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## **European Union Power and Regional Involvement A Case Study of the Political Implications of the Reform of the Structural Funds for Ireland\***

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The Reform of the Structural Funds process in Ireland, has the potential over time, to curtail the power of the national central public authorities, while increasing the political effectiveness of other actors. This policy process comprises a chain of collective decision making processes around important issues. These issues belong to different policy arenas, called the national and sub-national policy arenas. The policy outcomes in the different arenas are determined by the interplay of stakeholders with varying capabilities, policy preferences and saliences. Sub-national level actors in Ireland, have become more effective over time in the sub-national policy arena, but remain excluded from the national policy arena. However, the European Commission Directorate General XVI for Regional policy has emerged over time, as the most central actor in both arenas.

In 1988, the Reform of the Structural Funds of the European Union introduced new political structures, where one of the main objectives was to encourage participation of a much broader range of actors in the decision making process. In the present research, we limit our analysis to just one Member state, Ireland. As Ireland is a centralized, unitary state with a centralized semi-corporatist bargaining structure, we investigate how the Structural Funds Reform has been applied in this Member state. Did the Reform and to what degree, shift power away from Ireland's traditional national centralised elite over two time periods corresponding to the two rounds of Structural Funds: 1988–1993 and 1994–1999? If so we want to know whether this has resulted in an increased involvement of a broader range of actors from the national and European union levels as well as the sub-national levels in Ireland, and under which conditions this occurred.

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In the context of examining the political impact of the Reform of the Structural Funds, probably the most interesting theoretical development for understanding this policy process, is the concept of a multi-level governance (Marks, 1992; Hooghe and Keating, 1994; Hooghe, 1996). Marks argues «the point of departure of this multilevel governance (MLG) approach is the existence of overlapping competencies among multiple levels of governments ... states are not an exclusive link between domestic politics and intergovernmental bargaining in the EU» (Marks et al, 1996). Despite a growing literature in this area, the analytical measurement method for multi-level governance remains fuzzy, the concept being generally applied in a metaphorical sense. For example, in a recent study, it is proposed that we can examine the nature of multi-level governance in the Structural Funds policy area, by examining the varying success rates of Sub-national governments from different Member states, to establish regional offices in Brussels (Marks et al, 1996). Yet it is unclear why we should assume that sub-national governments, that have a physical presence in Brussels, necessarily have a level of political influence while those others, without a representative office in Brussels, must not. Moreover, since Commission officials travel regularly to Member states and regions to meet with the different levels of political interests, during the course of the implementation of the Structural Funds, it is even less obvious why physical location is a relevant indicator of political influence.

In this research, we adopt a more rigorous, theoretical approach to explore this concept of an emergent multi-level governance structure under the Reform of the Structural Funds. We argue that the key to understanding the impact of the Structural Funds Reform does not lie in a description of the policy developments over time. Instead we focus on the dynamics underlying the process of the Reform: its collective decision making process. In this chapter, we shall examine a number of policy decisions taken over the period 1988 to 1995 by the European Commission, concerning the allocation of Structural Funds in the Member state of Ireland. In the theoretical approach chosen, we will not assume that the European Commission and the Irish Member state stakeholders act as unified, single actors. Within the European Commission for example, we can differentiate between Directorates General and within the Irish Member state, between different Government Departments at the national level and between the national and sub-national levels of political influence. The policy process is perceived as a chain of collective decision making processes around important issues. In such processes, outcomes are determined by the interplay of stakeholders with varying capabilities, preferences and saliences

to shape the policy outcome. These stakeholders are willing to mobilize their capabilities, only if the issues are of sufficient interest to them and if their preferred outcome deviates from the one expected. This approach stresses the potential internal conflicts between actors of different levels, rather than presuming their unity.

Our research has identified two arenas of collective decision-making for the Structural Funds in the Member State of Ireland, the *arena of national policy making* and the *arena of sub-national policy making*. These policy arenas are distinguished by a number of institutional characteristics, following from the Reform of the Structural Funds Regulations as well as existing domestic financial commitments. We shall develop this discussion by examining how these different arena characteristics lead to the constraints under which sub-national actors enjoy more or less autonomy in the expression of their territorial preferences. This discussion generates two main hypotheses. The first and most central hypothesis is that the sub-national arena is the only arena where sub-national actors are involved in the policy process. An actor's level of political involvement may be different from other actors and may change over time. It reflects how effective the actor is in influencing other actors, so that the collective decision outcomes are as close as possible to that actor's policy preferences. We call an actor's level of involvement the *effective power of the actor* in that arena. A second hypothesis is that the sub-national arena is characterized by wider differences between the policy preferences of the national level actors, than is the case for the national policy arena. In order to measure the level of effective power of the different actors, as well as what degree of internal conflict of policy preferences there existed within groups of actors, we apply a quantitative collective decision making modelling approach (Stokman and Van Oosten, 1994; Bueno de Mesquita and Stokman, 1994).

### **1. The Reform of the Structural Funds and the Member state of Ireland: nationally oriented oriented and sub-nationally oriented policy making**

Under the Reform Regulations, effective regional development requires a functional-based policy response, rather than national sectorially led policies whose effects would trickle down to the regions (CEC, 1989). Examples of the Reform approach may be found in the calls for the functional co-ordination of industrial policy and labour market policies or appro-



priate infrastructural policy to complement policy for the tourism sector (CEC, 1989a). The Reform establishes a form of regional development policy that seeks to shift the emphasis away from large scale infrastructural spending in favour of local-development oriented operations such as training, technical assistance and direct investment in local business. In this regard, functional co-ordination requires both vertical and horizontal co-ordination and these two forms of co-ordination are related. Under the Reform, different sectorial interests, based at the regional level, were to be encouraged to work together for the benefit of their region. National sectorial Government Departments would facilitate this process by they themselves co-ordinating their policy objectives (Matthews, 1994). In the absence of a strong regional government structure (as was the case with Ireland, as well as Portugal and Greece in 1988), the importance of horizontal co-ordination across sectorial interests at the national level would become even more important, for motivating regional mobilization. In order to achieve this functional co-ordination, the Reform of the Structural Funds has introduced some new forms of administrative organization, which sought much greater institutional co-operation and coherence across the three separate Directorates General responsible for the three Structural Funds, the European Regional Development, the European Social Fund and the European Agricultural Guidance Fund. This requirement also obliges individual Irish Government Departments and their semi-state agencies, traditionally oriented towards distinct separate and sectorial policy interests, to co-ordinate their Structural Funds policy planning. This means that they would be required to widen their policy targets both horizontally to incorporate other sectorial interests and vertically to incorporate European union level and sub-national, territorial perspectives.

The Reform of the Structural Funds process is perceived as a series of collective decisions outcomes over time. «Collective outcomes cannot be explained without reference to the choices made by the actors in the relevant social system» (Bueno de Mesquita and Stokman, 1994). The range of the choice open to the actor is conditioned by the institutional characteristics of the social system. In Ireland, there are two arenas of collective decision making for the Structural Funds, the arena of nationally oriented policy making and the arena of sub-nationally oriented policy making. These arenas are distinguished by a number of institutional characteristics (see Table 1). First, the Reform of the Structural Funds stipulated a number of policy guidelines, including the use of Partnership, Programming and Funds Objectives, which are intended to strengthen the diffe-

rent forms of actor co-ordination in the collective decision making process (CEC, 1989). Second, there are formal funding arrangements under the Reform Regulations, which enable the specific targeting of a proportion of the Funds towards the sub-national actors in the Member state. Third, at the national level, there are a number of existing domestic financial commitments, which constrain the organization of actors in Ireland (Chubb, 1993).

### **1.1 The National policy arena for Structural Funds in Ireland**

Before the Reform, a Member State would negotiate with the Commission a number of project grants. Project grants were straightforward financial transfers to Member states for individual policy measures. The allocation of the project grants involved periodic sets of negotiations, often on an annual basis, between the responsible Directorate General and, in the case of the Member state of Ireland, the Irish Department of Finance. The project grants were financed from one of three separate sources, the European Regional Development Fund (ERDF), the European Social Fund (ESF) or the European Agricultural Guidance Fund (EAGGF). The various responsible Directorates General of the European Commission made no real attempt to co-ordinate the allocation of these three different Funds as part of an overall strategy for socio-economic development in the Member State (Lowe, 1988). At the Member state level, before the Reform, the vast majority of all Irish public policy making was carried out at the national central level. Each of the Government departments were responsible for their own particular sectors of public policy, which were generally administered on a nationwide basis. Traditionally, the level of co-ordinated action between the central government departments, including various other Irish public authorities, was very weak (Chubb, 1993). Although in 1988, a number of Irish government departments had regional offices, these served an administrative purpose only. Moreover, each Government Department used their own particular set of regional boundaries, with generally very little overlap between these different sets. At the sub-national county and local levels in Ireland, the responsibilities of local level government and administration were very minimal compared to those of most other European countries (Hart, 1984).



Table 1: Characteristics of the National and Sub-national Structural Funds Policy Arenas in Ireland

Characteristics	National policy arena	Sub-national policy arena
1.1 Forms of Actor Co-Ordination	Horizontal	Vertical
1.2 Types of Funding Arrangements	Sectorially Targeted funding	Territorially Targeted funding
1.3 Existing Domestic Financial Commitments	Existing financial commitments are relatively large and transactions costs to co-ordinate with new sub-national actors are high.	Existing financial commitments are relatively small and transactions costs to co-ordinate with sub-national actors will be relatively low.

The Reform of the Structural Funds in 1988 introduced the use of Programming and Fund Objectives as mechanisms for strengthening sub-national involvement, through encouraging central Irish Government departments to co-ordinate across their sectorial policy interests. Till the Reform, the allocation of monies from the Funds to Ireland was viewed essentially as a separate exercise to policy planning for the expenditure of these monies. However, after the Reform, the amount of funding drawn down by the national public authorities was to be linked with its planned expenditure within the Member state. As a result, an array of actors not previously concerned about these negotiations with the European Commission, might now seek involvement in the Structural Funds policy process. In particular, the Reform Regulations reflected the argument that a lack of horizontal, sectorial co-ordination between public authorities at a national level of a member state, for example, Ireland, provided little incentive for its sub-national actors, within a region or local community to come together to co-ordinate and represent their (territorial) interests at the national and European Union levels (Leonardi, 1994). The Reform Regulations called for increased *horizontal co-ordination of sectorial interests*, for example those of Irish Government departments so as to enhance the possibilities for more effective involvement of sub-national actors in the Structural Funds policy process over time (see Table 1, Section 1.1; National policy arena). A second distinguishing characteristic of the national policy arena is the use of *sectorially targeted Structural Funds*. Under the Council of Ministers Regulations, we can distinguish between two general types of funding distribution, *sectorially targeted* funding and *territorially targeted* funding, in terms of the stringency with which they require the Member state government to target sub-national actors (see Table 1, Section 1.2). The respective importance of these two types of fun-

ding lies in the potential they hold out for using Structural Funds to finance local indigenous development schemes, as opposed to the traditional large scale sectorially oriented programmes that characterized funding under the pre-Reform era. The rules governing the kind of funding distribution under sectorially targeted Structural Funds do not specifically require the Member State government to target sub-national actors. However by encouraging horizontal co-ordination across sectorial policy interests, the aim is to motivate national sectorial actors and sub-national actors to co-ordinate their interests.

Along with the institutional constraints imposed by Reform Regulations, there are also a set of *existing domestic financial budgetary commitments* which limit the range of choices for expenditure in either of the two arenas. Let us consider the budget of a public authority, such as a national Government Department. Its budget may be split up into three types of expenditure: the core expenditure which is to finance the internal costs and which is directly controlled by the authority's own decisions; the program expenditure of the public authority concerns the funding which it allocates to other departments or subordinates (semi-state bodies) and private interests, and over which it has direct supervision<sup>1</sup>; the superprogram expenditure is money which the public authority is responsible for, but over which it has little direct supervision. The superprogram expenditure may cover financial allocations from national authorities to sub-national, territorial-based actors, including local government (Dunleavy, 1991). A public authority actor whose overall budget consists primarily of core and program expenditure, will be involved in supervising large scale, long-term, discretionary financial transfers to other actors, in both the private and public sectors. In order for actors involved in these kinds of transfers, to reach agreement, they are usually required to make «transactions-specific investments» – for example money, time and expert knowledge. Given the potentially high risk of transactions costs associated with these type of economic transfers, they are usually organized in hierarchical institutionalized structures, for example, national level corporatist agreements between national government and the most powerful private interests in the economy (Williamson, 1975). The organizational form associated with core and program expenditure ensures that public authorities can deal effectively with sectorially organized corporate «clients», such as powerful farmers' organizations and large scale business interests.

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<sup>1</sup> Dunleavy has defined two separate categories («bureau» and «program») to describe this type of expenditure. Here, we have combined these two categories into a single category, which we refer to as *program expenditure*.



These are the traditional recipients of the contracts and transfers; they are relatively few in number and are able to organise a flowback of benefits in return for officials exercising patronage on their behalf (Dunleavy, 1991).

In Ireland, at the time of the Reform in 1988, there were a number of national public authorities for the most part central Government departments who, until then, had responsibility for the expenditure of European Union funds and who were likely to continue this role for the Structural Funds expenditure. Traditionally, these Government Departments had overall budgets which were balanced in favour of core and program expenditure, and very limited with respect to superprogram expenditure. The Irish Department of Finance is a typical example here. Moreover, at the Irish domestic level of policy making, stable tripartite institutionalized structure of bargaining and concertation continued to ensure that the Irish government administration and the most powerful private socio economic interests in Ireland, could agree on long term plans of economic development (Chubb, 1993; Breen et al. 1990). In this research, we argue that all the conditions were in place whereby we expect that the majority of national public authorities in the national policy arena will have a stronger incentive to seek to maximize their core and program expenditure rather than their superprogram expenditure and to preserve the existing traditional balance of national interests, across which the various national domestic agreements had been struck.

## **2. The Sub-National Policy Arena of Structural Funds in Ireland**

The organisation of expenditure under the Reform allows for some funding to be specifically directed towards locally based development action. To be eligible for this type of funding, local actors representing different sectorial and community interests must come together and establish local groups. These groups are asked to develop local development plans which represent the variety of economic and social interests of their areas. If selected, these groups can decide amongst themselves on the allocation of funding in their local areas. However, the Reform argues, their work also brings them into contact with the national level sectorally oriented actors and in particular, Government departments. Moreover, the overall expenditure of Structural Funds in this arena, must be administered by one or more Government departments, at the national level. The Reform argues that for all the actors involved in this process, the possibility of increasing

one's budgetary expenditure, as well as the practical experience of working together with different sectorial and community representatives will provide the incentive for these actors at different levels to develop new ways in which they can effectively co-ordinate with one another. We refer to this type of policy co-ordination as *vertical co-ordination* (see Table 1, Section 1.1; Sub-national oriented arena). *Territorially targeted funding*, such as Community Initiatives and Global Grants, requires the Member state to agree to spend the Funds on the predetermined targets, which the Commission had previously established (see Table 1, Section 1.2; Sub-national policy arena). This type of funding characterises the sub-national policy arena in Ireland.

Although the majority of spending Government departments in Ireland, in 1988, had budgets balanced in favour of program expenditure, there were also Government departments whose departmental budgets were oriented towards core and superprogram expenditure. In particular, we are referring to the Irish Department of the Taoiseach (Prime Minister). In general, a public authority which deals mainly with core and superprogram expenditure transfers, is involved in non discretionary, short term financial transfers which require no transaction specific expertise. Such transfers generally involve multiple, fragmented «clients», such as local, small scale businesses or community groups. In an attempt to increase the departmental budget, this public authority will usually seek less responsibility for superprogram transactions, in return for increased responsibility for program expenditure. However, if the only option for the public authority to increase the overall departmental budget, is by increasing the superprogram expenditure, it may even reject this option. This arises because the clients of superprogram expenditure, given their small-scale and relatively disorganized form, are unable to match the benefits which a public authority can secure through program transfers as well as being unable to secure the public authority against the risks of being responsible for superprogram transfers. On the otherhand, when the likelihood of increasing program expenditure remains small but the potential risk of costs normally associated with increased superprogram expenditure are minimized too, those public authorities with relatively high core and superprogram expenditure commitments, will seek to increase their overall budget via increased superprogram expenditure. Traditionally in Ireland, the balance of national exchequer expenditure, such as administered by the Department of Finance, is committed to policy measures, which involve core and program financial transfers. This excludes those national central public authorities, with relatively high core and superprogram ex-



penditure commitments, such as the Department of the Taoiseach. However, under the Reform, the Structural Funds Regulations introduced new funding opportunities in the Sub-national arena, which encourages the national public authority to increase superprogram expenditure, while providing safeguards against the associated risks.

We expect that those national central public authorities, with relatively high core and superprogram expenditure commitments, will be more salient than other national central public authorities, with relatively high core and program expenditure commitments, towards increasing Structural Funds expenditure in the Sub-national arena. Moreover, we expect that those national central public authorities, with relatively high core and superprogram expenditure commitments, will be more salient towards increasing Structural Funds expenditure in the sub-national arena, than in the national arena.

### 3. Collective Decision-Making in a Multi-Layered Network

In the previous section we discussed two policy arenas, where issues arising in either arena are distinguished by particular institutional characteristics, which can constrain or enhance the range of policy choices available to different actors involved in the Structural Funds policy process. Here, we distinguish three general types of actors, with regard to the political level at which their primary interests are based<sup>2</sup>: First, there are *European union level actors*, which include the European Commission public authorities and Commissioners, who are political appointees. We recognize that various Directorates General of the European Commission responsible for the Structural Funds expenditure, may have different policy preferences regarding the use of this funding. Second, there are *National level actors*, which include national authorities (government departments and semi state bodies), as well as elected national politicians and national-level private interests and pressure groups. Likewise, for the

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<sup>2</sup> In previous studies of decision making in the European Union, for example Council of Ministers decisions, the application of the modelling approach, used in the present research, has limited the list of actors to those Member states represented in the Council (Van den Bos, 1991; Bueno de Mesquita and Stokman, 1994). The policy decisions analyzed in previous research, were taken under the Unanimity rule, thus the neglect of other European institutions was not too serious. However, it should be noted that in general, the modelling approach advocated here can incorporate as many different institutional actors as are deemed theoretically necessary. In the broader research programme connected with the present research, we have also collected data on Council of Ministers decisions for the Reform of the Structural Funds, where the position of the European Parliament and the European Commission are also incorporated into the decision analysis.

national level actors, we do not assume that all these actors hold the same policy preferences (internal political homogeneity) as regards the expenditure of the Structural Funds. The third type of actors are *Sub-national actors*, which include regional representative groups, county level representative groups and/or local community representative groups. All of these groups at the sub-national level are private or quasi-public, in that they are a mixture of private and public representatives. We expect local authorities (public bodies) to be interested in accessing the Structural Funds allocations.

According to the objectives of the Reform, we might expect to see, over time, a greater range in the type of actors involved in Structural Funds political process, and in particular, the increased involvement of sub-national actors. Our further investigation into different approaches to Structural Funds policy making, in terms of the national and sub-national policy arenas, led us to argue that the above objectives could only be achieved in one of these two arenas. In this regard, two specific hypotheses are tested in the present research.

*In the first hypothesis, we argue that Sub-national actors enjoy a higher level of effective power in the sub-national policy arena, than in the national policy arena.*

In order to test how the European Commission's Reform of the Structural Funds has impacted on the political structure of Ireland and more particularly, to test this hypothesis, we need a measure of effective power of actors that makes it possible to compare over time and across arenas. Moreover, we have argued that the Structural Funds present varied opportunities, across the two arenas, to European union level and national level stakeholders.

*In the second hypothesis, we argue that national level actors demonstrate a higher level of internal heterogeneity of policy preferences in the sub-national policy arena as opposed to the national policy arena.*

To test this hypothesis, we would like to know whether the above actor groups have internally homogeneous preferences or whether they are split into different fractions, each with their own objectives and policy preferences. Recent collective decision models provide for both elements and will therefore be applied in our research.



Research on policy making has come to regard policy as a body of collective decisions made by a network of actors interacting in the multilayered institutional framework of a policy network (Laumann and Knoke, 1987; Stokman and Van den Bos, 1992; Bueno de Mesquita and Stokman, 1994). The concept of the policy network refers to the theoretical idea that collective policy decisions are achieved as a result of the co-ordination of the *interests* of actors, both from governmental/public and private/commercial spheres of activity. Policy co-ordination takes place because these actors are *mutually interdependent* on each other's specific policy resources (e.g. technical expertise, formal voting power) with regard to the various complex political problems to be resolved in mixed economies (Hecklo, 1978; Katzenstein, 1978). Recently, a number of quantitative modelling approaches to the analysis of collective decision-making have been elaborated using the methodological concept of policy networks (Koenig and Pappi, 1993; Laumann and Knoke, 1989; Stokman and Van Oosten, 1994; Bueno De Mesquita and Stokman, 1993).

The general modelling approach used in the present research requires a careful selection of the main policy issues involved. These issues are represented as one-dimensional continua on which both the outcomes and the policy preferences of the actors can be represented. The selection of these issues is usually based on a combination of document analysis and interviews of issue and area experts. Having selected the issues, experts, who have extensive knowledge of the policy arenas, are used to identify the list of actors for whom these issues were salient, and who were well resourced to participate in the negotiations. For each actor and issue, three variables have to be collected: the capability of the actor to influence the policy outcome; the salience of the issue for the actor and the policy decision outcome preferred by the actor.

The *capability* of actors to influence policy outcomes needs to reflect both their formal decisional power and their informal weight in the decision making process. The formal decisional power of the actors can be derived from their relative weight given the formal decision-making procedure in combination with the specific decision rules in force, whereas their informal weight is determined by many factors. The most important of such factors include the degree to which each actor has timely access to the decision making and the resources each actor can mobilize in effectuating that access (Mokken and Stokman, 1976). These resources may include such features of the decision making process as access to exclusive or limited information and the mobilization of supportive forces to prevent

certain outcomes. The models incorporate a theory of action for the actor. Each actor for whom an issue in a collective decision making process is important, is assumed to hold a specific *policy position* for the collective decision outcome on that issue. It corresponds to its preferred outcome. Preferences are generated by utility functions of actors. Actors are assumed to have utility functions related to universal goals, like physical well being and social approval, but they have different instrumental preferences for the means that lead to these ultimate goals (Lindenberg, 1990). Outcomes of collective decision making can be perceived as instrumental goals; whereas one outcome can produce physical well being or social approval for one set of people, another outcome can be better for others. Within a collective decision making setting, differences of instrumental goals among actors result in two types of relations between actors and issues. First what is important (salient) for one actor might well be irrelevant for the realization of the ultimate goals of another actor and hence less salient for the latter. Second, differences in instrumental goals result in different and diverging political stances of actors on issues. Consequently actors can be expected to behave quite differently despite the assumption that they are all rational in the sense that they are interested in maximizing their welfare. Even actors in possession of the same information, and holding the same universal goals, may nevertheless have radically different instrumental objectives. We refer to the level of importance that an actor attaches to an issue as the level of *salience* of the issue for the actor.

Using these three variables, policy position, capability and salience, the next step is to convert the varying preferences of the actors into a collective decision. So far we have talked about the general modelling approach. At this point, it is interesting to note the differences between two of the most sophisticated models developed so far using this approach. These two models are the Exchange model (Stokman and Van Oosten, 1994; Stokman, 1995), which is applied in the present research and the Conflict (Expected Utility) Model which, although using the same variables, makes different assumptions about the negotiation process to reach a collective outcome (Bueno de Mesquita and Stokman, 1994). The Conflict Model focuses on single issues, taking the Median voter position as the starting point from which actors try to improve their utility of expected outcomes through the decision making processes. Hence, each issue in the decision making process is analyzed separately. This model gives all the actors the opportunity whether or not to challenge the positions of other actors if they expect a positive outcome (positive utility) from such



a possible confrontation. Each actor, confronted with a number of challenges from others and challenges made to others, has to choose the best or least worst challenge. These challenges may, therefore, result in forced or negotiated shifts of policy positions for some actors and consequently may imply shifts in the predicted collective outcome. Moreover this model also simulates misperceptions because actors do not take into account that some actors are risk accepting and others risk averse. The process is repeated until no further important effects on the outcome of a decision can be observed.

The Exchange model of Stokman and Van Oosten is based on the same three variables as the Conflict model. Unlike the latter, in the Exchange model, multiple issues are considered and linked, taking as the starting point for the negotiations, the initial mean of the votes for each issue. This model assumes that the dynamics in decision making result from the possibility of actors exchanging voting positions over a set of decisions, in order to move expected outcomes towards their preferred position. Unlike the Conflict model, actors do not challenge one another: they cooperate by bargaining or logrolling to get a better expected solution for all. Actors are prepared to vote for another position than their policy position on one issue if another actor is willing to make a similar shift in its direction, on a more salient one. Stokman and Van Oosten restrict such exchanges to actors who are at opposing sides of the expected outcome on both issues. These actors have no other possibilities than mutually exchanging their positions on related issues to improve their utility simultaneously. Let us suppose we have two actors A and B and two issues Y and Z; issue Y is the demand issue of actor A and Issue Z of actor B. This is the case if for actor A, issue Y is the most salient (most important) of the two issues whereas for actor B, Issue Z is the most salient one. It is possible that both issues Y and Z are less salient for actor A than for actor B, as long as actor A attaches relatively more importance to issue Y. An exchange can occur when Actor A changes its position on its supply issue, in return for a change in the position of actor B, on issue Y, the demand issue of actor A. In return, actor B changes its position on issue Y, its supply issue, in return for a change in position of actor A on issue Z, actor B's demand issue. The new positions of actors A and B are called their *voting positions*. Such an exchange is profitable for both actors under the following conditions. First the changes in the voting position on the supply issues result in positive changes in the expected outcomes. Second, both actors attach positive salience to their individual demand issues. Third, the salience of actor A on its demand issue Y (relative to the salience of actor B on issue

Y) is larger than the salience of actor A on its supply issue Z (relative to the salience of actor B on issue Z). Stokman and Van Oosten elaborate the exchange rate from the assumption that both actors aim at an equal utility gain. Knowing the decision rule and the weights of the actors therein, it is possible to compute the shifts in voting positions of the two actors to realise such shifts in the expected outcomes. All potential exchanges are computed. It is assumed that exchanges with the highest utility gain take place first. As an actor cannot give away its voting position twice, each realized exchange usually results in the deletion of many potential exchanges. As each realized exchange affects all actors and not only the two involved partners, the finally realized utility gain for actors can well be quite different from what actors expect on the basis of their own exchanges. This might well result in sub-optimal (non-Pareto optimal) solutions for all actors.

The reader should note that there are significant differences between the general modelling approach discussed above and other modelling approaches. One example is the so-called Voting power indices approach (Johnston, 1995). The main difficulty with the voting power index approach is that it does not take into account the policy positions and saliences of the actors in the policy process and this results in an overestimation of the number of winning coalitions that are possible. Another example is the Strategic Integration theory, which draws on recent developments in non-cooperative game theory (Crombez, 1996; Steunenberg, 1994). Its main objective is to provide a theoretically grounded explanation of European (regional) integration, which recognises «that the interdependence among different actors matters to a considerable extent» (Schneider, forthcoming). The advantages of using our modelling approach over the Strategic Integration approach are twofold (Schneider, forthcoming; Garrett and Tsebelis, 1996). First, we do not have to assume that the preference order of the stakeholders is the same over all issues, with the European Commission at the most integrative position. On the contrary, the preferences and their order may well be fundamentally different from issue to issue. Second, in our approach, preference not only includes the preferred outcome on an issue dimension, but also the level of salience for the issue, determining the motivation of the actor to act.

In the present research, we are interested in identifying which of the actors are the most involved and effective in the national policy arena and the sub-national policy arena. We use therefore a measure of the *effective power* of the actors. An actor may be potentially capable, in terms of the



resources of timely information for example, to change the course of negotiations, but in order for this actor to use its capability, the issue must be to some degree salient for it. The more salient the issue, the more the actor will use its capabilities to achieve its policy preference. *The effective power of an actor is assumed to be its potential capability to influence the collective decision making process times the level of salience it attaches to the issue being negotiated.* We have argued that the different arenas present different policy opportunities to these actors, both in terms of the actors' potential capabilities and levels of salience they attach to the issues. We expect the effective power of actors to vary over issues and over arenas. We calculate the effective power of an actor over a number of issues as the average effective power of that actor or stakeholder. Calculating the *group effective power* of actors, for example, actors that belong to the European union level, is the summation of effective power of each actor for each of the issues concerned, divided by the number of issues<sup>3</sup>.

Table 2: Identification of Policy Issues for Analysis

Time Period	National policy Arena	Sub-national policy Arena
<b>1988-1993 Structural Funds</b>		
1. 1989-1993 Community Support Framework	3 issues	3 issues
2. Global Grant Initiative for Local Development		2 issues
<b>1994-1999 Structural Funds</b>		
3. 1994-1999 Community Support Framework	6 issues	2 issues
4. Local Development Operational program		2 issues
<b>Total</b>	<b>9 Issues</b>	<b>9 Issues</b>

Returning to the selection of policy issues for analysis, this should be based on two equally important criteria. First, issues should reflect the substantive interest of the research problem and second, issues should be con-

<sup>3</sup> Calculating the average effective power of actors involved using the normalized values for the measure of the capability of actors. This is possible because we measure the capability of an actor relative to other actors, where the total capability is distributed across all of these actors. It is not possible to use normalized values of salience, since the salience of an actor for an issue is measured relative to the salience this actor attaches to any number of other issues.

troversial. A controversial issue is one where there exists a clear difference of policy positions across the various actors involved in the negotiations. A policy decision on the controversial issue is reached, when the difference of policy positions can be resolved. In this present research, eighteen issues are analyzed (see Table 2).

Half of these issues belong to the *sub-national policy arena* and the remaining half falls into the *national policy arena*. In this chapter, we focus solely on European Commission decisions. However, we would like to mention that there are also other phases of decision making comprising the Structural Funds policy process. For example, before the European Commission can decide on the allocation of Structural Funds within the Member state or region, the Council of Ministers must agree on the Regulations for the Structural Funds. We recognize that the policy outcomes arising out of prior sets of policy decisions such as Council of Ministers Regulations, can set the institutional limits on the range of policy options available to actors involved in the next phase (see above). As part of our broader research programme, we have also collected similar data with respect to policy decisions made during the other phases of the Structural funds process. The European Commission policy decision issues discussed in this chapter concern the allocation of Structural Funds across different policy measures, for the Member state of Ireland. Although European Commission authorities comprise the actors who actually make the final decision, there are also other actors who are interested in these decisions and try to influence the outcome. As we have mentioned above, these actors may be at the national level and form part of the traditional centralized power base in Ireland, or they may be located at the sub-national level. Some or all of these actors together can form a policy network for the Structural Funds policy domain, for the Member state of Ireland.

## **4. Analysis and Results**

### **4.1 Validation of the Measure of Effective Power**

From the different collective decision models available, we selected the Stokman and Van Oosten Exchange model of voting positions to validate the measure of effective power and to investigate the homogeneity of the different actor groups. We believe that the decision making process around the Structural Funds is fundamentally a «give and take» process between the actors at the different levels. This is best reflected in the Exchange



