being evaluated, laying the ground for policy change. Although the cases highlight the potential for such reports, it is important to highlight the country context and the fact that governments can limit the impact and significance of these reports, just like other tools of governance. For example, in Australia, two reports (the Garnaut Report and the *Reform of Energy Markets Report* mentioned in Chap. 5) recommended emissions trading but were repudiated by subsequent governments reflecting the changes in leadership and ideology.

Most of the 24 cases demonstrate incremental sequences in which changes have happened in apparently marginal terms, by adding or subtracting a few instruments or tinkering with their settings. Nevertheless, in the medium to long term, the cumulative effect of these marginal changes has significantly altered the characteristics of the sectoral policy mixes, not always in the direction predicted by neoliberalism. Obviously the timing of this process has been characterized by similar, profound punctuations right across the sectors in some countries (i.e. England and the Thatcher government's push to alter UK governance), while it has been more variable, but apparently unavoidable, in others.

Confronting similar challenges (the crisis of the welfare state, the threat/opportunity posed by globalization or the challenge of climate change), all countries have taken into consideration the same bundle of policy instruments from which they have drawn their solutions. Within

sectors, negative feedback, such as learning about instrument performance in the context of shared sectoral challenges (e.g. Dutch policy-makers learning the limitations of the environmental permitting system as noted in Chap. 6), has generally constrained the bundles of acceptable policy instruments even further, leading to similar instrument mixes across the different countries even as the timing of particular instrument adoption has differed according to the national political and institutional characteristics (Daugbjerg & Kay, 2020).

Here, one of the key findings of this study emerges. As noted in the previous section, the most important precondition for the appearance of a critical juncture takes place in the political dimension in the shape of elections or other changes of government. The other kinds of endogenous events are obviously important, but their impact is felt at one remove, filtered through the interpretations of their significance provided by national (and sometimes subnational) politics (Béland, 2009). Our cases suggest that when faced with a common challenge, national-sectoral policy-making requires above all electoral turning points to allow new ideas (neoliberal ideas in the case of the historical period covered in this book) to arrive on the decision agenda. This reflects the interactions depicted in Fig. 1.1 in Chap. 1. Emphasizing the central role of the state once more, it is only after this point has been reached that we see new content and direction in the sequences of sectoral policy development, sequences that can now themselves only be changed or reversed at another critical juncture.

This conclusion supports a growing body of work re-emphasizing the importance of mass politics for understanding policy change (Béland & Schlager, 2019). Policies have impacts on the lives of citizens, who can be mobilized in support for or opposition to them, a fundamental feedback loop in democracies that has sometimes been overlooked in case studies of policy change in a single sector in one country. Our caveat takes the form of a reminder that this political mobilization is not brought about by new political ideas (such as neoliberal ones) directly. The ideas are experienced as the consequences of policy instruments introduced in the context of national-sectoral subsystems and the actual characteristics of the state that are found there. Thus, the common sequence has not been a simple convergence on less rather than more state but from a relatively simple and direct role of the state to more complex and sophisticated forms of public governance.

2.5 *The Interaction of Ideas and Institutions*

One of the most important findings of this study is the demonstration that the instrument mix (and hence the governance mode) in a policy sector can change substantially over time as the result of predominantly incremental processes rather than only as a consequence of rapid and dramatic policy innovation. We have noted how this conclusion presents something of a challenge to the prevailing understanding of policy change over the long term as a process of ‘punctuated equilibrium’. Punctuations, in the sense of large-scale policy change, certainly occur, but ‘equilibrium’ is perhaps not the best way of describing the process of everyday policy work and adjustment that is, very occasionally, overthrown at major turning points or critical junctures in a policy sector. In particular, we have drawn attention to the role of two kinds of incrementalism in bringing about policy change (Cashore & Howlett, 2007).

Progressive incrementalism occurs when the typical small steps of incremental change proceed in a consistent direction over a decade or more. As its proponents have argued, it can be a very effective approach to managing change in otherwise very entrenched policy sectors because each individual step presents a minor challenge to the status quo and is less likely to provoke organized opposition. The challenge for progressive incrementalism is, of course, how to remain on track over time; and the longer the period of intended change, the greater the challenge will become. Failure to proceed in a consistent direction will lead to disjointed incrementalism instead, where change appears, in retrospect, to have taken a wandering path and arrived at an unintended destination. We note that both kinds of incrementalism—progressive and disjointed (e.g. compare Italian environmental and educational sectors)—can, over time, lead to change and our sector studies show examples of both.

Our conclusions suggest the need for further work on the interaction of institutions and ideas in determining whether incremental change will be progressive or disjointed, and how long a process of one or the other kind of change will persist. Ideas, in the sense of a new policy paradigm, are sometimes invoked to explain rapid and significant policy change. However, ideas in the sense of the rhetorical framing of a problem in such a way as to promote a particular kind of desirable solution can help to maintain a trajectory of change even when confronted by institutional rigidities. Neoliberalism operated in exactly this way. For every case where neoliberal reforms were introduced all at the same time at a critical

juncture, there are others where they proceeded in a more leisurely fashion. A series of small steps eventually created a market, enabled choice, promoted audit and evaluation and framed the problem in terms of efficiency.

Nonetheless, our story is also very much one where the original impulse of neoliberalism is more or less rapidly spent, and dynamic processes of adjustment begin to create unintended outcomes. We have already noted the role of negative feedback mechanisms, but ideas are also important. In at least three of our sectors, for example, there were prevailing ideas about policy goals and the appropriate instruments for achieving them that were partially at odds with neoliberalism. These include sustainability in environmental policy and the idea of balance inherent in the healthcare triangle and the energy trilemma, all of which enabled advocates to push back against an emphasis on efficiency as a single overriding objective. Although beyond the scope of this book, the Ukraine war and the return of the energy security narrative is a case in point. These ideas have provided important justifications for the new roles of the state in governing after neoliberalism and for the complex mix of instruments that have been adopted across the board. How these ideas interacted with institutions, the role of transnational ideas and policy communities versus national and sectoral ones and the relative importance of the technical kinds of framings shared by professional policy actors (in contrast to the more caricatured versions of them that are promoted by political actors oriented towards mass publics) remain open questions well worth further investigation. We now turn to other important themes that the book has identified for future exploration.

3 FUTURE RESEARCH DIRECTIONS

Having assessed the findings in the previous section as well as Chap. 7, we now turn to promising research areas that our evidence has indicated need further investigation.

3.1 *Drilling Down*

Given the scope of this book in terms of countries, policy sectors and decades, we have necessarily taken a macro-level approach to governance. We have given a sense of the overall array of instruments in each policy sector for each country at the beginning and ending of our temporal focus.

However, the focus on concrete policy instruments gives scholars access to a range of micro-policy dynamics that need further comparative research. The latter is the critical point: scholars have investigated heavily individual instruments in single policy sectors and countries but further cross-sectoral analysis is essential.

To just take a few of these possibilities, the findings indicate some of the important shaping dynamics (e.g. ideological shifts and political crises) and constraining dynamics that limit governance instrumentation. Nevertheless a lot more cross-sectoral, cross-national insights are needed to understand why particular policy-makers make particular policy choices. One possibility is to focus more heavily on the operating conditions that trigger specific instrument choice and design, across sectors and countries. For example, Capano and Lippi (2017) link the study of policy instruments to the question of macro-policy considerations by arguing that two key, often conflicting, drivers inform how policy-makers choose instruments; their approach focuses on how decision-makers perceive the instrument in relationship to the policy goal to be achieved (i.e. how to take into account the preferences and interests of the key political interests that confer legitimacy to the policy choices) as well as its wider context (i.e. how the choice of instrument fits with the cognitive framework, norms or the general approach within the policy sector).

Another micro-focus would be to study the dynamics behind the decision-making process across both political context and policy sector. Many policy scholars are turning to a more mechanistic perspective that isolates particular dynamics that activate particular policy outcomes (Mahoney, 2001; Gerring, 2007; Capano & Howlett, 2020). Tilly explains that mechanisms 'form a delimited class of events that change relations among specified sets of elements in identical or closely similar ways over a variety of situations' (Tilly, 2001, pp. 25–26). To illustrate, Holzinger and Knill (2005) identify a range of convergence processes that can change policy actor behaviour including imposition, international harmonization, regulatory competition, transnational communication, lesson-drawing, emulation and international policy promotion. A mechanistic approach may allow us to see patterns across place and sector that are leading to particular governance choices. For instance, to what degree do learning processes or international exemplars feature in the thinking of the governance actors who select instruments?

In both examples listed above, we expect process tracing to be the most appropriate method to uncover the rationale behind the actions (Bennett

& Checkel, 2015). This would involve both an extensive research exercise and platform in order to assess the importance of particular decision-making calculations, but at the same time would require careful case selection of the instruments in order to maximize the comparative value.

3.2 *Exploring Other Policy Sectors*

The four policy sectors in this study cover four core responsibilities of the modern state: education, health, energy supply, energy security and environmental protection/conservation. It is arguable that most Organisation for Economic Co-operation and Development (OECD) countries consider the first four policy priorities to be core tasks and this has been increasingly the case for the last policy area. There are a number of policy sectors beyond our cases that could push the analysis of how far the hybrid layering of ideological rationale shapes the policy instruments that govern and the role of the state.

Returning to the public policy distinctions (distribution, re-distribution and regulation) that Lowi (1964, p. 713) first offered in 1964, regulatory dynamics feature heavily in all four policy sectors, but much less so redistributive policies. There is a literature on policy instruments and welfare (e.g. Jensen et al., 2018), but it is important to assess how the political dynamics of having constituencies who benefit and lose from welfare policy (potentially more concentration of benefits while the costs are spread across a wider set of actors) may converge or diverge from the case studies in our book. To what degree do neoliberal dynamics become layered in the core policy tools? Much of the social policy literature focuses on how welfare benefits have been revamped in the age of austerity; at the same time, there is a push for new policy tools to deal with new challenges, such as the ‘new’ policy problems arising from, for example, challenges facing families (Häusermann, 2012). Do policy sectors with strong redistributive dimensions this sector pose unique challenges that restrain new ideologies and perhaps retain Keynesian assumptions, or do similar market-based rationales feature?

Lowi’s original 1964 typology raises the question of policy in terms of how it impacts society, generating coalitions with an interest in the policy outcomes as well as a desire to have power over those outcomes. This raises the question about policies that link to more intangible values and impact. Cultural heritage policy for example combines questions of history and identity for how communities see themselves and the wider

world. Nevertheless, a recent survey of European cultural heritage policy finds that the instrument mix within its sector does involve a diverse range of instruments (Zito et al., 2019) and that market rationales can pervade in this area (e.g. prevention of theft of historical cultural artefacts across the Single Market and cultural heritage messaging to boost tourism). Given the potentially complex and politically difficult elements to the creation of a 'common' European culture, we may see an even greater level of hybridity in ideas and beliefs that motivate instrument selection.

3.3 *Expanding the Comparison to the Global South*

Although our research scope ended up being necessarily limited to OECD countries given authorial expertise, we emphatically underline the need to extend the governance comparison to the non-OECD world. As has been widely documented, much of the implementation of neoliberalism in terms of instruments and altered approaches to governance has occurred in the Global South, whether on a voluntary or involuntary basis. Thus, for example, the International Monetary Fund has pushed a range of policies as the condition of support across countries both the Global North and South (Chwieroth, 2007). Equally, however, the evolution of instruments with a neoliberal focus has had some of its most significant developments in the Global South, with ramifications for the rest of the world; in particular, Chile under the Pinochet regime was a hugely influential testing ground, where the ideas and instruments then wielded a global policy influence stretching from New Zealand to England (Silva, 1991; Challies & Murray, 2008).

Beyond the significance of the Global South legacy in the development of neoliberal governance, there are other important comparative dimensions. For instance, how much of a difference do the distinct state traditions and coalitions of political interests in the Global South shape the instrument selection found there? For example, Rossouw and Wiseman (2004) note the continued impact of Apartheid structures on the environmental policy instruments and their implementation in the first ten years of democratic rule in South Africa. Another large area that needs greater examination is the impact of colonial and neo-colonial dynamics in instrument choice and implementation for governance. Shahjahan (2016) argues that international organizations such as the OECD and the World Bank enshrine governance practices in the area of higher education in the Global South that perpetuate and reproduce global inequities. These

organizations promulgate instruments, such as policy reports, performance indicators as well as technical assistance in a way that embeds colonial thinking and assumptions in the countries of the Global South.

Extending the geographic scope of the comparison is very important for themes covered in our book. For instance, the great variety of federal states reflecting often very different trajectories in state development would prove an illuminating effort, especially across policy sectors. Breton et al. (2007) published a very large survey of environmental governance that gave heavy weight to understanding the impact of institutions on governance and policy instrument choices and implementation. Including both democratic and non-democratic and unitary and federal systems (e.g. China, India, Ghana and Russia), the volume aimed in particular to understand the role of federal structures in shaping environmental governance. A focused comparison across policy sectors would greatly enhance the understanding of the impact of these institutional structures across the broader range of state governance.

3.4 *Understanding Instrument Mixes*

Our empirical effort has been focused on understanding the transformation of policy mixes from the early 1970s until 2018. Given the scope of the study in terms of time, geography and sector, there has been very limited room to explore the dynamics of how policy mixes actually work in practice, both within sectors and across sectors (Flanagan et al., 2011; Howlett & Rayner, 2008). One interesting question raised by the sectoral chapters is the persistence of instruments over time and isolating the point at which instruments dwindle in importance and/or get discarded in terms of the instrument mix. Public policy scholarship needs a great deal more investigation of the interactions between instruments to appraise systematically the effectiveness of instruments as they operate and interact in combinations within policy/instrument mixes.

There are some indications in our sectoral narratives and overall findings.

One set of findings focuses on the importance of regulations and hierarchical governance to underpin a broader governance system, as seen in the development of regulatory agencies to safeguard energy competition and service provision. This scenario is where instruments create building blocks and conditions for governance. There is an important interaction of instruments involving hierarchical governance that creates for example

market conditions that neoliberal perspectives expect to enhance policy efficiency. In a set of dynamics much harder to isolate and map, some of the sectoral narratives suggest the importance of intended and unintended consequences of an instrumental design on other aspects of policy. For example, the levies found in the 1969 Dutch Surface Water Pollution Act not only created revenue to fund water sewage efforts but also motivated a less anticipated change of behaviour that decreased emissions into Dutch water systems. Formulating more generally the dynamics between instruments, Howlett and Rayner (2007, 2013) argue that scholars should assess mixes in terms of the degree of policy coherence (i.e. the ability for the policy instruments to co-exist in a logical manner) and policy congruence (i.e. whether the instruments steer policy in the same direction).

Capano and Howlett (2020) note a number of gaps in the study of the policy mixes. Comparing instruments across sectors, time and political jurisdiction as we do in this work can help explain the importance of sequence and trajectories in the adoption of instruments as well as other temporal issues, such as the question of policy sector convergence and intersections and the impact of such dynamics on policy mix coherence. Capano and Howlett identify a range of other issues, including the need for better understanding of the decision-making behind policy choices as well as the dynamics that policy mixes trigger, how to measure performance of mixes and greater insights into the dynamics behind success and failure (Ibid., p. 4). Our work suggests a further analytical ambition, namely how to understand how policy mixes may interact across policy sectors in a way that determines their mutual effectiveness.

3.5 *Ideological Layering and Hybridity*

Hybridity is a notion that has gained considerable purchase in the study of governance. Operating within a legal perspective, Trubek and Trubek (2006) were amongst the first scholars to pose the analytical and political challenge inherent in modern governance. With their legal focus, they studied the interaction between what they describe as law, with its focus on hierarchical compulsion, and newer, often ‘softer’ forms of governance. They find that sometimes the two forms of governing can be in competition with each other, but the two forms can also co-exist ‘together in a hybrid form’ and substantially change the nature of policy (Trubek & Trubek, 2006, p. 541). Governance scholars operating in public policy and public administration circles have embraced this concept to make sense of

the current trajectories that resist traditional categorization (Capano & Pritoni, 2019). Koppenjan et al. (2019) see hybridity as a multi-dimensional concept. It can straddle and combine public policy spheres of action (i.e. state, market, networks and/or society), jurisdictional levels (e.g. local, national and/or international) and governance mechanisms (state, networks, markets and/or self-organization) (Ibid., pp. 14–15).

There are at least two dangers in embracing the hybridity concept. As with the concept of governance, hybridity is already being used in multiple ways that may lead to conceptual confusion. At the same time, the reality of governance may be so mixed as to render the concept a catchall category that becomes meaningless. Nevertheless, a binary approach to governance (state vs. markets, public vs. private) is both theoretically and empirically problematic. In this same vein, our book makes the case for the importance of acknowledging a fourth hybrid dimension, namely one of ideology. Whatever the promise and impact of neoliberalism and new public management, the reality of the values and approaches to policy decision-making is one in which there is a mixture of dynamics. One illustration of this is Brexit, the impacts of which largely fall outside the scope of our book. Nevertheless, even the 2018–2020 period has witnessed (not solely due to Brexit) the ideological split of the traditional UK conservative as well as Conservative Party approach to neoliberalism. In 2022 it has revealed multiple fractures in the UK policy-makers and approaches, to take only one example those seeking to undertake global, laissez-faire options versus those emphasizing more nationalist and interventionist approaches for the UK.

Our cases show some efforts at deregulation and privatization, but regulation and public steering remain in all of our sectoral cases. One important concrete conceptual step towards understanding the ideological hybridity of governance would be to drill down further into the evolution of regulations—what are the values, settings and calibrations that inform the core regulations in a given policy sector as they evolve over time?

4 THE FUTURE TRAJECTORY OF STATES AND GOVERNANCE AFTER 2018

The story of the end of the (potentially only the First) Cold War, particularly in light of the very costly war in Ukraine, and the debate surrounding Francis Fukuyama's, 1989 argument about the ultimate triumph of liberal democracy is a caution against pronouncements about the likely future

trajectory of the state and how people are governed. The war in Ukraine may lead to a more rapid abandonment of fossil fuels, a more vigorous extraction of fossil fuel reserves or a combination of both that varies from country to country. The same caution should be applied also to the effects of COVID-19 that some observers consider as a watershed for radical changes. It is notable, as this chapter is being written in the midst of the Omicron variant wave, the range of protests against state intrusion and mandates, as seen in Germany and the Netherlands, as well as the effort to push for a return to normal economic behaviour. The COVID-19 pandemic may turn out not to be a turning point.

The suggestion of our book is that any declared death of Keynesianism, neoliberalism and so on is problematic in a number of ways. Such ideologies continue to inform the role of the state. Ideational perspectives are layered in the policy sectors we have studied. Equally, an even cursory analysis shows the centrality of the state during the COVID-19 pandemic—from border controls and movement to direct support of the economy and investment in medical research.

While we may accept that the central but hybrid role of the state will continue for the long term, our research suggests that particular events and developments in the machinery of government may act as switch points that alter the balance of values and perspectives as to how to frame and resolve the policy problem. German Reunification, nuclear power plant disasters, pandemics and global economic crises can all force a questioning of the state governance approach; some equally important challenges may be much more gradual in their development and their manifestation (e.g. climate change). For example, it is quite probable that COVID-19 will be a switch point in the actual equilibria of governance and governments may maintain a more active role in ruling their socio-economic systems (Stiglitz, 2021) with respect to the recent decades. But again, this would be simply another step of the long-lasting story in which the state does its job according to the context, without losing its leading role.

States have struggled to cope with many of these crises. International cooperation has often featured, and it will feature in responses. Equally, certain transnational institutions may feature. Nonetheless, as a core means for delivering governance for the global populations, there is no sign of the fundamental role of the state lessening and therefore how and what each state learns about governing will be at the core of any solution. At the same time, the evidence of the book makes clear that the policy responses

that states opt for will be based largely on the ideological layering (which may vary in terms of the composition of the mix) already operating in the relevant policy sectors as well as policy instruments seen as available and/or suitable in that sectoral context. The latter toolbox may involve some experimentation over time, but it will still tend to rely significantly on extant instruments and ways of conceptualizing policy problems.

The experimentation is likely to follow certain ideological values that are compatible with the existing policy context and form a mix with the longer standing types of instruments. There does become a question of whether existential threats (world war and nuclear weapons, the climate crisis) can be resolved by these extant approaches or whether states will have to adopt a much more radical reordering of the policy sphere and democratic politics. The points of resistance to such a transformation are more readily apparent than the conditions that would trigger such a change.

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