

EUROPEAN STIMULI AND DOMESTIC RESPONSES: ADMINISTRATIVE REFORMS IN
HUNGARY AND ITALY DURING THE EU/EMU ACCESSION PROCESS

by

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Abstract

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Adviser: Professor Susan L. Woodward

The overall success of the European Union (EU) in making Central and Eastern European Countries (CEECs) comply with its conditions for membership has led some scholars and policy makers to consider the EU the principal driver of political reforms in post-socialist countries that have applied for membership. Similarly, the Economic Monetary Union (EMU) is often causally associated with the process of political and economic reforms that took place in Western Europe in the 1990s. Nonetheless, despite the academic enthusiasm and the political rhetoric, the causal impact of the EU on the process of institutional reforms in the Eastern and Western has not been established. Furthermore, empirical evidence suggests that formal institutional change, namely EU-pushed legislated reforms, are not always supported by behavioral change and tend to be either contested or ignored in the implementation phase. These empirical results raise very interesting questions about the process of Europeanization and about the more general question of real, as opposed to formal only, institutional change in a context in which the demand for change is coming from the outside. This thesis aims to answer two such questions: first, how and to what extent has the EU causally influenced domestic

institutional change in Hungary and Italy; second, whether institutional change pushed by the EU has been real, that is, resulted in long-lasting changes in the political behavior of domestic actors. This thesis focuses on two aspects of administrative reforms, the depoliticization of the senior civil service and the devolution of political power from the center to the periphery. In general, the EU has no formal competence over member states' public administrations. However, in its criteria for membership, the EU has required the eastern candidate countries to develop administrative structures necessary for the adoption and implementation of EU laws. Quite differently, in Western Europe, EMU did not explicitly call for the reform of national public administrations. Nonetheless, as the Maastricht convergence criteria focused on fiscal and economic reforms, Italian decision makers considered the reform of national public administrations crucial to reduce government spending and balance the fiscal budget.

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First Chapter

The research design

Introduction

The overall success of the European Union (EU) in making Central and Eastern European Countries (CEECs) comply with its conditions for membership has led some scholars and policy makers to consider the EU the principal driver of political reforms in post-socialist countries that have applied for membership.¹ Similarly, the Economic Monetary Union (EMU) is often causally associated with the process of political and economic reforms that took place in Western Europe in the 1990s.²

Nonetheless, despite the academic enthusiasm and the political rhetoric, the causal impact of the EU on the process of institutional reforms in the Eastern and Western has not been established. Furthermore, empirical evidence suggests that formal institutional change, namely EU-pushed legislated reforms, are not always supported by behavioral change and tend to be either contested or ignored in the implementation phase. This should not be surprising since some of these reforms are approved through fast-track legislative procedures that circumvent political discussions to avoid potential conflict.

¹ On May 1st 2004, eight post-socialist countries of Central and Eastern Europe joined the EU: Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Latvia, Estonia, and Lithuania. Two more countries, Romania and Bulgaria became members in January 2007.

² The Economic and Monetary Union is the process that led to the introduction of the European Union's single currency, the Euro, through the harmonization of the economic and monetary policies of its member states. It was the subject of an Intergovernmental Conference (IGC), which concluded its deliberations in Maastricht in December 1991. In 1999, eleven member states adopted the Euro as the single currency. They were joined two years later by Greece. Three member states did not adopt the single currency: the United Kingdom and Denmark, both of which have an opt-out clause, and Sweden, following a referendum in September 2003. The ten member states who joined the EU on 1 May 2004 should adopt the Euro as soon as they meet the convergence criteria. They were not granted opt-out clauses during the accession negotiations.

These empirical results raise very interesting questions about the process of Europeanization and about the more general question of real, as opposed to formal only, institutional change in a context in which the demand for change is coming from the outside. This thesis aims to answer two such questions: first, how and to what extent has the EU causally influenced domestic institutional change in Western and Eastern Europe; second, whether institutional change pushed by the EU has been real, that is, resulted in long-lasting changes in the political behavior of domestic actors which is embedded in and constrained by domestic institutional settings.

This thesis focuses on two processes of European integration: the Economic Monetary Union in Western Europe and the enlargement process in Central and Eastern Europe. These two processes present similar characteristics: they both set some criteria for membership, respectively the Maastricht parameters³ for economic convergence and the Copenhagen criteria⁴ for accession; they both introduced a temporal constraint, as states sought to qualify within a set timeframe; they both generated pressure to comply through competition among peer countries concerned with national pride and the fear “of being left out”; they took place during the same time period, in the decade transpiring from the early 1990s to the early 2000s; they both occurred in a time of transition for the European countries considered in this analysis, namely the institutional transition in Italy and the post-socialist transition in Hungary; they both required – either directly or indirectly – some changes in the structure of the state administration; in the end, they

³ First, the national inflation rate could not exceed the mean of the three countries with the lowest inflation rate by more than 1.5%. Second, the public deficit was not to surpass 3% of the GDP. Finally, the public debt could not be greater than 60% of the GDP.

⁴ EU membership is granted upon the successful implementation of the EU’s political, economic, and legal conditions which were established in 1993, at the Council of Copenhagen (see chapter two).

were both characterized by a technocratic asymmetry, as bureaucrats at the executive level possessed greater information and expertise on how to interpret and manage EU-related policies.

Granting some similarities, these two processes of European integration also feature some significant differences. The first difference concerns the criteria for membership and the different leverage they had on Eastern and Western candidate countries respectively. While Hungary – and in general all the CEECs – had no bargaining power on the Copenhagen criteria, Italy was one of the most active negotiators of the Maastricht parameters for EMU membership.

The second difference, which ultimately explains the first one, concerns the way in which both Italy and Hungary approached the accession process, being respectively a founding member state and a latecomer to the EU. Italy's power of negotiating the Maastricht parameters stemmed from its status of being one of the founding members of the European Community. Although during EMU accession, Italy's economy was in dire condition, domestic policy makers could count on a five-decade-long legacy of relationships with EU institutions and a wide web of connections with the governments of the EU member states. These relationships helped Italian negotiators to advance their position in Europe and obtain a set of parameters that, while being rigid and specific, could still be met by the Italian economy in the time frame required by the EU. By contrast, Hungary, as a latecomer to the EU, could only accept the parameters that the European Commission created *ad hoc* for the eastern candidates.

The third difference is strictly related to the subject of this thesis which focuses on administrative reforms, in particular the depoliticization of the senior civil service and the

devolution of central power and financial resources from the center to the periphery. In general, the EU has no formal competence over member states' public administrations. However, in its criteria for membership, the EU has required the eastern candidate countries to develop administrative structures necessary for the adoption and implementation of the *acquis communautaire* (EU legislation). Quite differently, in Western Europe, EMU did not explicitly call for the reform of national public administrations. Nonetheless, as the Maastricht convergence criteria focused on fiscal and economic reforms, Italian decision makers considered the reform of national public administrations a viable solution to reduce government spending and balance the fiscal budget.

Both in Italy and Hungary, domestic political actors have used the EU as external leverage to promote national reforms and overcome the opposition of potential domestic veto players. In general, the integration process has empowered domestic reformers by shifting control over the domestic agenda, altering the structure of the decision-making process, creating information asymmetries in favor of political and technocratic elites, and finally generating a strong ideological justification for policies (Moravcsik, 1994). Governments could promote unpopular domestic reforms by blaming them on Brussels, even if they themselves were in favor of such reforms. However, while in Hungary the executive used the EU accession as a pretext to monopolize the domestic decision-making process and ostracize both parliamentary and social forces from the negotiations, in Italy, both the integration and the reform process were managed by the executive in cooperation with unions, research institutes, and regional governments.

In Italy, EMU accession both revolutionized the opportunity structure in which domestic actors made decisions and changed potential veto players' beliefs and ideas, thus enlarging the coalition in support of institutional change. Although the implementation of administrative reforms remains unfinished – due to the opposition of political parties concerned with losing their patronage privileges, the instability of governing coalitions, and a diminishing external pressure once EMU membership was gained – the EU has ultimately strengthened domestic institutions, contributed to the creation of a culture of macro-economic stability, and increased domestic policy-making capacity both in terms of efficiency and fairness.

Also in Hungary, the accession process has contributed to the empowerment of technocrats within the executive branch, in charge of managing the negotiations for membership. However, because of the exclusion of parliamentary and social forces from the negotiating process, reforms have been passed upon a fictitious consensus which has gained Hungary appreciation from the EU and ultimately its membership but which has also hampered the implementation of reforms and possibly the process of democratic consolidation. In fact, the monopolization of the decision-making process has produced a new kind of “derailed Europeanization” (Agh, 2002) in which the absence of public discussion has gradually eroded efficiency in policy-making and coordination.

Following EU administrative requirements, Hungary has passed legislation aimed at instituting regional authorities in charge of managing the European Structural and Cohesion Funds. However, pushed by the drive of retaining political and decision-making power, central governments have *de facto* opposed all kinds of decentralization and have allocated insufficient and minimal resources for the real and complete

autonomy of the regions. The lack of social dialogue, social partnership, and consensual decision-making – paradoxically magnified by the EU accession process – has contributed to the situation of political disarray in which Hungary, and more generally Eastern Europe, has been stalled after membership.

To understand these outcomes and assess their durability, I will argue one needs to analyze the impact of the integration process on domestic institutional change, which is a two-way process that involves both international and domestic actors. In the absence of a formal model to improve institutional capacity, I suggest the EU uses methods of horizontal integration and voluntaristic learning that require the active participation of domestic actors in the implementation phase. Where political and social actors are excluded from the reform process and governments are not committed to implement legislated reforms, as in the case of Hungary, laws are passed merely to fulfill EU requirements and do not produce real institutional change. By contrast, where domestic actors are both involved in the reform process and committed to its implementation, new institutional arrangements can potentially generate real political outcomes. Yet, even when reforms are democratically discussed, the instability of governing coalitions, exacerbated by clientelistic exchanges between governments, political parties, and party clientele, can hinder the process of implementation, as in the case of Italy.

A detailed empirical study of this process of domestic institutional change via democratic participation, which is missing in the literature, would bring a significant contribution to our understanding of what is needed for externally pushed political reforms to be successfully implemented. Furthermore, I hope to add theoretical contributions by using simultaneously three causal mechanisms – existing institutions,

processes of learning and diffusion of ideas, and individual preferences – which are usually viewed by the literature as separate explanations of what causes real institutional change.

1. Historical background

Between the end of the 1980s and the beginning of the 1990s, both Italy and Hungary experienced a political, economic, and fiscal crisis. The Italian political system had been in a stage of institutional inertia for over forty years (Radaelli 2004). Since 1948, Italian politics revolved around the Christian Democratic Party (DC) and it was characterized by lack of substantial alternation in government. Governments were always formed by the DC and some of its satellite-party allies while the Italian Communist Party (PC), which was the second largest national party, was always excluded from the government coalition (*conditio ad excludendum*) but strategically included in the large parliamentary majority in charge of passing legislation. The lack of alternation and the fragmentation of government coalitions (composed by parties with different ideological backgrounds) generated two types of problems: lack of incentives for the government to produce substantial changes in the economy and society; impossibility to implement political programs given the ideological differences in the government coalition (Stolfi, 2008).

In the early 1990s, this regime suddenly collapsed as a result of two events: the corruption scandal, “*Mani Pulite*,” (clean hands) that brought in front of the judiciary the old Italian political class and (in particular the Christian Democrats and some members of the Socialist party) and legitimated a new political elite which included reformed

Communists and a new right-wing political force (Casa delle Liberta') led by the tycoon Silvio Berlusconi; and a currency crisis that forced the Italian Lira out of the European Monetary System (EMS) and instigated a dreadful fiscal and economic crisis. Scholars refer to the decade that followed the so called "Italian Revolution" as the years of the Italian transition towards political and economic modernization (Radaelli, 2002, Ceccanti and Vassallo, 2004, Di Palma et al., 2000, Ferrera and Gualmini, 2004).

The Hungarian political system had been dominated by over forty years of Communist rule. The October Revolution of 1956 in which intellectuals, students, and workers demanded free and competitive elections and the international neutrality of Hungary with the consequent exit from the Warsaw Pact had been repressed by Soviet tanks. Nonetheless, in the 1950s and 1960s, Hungary started a program of reforms with some slow openings towards democracy and capitalism. Similarly, in the 1980s, leaders of the weak party-state attempted to increase their capacity for economic change by reforming the political institutions of the old regime. This process reached a turning point in 1987 with a *de facto* multiparty system. After the fall of Communism, the perceived weakness of the Hungarian opposition in its interaction with hardliners and reformers in power led to the creation of a parliamentary system in which the party of reformed communists could stabilize its power through direct electoral competition (Stark and Bruzst, 1998). Simultaneously, the economic transition towards a market economy was characterized by a dreadful economic crisis with dropping growth rates, high inflation, rising unemployment, and consequent falling of living standards.

In this context of political and economic crises, Italy and Hungary put on the agenda respectively the Economic and Monetary Union and the EU accession process.

During the 1990s, the EU has put great emphasis on balancing the budget deficit as a *conditio sine qua non* for entering EMU. As a consequence, the Italian reformers in power decided that the restructuring of the public administration at both national and regional level was a way to increase the coherence and efficiency of government spending. Nonetheless, the EU did not provide Italian governments with any indication on how to achieve this task.

In the same years, in Hungary, the European Union required the candidate countries to develop administrative structures necessary for the adoption and implementation of the EU legislation. In Agenda 2000, the document that has provided the road map for how the Eastern enlargement would be managed, the European Commission concludes that it is “important for the candidate countries’ administration to be modernized so that they can implement and enforce the *acquis*” (EU Commission 1997, 60). Also, both in the negotiations with the candidate countries and in the Commission’s Opinions, EU officials stressed the need to professionalize the civil service as a requirement for membership. Finally, the EU required the acceding countries to create regional territorial units in charge of managing the EU Structural and Cohesion funds (see chapter two).

Italy entered EMU in 1999 and adopted the Euro in 2002. During these years, Italy was often indicated as a model of political dynamism and change. However, after membership the wave of administrative reforms stalled as the EU external pressure diminished, the global momentum for public administration reforms ended, and a right-wing government with a different political agenda came to power. Also public support for EMU and the Euro dropped as governments continued taking unpopular and costly

economic decisions (as raising taxes and reducing public expenditures) in order to respect the Maastricht convergence criteria. In this scenario, the road towards the implementation of reforms became full of obstacles. What is left today of the wind of reforms that blew over Italy during the EMU accession process? Did it generate any long-lasting change in the political behavior of domestic actors?

Hungary entered the EU in 2004. In the run to Europe, it was often considered a frontrunner relative to the other Eastern candidates (European Commission Report in the series Agenda 2000). However, already in the late 1990s, the European Commission's Regular Reports had underlined the lack of implementation of administrative reforms, especially for what concerns the creation of sub-national territorial units. This thesis argues that because of the haste and the technicalities of the accession process, Hungarian governments have generally disregarded the need to construct a domestic dialogue behind each reform. Since parliamentary, social, and regional forces were excluded from the EU negotiating process, reforms have been merely formal and pursued only to pass the EU requirements for membership.

In Western Europe, the ability of national parliaments and social forces to counterbalance the power of executives has declined since the 1950s, and the process of European integration has been claimed to be one of its causes (Raunio and Hix 2000). However, as I will show, this phenomenon has been more forceful in Eastern Europe, where it has produced dramatic and long-lasting consequences. Paradoxically, the process of Europeanization has reinforced and in some cases created some institutional distortions that are currently contributing to the stalemate of reforms.

Although in other CEECs, the process of democratic consolidation seems to be in a deadlock (i.e., Poland, Czech Republic, Slovakia, Bulgaria and Romania), the greatest disruption has been in Hungary where the Socialist prime minister Gyurcsany publicly admitted that he had “lied morning, evening, and night” about the real status of the economy (The New York Times, September 19, 2006). That fueled weeks of daily anti-government protests in the same days in which the country commemorated the fiftieth anniversary of the October revolution of 1956. The lies of the government raised doubts over the real economic and political situation of the country at a moment in which, after gaining EU membership, people expected to finally enjoy the fruits of democracy and market economy. During the month of anti-government protests it seemed as if the sentiments of frustration that people suppressed during the years of the accession process were coming to the surface. In the post-accession years, both scholars and policy-makers have been asking what has gone wrong since Hungary joined the EU.

2. What is Europeanization?

Scholars of European integration increasingly use the concept of Europeanization to assess the European sources of domestic politics. Europeanization represents a new research approach to the study of Europe. In fact, while the intergovernmentalist paradigm (Moravcsik, 1993, 1994) emphasized the domestic sources of European politics by focusing on the bargaining power of member states, Europeanization studies proposes a “Second Image Reversed” approach in which international factors causally influence domestic political systems (Gourevitch, 1978).

Radaelli defines Europeanization as:

Processes of construction, diffusion, and institutionalization of formal and informal rules, procedures, policy paradigms, styles, ways of doing things, and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures, and public policies.

Thus, in the process of Europeanization, domestic institutions learn how to “think and perform along European tracks” (Radaelli, 2002, 39).

Drawing upon Radaelli’s conceptualization, I define Europeanization as a change in the logic of political behavior of domestic actors that can be attributed to European integration. As Radaelli notes, Europeanization is a political process and, as such, needs to be studied in its dynamic evolution. Keeping this in mind, this thesis will study the impact of the EU on domestic institutional change by focusing on the dynamic interaction between exogenous political stimuli (institutions and policy outcomes at the European level) and domestic learning responses (at the level of domestic polities, politics, and policies).

In order to avoid conceptual stretching, as Radaelli argues, we need to specify not only what Europeanization is but also what it is not. Europeanization should not be confused with European integration. In fact, while the question that European integration seeks to answer is ontological – why countries delegate sovereignty – the question that Europeanization poses is post-ontological, as it focuses on the consequences that this process of European integration generates at the domestic level.

2.1 How to study Europeanization: top-down, bottom-up, and the synthetic approach

The literature on Europeanization is characterized by a theoretical and methodological divide. From what concerns the theoretical divide, the literature is bifurcated between comparative political scientists whose research emphasizes the origins, development, and outcomes of domestic transitions and European integration scholars who focus exclusively on the impact of the EU on national political systems. While the former stress the importance of domestic factors and give the EU only the status of exogenous intervening variable, the latter use domestic politics simply as case studies to test Europeanization theories. In this theoretical bifurcation, Europe has either no causal role or it is the driving force of institutional change.

Regarding the methodological divide, the literature generally uses two different approaches to research the impact of the EU on domestic political change: a top-down approach and a bottom-up perspective. A top-down approach emphasizes the hierarchical relationship between the EU and both current and future member states. This approach assumes that domestic change occurs when member states incorporate EU laws and policy-paradigms into national legislation and when applicant countries comply with EU criteria for membership. Hence, it focuses on how domestic policy changes correspond to or deviate from EU laws/conditions and on the mechanisms through which the EU generates compliance with its rules (Schimmelfenning and Sedelmeier, 2004).

A bottom-up perspective focuses on the context in which domestic choices are made and aims to detect how EU provisions and conditions are perceived and

incorporated inside a country and which motives guide choices and actions of domestic actors (Brusis, 2002, Grabbe, 2003, Goetz, 2001, Radaelli, 2000).

More recently, some scholars in the Europeanization field have identified a number of explanatory fallacies related to the use of a top-down approach. First, linking change only to compliance with EU laws, policies, or conditions can be misleading. Actual change does not occur simply when both members and non-members formally comply with EU provisions. Domestic actors might merely learn imitative strategies to give EU officials the impression that they are complying.⁵

Second, this approach does not differentiate between domestic changes caused by EU incentives and domestic causes that were only justified as EU-driven. Indeed, both EU officials and European governments have vested interests in identifying in the EU the principal driver of most reforms. Especially for what concerns the Eastern enlargement, EU officials' claim that the EU has exported to the East its democratic institutions is a way to gain international legitimacy and recognition. Similarly, CEE governments claim that the reforms have been pushed by the EU as a way to legitimize costly and unpopular economic policies (Grabbe, 2003). The same logic is used by founding member states, such as Italy, whose governments used the EU as an external lever to overcome the opposition of domestic veto players and promote institutional reforms.

Third, this approach focuses only on those areas where the EU prescribes rules that can be transported into the legislation of both member states and accession countries whereas it fails to investigate how the diffusion of ideas and beliefs from the EU has also impacted domestic policy making and political behavior more generally. Scholars who

⁵ Especially in the first years of negotiations, the applicants have used their rhetoric on enlargement to convince the European Commission that they were making progress towards accession. In reality, there was a significant gap between applicants' declarations and concrete achievements (Raik, 2004).

stress the role of ideas on political change (Brusis, 2002, Radaelli, 2000, Lippert et al., 2001, Knill and Lehmkuhl, 2002) distinguish a “vertical integration” which entails the transfer of positive EU rules from a “framing integration” which considers the diffusion of EU ideas and policy paradigms. This second type of integration cannot be explained simply as a function of EU laws. In fact, domestic change can be EU-driven even in the absence of EU prescriptions.

Fourth, a top-down explanation assumes that the EU’s provisions can be easily adopted and implemented by both member states and candidate countries without considering that the structure of the national system deeply influences policy outcomes (Brusis, 2002).

Fifth, this type of approach does not discern whether the political outcomes under investigation are driven by the EU or rather associated with non-EU processes, such as globalization, democratization and marketization which countries are undertaking independently.⁶

A bottom-up perspective thus emerged to detect the impact of the EU on domestic politics. It assumes that even if the relationship between the EU and both member states and candidate countries is one of asymmetrical interdependence in which the EU sets the rules of the game, domestic actors have the opportunity to mediate the effect of EU’s rules in the way they implement them. Thus, the implementation phase is critical to measuring the relative impact of the EU (both in its formal rules and provisions and in its

⁶Grabbe (2003) argues that three main processes of change have been affecting the post-socialist context: Europeanization and globalization (both exogenous processes), and post-communist transition (endogenous process). Offe (1991) talks about a “triple transition”: together with a political and economic transition, the CEEC have been affected by the process of transition towards the EU. Given the presence and the interaction of multiple processes of change, it cannot be determined *a priori* if political outcomes have been either exogenously or endogenously driven.

informal ideas, beliefs, and ways of doing things) and domestic actors on political change (Grabbe, 2003). Although the standpoint from which this approach evolves is theoretically sound, too often bottom-up studies tend to overemphasize the importance of national factors while hastily dismissing any impact from the EU (Radaelli, 2003, Brusis, 2002).

The approach that I use in this thesis attempts to overcome both the methodological and theoretical bifurcation of the literature by bridging top-down and bottom-up perspectives and bringing together comparativist and Europeanist explanations of what causes institutional change. This synthetic approach investigates institutional change by looking at the dynamic interaction between EU political stimuli and domestic learning responses. Indeed, although the analytical focus is primarily on the national level, by no means is it exclusively domestic. In fact, in order to research whether, to what extent, and how national politics are impacted by the EU and the EU policy-making process, we need to consider both the European and the national levels of analysis and assess the relationship between the two. Hence, Europeanization entails both a top-down and a bottom-up dimension (Börzel, 2002: 6, 15). This is to say that Europeanization is a process of institution building characterized on the one hand by the progressive delegation of sovereignty from the member states to the EU and on the other hand by the impact of EU decision-making on domestic policies, politics, and polities.

This thesis argues that the relationship between the EU and the national level of analysis varies according to the type of process of European integration we are investigating, in this case whether it is the Economic and Monetary Union or the Eastern enlargement. In fact, the specific characteristics of each integration process affect in

different ways the structure of national political systems. Thus, understanding the exact dynamics of European integration is crucial to detect why the EU is (or is not) involved in certain policy fields and why the EU can have a causal impact on certain domestic political issues even when they are not formally under the EU's jurisdiction.

In the end, the aim of this thesis is to determine the circumstances under which the EU has been a key exogenous factor stimulating domestic changes, without denying that its impact might have been only indirect and occurred in combination with other endogenous factors (as Giuliani, 2003, and Featherstone, 2003, suggest). In addition, while the literature is generally concerned with the overall role played by the EU, this thesis considers the possibility that the EU might have played different roles during different phases of the national transitions (Radaelli and Franchino, 2004). Thus, it seeks to identify phases in which the EU has been at the most an intervening variable which has only reinforced and not caused certain institutional outcomes and phases in which the EU has *de facto* generated institutional changes.

2.2 Mechanisms of Europeanization: positive, negative, and framing integration

How do EU rules and provisions impact domestic political outcomes? What are the mechanisms through which Europeanization occurs? Some scholars (Börzel and Cowles et al., 2003) have argued that the pressure to adapt to EU provisions increases when there is a certain degree of institutional incompatibility between EU requirements and domestic institutions. Without a certain mismatch or divergence between the two, EU integration would require no change. Nonetheless, if the degree of mismatch is too high, inertia or even resistance to domestic adaptation is likely to occur.

Two main objections have been raised against this theory, sometimes called the “institutional fit.” First, institutional misfit is in itself neutral in terms of cause: it is the way domestic actors exploit it that creates pressures for adaptation and reforms (Haverland, 2006).⁷ Second, this theory reflects a top-down perspective, or vertical integration, on Europeanization in which change is the result of coercion and hierarchical imposition of institutional requirements (Radaelli, 2003).

There are other forms of Europeanization based on horizontal integration and voluntaristic learning rather than institutional compliance. Through horizontal integration, the EU can affect domestic institutional arrangements in two ways: by altering the opportunity structure in which domestic actors make decisions and by changing their ideas and beliefs (Knill and Lehmkuhl, 2002).

In the case of Europeanization by altering the opportunity structure, the EU changes the distribution of power and resources among domestic actors, thus challenging existing institutional equilibria. Examples of this type of Europeanization are EU market-making policies in which, rather than positive arrangements, the EU rules out “certain options from the range of national policy choices” (Knill and Lehmkuhl, 2002, 258). This is a case of negative integration.⁸

In the case of Europeanization by changing ideas and beliefs, the EU fosters domestic institutional change by altering ideas, beliefs, and expectations of domestic actors. Knill and Lehmkuhl argue that framing integration might impact either the outcomes of national reforms or even the process of reform itself. In the first case, the EU

⁷ Haverland argues that the degree of adaptation to the EU’s requirements depends on the institutional veto points that governments have to face when imposing European provisions on their constituencies.

⁸ Examples of negative integration are the measures undertaken by the member states to achieve the EU’s Internal Market(e.g., anti-trust). In general, member states have been asked to remove barriers to the free movement of people, goods, capital, and services.

provides a focal point for the solution of domestic problems when there is already a broad consensus for domestic reforms and when reforms are basically in line with the objectives of EU legislation. In the second case, the EU is able to alter the reform process itself by changing the beliefs of veto players who previously opposed the reforms, thus creating broader support for change. In both cases, the EU cannot impact domestic change if domestic support for the reform is too low or if there are many veto players.

Do these two types of horizontal integration – by changing the opportunity structure and by changing beliefs and ideas – belong to two separate logics and therefore are mutually exclusive? In order to answer this question we will use theoretical accounts from the new institutionalist paradigm.

2.3 Explaining Europeanization through new institutionalism: calculus versus cultural approach?

In order to understand how European policies, rules, and procedures affect domestic politics and policies, scholars in the Europeanization literature have used the theoretical tools provided by the new institutionalism. Marteen Vink (2003) has suggested that the Europeanization approach exemplifies the institutionalist turn that occurred in the political science field in the 1980s and 1990s (also Hix and Goetz, 2000, Börzel and Risse, 2003, Olsen 2002.)

New institutionalism seeks to investigate the impact that institutions have on human behavior. This approach emerged primarily as a reaction to post-war behavioralism and the rational choice paradigm both of which contend that individuals' preferences are fixed and cannot be influenced by institutional settings. According to new institutionalism, institutions are defined as formal rules, procedures, governmental

structures, but also as informal norms, routines and conventions which constrain individual behavior.

There are two different ways in which institutions can impact human behavior. Hall and Taylor (1996) distinguish between a calculus and a cultural approach. According to the calculus approach, individuals behave according to a “logic of consequences.” Institutions impact individuals’ behavior by altering the expectations that actors have about the actions of other individuals. Actors’ preferences are seen as exogenous to institutions and individuals’ actions as the result of strategic calculations that aim at maximizing benefits and minimizing costs.

By contrast, the cultural approach contends that domestic actors behave according to a “logic of appropriateness,” which is to say that actions can result from the obligation to fill a role in a given situation rather than from individual preference (March and Olsen, 1989). Rules, roles, and identities are the ones defining actors’ appropriate behavior in given situations (as constructivists such as Checkel, 1998, Finnemore and Sikkink, 1998, Ruggie 1998, Wendt, 1999, argue).

These two different approaches of new institutionalism – which correspond to elements of rational choice and sociological institutionalism – provide two contrasting explanations of how the EU matters. According to the former, the EU may only change the opportunity structure in which political actors make strategic decisions, while for the latter the EU can impact individuals’ behavior by changing their ideas and beliefs.

These approaches provide respectively a narrow or a broad interpretation of how the EU affects domestic outcomes (Featherstone, 2003). In the narrow interpretation, Europe is important since it creates strategic opportunities for some domestic actors to

exploit. The institutional setting in which interests and actors' capabilities are defined is a two-level bargaining game (Putnam, 1988) in which national actors use the EU as a political resource to improve their bargaining power in domestic political conflicts (Héritier and Knill, 2001, Featherstone, 2003). Paradoxically, although the state loses part of its sovereignty to a supranational decision-making system, it gains power to pursue its interests against strong political and societal opposition at home (Grande, 1996). By contrast, in the broad interpretation, the EU redefines domestic actors' interests and identities. This process involves elite learning and internalization of new values and interests.

Although these explanations may seem mutually exclusive, they are indeed complementary. As March and Olsen (1989) contend, individuals both calculate consequences and follow rules. Indeed, the calculus and the cultural approach explain different phases of domestic change as interest and ideas often occur simultaneously and sequentially (Börzel and Risse, 2003, Featherstone, 2003). Individuals both make the best of the new European opportunity structure and act upon a new identity provided by EU rules. Thus, the empirical task of the researcher is to assess the relative weights of the calculus and the cultural approach in explaining the impact of the EU on domestic policies, politics, and polities.

2.4 To what extent Europeanization? Case selection, inter-regional comparisons, and variation in the EU-level independent variable

In the past two decades research on the impact of the EU on national political systems has increasingly shifted away from single case studies to include a greater

number of comparative research designs. As a consequence, scholars have raised issues on the methodology to apply in case selection (Haverland, 2006). Europeanization studies typically focus on cases where potential EU pressure, incentive, or ideas are present. A consequence of this selection is that the independent – EU level – variable does not vary but remains constant.

According to the literature, the lack of variation in the independent variable makes the causal role of the EU difficult to demonstrate since no control case is selected (Haverland, 2006). For instance, if the EU requires the adoption of a certain regulatory regime, it is difficult to confidently exclude that the same regulations would have been adopted even without the EU's requirement. Thus, Europeanization studies can be biased if only cases in which the EU has a potential role are selected.

Three main remedies have been used to avoid these methodological pitfalls. First, political scientists have used process tracing to assess the relative impact of other variables even when only EU cases were selected. However, when taking into account alternative explanations, there is always the risk of overlooking the importance of other factors, especially when these factors play a role during “similar temporal patterns” (Haverland, 2006, 137). In the case of administrative reforms, this problem is particularly concrete since different independent variables have been at work simultaneously and interacted with each other: EU integration, national transitions, and globalization. Moreover, it is even more difficult to detect the relative impact of the EU when the hypothesis is that EU effects are rather indirect, as in the case of EMU influencing the reform of the public administration in Italy.

The second remedy that political scientists can use to avoid methodological fallacies is to speculate what would have happened if the EU level factor was absent. However, as Haverland contends, these speculations are rather complex since the researcher has to “rewrite” history quite literally by imagining alternative political scenarios.

Third, in order to ensure variation in the independent variable, Haverland recommends the inclusion of case studies in which the EU factor is hypothetically absent. This can be done in various ways. First, the research can engage in a cross-section comparison and compare sectors, policy fields, and institutions where the EU effect is present with their counterparts in which the effect is supposedly absent. Nonetheless, there may be spillover effects from one sector, policy field, or institution to its counterpart. Moreover, it may be difficult to rule out the possibility of EU influence since the EU can affect policy areas and institutions even when they are outside its competence. Thus, boundaries between sectors may become difficult to define.

Second, variation in the independent variable can be ensured by comparing member with non-member states (Verdier and Breen 2001, Levi - Faur 2004). This approach, though, is also not free from problems. In fact, the researcher needs to find cases in which, while the EU factor varies, other explanatory variables present some similarities. In this way, by keeping these factors constant, the researcher can assess the relative weight of the EU independent variable.⁹

⁹ The selection of these countries is not easy. One possibility is to choose countries such as Norway and Switzerland (most similar country-cases), which present characteristics similar to the EU’s member states – historically, geographically, politically, economically, and socially. However, as Sciarini *et al.*, (2004) suggest in the case of Switzerland, EU laws, policy paradigms, and ideas can also influence non-member states. A second option is to select countries in Latin America, Asia, or Africa (most different country-cases) in which we can plausibly argue that the EU factor is not present because of historical and

In this study, I will use process tracing to control for rival alternative hypotheses. Both in Italy and Hungary, three causal factors potentially affected the reform of domestic public administrations: EU integration (through the EMU and the Eastern enlargement), national transitions, and globalization (through the New Public Management, international forums for administrative reforms, and competition in the global economy). This last factor, I will show, was particularly important in the Italian case. By taking into account these alternative explanations for change, I will attempt to assess whether and to what extent the EU has causally influenced domestic administrative reforms (the relative impact of the EU). While using process tracing as my main research strategy, I will attempt to identify three different temporal patterns of change (Schmitter and Santiso, 1998): the point in time in which events occur (time), their sequence (timing), and speed (tempo).

After this long excursus on research methods, we should turn our discussion on the dependent and the independent variables of this study and identify which case studies can best test the relationship between the two. Regarding the dependent variable of this

geographical differences. However, for the same reasons countries in these regions present political and socio-economic characteristics which are highly dissimilar from EU member states. Thus, the absence of a certain regulatory regime (present in the EU) may not be related to the fact that those countries are not EU members but to national or regional factors. Finally, the strategy suggested by Haverland is to compare EU members with moderately similar countries. The researcher, in fact, should select countries in which both EU direct and indirect effects are hardly present but that are not too dissimilar – in terms of political, economic, and social characteristics – from EU member states. Thus, Haverland proposes a selection that includes Australia, Canada, New Zealand, or the United States which are countries whose historical and geographical characteristics supposedly “preserve” them from the EU’s influence. However, even in this case the investigator needs to be cautious since these countries also present peculiarities – such as small welfare states and pluralistic governments – which are highly different from quite a number of EU member states (e.g., Italy and post-socialist countries). Thus, the appropriateness of this research design depends greatly on the research question.

study, I will analyze changes and reforms in the administration of the state. With this quite general term, I indicate changes that have affected the structure of national executives, the relationship between executives and both national parliaments and social forces, changes in the structure of the civil service and in the way civil servants operate, and changes in the power relationship between central governments and local authorities.

There are several reasons for studying the effect of the EU on domestic public administrations. First, the majority of studies on Europeanization focus on areas in which the EU has a potential causal impact on the domestic arena (e.g., fiscal policy). These studies usually conclude that while the EU played only a limited role, domestic institutional changes were mainly endogenously driven. Quite differently, this study focuses on detecting the impact of the EU on areas, such as the public administration, in which supposedly the EU has no influence. In fact, according to the principle of subsidiarity, national public administrations are disciplined by national legislation. Therefore, we might expect no EU influence on domestic administrative reforms. Quite the opposite, this thesis argues, even without a formal competence, the EU affects public administrations through learning processes and diffusion of ideas.

Second, studying national public administrations in relation to the EU is particularly significant since the public administration is crucial for the transposition and implementation of EU laws, and it can therefore either foster or hinder the process of European integration.

Third, the public administration plays a fundamental role in the process of democratic consolidation. Political science literature that concentrates on processes of democratization tends to regard the establishment of a professional, depoliticized civil

service as a prerequisite for democratic consolidation. In particular, Linz and Stepan (1997, 14) argue that a state apparatus organized on the basis of “rational-legal bureaucratic norms” is one of the five major arenas that constitute a modern consolidated democracy (together with civil society, a political society, the rule of law, and an economic society). Similarly, scholars that study processes of democratization and marketization in Eastern Europe argue that a professional and apolitical bureaucracy is a prerequisite for the success of the “dual transformation” from a one party to a multi-party system and from a state planned to a market economy (Bartlett, 1997). The point of reference for the reform of the public administration is a Weberian type of bureaucracy in which a permanent civil service is staffed with trained experts, appointed on the basis of competitive examinations, and whose members are protected from political dismissals (Weber, 1947).

Finally, a study on public administration reforms requires a focus on the implementation phase of such reforms.¹⁰ This is quite unusual in the literature. In fact, Europeanization studies usually focus only on assessing the relative impact of European versus domestic factors. On the contrary, this study aims also at investigating the stability of the results achieved in terms of administrative reforms and the overall outcome in terms of transformation of the political system.

¹⁰ The implementation phase involves the transposition of EU legislation into national law and its enforcement at the national level. The application phase involves a multitude of national actors and it is overseen by the national governments of the member states which may be held responsible by the EU if the legislation is not properly applied. At the EU level, the Commission is responsible for monitoring the implementation and application of EU laws. If the Commission considers that a member state has failed to implement EU laws, it can initiate proceedings, potentially leading up to a ruling by the European Court of Justice (Falkner et al., 2005). The implementation phase does not end with the adoption of a law. In order to understand implementation, one needs to examine how the law is received and implemented by various domestic actors including sub-national authorities and civil society.

According to the literature, the implementation of EU-driven reforms is largely dependent upon two factors: the willingness and ability of the governments of the member states to implement them and the enforcement capacity of the EU (Falkner et al., 2005, Sverdrup, 2008). Non-implementation can be either voluntary or involuntary. Voluntary non-implementation can be a result of either lack of enforcement capacity on the part of the EU or domestic preferences (or both). Implementation is more likely to take place when the capacity of the EU to monitor and sanction non-implementation is greatest. The EU can use both positive and negative instruments to enforce implementation. Positive instruments can be financial (EU funds) or they can involve a set of conditions and requirements, such as the criteria for EU membership in Hungary or the parameters for EMU accession in Italy. Negative instruments are the ones used by the EU to sanction non-implementation, such as the fines that the EU can impose on member states in case of non-compliance with the Stability and Growth Pact. Among the negative instruments that the EU uses to enforce compliance, there are softer instruments of “shaming and blaming” through various kinds of scoreboards (Sverdrup, 2008). During the enlargement to Central and Eastern Europe, the Commission would periodically evaluate all the candidate countries on the basis of their performance in the transposition of the *acquis* and publish such ratings in official reports. In this way, the Commission created competition between candidate countries and pressured them to conform to its requirements.

Regarding domestic preferences, non-implementation can be the result of three kinds of domestic opposition: opposition against specific contents or effects of EU laws; opposition against the way in which decisions were made at the EU level (e.g. against

qualified majority voting); finally, opposition against the way in which EU legislation has been transposed into national law. This last opposition usually occurs when national parliaments, regions, or social partners feel that they have been disregarded in the transposition process or when there are jurisdictional conflicts between different ministries that are responsible for implementing EU-related laws (Falkner et al., 2005).

By contrast, involuntary non-implementation is often due to limited domestic capabilities (e.g. administrative problems, political instability, and a different interpretation of EU legislation which may suggest that no transposition is needed). In the end, implementation in the EU is a combination of imposition, domestic calculation, and domestic factors (such as political stability) which can all contribute to smoothening or preventing implementation (Sverdrup, 2008).

Regarding the independent – EU level – variable, this thesis studies the impact of two different processes of European integration – EMU and the Eastern enlargement – and their policies, rules, and procedures on administrative reforms in Western and Eastern Europe. Thus, this thesis represents a novelty in terms of research design, as it compares two different European regions and two different integration processes.

First, I shall discuss why in Europeanization studies, inter-regional comparisons are still quite rare. Scholars usually tend to restrict their analyses to intra-regional comparisons within four different groups of countries: Western Europe, the Nordic countries, Southern Europe, and Central and Eastern Europe. As Castle (1993) suggests, in each of these regional groups, countries are more likely to share some common characteristics, such as similar ideas, customs, interests, and institutions transmitted from the past. The literature often uses such common characteristics to explain why similar

patterns of Europeanization (and similar political outcomes) are likely to occur in countries that belong to the same regional group (Castle, 1993).

More recently, the literature has also explained common policy outcomes as a result of policy transfer and cross-border policy learning (Goetz, 2008). Goetz argues that via cross-border linkages and exchanges, European integration reinforces such family ties and enhances the degree of regional distinctness (Royo and Manuel 2003, cited by Goetz 2008, make this argument with respect to the Iberian Peninsula). Yet, it is worth noticing that the way Europeanization affects regional distinctness and vice versa is likely to vary across policy domains, over time, and across different regional groups.

Territorial differentiation within the EU can also be understood in terms of center-periphery relations. The countries at the periphery usually depend on the center – the dominant EU member states – for political decision-making and financial assistance. This power asymmetry between center and periphery usually defines the relations between founding member states and newcomers. The literature tends to consider Southern Europe (Featherstone and Kazamias, 2001) and Central and Eastern Europe (Wallace, 2001) as EU peripheries because of their financial dependence on the EU and their limited bargaining power in EU treaty negotiations relative to Western Europe.

Yet, by no means should regional groups be understood as static compartments. Countries, in fact, can belong simultaneously to different regional groups. Italy, for example, belongs at the same time to the core group of founding member states (thus, more bargaining power in EU negotiations relative to new members) and the regional group of Southern European countries (thus, financial dependence on EU assistance). In the end, although intra-regional comparisons have thus far dominated Europeanization

studies, scholars should consider regional groups as dynamic and flexible entities, and more important they should not take for granted patterns of convergence and similarities within each group.¹¹

As Schimmelfenning and Sedelmeier (2008) suggest, in Europeanization studies, comparative design can be organized in different ways. First, we may compare countries from different enlargement rounds. This comparison, they argue, can help us understand how domestic and region-specific conditions affect the process of Europeanization. Also, I suggest, from this comparison we can learn how different conditions and requirements for membership affect patterns of domestic institutional change in candidate countries.

Second, we may compare different stages of the same accession process (i.e., pre- and post-accession) and analyze why and to what extent incoming countries are likely to change their behavior in the post-accession phase. This comparison can shed light on what happens when the accession process is over and incoming countries acquire greater bargaining capacity as a result of full membership.

Third, we can compare member and non-member states with regard to specific rules and policies and assess how and to what extent Europeanization might impact non-members as well as full members in the same policy domain.

The comparative design of this thesis encompasses all the aspects above as well as new possible comparative approaches. First, this thesis is a comparison between different rounds of EU integration, the Eastern enlargement and the EMU accession, and

¹¹ As Goetz (2008) notices, successive enlargements of the EU followed a path that coincides quite closely with the four groups of countries that I have identified above (to which as Goetz suggests, we should add the Anglo-Irish group that joined the European Community in 1973). By contrast, the EMU accession process initially involved only countries of Western and Southern Europe and only recently has it become the target of Central and Eastern European members (among the CEECs, only Slovenia joined EMU in January of 2008).

their different policies, rules, and procedures. Second, it examines different stages of EU integration by analyzing pre- and post-accession behavioral compliance with EU rules. Third, it compares members (Italy) and non-members (Hungary) with regard to administrative policies.

Yet, the reader might still have issues with a comparison that involves two different processes of European integration, such as EMU accession and the Eastern enlargement. As I mentioned above, while these two processes are *prima facie* quite different – they feature different parameters for membership and involve two countries which are commonly considered part of two distinct regions and members of two different power groups, namely the founding member states and the latecomers – they also share some common characteristics. They introduced a temporal constraint for accession, set some criteria for membership, used competition among peer countries to enforce compliance, required – more or less explicitly – changes in the state administration of the acceding countries, and created information asymmetries in favor of technocratic elites. Furthermore, these two processes occurred in the same time period, between the late 1990s and the early 2000s, which was a critical juncture for both Italy and Hungary as both countries were experiencing an unprecedented institutional and political transition.

This said, by no means do I intend to argue that such similarities offset the differences between EMU and the Eastern enlargement. My argument is that as a result of the different characteristics of these processes, the EU exerts different types of external pressure on national public administrations. While in Italy, administrative reforms were only indirectly linked to EMU requirements and were not subject to any supervision and

monitoring on the part of the EU, in Hungary, as in all eastern candidate countries, administrative reforms were part of the conditionality for membership. Consequently, while in Italy the EU had no role in the way the reform was carried out (but, I will argue, it helped in building national consensus for the reform), in Hungary, the EU exerted intense pressure for adaptation over policy decision-making and implementation, long before formal accession.

Studying two different processes of European integration with supposedly different degrees of EU pressure allows us to have some variance in the independent variable. However, we should not assume that greater EU pressure corresponds to greater levels of Europeanization, which is to say that the EU had greater causal influence on domestic outcomes in Hungary or that Hungary has been more successful in passing and implementing administrative reforms.

In the end, I selected a first country – Hungary – where high pressure of policy adaptation is present, and a second country – Italy – in which EU pressure is supposedly indirect, soft, and mediated by domestic institutions. The goal is to assess how variation in the independent variable – strong versus moderate EU pressure – affects variation in domestic outcomes and also how different types of EU pressure interact with other domestic and global independent variables that were at work simultaneously.

Why were Hungary and Italy selected as case studies? Since this thesis focuses on state administration reforms, which include by definition regional reforms, I selected two countries in which power is either mainly concentrated in the central government or is supposedly dispersed across multiple levels of governments. Thus, I selected a unitary

state – Hungary – and a more decentralized state – Italy.¹² In this way, I intend to test Schmidt’s argument that EU integration has a greater impact – in terms of altering the balance of power among branches and levels of government – on unitary states than on more decentralized states (see Schmidt’s argument in the next section). In this way, I will also test the “institutional fit” theory (Börzel and Cowles et al., 2003) which argues that the pressure to adapt to EU provisions increases when there is a certain degree of institutional incompatibility between EU requirements (in this case regional reforms) and domestic institutions (which can be either centralized or decentralized).

3. The impact of the EU on domestic policies, polities, and politics

Europeanization studies are traditionally policy oriented. Only recently have scholars widened their analytical spectrum and studied how the deepening of European regional integration can ultimately affect the functioning of national political institutions (the polity dimension) and the distribution of political power among domestic actors (the politics dimension). In this thesis, I suggest that although the main focus of any study on Europeanization might be on policy, scholars should also confront the question of how the EU affects the politics and polity dimensions.

¹² In his discussion of consensus versus majoritarian democracies, Arendt Lijphart (1999) argues that in consensus democracies, the activities of government are divided between regional governments and a central government in a way that each government has some activities on which it makes final decisions. Thus, Lijphart classifies countries with federal and decentralized governments and countries with unitary and centralized governments. He argues that while Germany and the United States have a federal and decentralized government, the United Kingdom, France, and Italy have a unitary and centralized government. However, he assigns to Italy a higher score than the minimum of 1.0 because after the reforms of the 1970s, he argues, Italy progressively became less centralized. By contrast, Vivien Schmidt (2006) argues that Italy is a regionalized state (thus closer to Germany than to France and the U.K in terms of division of power) because starting in the 1990s Italian regions gained more legislative power. Centralization and decentralization are obviously a matter of degree. In this thesis, I will argue that in Italy, political power is ultimately more decentralized than in Hungary, where regions are only a recent political phenomenon and regional governments are not democratically elected. Yet, chapter three will explain in detail why regional reforms in Italy remained unfinished.

For the politics dimension, I intend to understand the way in which the EU negotiating process affects the balance of power among domestic actors. EU negotiations essentially constitute what Robert Putnam (1988) describes as a two-level bargaining game, in which negotiators have to simultaneously satisfy and reconcile interests on two levels: domestic and EU. In this process, national negotiators aim at ensuring the widest support possible for EU integration, in order to push through an agenda of domestic policy reforms which can be either directly or indirectly linked to the EU requirements for accession. Yet, I will show, consensus might be merely fictitious and negotiations carried out in an elitist way (without public discussion and the involvement of all interested parties).

For the polity dimension, I intend to study the impact that the EU might have on domestic inter-institutional relationships, such as state-society relations, relations between different branches of government, and center-periphery relations.

Although the literature would generally agree that the policy, politics, and polity dimension of Europeanization— which are also the three traditional domains of any political regime – are interconnected, not very often are these studied in a comprehensive way. Moreover, what is often missing in the literature is the analysis of how change in one dimension of Europeanization will affect change in the other two. The aim of this thesis is to explore whether, how, and to what extent the different characteristics of the EU negotiating process (politics) affect the way in which domestic institutions function (polities) and the way in which EU-driven institutional reforms are implemented (policies).

Regarding the polity dimension of Europeanization, this thesis will analyze the impact of EU integration (and its policies, rules, and procedures) on center-periphery relations, relations between the executive and the parliamentary branch of government, and state-society relations (with a focus on labor unions and non-governmental organizations).

Concerning center-periphery relations, a recent study by Schmidt (2006) argues that the EU has a greater impact – in terms of altering the balance of power among branches and levels of government – on unitary states, such as Britain and France, than on federal or regionalized states, such as Germany and Italy (these are the countries she uses as case studies). In unitary states, she contends, the EU diminishes the autonomy of the executive while promoting the autonomy and independence of sub-national institutions. By contrast, in federal and (to a less extent) in regionalized states, in which power is already dispersed across multiple levels of government, the EU has practically maintained the pre-existing balance of power between the center and the periphery.

If Schmidt is correct, we would expect her argument to apply also to Hungary. However, as I will show in chapter two, in Hungary the accession process has strengthened the central government over the periphery and the executive branch of government over the parliament. By contrast, the findings of this thesis support Schmidt's argument on the Italian case. EMU accession reinforced the decision-making capacity of the executive branch and simultaneously put pressure on central governments to devolve legislative power and financial resources to the regions. Finally, EMU accession favored forms of cooperation between the center and the periphery.

Regarding executive-parliamentary relations, the literature widely recognizes that the EU has strengthened the executive branch of government over the parliament and diminished the capacity of national parliaments to control EU affairs and hold their executives accountable. The findings of this thesis confirm this general trend. With only the remarkable exception of Denmark,¹³ in the majority of EU countries, parliaments do not even attempt to tie the hands of their executives when conducting EU negotiations because they do not want to risk delaying the policy-making process and jeopardizing their country's national interest (Benz, 2004).

The cabinet is widely recognized by the literature as the central coordinator of European affairs (Laffan, 2008). It sets the trajectory of European integration and manages the negotiations with both Brussels and the governments of the other EU members. The cabinet is usually supported by either the prime minister's office or the foreign affairs ministry. Some member states, such as Italy, have established a special minister for European affairs who is part of the prime minister's office. In EMU accession, the minister of economy also played a fundamental role.

Apart from the ministries, a fundamental role is played by a cadre of EU experts which includes the permanent representative to the EU, senior ministry officials, and experts in the sectoral areas. As Laffan argues, in each member state the EU cadre "consists of those officials who are Brussels insiders, deeply knowledgeable about the EU system, experienced EU negotiators and comfortable in the world of EU politics" (Laffan, 2008, 135). Laffan also contends that the way in which administrative institutions for the managing of EU affairs function in each member state varies greatly.

¹³ In Denmark, the government must receive a mandate from the parliament before taking a negotiating position.

There are significant differences among member states about the number of officials assigned to manage EU/national relations, the number of inter-ministerial and sectoral policy committees on EU affairs (and their tasks), and the regularity of meetings. Moreover, in some members, such as Italy, single officials and informal channels of communication and cooperation are more important in EU affairs than formal structures (see chapter three).

Although it is generally accepted that EU integration has led to a delegation of power from the political to the technocratic level of government, there has been very little work on the impact of the EU on the relationship between political actors and technocrats, and between political and administrative power in the managing of EU affairs. This thesis explores the changing dynamics of such relationships with a focus on the role that politicians and bureaucrats played during the Eastern enlargement and EMU accession.

Finally, regarding state-society relations, the literature is generally divided between scholars who argue that domestic interest groups rely entirely on their national governments for the pursuit of their EU-related interest (Moravcsik, 1998) and scholars who argue that interest groups pursue a dual strategy and promote their interests vis-à-vis domestic and EU institutions (Kohler-Koch, 1997). Indeed, in recent years, some studies have shown that only a limited number of business interest organizations and even a fewer number of social movements act at both the European and the national level on a regular basis (Eising, 2004). Also, regarding social movements, Imig and Tarrow (2001) found that only 5% of ten thousand protest events that took place in the EU between 1984

and 1997 were responses to EU institutions and policies, while 95% were related to either national or regional affairs.

The findings of this thesis seem to bridge these two arguments. Both in Italy and Hungary, labor unions aimed at participating in the EU negotiating process. However, while in Hungary, labor unions' involvement in the negotiations was limited by the structural weaknesses of the unions themselves and the unilateral approach used by the executive branch, in Italy, labor unions effectively participated in the decision-making process over EU-related reforms. Yet, when national governments, both in Italy and Hungary, turned against any form of cooperation with the unions (in Hungary this happened from the very beginning of the negotiations), the unions shifted their activities to the EU level (without abandoning the domestic arena) and tried to build channels of cooperation and communication with other European labor unions and EU institutions.

4. EU integration and the democratic deficit

This thesis ties the study of the EMU/EU accession process in Italy and Hungary to the debate on the EU democratic deficit. According to Abraham Lincoln's famous definition of democracy, democracy means government not only by and of the people but also for the people (cited in Schmidt, 2006, 21). This means that citizens are guaranteed political participation, citizen representation, and effective government. Often this definition of democracy is summarized in the distinction between input democracy (consisting of government of the people and focused on political participation) and output

democracy (consisting of government for the people and focused on government effectiveness).¹⁴

As Schmidt (2006) argues, in the EU, governance by and of the people has traditionally been much weaker than governance for the people (policy effectiveness). In fact, she contends, political participation and citizen representation are situated primarily at the national level. Regarding citizens representation, Schmidt argues that in the EU, citizens do not elect a president or a prime minister but they are indirectly represented by nationally elected executives through the European Council. Their will is also directly – but much more weakly – expressed through the European Parliament. However, in the EU legislative process, the role of the European Parliament varies depending on the policy area. In general, the legislative process is mainly dominated by the Commission and the Council (even though the Parliament’s powers to oversee EU legislation have progressively increased to the extent that it can now block as well as amend Council decisions).

Regarding political representation, democracy by the people means holding national politicians accountable for EU policies. However, this can be problematic when national politicians have little control over the EU policy-making process (especially if decisions are made by a majority vote).

In order to counteract the lack of political participation and citizen representation, the European Commission has often legitimated itself with arguments that describe the EU as a government for the people. This means that the EU makes up for its limit with regard to democracy by and of the people with more government effectiveness. As Prodi has claimed “at the end of the day what interests them (the citizens) is not who solves the

¹⁴ Schmidt (2006).

problem but the fact that they are solved” (cited in Schmidt, 2006, 26). However, in response to this argument, critics have often accused the Commission of excessive technocratic decision-making (Moravcsik, 2002).

One alternative way in which the Commission has sought to remedy the democratic deficit – and dissipate suspicions that decisions are only made behind closed doors – has been by increasing the number of interests represented in the policy-making process. This change of strategy is well evident in the “White Paper on European Governance 2001,” in which the Commission for the first time started promoting the idea of the EU as a government with the people. With this document, the Commission sought to create the impression that a more open consultation with the people in the decision-making process (policy sphere) could counteract the lack of participation by the people in the political sphere.

However, although in theory a government with the people helps in improving democratic legitimacy, in practice it is not free from problems. One first problem is that some interest groups are better organized and more present at the EU level than other groups (see business companies versus labor unions in chapter two). Second, the independence of non-governmental organizations (NGOs) can be seriously undermined by the substantial funding that they receive from the EU itself. Finally, apart from the rhetoric, the European Commission finds the task of achieving a high level of administrative efficiency while adopting a partnership-based approach quite challenging – as if democratic participation could *de facto* interfere with government effectiveness (government for the people vs. government with the people).

This thesis will discuss the tensions between administrative efficiency and democratic participation in the Eastern enlargement. Then, it will show empirically that democratic representation and administrative efficiency are not two conflicting logics. Quite the opposite, democratic participation is a *sine qua non* of policy implementation. To use Arend Lijphart's own words "there is no trade off at all between governing effectiveness and high-quality of democracy – and hence no difficult decisions to be made on giving priority to one or the other objective" (Lijphart, 1999, 302).

Chapter Second

The Hungarian case study

Introduction

During the years of the accession process, Hungary and the other Central and Eastern European countries, which wished to become members of the European Union faced a dilemma. If they listened to the interests of their domestic constituencies, they risked delaying the accession process and being considered uncooperative in the negotiations with the EU. Political accountability and interest representation – which are the *conditio sine qua non* for democratic consolidation – were at odds with the dictates of an efficient and technocratic accession process, which demanded of candidate countries the rapid transposition of EU legislation in a way that circumvented public discussion to avoid lengthily domestic conflicts.

By contrast, both democracy and effective institutional change require that reforms should be the product of extended national debates, not just the adoption of measures imposed from the outside. For this reason, the government of each candidate country should negotiate EU-related policies with all the local interested parties so that the resulting policies are both well-designed and domestically accepted.

However, because of the haste and the technicalities of the accession process, Hungarian governments have generally disregarded the need to construct a domestic dialogue behind each reform. As a result, political reforms have been passed upon a fictitious consensus, which has gained Hungary appreciation from the EU and ultimately its membership, but it has also hampered the implementation of such reforms and possibly the process of democratic consolidation.

The EU accession process raises very interesting questions about the simultaneous processes of Europeanization and democratic consolidation, and a more general question about real, as opposed to formal only, institutional change in a context in which the demand for change is coming, even if not exclusively, from the outside. This chapter aims to answer two such questions: first, how and to what extent has the EU causally influenced domestic institutional change in Hungary at the level of policy (state administration reforms), politics (national political battles and negotiations over reforms), and polities (relationships between state and society, executive and parliament, and central government and regions); second, whether reforms driven from above and passed without democratic participation produce real institutional change that has resulted in long-lasting changes in the political behavior of domestic actors.

This chapter initially explores the tensions between the EU accession process (particularly the requirements of speed, but also the threat of failure) and the simultaneous process of democratic consolidation. I will demonstrate these tensions by taking into account two aspects of state administration reforms: depoliticization of the civil service and genuine regionalization (which entails devolution of central power and financial resources). However, apart from democratic consolidation and the risk that elite-centered policy and politics will harm democracy in the long run, I will show that when a process of reform is not democratically discussed and engaged –through some level of participation by parliament, local elites, civil society, and organized interests– domestic actors are more likely to oppose change and reforms will not last or even be implemented (as in the case of regional reforms).

During the years of the accession process, a group of domestic technocrats with expertise on EU matters monopolized the national decision-making process over EU accession. As a result, social and regional actors (i.e., interest groups, non-governmental organizations, and local political authorities) were excluded from the negotiating process with the EU. Similarly, the Hungarian parliament played only a marginal role in the negotiations, as often EU-related laws were passed through fast-track procedures (without a plenary debate in the national assembly).

In section 1, I will argue that while the Hungarian senior civil service is highly politicized – as political parties appoint high-ranking officials on the basis of political criteria– the group of Hungarian bureaucrats in charge of managing the negotiating process was free from party patronage. I will suggest two kinds of explanations. On the one hand, political parties strategically maintained the same group of Hungarian negotiators because of the limited number of officials with expertise on EU matters. On the other hand, domestic actors coming in contact with EU actors internalized some rules of appropriateness, such as maintaining a stable and professional group of national EU experts during the negotiating process. This social learning, which occurs through processes of persuasion and socialization into the values and norms that are embodied in the EU accession process, redefined the interests of patronage-seeking parties, which refrained from appointing experts in EU affairs on the basis of political criteria.

Arguably, where civil servants are appointed only for their political loyalty and regardless of their managerial capacity, the correct implementation of public policies is at risk. This is why the EU requires candidate countries to create professional and apolitical domestic bureaucracies which can efficiently implement EU legislation. Nonetheless,

some degree of personnel turnover, limited to a restricted number of high-ranking officials, is useful and beneficial since it gives to democratically elected politicians the possibility to monitor the correct implementation of reforms by appointing trusted civil servants. If politicians, who are elected by the people, have no role in defining policy objectives and ensuring their implementation, there would be no checks on the performance of public administrators, and politicians would have no political responsibility.

Yet, as I will show in section 2, the Hungarian parliament, civil society, and local political authorities could neither influence nor monitor the expert work of domestic bureaucrats in charge of managing the accession. On the one hand, in fact, the pressures of the enlargement – time constraints and the technicalities of the EU policies – encouraged and justified an elitist decision-making process, which sacrificed democratic accountability in the name of efficiency. On the other hand, the historical and structural weaknesses of the Hungarian post-socialist civil society and national parliament hindered the promotion of domestic debates over the potential disadvantages of EU accession.

This kind of expert-oriented decision-making is dangerous for democracy as “it narrows politics to a realm of experts and replaces political judgment with objective knowledge” (Raik, 2004, 582). However, one could argue that this is neither uncommon nor surprising in EU history. In Western Europe, the process of EU integration has generally empowered national technocrats at the executive level who possessed greater information and expertise on how to manage EU-related policy. This contributed to strengthening the executive branch of government over the parliament and to reinforcing the political-administrative center over the periphery (Moravcsik, 1993, 1994). What is

often overlooked by the literature is that elite-centered policy and politics may have negative repercussions on the reform process itself. When domestic actors are excluded from the reform process, the resulting change is often merely formal and pursued only to pass the EU's requirements for membership.

In section 3, I will apply this argument to regional reforms. In order to apply for EU structural and cohesion funds, Hungary has created regions without real political and administrative functions. If regional actors had greater political leverage in the accession process, which could have consisted of participating in regional policy negotiations as equal partners, they could have pushed the central government to create democratically elected regions. Instead, local elites excluded from the negotiations over regional policy and deprived of decision-making power over the allocation of EU funds have eventually turned against the creation of democratically elected regions. As experience in the older member states has shown, the exclusion of local actors from the process of EU funds' allocation might have negative repercussions on Hungary's capacity to use such funds efficiently.

In the end, participation of domestic actors in each reform process is important for democratic consolidation as well as for reforms to be implemented and produce real and long-lasting institutional change.

1. The Europeanization of the Hungarian civil service

1.1 The EU administrative criteria

EU membership is granted upon the successful implementation of the EU's political, economic, and legal conditions. In 1993, at the Council of Copenhagen, the EU

established three criteria for membership: the political criteria which entails the stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities; the economic criteria which concerns the creation of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the legal criteria which involves the adoption and implementation of the EU's laws, the totality of which are usually called, the *acquis communautaire*.

The EU does not have jurisdiction over the administrative capacity of its member states. Nonetheless, in the case of the Eastern enlargement, the EU has placed great emphasis on the reform of candidate countries' public administrations by defining a new administrative requirement for membership. During previous enlargements, the administrative capacity of the candidate countries was either considered sufficient (as in the case of Austria, Finland, and Sweden¹⁵) or not a substantial impediment to the accession (Spain, Portugal, and Greece¹⁶). However, after the Mediterranean enlargements and the adoption of the Single European Act in 1986, member states' administrative capacity became an increasingly important factor for the EU, as a wide divergence in the capacity of each country to transpose and implement the *acquis* is believed to lead to serious distortions in the functioning of the European internal market.¹⁷

¹⁵ No questions were raised during the enlargement of these countries in 1995, as they had previously been part of the European economic space and had acquired experience on working within the EU.

¹⁶ Greece's response to EU membership, in terms of administrative modernization, has been for a long time inadequate and only recently had Greece made consistent efforts to bring its administration in line with the EU requirements.

¹⁷ In 1986 the EU adopted the Single European Act for the completion of the internal market.

To meet the obligations arising out of EU membership, the administration of each member state should have the capacity to ensure its participation in the EU decision-making process and the timely implementation of the *acquis*. The regular publication of scoreboard tables, which show the extent to which each member state meets its membership obligation, has revealed significant variations in the performance of domestic public administrations. Some member states with better scores, such as the UK, have demanded publicly that the under-performers should improve their administrative capacity, as British entrepreneurs feel that they are subject to unfair competition from companies in countries that lag behind in implementing EU laws.

The administrative criteria have been defined and operationalized in a later stage of the accession process relative to the other criteria for membership (democracy, market economy, and adoption of EU legislation), which were defined in 1993 during the Copenhagen summit. Explicit reference to the EU administrative criteria occurred for the first time in 1995 during the Madrid European Council. Later on, in the regular reports on the candidate countries' progress towards the accession, the European Commission has specified the content of the administrative criteria and created a system to assess its implementation, which was monitored by the SIGMA program.¹⁸

For what concerns the civil service, the EU requires of the candidate countries:

- the development of professional and apolitical public administration (based on the implementation of a civil service law)
- the development of a training system for civil servants to prepare them for EU accession
- the creation of administrative structures for the management of EU affairs

¹⁸ The SIGMA program operates under the OECD Public Management Service (PUMA) and it is funded mainly by the EU PHARE program. The SIGMA program has been one of the main tools used by the European Commission to promote administrative capacity in the CEECs.

The creation of an impartial and professional public administration has been on the agenda of many industrialized democracies in the 1990s. In this respect, the EU administrative requirements correspond to a global model of civil service that has been promoted by the New Public Management.¹⁹

When inquiring about the Europeanization of the Hungarian civil service, one needs to consider two different ways in which institutional change can occur: first, formal institutional change, which results from the adoption of a civil service law and its implementation; second, real institutional change, which takes into account not only the adoption of the law, but its content and the actual practice of personnel policy. Therefore, as I will discuss below, Hungary, as with the majority of the CEECs, has met the administrative criteria for membership in terms of formal institutional change. However, if we consider real institutional change, I will show that the Hungarian civil service is not Europeanized, as senior civil servants are appointed according to political criteria and are generally replaced after changes of government.²⁰

¹⁹ Between the end of the 1980s and the early 1990s, administrative reforms were taking place in numerous industrialized countries. Reforms were inspired by the theories of the New Public Management (NPM) which advocated a more efficient and less costly government in which the public administration was given more responsibility and greater autonomy from politics. Governments were particularly receptive to these theories since costly and inefficient public administrations were jeopardizing their aspirations to compete in the global economy. Countries in the process of reforming their national public administrations interacted among each other, exchanged best-practices, and used each other's experiences as a model for reforms. The NPM is the transfer of business and market principles and management techniques from the private into the public sector. The goal is a slim bureaucracy which works according to business principles of efficiency. On the NPM see Barzelay (2001) whose book discusses reforms inspired by the theories of the NPM in the UK, Australia, and New Zealand. For a critique of the NPM see Suleiman (2003) who argues that the bureaucracy has been under attack from the NPM which seeks to dismantle the civil service but also from the increasing politicization of public posts which is turning bureaucracy into an instrument of the governing political party of the day. Thus, while on the one hand, the NPM advocates for the downsizing of the civil service, on the other hand, elected politicians no longer seek to preserve the division between politics and bureaucracy but exploit the bureaucracy for their own political gain.

²⁰ Among the CEECs, only the Baltic States and Slovenia come close to Europeanization. Lithuania, Latvia, and Slovenia delegated the authority to recruit and select senior officials at least partially to civil service commissions. However, these developments cannot be attributed exclusively to the EU accession process but reflect personnel policy practices adopted since the mid-1990s.

In the next paragraph, I will explore the domestic dynamics that have shaped civil service reforms in Hungary since 1989. My goal is not to quantify the level of politicization of the Hungarian civil service, but to understand what factors influence it, why reforms have failed, and ultimately the overall impact of the EU on the reform process.

1.2 Civil service reforms in Hungary

Among the countries of Central and Eastern Europe, Hungary is often referred to as both a front-runner in the implementation of public administration reforms and as the country that has experienced the least patronage in personnel policy.²¹ In fact, Hungary was the first post-socialist country to pass legislation for the modernization of the state administration. Also, whereas in general, the size of post-socialist state administrations has expanded dramatically over the past 15 years, in Hungary the number of public administration personnel has increased little and at times even contracted (O'Dwyer, 2004). This is because, according to Grzymala-Busse, robust party competition and the presence of a critical opposition led to the adoption of formal institutions of monitoring (such as the laws on civil service) able to constrain the political opponents from exploiting state resources for their own gain (Grzymala-Busse, 2006) .

However, new studies have recently shown that civil service legislation has not constrained the politicization of the Hungarian ministerial bureaucracy. Politicians have taken advantage of loopholes in the legislation to exert political discretion in personnel

²¹ Patronage is understood as the staffing of public offices on the basis of political criteria (Meyer-Sahling 2006). Politicization is usually referred to as the substitution of the political criteria for merit criteria in the selection, promotion, and rewards of members of the public service (Peters and Pierre, 2001). In this chapter the terms patronage and politicization are used interchangeably.

policy, which can be seen in the large turnover that occurred among senior officials after changes of government, with new appointees selected on the basis of political criteria (Agh, 2005, Meyer-Sahling, 2006).²² Meyer-Sahling attributes this to the high polarization between left and right in Hungary's party competition. New governing parties have an incentive to replace ministerial bureaucracy with officials who combine political loyalty and expertise, not to allocate public jobs to party supporters but to be able to implement public policy change. In the end, for Meyer-Sahling, political competition seems to increase the politicization of the civil service.²³

Yet, party competition does not explain the complete story in either sense. Thus, a more careful analysis of the history of the reform process is needed to identify which factors affect patronage in personnel policy. Hungary by its historical tradition belongs to those European continental states with a Weberian administrative system. This tradition continued during the socialist regime. The Communist Party and the public administration had never been entangled with each other, as in the case of Romania. Moreover, whereas in the years that followed the uprising of 1956 and its repression, the role of civil servants was simply to implement the party's decisions, in the 1970s and 1980s civil servants could already enjoy some professional autonomy and a more meritocratic promotion system. In the 1980s, in particular, a younger and well-trained

²² In his analysis of the Hungarian senior civil service, Meyer-Sahling has estimated that during the changes of government in 1990, 1994, 1998, and 2002, new governments have replaced the state secretaries inherited by their predecessors, 90% under the Antall government elected in 1990, 60% during the Horn government in 1994, and 70 % during both the Orban and the Medgyessy governments elected respectively in 1998 and 2002.

²³ Politicization is not confined only to high-ranking bureaucrats but affects all levels of the public service (Nunberg 2000, Agh 2005, Meyer-Sahling 2004, 2006).

generation of public servants assumed key positions in the process of transition to democracy (Vass, 2001).

Right after the regime change, in 1990, the Hungarian parliament adopted the Act on State Secretaries, which regulated the top two administrative positions of the ministerial bureaucracy: administrative and political state secretaries. The latter were political appointees with no role in managing the internal affairs of the ministry, while the former were responsible for the professional management of the ministry and were appointed according to criteria of expertise and trust. However, as Vass notes, the meaning of trust is rather complicated as it is difficult to discern “how much political loyalty is included in this term” (Vass, 2001, 85).

The discussions that led to this act focused on arguments about the need to separate politics from administration and to develop a depoliticized and professional bureaucracy. This act fully represented the view of Prime Minister Antall, who thought that it was imperative to continue working with the former bureaucracy given the shortage of personnel alternatives. Thus, having worked for the civil service before the regime change was not a reason for exclusion. Consequently, there was initially a low turnover of administrative personnel, a rather exceptional case in the history of democratic Hungary. Successively, however, a strong anti-communist opposition emerged within the governing coalition which pushed for the cleansing of the state administration of the bureaucrats who had connections with the former regime (Vass, 2001).

In 1992, the Law on Civil Servants was passed. Its main objective was to stabilize the number of civil servants and to regulate their job requirements and training. While the

law protected civil servants against arbitrary dismissal and created obstacles against the promotion of staff on the basis of political criteria, it did not provide strong barriers against the direct interference of ministers in personnel policy. Ministers could remove administrative states secretaries and heads of departments (20% of the ministerial civil service) from their position without explanation. Also, the career system established by the law was too rigid and based on seniority. It entailed an automatic promotion process, which placed excessive emphasis on the length of service instead of merit (Vass, 2001).

In the period between 1990 and 1994, there was an unnecessary mushrooming of agencies and offices within and under the ministries. As a result, the administrative work fell apart. As an example, when the local elections were won by the opposition parties, the central government appointed local commissioners to counterbalance the opposition in the local governments. Vass argues that with this move, politicians compromised the issue of the regional reorganization (see section 3).

In the period between 1990 and 1994, the number of public employees exceeded one million (a quarter of the working population) and the number of civil servants increased from 85,000 to 110,000 (Vass, 2001). In 1994, national elections were held and the new center-left government led by Prime Minister Horn wanted immediately to prove its commitment to reduce the size and the cost of the public administration. The Horn government eliminated the local commissioners and reduced the number of civil servants between 5 and 10 percent. However, these personnel reductions took place in equal measure at every level of the public service without evaluating the performance of the civil servants. As a result, many talented civil servants left the public administration. A

large number of qualified personnel had already left the civil service to the private sector because of its inadequate financial compensation (Vass, 2001).

The second reform wave, in 1997, amended but did not significantly change the 1990 Act on State Secretaries and only marginally changed the Civil Service Act. The reform officially granted ministers the right to appoint political advisors in ministerial cabinets, by formalizing in this way an existing informal practice. Also, although it introduced a performance-related pay, it made it dependent exclusively on ministers' personal judgment (Meyer-Sahling 2006).

In 1998, a center-right coalition led by Prime Minister Orbán came to power. Orbán had few incentives to work with senior civil servants recruited and promoted by the Horn government. The radical anti-communist members of the governing parties viewed them as still linked to the previous regime. As a result, Orbán appointed as his political advisors officials from outside the public administration: many of them were young and fitted the characteristics of its party, Fidesz, as a radical, anticommunist youth movement (Meyer-Sahling, 2006).

The reform of 2001, approved under Orbán's government, substantially amended the Civil Service Act but did not alter the degree of politicization of the ministerial civil service. Orbán, in fact, had problems reconciling the personnel strategy of his party, which relied on the recruitment of senior civil servants from his social networks, with the need to impose restrictions on patronage politics. The main innovation of the reform was the creation of a Senior Executive Service, which comprises 300 managing civil servants. Their level of remuneration may be up to three times higher than officials in equivalent ranks. Also, officials dismissed from the senior executive service remain on the

government payroll for five years. Although the entry criteria for the senior service are based on a higher level of expertise, the government of the day still has authority on the admission processes. The government, in fact, could adopt a decree that specifies standards and procedures for the selection of senior executives. Right before the next parliamentary elections in 2002, Orbán exercised the right to fill the 300 available posts without specifying the entry criteria (Meyer-Sahling, 2004 and 2006).

When the Medgyessy government won the elections in 2002 (center-left coalition), it tried to find ways to avoid paying the five-year commitment to those members of the senior executive service appointed by the previous government whom he dismissed. At the same time, it wanted to protect the new appointees loyal to its coalition against future dismissals. Thus, a new civil service reform was introduced. It stated that the pay was guaranteed only for two years instead of five after an appointment was revoked in the senior executive service. It also reduced the discretion of the prime minister over the composition of the senior executive service by stating that only civil servants with five years of experience were eligible for it.

The Gyurcsani government elected in 2006 is drafting a new reform of the public administration. The drafting of the reform is currently managed by two offices within the Prime Minister's Office, headed respectively by the state secretary for civil service reforms and the government commissioner for public administration reforms. The Hungarian state secretary for civil service reforms was appointed in 2006, when the center-left coalition won the elections for the second time in a row, and he is a very young official recruited from outside the public administration. He has previously worked in the private sector, as manager of human resources for Philip Morris. His goal is to

apply human resources management policies used by multinational corporations to the civil service, in particular for its selection, promotion, training, compensation, and career management.

The government commissioner for public administration reforms, by contrast, is a senior official (previously minister of finance) who has been employed in the civil service since the 1980s, before the fall of the previous regime. He is the vice-chairman of the committee for public administration reforms, which was also instituted in 2006 and is headed by the prime minister. One of the tasks of this committee is to reform the civil service. Although the two offices and their chairmen are concerned with the same tasks, there is no communication or cooperation between the two. This duplication of functions, together with the different approaches used to solve the same type of problems, tends to lead to inefficiencies both in the drafting and implementation of the reform policies.

This history of the process of civil service reforms in Hungary reveals some recurring factors that explain the chronic failures to depoliticize the civil service. Party competition does not explain the whole story. In the Hungarian case, in fact, there are instances in which the high polarization of political competition has exacerbated patronage politics and cases in which the presence of a critical opposition has constrained political discretion in personnel policy. On the one hand, the reform promoted by the center-right coalition in 2001 instituted the Senior Executive Committee, which reinforced the ability of the governing parties to exert political discretion in the appointing of senior public servants. Knowing that the opposition was going to win the next elections, the Orbán government filled most of the posts available and made it

difficult for the next government to revoke their mandates. In this case, the high polarization of politics was an incentive to increase patronage.

On the other hand, in the history of the Hungarian civil service reform, there are also instances that seem to support Grzymala-Busse's argument that political competition leads the governing coalition to create institutions of monitoring to prevent the opponent parties from exploiting state resources. The Medgyessy government decreased from five to two years the guaranteed pay for dismissed high-ranking officials and established that only career public servants could be appointed as members of the senior executive service. As a result, in the attempt to reduce the number of civil servants appointed by the previous government, Medgyessy made the senior executive service less prone to be politicized by rent-seeking parties.

Thus, I would argue that party competition is neither a necessary nor a sufficient condition for depoliticization. Similarly, party competition does not always exacerbate the politicization of personnel policy. In the Hungarian case, neither governments of the left nor of the right had a real interest in depoliticizing the civil service. Indeed, governing coalitions were rather preoccupied with finding creative solutions that could protect their own appointees, while allowing them to dismiss rapidly civil servants loyal to the opposing coalition. This is because governing coalitions reward party supporters (such as individual voters, campaign workers, and financial contributors) through the allocation of public jobs. As Gwiazda argues "The government is a resource for the party, and controlling it provides ways of strengthening the party itself (Gwiazda, 2008, 4).

An Italian senator, whom I interviewed in 2006, bluntly explained why and how governing parties use the public administration to strengthen their own party's organization and enlarge support for it. He argued:

In general, before being elected to a government position, every politician has to face a difficult and expensive electoral campaign. After the campaign is over, individual voters, volunteers, campaign workers, and entrepreneurs who have financed the campaign or worked for it, expect something from politicians in exchange for their support. What can politicians do for them? It is quite simple. They can replace officials appointed by the previous government with officials recruited from outside the public administration, among their group of political friends and supporters. Alternatively, they can leave in place officials inherited from the previous government and create a new department within the civil service, in which their own friends and contributors could be appointed as public officials. Finally, they could externalize some of the functions of the civil service by creating a state-owned company, which in turn will hire some of their political supporters. No one of these solutions is illegal. There is no bribery involved. I would rather say that this is a convenient way to generate consent in the public administration.²⁴

Similarly, in her analysis of party patronage in Poland, Gwiazda contends that patronage is a way for political parties to reward their clients. Gwiazda argues that both the Democratic Left Alliance (elected in 2001) and the Law and Justice party (which formed a conservative government in 2005) used their term in office to appoint their supporters to a variety of public and semi-public positions. In both cases, party patronage was a means of rewarding party supporters. Both parties abolished institutions dominated by previous governments' supporters and set up new ones, in which their supporters were nominated for new positions. In order to do that, Polish governing parties designed civil service laws in ways convenient for them or amended existing legislation to circumvent rules for the appointment of senior civil servants (Gwiazda, 2008).

²⁴ Author's interview, Rome, 2006

Furthermore, Gwiazda contends that Grzymala-Busse argument that party competition constrains political parties in the extraction of resources from the state, does not apply to the Polish case. She argues that pluralist competition does not always limit patronage. In fact, in Poland, even when the Law and Justice party formed a minority government and faced strong opposition, it still tried to appoint party supporters to higher positions in the civil service. This happens because for political parties, the extraction of resources from the state is a means of expanding party support and organization.

Back to the Hungarian case, another reason why civil service reforms failed is the lack of consensus across the political spectrum on the strategies of the reform. The four-year cycle of government gives very little chance to complete a reform program because of the regular political turnover. The new government automatically reinterprets the reforms and revises the strategy of its predecessors. Even when the same political coalition is re-elected, as under the Gyurcsani government, duplication of offices and different reform strategies lead to confusion and incoherence in the planning of the reform. In the Baltic states, especially in Latvia and Lithuania, administrative reforms were managed by a small group of reform-minded officials who managed to gain and retain the trust of politicians, regardless of their political orientation. In Hungary, instead, the interest of rent-seeking parties in appointing ministerial bureaucrats loyal to the party prevented the formation of a core group of reformers trusted by both left- and right-wing governments.

In this context, the EU accession process and its administrative requirements could have potentially been a strong stimulus for reforms. Instead, as I will argue below, the EU lacked the credibility to impose compliance with the administrative criteria,

placed excessive emphasis on legislated reforms, and sent incoherent messages to the candidate countries as it focused mostly on strengthening candidate countries' sectoral administrative capacity.

First, the EU's threat to exclude Hungary in case of non-compliance with the administrative criteria lacked credibility. Among the CEECs, Hungary has always been a front-runner in the accession process, due to its good record in the implementation of the EU's requirements for membership. Thus, there was no risk that a failure in the implementation of the administrative reforms would have kept Hungary from joining the EU. Verheijen has argued that only in the case of Slovakia was there a fear that the EU might have used the administrative capacity argument as a reason to postpone membership.

Second, the EU's emphasis on legislated reforms has strengthened the bias towards using mainly legal instruments in the reform process.²⁵ However, civil service legislation is not *per se* a crucial instrument for the professionalization and depoliticization of the bureaucracy. First, it is worth little unless it is implemented. Second, the content of the legislation is crucial for the success of the reform: civil service legislation cannot prevent patronage politics if it does not explicitly outlaw the possibility for governments to exercise political discretion over personnel policy. In this respect, the Hungarian civil service law and its amendments (in 1997 and 2001) left largely untouched the discretion of the government to intervene in the appointment and selection of senior officials.

²⁵ Verheijen has argued that other instruments should be used to promote the reform of the civil service, namely incentive systems for bureaucrats and training programs. However, training programs, such as the ones sponsored by PHARE, were based on approaches designed and tested for Western countries and they have not been prepared to address local problems of human resources development.

Finally, regarding the administrative requirement for membership, the EU has been far from consistent in the signals it has sent to the candidate countries. In fact, the pre-accession EU financial assistance, through the PHARE program, was directed mainly to the development of the sectoral administrative capacity, which is the capacity of the candidate countries to implement EU legislation in sectoral areas. This has been interpreted by the candidate countries as an indication that general administrative capacity was less important than the creation of technical capacities to implement and enforce the *acquis* (Verheijen, 2006). Quite the opposite, the creation of a stable, professional, and accountable civil service is a *conditio sine qua non* for the implementation of the EU *acquis*.

Nonetheless, as we shall see in the next paragraph, if the impact of the EU on the depoliticization of the senior civil service has been rather small, the continuity of the group of technocrats in charge of the accession process suggests that the EU can be a strong catalyst for the creation of patronage-free zones within domestic public administrations.

1.3. A highly politicized public administration vs. the “politically untouchable” team of EU experts

While the Hungarian senior civil service is generally subjected to high turnover rates, the group of domestic EU experts in charge of negotiating the accession remained practically unchanged from 1996 to 2004, despite the fact that two national elections were held during that time, in 1998 and 2002. The only position that changed was the head of the Hungarian negotiating delegation, since it was headed by the foreign minister.

The negotiation delegation was the formal body responsible for Hungary's strategic approach to the accession process. The delegation was headed by the minister of foreign affairs, assisted by the head of the state secretariat for integration and the head of the Hungarian mission to the EU²⁶, who was also Hungary's chief negotiator. In addition, the delegation had twelve permanent members, who were senior civil servants representing the line ministries. In 1996, 31 expert groups were also created to address the tasks of adopting the 31 chapters of the *acquis communautaire*.²⁷

From 1996 to 2004, the chief negotiator, the head of the Inter-ministerial Committee for EU integration, the permanent members of the negotiation delegation, and the 31 expert groups in charge of each chapter of the *acquis* remained for the most part the same, and "if somebody left it was not for political reasons."²⁸ In particular, the chief negotiator, Endre Juhasz, was in charge of the day-to-day management of the negotiations during the entire time (he had also been Hungary's ambassador to the EU since 1995). During his tenure in Brussels, he served three different cabinets, under governing coalitions of both the left and the right (Batory, 2008).

According to estimates of the ministry of public administration in 2001, taking all the ministries and the Hungarian mission in Brussels, there were some 300-350 civil servants directly involved in the Hungarian preparation for the accession into the EU, and some 600-650 who were assisting them (Vida, 2002). Also, the World Bank in "Ready for Europe" 2000 has provided similar figures of about 1,000 civil servants who

²⁶ The Hungarian mission to the EU was established in 1990 and was headed by a diplomat. At the beginning the mission had a staff of 23 members. However, as EU membership became closer, the number increased to 100 members (Agh 2003).

²⁷ During the mid-1990s the minister of foreign affairs engaged in the EU accession process many young lawyers and economists who spoke foreign languages and had a good understanding of the EU (Vida, 2002).

²⁸ As a Hungarian negotiator claimed during an interview with the author, at the foreign affairs ministry in Budapest (January 2007).

manage EU affairs in one way or another. According to diplomats from the state secretary for integration, there are between 50 and 100 civil servants in the main line ministries who manage EU issues. These figures would lead to a higher number than the 1,000 civil servants previously mentioned (Vida, 2002).

Given the high rotation rates in the senior civil service (and also in its lower ranks, as Agh, 2005, and Nunberg, 2000, argue), it is quite surprising that the group of EU experts in charge of negotiating the accession remained for the most part unchanged during the entire process. How can we explain the long stability of these Hungarian bureaucrats in the context of a politically driven senior civil service?

A first explanation is that in general, senior rank officials from previous governments are more likely to be replaced if there is a good supply of bureaucrats who combine political loyalty and governmental expertise.²⁹ However, in the EU accession process, I will show, turnover could not be possible because the supply of experts was extremely low. In fact, because of the technicalities of EU affairs, there were a limited number of Hungarian officials with high expertise on EU issues and knowledge of foreign languages who were able to manage the negotiating process. Thus, political parties refrained from replacing these “islands of excellence” (Agh 2005) as they did not want to take the risk of policy failure during the negotiations.

²⁹ This explanation draws from Meyer-Sahling’s argument that “irrespective of the structure of political competition, the politicization of the ministerial bureaucracy will necessarily be limited if governing parties lack a supply of personnel alternatives” (Meyer-Sahling 2006, 287). This is the case, he argues, of the first post-communist government led by Antall who initially decided to work with the senior bureaucrats inherited from the last socialist government (led by Nemeth) because of lack of alternative personnel. However, later on, anti-communist factions in his governing coalition called for the exclusion from the policy-making process of senior officials associated with the communist regime – an informal lustration – and eventually a large turnover took place.

A second explanation is that a stable bureaucracy is more likely to foster policy implementation when there is a strong political consensus across the political spectrum on a given issue. For this reason, I would argue, the strong consensus over EU membership has been able to mitigate problems of trust between opposing government coalitions over the group of technocrats in charge of driving Hungary into the EU.

Third, the team of national EU experts has gained respect and appreciation from the Hungarian bi-partisan elite over the years of negotiations as it had good policy-making records on EU issues. In the Regular Reports on the accession, the European Commission recurrently praised the front-line position of Hungary in the transposition and implementation of the *acquis*. The policy-making records of bureaucrats have a positive impact on governments' trust as long as the policies pursued by the previous government do not differ from the goals of the incoming one (Meyer-Sahling 2006). Similarly, senior bureaucrats' career records – whether they were appointed on their own merit or because of political connections – might convince incoming governments to trust inherited senior civil servants. In this sense, the national EU experts' career records showed that their appointments were not political, as many of them had been working consistently on EU issues for over a decade.

Finally, there was an unquestionable need for an element of continuity in the lengthy accession process. The credibility of Hungary's membership bid could only be maintained if a change of government would not call into question the commitment of the country to the objective of EU accession (Batory, 2008). As Batory argues, an element of continuity, unaffected by two changes of government during the negotiations, was represented by the stability of key actors involved in the management of the negotiating

process (Batory, 2008). Because of the expertise of this elite group and the continuity of their service in the same field, the EU accession process was conducted on the basis of strong personal relationships among the domestic and European actors (Agh, 2003). As Hungary's chief negotiator argues:

Most of the negotiating is conducted informally through meetings with the services of the European Commission and ambassadors and staff members of the Permanent Representations of the Member States.³⁰

As Pierre Mirel, EU chief negotiator with Hungary at the European Commission, argues:

The reason why the negotiating team, the chief negotiator, and the other key persons involved in Budapest did not change despite the elections is very simple: they were all highly professional, extremely knowledgeable about the EU and the negotiations, totally dedicated to their tasks and putting the overall interest of Hungary above any other considerations. Moreover, they had managed to create trust and confidence with us in Brussels as with the key European capitals.³¹

Also Peter Gyorkos, Hungarian negotiator with the EU, shares a similar view on personal relationships:

Personal relationships are more than important. The Commission is the number one partner and the number one ally of any candidate country. Of course, the Commission's attitude towards criteria generates a lot of mixed feelings in candidates but my final assessment is that the commission is an honest broker.³²

Thus, as relationships of trust and respect between European and Hungarian officials were perceived to be crucial for the success of the negotiations, the pool of national EU experts needed to be consistent and reliable during the accession process.

³⁰ Interview cited by Batory (2008).

³¹ Author's interview, New York, Summer 2008.

³² Author's interview, New York, Summer 2008.

1.4 The Europeanization of the bureaucratic elite in charge of the accession process

The depoliticization of the bureaucratic elite of EU experts within the public administration was Hungary's learning response to the challenges of the accession process, which required expertise on EU matters and reliability in the negotiations. In this paragraph, I will argue that the personnel continuity of the Hungarian group of EU experts is an example of Europeanization through horizontal integration and voluntaristic learning. Europeanization is defined here as a change in the logic of political behavior of domestic actors that can be attributed to European integration. In order to understand how the EU impacts domestic political behavior through voluntaristic learning, one needs to focus on the dynamic interaction between exogenous political stimuli – rules and informal practices of the EU accession process– and domestic learning responses at the level of domestic personnel policies.

As I have discussed in the first chapter, one can differentiate two ways in which Europeanization takes place: first, Europeanization can occur through vertical integration, when change is the result of coercion and hierarchical imposition of institutional requirements; second, Europeanization can take place through horizontal integration, when the EU affects domestic institutional arrangements through voluntaristic learning.

According to the literature, horizontal Europeanization can occur in two ways: by altering the opportunity structure in which domestic actors make decisions and by changing their ideas and beliefs (Knill and Lehmkuhl, 2001). In the case of Europeanization by altering the opportunity structure, the EU changes the distribution of power and resources among domestic actors, thus challenging existing institutional

equilibria. Usually, examples of this type of Europeanization are EU market-making policies in which, rather than positive arrangements, the EU excludes certain options from the pool of possible policy choices, as in the case of the European Internal Market where member states had to remove barriers to the free movement of people, goods, capital, and services.

Nonetheless, one can argue that this way of Europeanization applies also to the bureaucratic elite in charge of the accession. The EU has changed the distribution of power among domestic actors by empowering the group of national EU experts who managed the accession over both national politicians and civil servants without EU expertise. The accession technocrats were granted informational advantages over the negotiations, which they used, as we will see, to increase their bargaining power in domestic political conflicts.

In the case of Europeanization by changing ideas and beliefs, the EU fosters domestic institutional change by altering ideas, beliefs, and expectations of domestic actors. According to the literature on Europeanization, framing integration might impact either the outcomes of national reforms or even the process of reform itself (Knill and Lehmkuhl, 2001). In the first case, the EU provides a focal point for the solution of domestic problems when there is already a broad consensus for domestic reforms and when reforms are basically in line with the objectives of EU legislation. In the second case, the EU is able to alter the reform process itself by changing the beliefs of veto players who previously opposed the reforms, thus creating broader support for change.

In the Hungarian case, the EU changed the behavior of domestic actors by convincing domestic veto players, the patronage-seeking parties, that a politically free

zone was needed to manage the accession process. This was possible only because there was a strong political consensus across the political spectrum over the EU accession.

Patronage-seeking parties, I will argue, behaved according to both a logic of consequences and a logic of appropriateness, which respectively belong to the calculus and the cultural approach to Europeanization. When individuals behave according to a logic of consequences, their actions are the result of strategic calculations that aim at maximizing benefits and minimizing costs of political behavior. In this case, institutions impact individuals' behavior by altering the expectations that actors have about the actions of other individuals. According to the literature, this approach provides a narrow interpretation of how the EU affects domestic outcomes. Europe is important since it creates strategic opportunities for some domestic actors to exploit: national actors use the EU as a political resource to improve their bargaining power in domestic political conflicts.

By contrast, when domestic actors behave according to a logic of appropriateness, their actions can result from the obligation to fill a role in a given situation, rather than from individual preference (March and Olsen, 1989). Rules, roles, and identities define actors' appropriate behavior in given situations. This approach provides a broad interpretation of how the EU matters: the EU redefines domestic actors' interests and identities through processes of elite learning and internalization of new values.

Although these explanations on how Europe matters may seem mutually exclusive, I will argue they are actually complementary. In fact, interests and ideas impact political change simultaneously and sequentially as individuals both calculate consequences and follow rules. Thus, domestic political actors carefully calculated the

consequences of replacing the bureaucratic elite in charge of the accession: the cost of replacing the EU experts, in fact, could have been a delay in the accession timetable, due to both the lack of expertise on EU matters and the interruption of the relationships of trust between national and European negotiators.

As Peter Gyorkos argues:

In the case of accession, the political forces were aware of the risk of changing the team during the final round of the accession. It was not about love but about rationality. The problem is that it happened only once...but this is a personal comment.³³

Simultaneously, I will argue, their actions resulted from the obligation to fill their role as candidate countries and follow the rules, both formal and informal, of the accession process, which defined countries' appropriate behavior during the negotiations. In the majority of the CEECs, indeed, it was a common practice to keep the same group of domestic negotiators as a way to ensure continuity in the negotiations and favor relationships of trust and respect among the negotiators of both sides.

Among the CEECs, only Poland has changed the members of the negotiating team after national elections. This did not result in a delay in the Polish accession process, as Poland became an EU member at the same time of Hungary in 2004. This was likely an exception, however, because of very particular circumstances.

Regarding the Polish case, Gyorkos argues that:

In 2001, it happened without mayor slowdowns that they changed the core of the team. In June 2001, during the European Council of Göteborg, we received the timetable for accession.³⁴ However, because of Germany's national election in 2002, we had to wait 16 months for the final round of negotiations, during which

³³ Author's interview, New York, Summer 2008.

³⁴ During the European Council of Göteborg, the EU member states decided that the ten new countries would accede by May 2004, in time to participate in the June 2004 elections of the European Parliament.

EU financial assistance was to be discussed. Thus, Poland was not under significant time pressure by then, and the incoming team was also excellent.³⁵

For a negotiator at the European Commission (who asked to remain anonymous):

The first negotiating team did not fully master the whole process and, more importantly, did not manage to impress upon ministries in Warsaw to get things done. In my view, it was not a political reason but more a personal ability issue.³⁶

Thus, when Poland changed its team of negotiators, there was no fear that such turnover could delay the accession. The majority of the chapters were already closed, leaving only budgetary issues to be discussed with the EU. Moreover, in 2001, the EU shifted its approach to the Eastern expansion from a first wave of five front-runner countries to a big-bang enlargement of ten countries (including all the post-socialist applicants, with the exception of Romania and Bulgaria). This removed incentives to race ahead in the negotiations. Finally, it is possible that the Polish government did not fully trust the first group of negotiators to lead the final stage of accession. Apparently, the first team of negotiators did not gain respect and appreciation from the Polish bi-partisan elite.

Regarding the durability of this politically free zone of EU experts in Hungary, Meyer-Sahling argues that now that Hungary is officially a member, the growing costs of replacing ministerial bureaucrats with an expertise on the EU could increase the demand for the depoliticization of personnel policy. During the 1990s, as a response to the need for a professional bureaucracy in charge of EU-related policies, training programs on EU matters have been held under the sponsorship of the PHARE program (Meyer-Sahling forthcoming).

³⁵ Author's interview, New York, Summer 2008.

³⁶ Author's interview, New York, Summer 2008.

However, in 2006, an evaluation of the efficacy of these programs by the Hungarian Institute of Public Administration has shown that the training was poorly designed and rather ineffective. Moreover, immediately after accession, the team of Hungarian technocrats dissolved, as some technocrats went to work for the European Commission and some others were employed by the private sector.³⁷ The ministry of foreign affairs had estimated in 2001 that after the accession, 4,000 posts were required to be filled by civil servants who needed to work in Hungary on EU issues on a daily basis (Vida 2002). As the group of senior experts has dissolved and the pressures on the accession process are over, we might assume that those key posts have been occupied by political appointees who lack the experience and the expertise of the “old guard.”

Yet, preliminary interviews have also shown that in some cases, EU departments in the line ministries have remained highly professional, even after accession. This is the case of the EU department at the ministry of economy. In this specific case, political parties have refrained from appointing officials on the basis of political criteria. One possible explanation is that the EU department at the ministry of economy is currently in charge of negotiating Hungary’s accession to the Economic and Monetary Union (EMU). This new accession process requires skillful and experienced bureaucrats, especially because the task of meeting the Maastricht parameters appears to be an even greater challenge than the 2004 accession.³⁸

In the end, further research is needed to assess whether the group of bureaucrats who currently manage EU matters is also characterized by a high level of politicization as

³⁷ Author’s interview at the Ministry of Foreign Affairs, Budapest, Winter 2007.

³⁸ Hitherto, only Slovenia has been admitted to the Euro-zone (January 2008). In 2006, the Hungarian government publicly announced to be close to meet the Maastricht parameters. However, soon after, the government had to admit that Hungary’s budget deficit was still 10% of GDP (EMU requires 3%).

the rest of the senior civil service or if it can still be considered a patronage-free zone. In particular, data that high-ranking bureaucrats in EU affairs are consistently replaced after changes of government would support the patronage hypothesis. By contrast, stronger evidence that some ministries have preserved professional EU-related departments would support the hypothesis that on the eve of a new accession process, both political and bureaucratic elites are applying negotiating strategies, such as maintaining a professional and apolitical bureaucracy in EU affairs, learned during the previous accession.

2. Technocratization of the accession process and exclusion of political, social, and local actors from the negotiations

This section is concerned with analyzing the way in which the technocratization of the accession process has led to the exclusion of domestic political, social, and local actors from the negotiating process. Given the fact that civic participation in policy-making is an indicator of democratic consolidation, this section will shed light on the quality of democracy in Hungary and the influence of the EU on it.

First, I will argue that in Hungary the loss of political control over the team of Hungarian negotiators with the EU was compensated by the increasing political power of the ministry of foreign affairs (MFA). Thus, behind the de-politicization of the managerial appointments there was an over-politicization of the EU accession with the centralization of the negotiating process in the hands of the MFA. Second, I will argue that the monopolization of the negotiating process by the ministerial bureaucracy led to the exclusion of political, social, and local actors from the EU accession. Similarly, the

parliament has played only a marginal role in the negotiations and often EU-related laws have been passed without a plenary debate in the national assembly.

This kind of expert-oriented decision-making is dangerous for the viability of democracy. Certainly expertise is needed but as Kristi Raik puts it:

If we can trust experts always to make the best possible, objective, and impartial decisions, then why do we need democracy any longer? Beliefs in expertise that is objective and value-free undermines democratic decision-making and public debate, as it narrows politics to a realm of experts and replaces political judgment with “objective knowledge” (Raik, 2004, 582).

If we understand democracy as plurality, choice, and inclusion – rather than minimal participation of the citizens to political elections– then political decisions that are important for society need to be constructed and discussed in public. What is crucial for the quality of democracy is the engagement of the public in the decision-making process (Raik, 2004).

As I will show below, two factors can possibly explain why the technocratization of the accession process has determined the exclusion of political, social, and territorial actors from the negotiations. First, the pressures of the enlargement – time constraints and the technicalities of the EU policies – have encouraged and justified an elitist decision-making approach, which has eventually sacrificed democratic accountability in the name of efficiency. Second, the historical and structural weaknesses of the Hungarian post-socialist civil society – non-governmental organizations and interest groups – and national parliament hindered the promotion of public debates over the potential advantages and shortcomings of Hungary’s accession to the EU. Nonetheless, I will argue, in some cases domestic actors have found alternative ways – informal channels of

communication and cooperation with both domestic and European civic organizations– to influence or simply be informed on the EU accession process.

2.1 The role of the ministry of foreign affairs in the accession process

The process of European integration has generated a shift in the national balance of power towards the executive branch of government and public administration. Moravcsik argues that participation of national executives in the EU decision-making process strengthened their position at the domestic level as executives have control over domestic agendas, superior access to EU-related information, and the possibility to use the EU as an ideological justification for government policies (Moravcsik, 1994). What is less clear is the power relationship between the political and administrative parts of the executive and between ministries and the executive branch of government (Goetz and Meyer-Sahling forthcoming).

On the one hand, the volume, the technicalities, and the time pressure of the EU accession process prevent the political leadership (the governing coalition) from being closely involved in EU affairs and grant to the technocrats some degree of autonomy in the decision-making process (bureaucratization). On the other hand, the intergovernmental policy process (which occurs especially at the level of the European Council of Ministers) appears to strengthen the role of the prime minister's office and the foreign ministry (politicization).

In Hungary, we can observe a combination of both bureaucratization and politicization. In fact, while the appointments of the bureaucratic elite in charge of the accession were free from patronage, the overall political control over the negotiations

shifted back and forth from the prime minister's office (PMO) to the ministry of foreign affairs (MFA) with each change of government.

The political control over the integration process was in the hands of the PMO from 1994 to 1998, during the Horn government, then it shifted to the MFA from 1998 to 2002. In 2002, when Medgyessy became prime minister, the PMO took over again. The new government guaranteed complete personnel continuity in EU affairs. However, there were some drastic changes as the PMO regained its direct political and administrative control over the EU integration process. The new structure showed close similarity to that of the Horn government (1994-1998). The European Integration Cabinet, abolished by the Orbán government, was re-established. It was presided over by the prime minister. The new prime minister, unlike his predecessor, exercised not a remote but rather a direct control over the final stage of the accession process. For example, he took part very actively in the international meetings with the other EU leaders discussing enlargement matters (Agh 2005).

One cannot understand this Hungarian pattern without recognizing that governments have strategies and these varied across governing coalitions. Thus, the shift of political control from the PMO to the MFA and back is a direct consequence of the different strategies that government coalitions adopted during the accession process. For example, when political control shifted to the MFA in 1998 – at the time in which the right-wing coalition came to power and the negotiating process started – the accession process became more elitist and ultimately excluded social, political, and local actors from the negotiations.

The MFA became the key political actor in the EU accession during the years of the Orbán government (center-right coalition). After Orbán was elected prime minister in 1998, he was eager to complete the negotiating process, as he had proposed the entrance of Hungary into the EU already in 2002 (Agh, 2005). At that time, in fact, the EU had decided to grant membership only to a first wave of five front-runner candidate countries, which included Hungary. However, in 2001, the EU opted for a “big-bang” enlargement of 10 countries entering the Union on May 1st, 2004.

As the speed of the negotiations had accelerated in the view of an earlier membership, Orbán decided to grant the MFA a central role in the negotiations. This choice was unique among the candidate countries, as generally the prime minister’s office was the ultimate authority in the negotiating process. As Agh has suggested, Orbán adopted a “remote approach” on the accession process, which meant that he would get closely involved in EU affairs only when they were of high importance for domestic affairs. In this way, as political control was reduced and negotiators received only general instructions from the prime minister, the team of experts within the MFA had high decision-making latitude in the negotiating process. Nonetheless, if this gave stability and continuity to the negotiations, it also granted the MFA the freedom to manage the accession in a way that favored the closing of the chapters over the interests of national actors who could be affected by the *acquis*.

The Orbán government abolished the European Integration Cabinet and the European Integration Task Force, which had functioned previously, in the Horn government, as control institutions of the prime minister over the accession process. Within the ministry of foreign affairs, accession management was overseen by the

European Integration Secretariat, which coordinated two bodies: the Hungarian mission in Brussels and the Inter-ministerial Committee on EU integration. The head of the mission was also Hungary's chief negotiator.

Under the Orbán government, the Inter-ministerial Committee on EU integration created 31 working groups composed of representatives of each minister concerned with the negotiations of the chapters of the EU *acquis*. Each working group would elaborate a proposal that stated the negotiating position of Hungary on the chapter under discussion. No outside parties or interest groups were involved in the preparation. The proposal had to be submitted for approval to the Inter-ministerial Committee for EU Integration. After its approval, the proposal became official and was made public. Successively, the EU would answer the Hungarian position paper with its own position and the negotiations would start between the EU negotiators and the experts of both the mission in Brussels and the working group concerned with the specific chapter.

If there was a politically sensitive issue, interest groups could attempt to influence the Hungarian negotiating position only in the phase of the negotiations with the EU as they were excluded from the previous phase, when the Hungarian position was elaborated (Palvolgyi and Rozsas, 2005). This course of action would take place in spite of an EU requirement to consult with social and local actors on any specific chapter under negotiations. For the EU Commission, in fact, the adoption of legislation in haste, without prior political discussion and involvement of various civil actors, is likely to create legitimacy and implementation gaps (Korkut, 2002). Indeed, when legislation is passed without in-depth political discussion, as the speed of the accession requires, politicians are most likely to disagree and change the content of the reform after

membership. Similarly, if change is merely imposed from the above, domestic actors affected by the reform, but left out of the reform process, will possibly oppose its implementation.

As experience from previous enlargement has shown, the success of the accession process depends not only on governments' managerial capacity but also on the involvement of domestic actors. In the accession of Austria, Finland, and Sweden, social and local actors became partners and played an active role in both shaping their country's negotiating position and influencing public opinion on EU accession (Agh 2005). By contrast, in the Hungarian case, the government did not create appropriate and effective mechanisms of consultation with domestic actors. In fact, although a formal institution for consultation did exist in the European Integration Council, this institution never became a real forum of discussion, as the foreign minister would give only ex-post information on the status of the negotiations.

In January of 2007, I met Peter Gyorkos at the ministry of foreign affairs in Budapest. He was a permanent member of the Hungarian negotiating team and secretary for public administration reforms. Gyorkos had worked as a public servant since 1988 and as an EU expert since the European Agreements were signed in the early 1990s. When I met him in Budapest, he was on his way to Zagreb, since he had been employed by the European Commission as a negotiator with the Croatian government. He recalled that:

In the negotiating mandate, negotiators needed always to consult with social and regional actors who could be affected by the EU *acquis*. The European Commission would periodically ask if we did consult with the interested parties. However, there was no time to hold consultations. Therefore, in the report to the EU we always replied that we did consult, as we did not want to have major problems from the EU for lack of consultations.

Two types of considerations can be drawn from this. First, the time pressures of the accession process – either perceived or real – were used by domestic negotiators to justify and legitimize the elitist approach of the negotiations. The time pressure had two elements attached to it: speed and competition. Throughout the accession process, both EU and domestic bureaucrats have emphasized the high speed of the enlargement by constructing an understanding that a lower pace in the negotiations could put in jeopardy the accession, and possibly the broader process of political reforms. Similarly, competition with peer countries, which was encouraged and amplified by the constant ranking of the CEECs in the EU reports, was used to spread the idea that the enlargement did not allow slowdowns. Delays were perceived as failures that could ruin the reputation of the applicant country, especially at a time in which the EU opened only to a first wave of five new members. In the end, by using a rhetoric that would alternate slogans such as “blame it on Brussels” with claims that presented the enlargement as a fair, just, and inevitable process, bureaucratic elites avoided taking political responsibility for their actions in front of the public (Raik, 2004).

Second, it was crucial for domestic negotiators to show the European Commission that achievements were made in conformity with EU protocol, as any infringement of it could hold back the applicant country in the accession process. However, since adherence to EU prescriptions was not always possible because of time pressures, domestic negotiators thought they had no choice but to misinform the EU on the way consultations were held. In general, the European Commission’s Regular Reports, which evaluate the performance of the candidate countries in the accession process, were drawn to a great extent on materials provided by the CEECs themselves. Each successive evaluation of the

candidate countries' progress toward accession was based on the responses of the CEE governments to the criticisms received in previous reports. In order to prove that progress was made, usually the CEECs had to provide documentation. However, in the case of domestic consultations, they only had to check on the part of the report that said "consultations were held." In the end, one could argue that the success of the negotiating process both domestically and with the EU was based to a great extent on the ability of domestic negotiators to learn the same bureaucratic language of the European Commission.

Hitherto, I presented the strategies that domestic negotiators used to progress rapidly towards the accession while giving the EU the false impression that consultations were held with the interested parties. Now, I turn the discussion to the causes that prevent domestic actors affected by the *acquis* to voice their perspective on the EU accession.

According to the Hungarian negotiator for administrative reform, the main obstacle to the possible inclusion of domestic actors in the negotiating process was their lack of preparation over the issues under negotiation. In this respect, Gyorkos argued that domestic actors who aimed at influencing the Hungarian negotiating position had to undertake quite a mission: collect information on the issue, understand the content of it, and assess the kind of impact EU legislation could have domestically. By contrast, quite often domestic actors did not know the content of the issue to be negotiated. The problem, in his opinion, was not related to lack of information on EU affairs – "I oppose the idea that Europe is not transparent, it is indeed very transparent as you can access all kinds of information." Instead, domestic actors were not ambitious enough to play a role

in the negotiating process and often unprepared to understand the domestic implications of the *acquis*.

Nonetheless, the reality of information-availability at the time of accession shows a rather different situation than the one described by the negotiators. Officials from the EU Communication's Office in Budapest, which was the office in charge of the national information campaign on the EU enlargement, complained about the difficulties of receiving, collecting, and disseminating information on the accession process. The task of this office was to stimulate interest on EU matters, organize public debates on controversial EU issues, and in general circulate information on the negotiations, as a way to include civil society in the accession process. Interviewees claimed that when their office was part of the MFA, during the Orbán government, it was extremely difficult to receive information on the negotiating process. They argued that "the organizational structure of the MFA itself was against communication and information-sharing" and that they were all very aware of the amount of secrecy surrounding the negotiations. This is not surprising given the fact that career diplomats are trained to adopt a secretive *modus operandi* in the management of international affairs. By contrast, when the EU communication's office was part of the PMO, it was easier to receive informative dossiers on the negotiations by other line-ministries and disseminate them to the public.

Nonetheless, the reticence of the foreign ministry was only one side of the problem. Hungarian officials at the EU communication's office complained that when organizing public debates over the accession, they could never find any scholar or politician who was willing to express criticism towards the accession process. Therefore, not only was information-sharing missing but also the academic and political world

feared to give voice to any dissent either towards the accession in itself or the way the accession was managed. This can be explained, on the one hand, by the fact that Hungary's cultural and political elites recognized the historical importance of the accession and refrained from criticizing the way it was managed. On the other hand, I would say, they feared to be stigmatized as anti-European. In the first years of the negotiations, in fact, any dissent towards the accession was considered unpopular, given the large political and social support nationwide for EU membership.

The situation slightly changed after 2002, when the center-right coalition lost the national elections and adopted a more critical view towards the accession. Yet, Orbán directed his criticism only towards the way the European Commission managed the accession process. In fact, while Orbán was trying to distance himself from the uncritically pro-EU position of the left-wing government, he remained clearly in favor of EU membership (Mike, 2007). Moreover, by the time Orbán was voted out of office and assumed a critical stance towards accession, most of the chapters under negotiations were already closed and the EU was irrevocably committed to its enlargement timetable.

Batory argues that governmental responsibilities constituted the key constraint for Orbán and his governing coalition in assuming open anti-EU positions early on in the accession process (Batory, 2008). By applying Putnam's two-level game theory, Batory argues that parties in government had a vested interest in securing a wide spectrum of support for EU-related policies, which could guarantee them freedom to maneuver in the negotiations with Brussels, and support for the potentially unpopular policies accession necessitated on the domestic level. This introduced an element of consensus-seeking into Hungarian politics on the domestic level of the game. As a result, Hungarian

governments sought modes of cooperation with the opposition in an attempt to present Brussels with a united front towards accession. For the same reason, governments also left the day-to-day management of the negotiating process to nonpolitical actors in the senior civil service, who remained in office throughout the process of accession.

However, this cooperative interaction between the government and the opposition was conditioned by the electoral cycle. Once in opposition, political parties felt free to contest European issues, though still within the limits imposed on them by the prospect of a future governmental role. In Batory's own words "parties losing governmental status thus often shift towards Euro-skepticism they showed no evidence of while in office, whereas elections winners with a record of harder positions on European issues make the change in reverse" (Batory, 2008, 96).

2.2 The role of civil society in the EU accession process

Civil society's participation in the decision-making process is essential for democratic consolidation as political elites confronted by NGOs and interest groups are more likely to be both constrained in their actions and more responsive than elites faced by inert and alienated citizens (Petrova and Tarrow, 2007). Putnam has even argued that society organized in social networks is more likely to support key democratic institutions and processes (Putnam, 1993).

In the 1980s, a wide variety of civil movements and associations emerged in Eastern Europe to critically discuss political, cultural, and societal issues. In the second half of the 1980s, these movements played a fundamental role in fostering democratic change. However, after 1989, the wide social mobilization disappeared as, according to

Jensen and Mischel (2006), the overwhelming majority of civil society activists became members of the political elite and occupied leadership positions in the new political institutions and political parties. In the last decade, much of the literature³⁹ on post-socialist societies has emphasized the weakening and, in some cases, the collapse of civil society, together with the political indifference of post-socialist citizens and their suspicion and mistrust towards most public organizations. In general, the literature argues that post-socialist citizens' voices have remained poorly represented in the political decision-making process (Howard, 2003; Glenn and Mendelson, 2002).

In general, there are some structural factors that undermine the capacity of civil society to play a role in the political decision-making process: first, the low level of individual participation in civic organization; second, the dependence of civic groups on either governmental or foreign aid, which has seriously undermined their independence; third, which is also a consequence of the second factor, the fragmentation of civic society due to the intense rivalry over scarce financial resources.

In Hungary, in particular, the number of civil organizations is extremely high, even if compared with other countries. According to the statistics, there are 100,000 foundations and associations operating in the country. Seeing these figures, one can think that civil society is strong and active. However, as Mischel points out, "civil society is only statistically strong."⁴⁰ There is, in fact, a disproportion between the number of civil organizations and the capacity that they have to influence public life. These figures do not capture the extent to which these organizations still exist after their founding, expand their membership base, or undertake any significant activities. For instance, sometimes

³⁹ For a complete overview of the literature on civil society in Central and Eastern Europe see Petrova and Tarrow (2007).

⁴⁰ Author's interview, Budapest, January 2007.

civil society organizations are established only to apply for a specific grant or to obtain tax advantages and are dissolved afterwards (Glenn and Mendelson, 2002).

Yet, in a recent study, Tarrow and Petrova have argued that although individual and group participation in civic life, interest groups, and elections (which they call participatory activism) is low, post-socialist societies show a high level of “intergroup transactions” consisting of coalition formation around single issues, network formation, and negotiations with elites (which they called transactional activism).

Their analysis seems to apply also to the EU accession process. Civil society, I will argue, played in general a marginal role in the EU accession process as the bureaucratic approach of the Hungarian government and the structural weaknesses of civic organizations have limited its capacity to actively participate in the negotiating process. Nonetheless, in some cases and around some particular issues, NGOs have found ways to establish networks of partnerships with peer groups both at the domestic and EU level. Through these networks civic organizations are able to lobby both the Hungarian government and the relevant EU institutions. This is the case of the ring road around Budapest (which is described by Tarrow and Petrova), but also of the wine war between Hungary and Italy for the recognition of the Hungarian Tokaj wine over the Italian Tocai, which I describe below.

Concerning Hungarian interest groups, since 1989 labor unions and employers’ organizations have faced a long institutional crisis. On the one hand, governments of both the left and the right (with the only exception of some efforts undertaken by the Horn government to reach an understanding with social actors) wanted to increase their decision-making power by drastically reducing the bargaining capacity of interest groups

(Agh 2005). Their pretext for excluding social partners from the decision-making process was initially the urgency of managing the economic crisis of the early 1990s, followed by the necessity of negotiating EU accession rapidly and efficiently.

On the other hand, since 1989 some structural weaknesses, namely low membership rates, fragmentation, heterogeneity, lack of funding, and shortage of human resources have undermined interest groups' bargaining capacity. In Hungary, there are six labor unions and nine employers' organizations. Their main problem is financing. In fact, neither financial assistance from the government nor membership fees are sufficient even to finance their ordinary activities.

Another problem is the low membership rate. Under the previous regime, labor unions' membership was mandatory. After 1989, when compulsory membership was abolished, most workers opted for a free-rider strategy. In 2007, only 20% of the Hungarian labor force was organized. This is because labor unions have a low level of respect among the public. During socialism they were associated with the regime and considered by workers the Communist party's "*longa manus*" (as a union's representative has defined labor unions in an interview with the author). Moreover, workers are afraid to unionize. When multinational corporations established their branches in Hungary, after 1989, they refused to hire unionized workers. Some of these companies were from EU-15 member states (especially car companies from Germany). A Japanese car company, Suzuki, which is the number one car seller in Hungary, fired 100 employees who organized a union in a restaurant nearby the company's factory.⁴¹

Nonetheless, I will show below that during the accession process, Hungarian labor unions have partially overcome the shortage of expertise and financial resources by

⁴¹ Author's interview with unions' representatives, Budapest 2007.

creating networks of cooperation with other European labor unions. By learning negotiating skills and lobbying through transactional networks, domestic social actors have acquired a particularly important resource to overcome structural weaknesses and cope with the elitist approach of the EU accession process.

An important exception in terms of the influence of organized interests in the accession process is represented by foreign investors (cited by Batory, 2008). Bohle and Husz (2005) show how multinational companies (such as Audi, IBM, and Philips) heavily influenced the negotiating position of the Hungarian government. These companies feared that they could lose their tax exemptions after Hungary's accession to the EU. The European Commission, in fact, usually considers tax breaks as state aids and required the Hungarian government to discontinue them. Nonetheless, these multinationals and their organizations (mostly German and American chambers of commerce) lobbied both the Hungarian government and the government of the other member states to secure their interests. The Hungarian government ultimately defended their position during the negotiations and obtained a satisfactory victory for the multinationals.

a) The role of non-governmental organizations

In general, NGOs have played only a marginal role in the EU accession process. Miklos Barabas, president of the European House, a non-governmental organization with seven thousand members that focuses on European accession and integration, argues that:

In the negotiating process, the Hungarian position was considered possession of a limited circle of experts, mainly top-level civil servants. There was never an official policy from the part of the government to consult and share information with organized civil society. Negotiations always occurred behind closed doors and

information could be leaked only through informal channels of communication. However, one cannot blame entirely the government for the way in which negotiations were managed, since civil society is very fragmented and failed to come together and discuss the issues that were on the accession agenda.⁴²

Moreover, when the Joint Consultative Committee was instituted to assist Hungary in the preparation for accession, non-governmental organizations were not invited to sit at the discussion table with the Hungarian delegation. In the Joint Consultative Committee, discussions took place between the EU Economic and Social Committee and the Hungarian delegation, which included only few representatives of the employers' organizations and trade unions but excluded NGOs since they were not considered professional enough. Only after the accession could NGOs establish a permanent representation in Brussels at the EU Economic and Social Committee.

Ferenc Miszlivetz, one of the most prominent Hungarian scholars of civil society, argues that "the Hungarian way of faking civil society fits Brussels' bureaucratic approach to the accession process."⁴³ He claimed that civil society is responsible for the lack of questioning towards the political elite and for the lack of public discourse. He recalls that:

When Romano Prodi, as President of the European Commission, came to Budapest in 2002, he was invited to give a speech at the Hungarian Academy of Science. During that occasion the president of the European House NGO presented him with a list of 250 NGOs and claimed that all of them were welcoming the European accession. In reality, he copied the names on the list from the yellow pages, as there was no previous consultation with the representatives of those NGOs to reach a common position on the EU accession process. The result was that Brussels thought that they had a substantial support from the Hungarian civil society.⁴⁴

Although NGOs' participation was generally limited, there were few episodes in which local groups –the neighborhood group which opposed the construction of the ring

⁴² Author's interview in Budapest, January 2007

⁴³ Author's interview in Budapest, January 2007.

⁴⁴ Author's interview in Budapest, January 2007.

road around Hungary's capital city and the group of wine producers in the Tokaj region—were able to acquire experts and involve national and transnational NGOs which mediated between them and both the Hungarian government and the EU.

In 1993, the European Community and the Republic of Hungary concluded an agreement on the reciprocal protection and control of wine names. In order to protect the Hungarian geographical indication “Tokaj,” the agreement prohibited the use of the term “Tocai” to describe Italian wines from Friuli at the end of a transitional period expiring in March 2007. The battle between Italy and Hungary over the wine denomination Tokaj dates back half a century, to when Monipex, a Hungarian wine conglomerate, took legal action in Trieste claiming that only wine produced in the Tokaj region of Hungary could legally bear the name. The court ruled that both Italian and Hungarian producers could market Tokaj. This ruling was later upheld by the European Court of Justice in Luxembourg, which gave both Hungary and Italy the right for their wines to bear the name Tokaj. The controversy was revamped in 2004 when Hungary joined the European Union. As part of the agreements for the accession, Hungary negotiated to be given the sole right of the Tokai label.

The European Council was in favor of extending the transitional period upon a detailed report from the European Commission on the matter. In 2006, the Commission's report was for giving the right to use the denomination Tokaj only to Hungary. The Tokaj producers organized in the hill communities and together with the Hungarian ministry of agriculture persuaded EU regulators that the Italian sound-alike name was too easily confused with the classic dessert wine Tokaj, which claims a geographical basis for its

name, having been grown in the Tokaj region of northeastern Hungary for hundreds of years.

As the president of the Hungarian NGO “Tokaj Renaissance” claimed, “the Tokaj brand wine is an extremely important staple for the Hungarian society.”⁴⁵ The reason why the Hungarian government and wine producers pressed for the protection of their denomination is that Tokaj has traditionally been labeled as 'Tokay' on bottles destined for export. A customer will read Tocaï and think it is merely an Italian-made Tokaji-style wine with an Italian sounding name. Hungary has defended the Tokaj name not only against Italy but also against France, Slovakia and, more recently, even against Australia and a wine named Canberra Tokay.

b) The role of trade unions

Trade unions’ participation in the EU negotiating process was rather limited. The structural weaknesses of the Hungarian labor unions (i.e., fragmentation, low membership rates, and shortage of human and financial resources) and the government’s elitist approach to the accession hampered the capacity of unions to be actively involved in the negotiating process.

Trade unions had more chances to participate in the accession process than they actually used. Participation in the EU accession process required a high level of preparation on the issues under negotiation. Yet, lack of expertise on EU matters and even more lack of language skills prevented unions’ representatives from being actively involved. In particular, interviewees complained that while consultants could have been hired, experts with language skills were rare and expensive. Thus, although employees’

⁴⁵ Author’s interview in New York, Winter 2008.

organizations expressed their concern about the lack of real dialogue on EU accession, they did not have the necessary funds to finance a research institute that could elaborate alternative accession scenarios.

Trade unions' participation in the EU negotiating process was limited during both the center-left and the center-right coalitions of government. However, when the center for coordination of the accession process was moved from the PMO to the MFA, at the time in which the right-wing government was in power, unions' capabilities to intervene in the negotiations diminished even more. At that time, the organizational structure in which the negotiating process took place was not favorable to information-sharing. The European Integration Council was established during the accession period with the task of informing and consulting social actors on the negotiating process. Yet, this tripartite body, which included representatives of the government, unions, and employers' organizations, did not fulfill its function properly. Information given by the Orbán government was poor and given always belatedly. During the bi-annual press conference on the accession, the foreign minister would give to the public only ex-post information on the negotiations without any possibility for interest groups to question the Hungarian negotiating position. In 2002, when responsibility to coordinate the accession was moved back to the PMO, there was greater sharing of information. However, it was already too late for the unions to be involved in the negotiations as the majority of the EU chapters had been already closed.

Despite the lack of information from their own government, unions managed to establish informal channels of communication at the EU level, through unionists of other EU countries (EU15) who had greater access to information on the Hungarian

negotiating process. Karoly Gyorgy, a member of the National Confederation of the Hungarian Trade Unions (NCHTU)⁴⁶ and expert on international relationships with European trade unions, recalled that when Hungarian unions requested participation in the negotiations over the social chapter of the EU *acquis*, they were told by the labor minister – who belonged to the center-left coalition of government – that the Hungarian negotiating position on welfare was secret. Nonetheless, since they could not receive any information from their own government, they managed to be informed on the status of the negotiations by Austrian trade unionists in Brussels, who were members of the EU negotiating team for social affairs vis-à-vis the Hungarian government.

Similarly, after the accession, Hungarian unions recognized that they had greater chances to influence labor policies at the EU level through the European Trade Union Federation (ETUF), which comprises the trade unions of the 27 member states and has power to lobby the European Commission. Thus, although trade unions did not have much influence during the accession process, they were able to refine some strategies learned during the accession and use them after membership.

2.3 The role of the Hungarian parliament

In Hungary, the accession process was characterized by a strong involvement of the executive branch of government and a limited participation of the national parliament. In the European Union, the relationship between parliaments and executives is generally characterized by information asymmetry and imbalance of power. National parliaments have no direct access to the European policy agenda and ignore the position of the

⁴⁶ The NCHTU is one of the largest trade union confederations in Hungary as it includes 40% of the organized labor in the country, mostly in the industrial and agricultural sectors.

governments of other member states on EU policies. Moreover, in the EU policy-making process, while executives directly participate in decision-making at the level of the Council of Ministers, national parliaments can only influence it through the performance of their own MPs (Benz).⁴⁷

Although information asymmetry and power imbalance on EU matters are common to the parliaments of all EU member states, in the CEECs these problems are intensified by some structural factors. First, in the EU accession process CEE national parliaments have been overburdened by the task of adopting over 80,000 pages of *acquis*. Given the magnitude of the EU legislation to be transposed, EU-related laws are often passed through fast-track procedures that omit debates in the plenary session of the parliament. As a result, parliaments have failed to monitor closely the behavior of the executive on EU affairs.

Second, national parliaments' "Euro-capacity," as Agh calls the power to influence the EU decision-making process, is limited by the scarce expertise of CEE MPs, who are not prepared to handle complicated EU policies. The great majority of EU experts works for the executive branch and because of language barriers and the lack of technical knowledge on EU matters, MPs can hardly affect the decision-making process on EU matters.

⁴⁷ The weakness of national parliaments in the EU decision-making process is part of a wider democratic-deficit problem that involves also the European Parliament. In fact, despite the increased powers that recently have been granted to the European Parliament, the Council of Ministers and the European Commission remain the main legislative bodies within the EU. This results in a lack of control over the Council from both European and national parliaments.

In Hungary, the EU negotiating process started without any parliamentary authorization or mandate. In early 1998, the Hungarian center-left coalition of government opposed the passing of a resolution that aimed at defining the role of the parliament in the EU negotiating process by making the government's negotiating positions subjected to parliamentary approval and requiring the government to regularly inform the legislature. The resolution, proposed by Viktor Orbán, at the time chairman of the parliamentary committee on European integration, was opposed by the Hungarian Socialist party. In late 1998, the Socialist party, already in opposition, tried to pass a similar resolution arguing that only then had the negotiating process gained momentum. However, this time the center-right coalition of government opposed the resolution. According to Gyori, the government did not want to create “diplomatic complications” (Gyori, 2004, 98) and slow down the whole accession process by giving to the parliament greater control over the negotiations.

During the accession process, every Hungarian government tried to minimize its obligations towards the parliament. The fear, real or perceived, of delaying the accession process or worse to be excluded from the first group of acceding countries, was used by the executive branch of government to justify its decision of negotiating solo. Nonetheless, apart from this fear, governments of both the left and the right were unable to look beyond their narrow political interest – of centralizing decision-making power– and pass a long-term and effective regulation on the role of the parliament during and after EU accession. Ironically, once in opposition, political parties would become concerned with the parliament's limited decision-making power over EU affairs.

In turn, the plenary session of the parliament played a rather limited role in monitoring European integration affairs. Already in 1992, in order to ease its legislative burden, the parliament instituted a committee on European integration affairs with the task of dealing with EU matters. However, this committee did not have the power to scrutinize the behavior of the government, as the minister of foreign affairs would give only ex-post information to its members.⁴⁸ Moreover, since the members of the committee on European integration only met every three weeks, they could not request the executive to report weekly on EU developments.

One of the main problems of the committee was the high turnover rate of the Hungarian parliament (64% in 1994, 53% in 1998, and 32% in 2002). Most of the members of the committee change after parliamentary elections, thus impeding professionalization. In 1994, only one out of the 21 members kept his appointment in the committee (Hadj-Abdou and Kurtan, 2004). More importantly, members would change during the same legislative period: between 1994 and 1998, 32 deputies were members of the committee for at least part of the time. In 2002, the situation slightly improved, as 6 out of 21 deputies were members of the committee in the previous legislative period. Yet, in May 2003, eight members of the committee (including the chairman) became observers at the European Parliament. Since almost half of the members of the committee moved to Strasbourg, the meetings became irregular and the committee was progressively less involved in the accession process that was entering its last phase (Gyori, 2004).

Since 1994, all parliamentary committees of the Hungarian parliament have formed their European-integration subcommittees. However, many of them exist only on

⁴⁸ Between 2000 and 2002, the minister of foreign affairs gave monthly reports to the members of the committee on European integration, to the chairmen of the integration sub-committees, and to political party representatives on the status of the negotiations with the EU.

paper. Consequently, in-depth debates about the integration process were rather exceptional. Between 1999 and 2003, the parliament held only five political debate days on EU affairs, in 1999, 2000, 2001, 2002, and 2003 (Gyori, 2004).

Over the past 10 years the Hungarian parliament has reacted to the limited involvement of MPs in EU affairs by employing expert personnel with the task of helping Hungarian MPs manage EU issues. These experts work for the office of foreign relations of the parliament, the office of the secretary general, and the library. The director of the office of foreign relations (OFR) claimed that one of the problems in the distribution of EU information to MPs is that the OFR has to deal with a massive number of foreign policy issues, not necessarily related to the EU. Therefore, it becomes difficult to process efficiently all EU-related information. Moreover, after membership, EU affairs shall not be considered any longer a matter of foreign affairs and an office *ad hoc* for EU integration should be created within the parliament.⁴⁹

Similarly, at the library of the Hungarian parliament which should have a crucial role in registering, categorizing, and distributing EU documents to parliamentarians, only one out of the three librarians hired in the section “EU affairs” could speak English. This represents a great limitation since documents are usually available in English and French before all the other EU languages.⁵⁰

In order to measure the real involvement of the Hungarian parliament in the EU accession process, I sought to investigate the extent to which the plenary session of the parliament was involved in passing EU- related laws. Surprisingly, there was no database

⁴⁹ During my visit to the parliament, I also asked a senior official some questions about the preparedness of Hungarian MPs on EU matters. After praising the level of knowledge of Hungarian parliamentarians and their involvement in EU affairs, the official asked me to turn off my recorder and admitted that MPs ignore the vast majority of EU issues since they are too technical and complicated for them to understand.

⁵⁰ Information gathered during the author’s visit to the library of the Hungarian parliament.

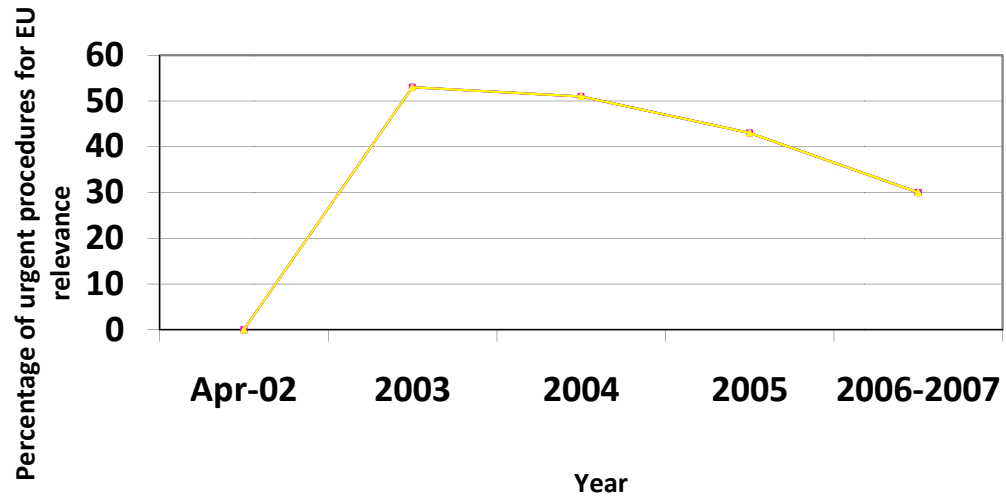
able to show the percentage of EU-related laws passed after being debated by the plenary session of the parliament. Thus, I merged two different sets of data: the first one, which is available on the official website of the Hungarian parliament, shows all the Hungarian laws passed with urgent procedure, and the second one which is not public and usually available only for Hungarian PMs and was exceptionally shared with the author, entails all the laws of EU relevance.

In the case of urgent proceedings (*surgos*), the deadline for submitting proposed amendments is only eight days from the passing of the parliamentary resolution on urgency (Standing Order of the Hungarian Parliament). The urgent procedure is part of the extraordinary procedures, which are adopted if four-fifths of the MPs present vote in agreement. The extraordinary procedure is of great speed and simplicity since the debate is placed outside the plenary session, and the legislation and its amendments are discussed in appointed committees. Once the committee has made a decision to support or reject the amendments, the plenary session votes immediately on the adoption of the amendments. In this way, the time span needed for the adoption of a law is shortened by a third.

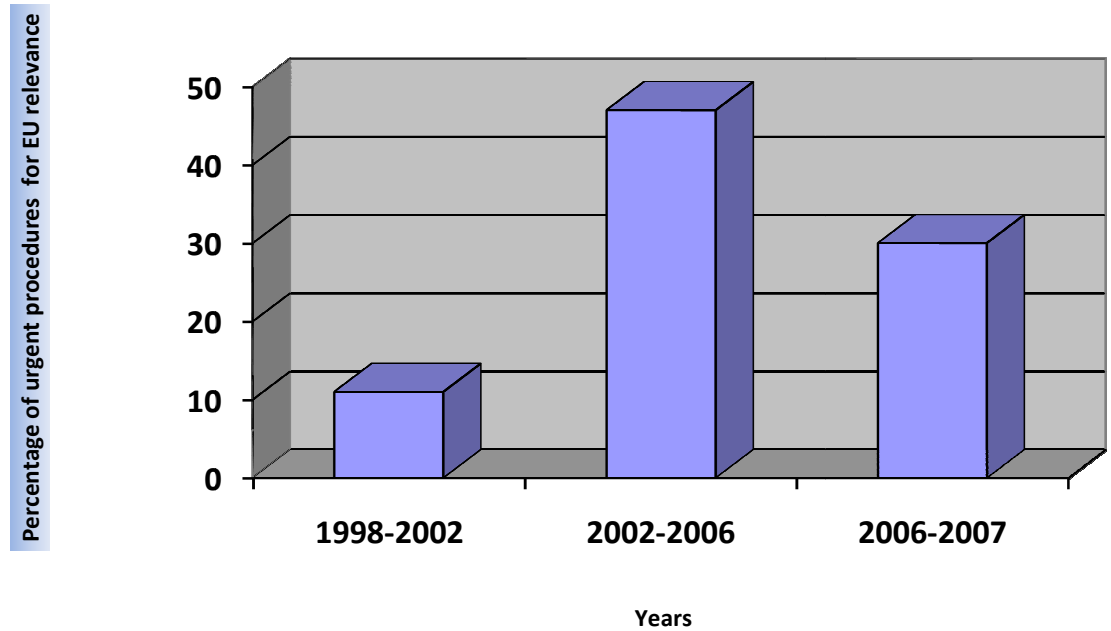
In the legislative session 2002-2006, which includes the two years right before the entrance into the EU (May 2004), the parliament approved 163 *surgos* procedures. Out of 163 urgent procedures, 76 had EU relevance (47%) (see table). In the new legislature 2006-2010, the *surgos* procedures were used 46 times between 2006 and the beginning of 2007, of which 14 times for EU laws (30.43%). In 2005, *surgos* were passed 93 times, of which 43 times for EU related law (46%). In 2004, the year of the accession, urgent procedures were used 41 times of which 21 times for EU laws (51%). Only in the month

of April (the month before the accession) were *surgos* procedures used 6 times of which 5 were for EU laws (83%). Also in 2003, 9 out of 17 times urgent procedures had EU relevance (53%). In the first year of the legislature, 2002, *surgos* procedures were approved only 9 times between May and July and never for EU laws. In the end, in the previous legislature, 1998-2002, urgent procedures were only 45 of which only 5 for EU laws (11.11%), but all of them were passed in 1998 when the negotiations for accession started.

Urgent procedures for EU relevance approved between 2002 and 2007



Urgent procedures for EU relevance approved from 1998 to 2007



These data show that the speed of the accession process increasingly led the Hungarian parliament to pass EU legislation in haste through urgent procedure and without debate in the plenary session of the parliament. The number of urgent procedures for EU relevance increased greatly as the day of the accession was approaching. The peak was reached in 2003, the year prior to the accession. In 2003, in fact, the EU15 voted in favor of the accession for Hungary. After that, the percentage of urgent procedures with EU relevance has decreased slowly but it is still high in comparison to the legislature of 1998-2002. These data show that not only have urgent procedures been generally used more than in the past to shorten the time-span for the adoption of a law, but that this type of fast-track procedure has been used increasingly for EU laws. The parliament was, in fact, overburdened with the massive amount of EU legislation that needed to be transposed before the accession.

In conclusion, the Hungarian parliament was scarcely involved in the EU accession process as MPs received only ex-post information on the negotiations, they were unprepared to understand the technicalities of the accession, they lacked the languages necessary to read EU documents, they did not have adequate support from their own office of foreign affairs and library, and they were not free to discuss the content of the legislation since in many cases the parliament used fast-track procedures to pass EU legislation. In turn, decision-making power over the EU accession process was primarily in the hands of the executive branch of government.

The role of national parliaments in European politics is one of the most important issues in the debate on democracy in the European Union. Without strengthening the role of the directly elected legislators in the decision-making process at both the European and

national level, citizens will turn away from politics and become uninterested in practicing their voting rights. The weak engagement of the CEE electorate in the accession process became evident in the low turnouts of the referenda over accession. Hungary's turnout was the lowest among the candidate countries (46%) and in the history of EU-referenda since 1972, and the source of considerable surprise. High levels of public support for Hungarian accession had been the reason why the referendum was held there before most of the other CEECs. One way to explain the high abstention rate is that for many Hungarians, EU accession was so inevitable and already decided by national elites that neither supporters nor opponents felt it worth casting a vote.

Yet, apart from the low turnout, the Hungarian referendum on EU accession could not properly fill its function as a check on national elites' *modus operandi* during the negotiating process. In fact, for a referendum to be a successful instrument of democratic participation, it should be preceded by intensive public debates. As Mike argues, the provision of information by the government cannot substitute for real discussion, as citizens need more than mere information. Usually, citizens have limited time to understand complex political issues, and they expect their political representatives to interpret those issues and address them in relatively simple political positions (Mike, 2007).

However, during the accession process there were no genuine debates about the possible disadvantages of EU membership. Mike convincingly argues that political parties had a vested interest in favoring EU accession. EU membership offered political advantages to the entire political class: it strengthened the national government vis-à-vis sub-national authorities; it opened up career opportunities related to the EU, both in

Hungary and in Brussels; it enhanced the personal reputation of domestic representatives; and it weakened voters' control over politicians, as the centralization of the decision-making process at the EU level made it more difficult for domestic voters to evaluate the performance of their own government (Mike, 2007).

One last point that I shall discuss is the relationship between the executive and the parliament after accession. Although it is desirable for CEE national parliaments to play a greater role in EU politics after accession, it is not free from complications. In fact, countries that want to increase the decision-making power of their national parliaments face a dilemma: on the one hand, if a national parliament ties the hands of its own government, that government's representatives in the European Council will be unable to negotiate a compromise with the other member states; on the other hand, if a parliament allows its government to act autonomously, then the role of the parliament itself becomes merely symbolic.

A possible solution, suggested by Gyori, would be for Hungary to have a parliament with a medium-strong authority over EU matters. This means that the parliament should not give binding mandates to the government, but form a position (through internal consultations) which could serve as a guiding rule to the government. The parliament would still give to the government binding mandates on issues that require a two-thirds majority of votes (i.e., regulatory measures on issues such as citizenship, migration, information protection, police, and media).

The committee on EU integration should release statements on behalf of the parliament prior to the negotiations at the European Council. If the plenary session of the parliament had always the final word on EU matters, the efficiency of the EU decision-

making process would deteriorate, as decisions in Brussels would be constantly delayed by Hungary's late response. Similarly, this would overburden the quotidian legislative process in Hungary. For the work of the committee to be effective, deputies in the committee should receive ex-ante information on the position of the Hungarian government, which the committee will approve prior to the meetings in Brussels. If the parliament is able to access comprehensive information on EU matters, form statements on the government's negotiating position, and receive feedback, then its policy-forming, legislative role would not be undermined by EU integration.

3. Regional reforms in the context of the EU accession process

Within state administration reforms, regional reforms carried out in the context of the EU accession process represent an illustrative case study of how reforms exclusively driven from above, in this case without local actors' participation, do not last or can even be implemented. First, this case study sheds light on the tensions between EU regional policy and the domestic process of democratic regionalization. These tensions emerged from the attempts of the European Commission to reconcile two apparently conflicting goals: on the one hand, efficiency and control over the allocation of EU structural and cohesion funds; on the other hand, decentralization of power from the center to the periphery, as a means of facilitating democratization and regional policy's implementation. As the former goal ultimately prevailed over the latter, the EU marginalized the participation of sub-national elites in the negotiating process (although, paradoxically, one of its main concerns over integration was always the issue of how to

involve regional and local governments) and pushed the candidate countries to centralize the allocation of EU funds at the level of the line ministries.

Second, this case study shows that democratic participation and the effective adoption of EU regional policy are not conflicting logics. Quite the opposite, bottom-up participation is crucial for regional reforms to be fully implemented and for EU funds to be used efficiently. In the attempt to meet the EU's requirements for the allocation of funds, Hungary created phantom regions with no democratically elected assemblies and no financial autonomy. If regional actors had greater political leverage in the accession process, which could have consisted of participating in the negotiations over regional policy, they could have pushed the central government to create democratically elected regions. Instead, local elites, shunned by the EU, ultimately turned against democratic regionalization. In the end, as experience in the older member states has shown, the exclusion of local actors from the process of allocating EU funds might have negative repercussions on Hungary's capacity to use such funds efficiently.

The sub-national arena of regional and local politics is of key importance for the interrelated processes of post-socialist transition and EU accession. In fact, for political and economic changes to become consolidated, they have to become embedded in all levels of government. Similarly, the impact of the EU accession process goes beyond national elites and institutions, as the EU affects and is affected also by local actors and sub-national institutions (Hughes et al., 2004c).

Moreover, the EU regional policy, through structural and cohesion funds, delivered to the new members 40 billion Euros between 2004 and 2006, and will deliver

176 billion (50% of the whole budget, which is 347 billion) in the budgetary cycle 2007-2013 (over 25 billion will go to Hungary).⁵¹

Despite the prominent role of regional policy in the EU and its budgetary implications, the *acquis* in Chapter 21 is quite “thin” and lacks a set of explicit and codified rules together with definable benchmarks by which the European Commission could measure compliance. The absence of clear legal requisites is due to the divergent regional models adopted within the EU, which vary from unitary-centralized to federalized-decentralized states. Since the EU lacks a coherent model of sub-national governance, regional policy is mostly a competence of member states and the *acquis* on this matter is concerned mainly with procedural rather than institutional prescriptions.

Nonetheless, the European Commission learned from its experience in delivering structural and cohesion funds that countries with weak administrative capacity and poor control at regional and local levels were more likely to have serious problems with the mismanagement of EU funds (Hughes et al., 2004,c). Thus, in the early stages of the accession process, the Commission expressed to the candidate countries, via semi-official channels of communication (i.e., working documents and seminars), its preference for

⁵¹ The structural funds and the cohesion fund are the financial instruments of EU’s regional policy, which is intended to narrow the development disparities among regions and member states. The funds participate fully, therefore, in pursuing the goal of economic, social and territorial cohesion. For the period 2007-2013, the budget allocated to regional policy amounts to around € 348 billion, comprising € 278 billion for the structural funds and € 70 billion for the cohesion fund. There are two structural funds: the European Regional Development Fund (ERDF) is currently the largest. Since 1975 it has provided support for the creation of infrastructure and productive job-creating investment, mainly for businesses; the European Social Fund (ESF), set up in 1958, contributes to the integration into working life of the unemployed and disadvantaged sections of the population, mainly by funding training measures. In order to speed up economic, social and territorial convergence, the European Union set up a Cohesion Fund in 1994. It is intended for countries whose per capita GDP is below 90% of the Community average. The purpose of the Cohesion Fund is to grant financing to environment and transport infrastructure projects (www.europa.eu.int).

democratically elected regional governments which possess a substantial financial and political autonomy (Brusis, 1999).

While the *acquis* does not indicate a common model of regionalization, it specifically requires member states to have a legal framework that approves territorial organizations based on the NUTS classification system.⁵² This system was expressively created by the EU to identify geographical areas within the Union (i.e., objective 1 regions) that are lagging behind and in need (with a per capita GDP of less than 75% of the EU average). These priority regions are eligible for EU structural funds. According to the *acquis*, these local entities need to have programming capacity, which entails a development plan and the involvement of regional administrative, social, and economic actors in the management of structural funds; administrative capacity, which requires the clear definition of the tasks and the responsibility of the institutions involved in the implementation of structural and cohesion funds; and an efficient financial and budgetary management.

Structural funds' allocation is based on four principles: programming, concentration, partnership, and additionality. According to these principles, the use of EU funds must be programmed in a strategic way (programming), concentrated around prescribed objectives (concentration), organized in consultation between national and regional actors (partnership), and co-financed by domestic contributions at the national

⁵² NUTS is the Nomenclature for Territorial Units for Statistics. NUTS I is the country, NUTS II the region, NUTS III the counties, NUTS IV the districts, and NUTS V the settlements. The 1961 Brussels Conference on Regional Economies, organized by the Commission, found that NUTS II (regions) was the framework generally used by member states for the application of their regional policies and was therefore the appropriate level for analyzing regional-national problems. For what concerns aid from the Structural Funds, NUTS II regions, whose development is lagging behind, have been classified as region Objective 1. Today Hungary has 7 regions and 19 counties. In 2001 out of the 7 regions, 6 had a GDP per capita lower than 75% of the GDP per capita in the EU15, thus they could apply for EU's funds.

and regional level (additionality) so that domestic funds are not to be merely substituted by EU funds (Horvat and Maier, 2004).

Given the sparseness of the *acquis* on regional policy, the NUTS classification system has been a crucial tool for the Commission in its attempts to shape regionalization and standardize the allocation of funds. The NUTS-2 level is crucial for EU funds. It defines the spatial level at which structural funds are directed and provides statistical information for regional development planning.

The Commission never officially required the CEECs to structure their regions according to the size of the NUTS-2 regions (15,700 km² and 1.8 million inhabitants). However, Eurostat, the EU statistical office, has strongly promoted such structure in its communication with the statistical office of the candidate countries. Moreover, whereas in the EU-15 governments independently identified the NUTS-2 regions, which Brussels subsequently approved *pro forma*, in the CEECs the Commission intervened directly in the designation of such regions. For instance, in the case of Slovenia, the Commission rejected the proposal of the Slovenian government to divide the country into two NUTS-2 regions and forced it to adopt only one region for the whole country (Hughes et al., 2004b).

According to Brusis, the necessity of imposing such structure is questionable. The CEECs were induced to create regions, which are oversized in comparison with the territory and population of each country and do not fit into the inherited traditional regional structures. Moreover, not all the EU-15 member states have created NUTS-2 regions. For instance, Ireland, Denmark and Luxemburg have not adopted this structure

because Ireland's entire territory is classified as an objective-1 region and the other two countries lack eligible areas (Brusis 1999).

In the end, of the 31 chapters of the *acquis*, chapter 21 on regional policy was one of the most controversial, supposedly because it concerned sensitive issues as the definition of each country's territorial units and the devolution of power from the center to the periphery. Thus, while in other policy areas the accession process was relatively smooth and consent-based, in the case of sub-national reforms tensions and conflicts emerged between the Commission and the candidate countries and among national elites. Negotiations over chapter 21 of the *acquis* were among the last ones to be "closed" by the Commission, in 2002, and regional policy was one of the few policy areas of the accession process in which the Commission continued to the very end to express its concerns about non-compliance.

The reform of center-regional-local relations in the CEECs has taken place in the double context of post-socialist transition and EU enlargement. In Hungary, in particular, it was an integral part of the transition – as the newly elected democratic governments and parliaments focused on the establishment of local self-governments and local political elites with democratic legitimacy – and prepared the beginning of the EU accession process, which induced the candidate countries to create appropriate regional units for the allocation of EU structural funds.

The CEECs have a tradition of centralized states. Among them, Hungary was the first country to plan sub-national sector's reforms. Reform plans had been discussed among reformers within the Hungarian Communist Party since the mid-1980s. In 1989, there was a large consensus among party elites who negotiated the transition to

democracy that the institution of “genuine local democracy” (Fowler, 2002:7) was fundamental to the change of the political system.

Initially, debates over the reform of the sub-national sector focused on Hungary’s inherited territorial-administrative structure, the county. In 1990, there were major discussions among members of the political elite on whether the counties should be retained as a tier of government at all. The government favored the creation of strong counties, as they existed before the socialist era, with democratically elected assemblies and financial autonomy. By contrast, the liberal opposition considered the counties as “the most prominent sub-national organs of communist rule and a key channel for the transmission downwards of leadership preferences” (Fowler, 2002, 10). Also, for many post-socialist policy makers, the county tier was an obstacle to the development of autonomous municipal governments. This is because during socialism, the counties enjoyed unrestricted authority over the municipalities, especially in relation to the local distribution of public funds.

One interesting aspect of the 1990 parliamentary debates over regional reforms was that both the government and the opposition used Europe – and its still indeterminate role in influencing regional reforms – to support their conflicting positions and proposals. Deputies in the governing conservative coalition argued that the existence of the counties as a tier of government between the national and the local/municipal level was a European norm, referring to the Council of Europe’s 1985 European Charter of Local Self-Government.⁵³ The government also pointed to various European countries to justify

⁵³ Hungary joined the Council of Europe in 1990. The Council of Europe, founded in 1949, is the oldest organization working for European integration with a particular emphasis on legal standards and protection of human rights, democratic development, and the rule of law in Europe. It is an international organization of 47 member states.

the institution of the Commissioners of the Republic, state secretaries appointed by the prime minister to monitor the legality of local governments' operations. Interestingly, also the opposition used the idea of a "return to Europe" to legitimize its position against the counties and the government's commissioners and stigmatize the government's centralizing proposals as anti-European (Fowler, 2002).

Eventually, the government was forced to compromise with the opposition since it needed the votes of the liberals to pass the law. The substance of this compromise was that the governing conservative coalition abandoned the idea of re-organizing a strong county government and accepted the liberal opposition's proposal on the establishment of weak counties with an indirectly elected assembly (elected by the representatives of the county's local governments) and without tax-raising powers. Part of the agreement between the government and the opposition also was to create eight regions by merging two or three counties.

The main aspect of the system established by the 1990 reform was to allow any village to have its own self-government. However, this eventually led to a mushrooming of small units (some 3,200), which often lacked political experience and financial resources to deliver public services, such as primary education, basic health care, and public roads' maintenance. The settlements were formally grouped into 19 counties.

The reluctance of the local units to merge or even cooperate led ultimately to a renewed centralization. The prime minister appointed eight Commissioners of the Republic to compensate for the weakness of the local governments or, according to the liberals, to control the municipalities, which were ruled by the liberal opposition.

The shortcomings of the municipal governments convinced politicians across the political spectrum of the need to create a democratically elected meso-tier of government by strengthening the counties. Thus, a second reform was attempted by the Horn government (center-left), elected in 1994. The new government had the two-thirds majority in parliament required to pass constitutional legislation, such as that on sub-national governments. The eight regions were abolished and the county councils had to be directly elected and were given responsibility for public services.

Meanwhile, Hungary was awarded PHARE money by the EU as early as 1992 to assist in the country's regional development.⁵⁴ PHARE-funded experts were heavily involved in the preparation of the 1996 reform and the bill was suffused with EU regional policy concepts and terminology, such as programming and partnership. Moreover, the government claimed that the legislation was fulfilling EU accession needs, winning approval from EU actors, and allowing Hungary to take advantage of EU funds after accession (Fowler, 2002, 27).

Hitherto, the national political and academic debates on sub-national reforms were based on the assumption that if Hungary had to institute a meso-level of government at all, it would be constituted by the county. However, the 1996 Act instituted regions as NUTS-2 level territorial units for the allocation of EU Objective 1 structural funds. Bende-Szabo argued that Hungary could have made the counties its NUTS-2 level, because Hungary lacks the kind of large historic regions of Western European countries. He claimed that,

⁵⁴ The history of the PHARE program (Pologne-Hongrie Assistance à la Reconstruction des Economies) in Hungary reflects the two different phases of Hungary's preparation for full membership. Between 1989 and 1997, PHARE funds (787 million of EUROS) were directed to create the basic institutions of market economy and public administration. In the second phase, from 1998 to 2004, PHARE funds were directed to support the adoption of the EU's *acquis*, in particular in the area of regional policy.

As far as the meso structure as a whole is concerned, owing to the lack of the regional tradition and history it can be emphasized that there is no real justification for regions in Hungary. The Hungarian meso government, the county, has such deep origins in our history that there is no necessity or practical consideration to alter that. Nor can the changing of the county system be underpinned from the point of view of European integration. A common European scene has to tolerate the historical and traditional diversities in the meso structure of the different countries, so besides the German Länder, the Spanish autonomous communities (both have larger territories than the Hungarian counties), the Swiss cantons (smaller than the average county) and the Scandinavian counties (which are more or less adequate to our county local governments) there should be a place for the historically and traditionally deep-rooted Hungarian counties, too. (Bende-Szabo, 1999, 40)

However, as I discussed above, pressures coming from both the European Commission and Eurostat through semi-official channels pushed the Hungarian government to create regions of the size of the NUTS-2 level, which is larger than the size of the average Hungarian county. Thus, the 1996 Act instituted seven regions as statistical territorial units. It also allowed counties to establish voluntarily regional councils. Regional Development Councils (RDC) were composed of representatives of county councils, local government associations, social and civic organizations, and officials from the ministry of regional policy. The councils had decision-making power over the allocation of subsidies for local development. In 1997, the EU praised this approach and stated in the regular reports that Hungary was the first applicant country to adopt a legal framework in line with the EU structural policy.

In 1998, the new national elections brought to power a new center-right coalition composed by Fidesz and the Smallholders Party. When Orbán became prime minister his program contained a clear commitment to strengthen the regions. The government's bill made mandatory the formation of regional development councils in the seven statistical regions and guaranteed funding for their operation. Fidesz claimed to pursue a long-term

policy of double decentralization, which would ultimately eliminate the counties and replace them with democratically elected regions.

However, Orbán successively turned against decentralization and weakened *de facto* the fragile new regional structures. First, he created institutions for absorbing the structural funds only within the central government, at the level of the line ministries. Second, he amended the composition of the RDC by replacing some local actors – elected and legitimate – with delegates of the ministers. In particular, employees’ organizations and the local economic chambers no longer received representation in the councils. Similarly, the number of representatives from the associations of the municipalities decreased. Under the new provisions, government representatives from the line ministries acquired majority within the councils, with 10 representatives for each regional council.

Furthermore, the regional councils became highly politicized. In many cases, the ministers were not represented by civil servants and professionals but by governing parties’ clientele. Such practice significantly changed the work of the regional councils since governmental and party political interests prevailed over local interests and the lack of experts, replaced by political appointees, reduced the possibility to have meaningful and professional debates over regional policy (Palne Kovacs, 2005).

In turn, the opposition accused the government of seeking control over the new regional tier and ultimately over the distribution of EU funds. During parliamentary debates, non-Fidesz deputies from both the majority and the opposition argued that the exclusion of local representatives from the regional councils could jeopardize the effectiveness of regional development programs because local actors’ knowledge and

commitment were crucial to design well-planned and widely-accepted policies. Thus, they expressively asked the government to maintain local associations, interest groups, and economic chambers' representation in the councils. Some deputies complained to the government that the amendment violated the main principles of EU regional policy, such as subsidiarity and partnership. According to these principles, in fact, the use of EU funds must be programmed and organized in consultation with local actors. Nonetheless, coalition discipline prevailed and the amendment was approved (Fowler, 2002).

Orbán and his political coalition justified the reform by arguing that Brussels required them to allocate EU funds rapidly and efficiently. Deputies of the governing coalition argued that the EU was pressuring them to create a system of institutions at the national level, which could guarantee the effective use of its funds (Fowler, 2002). Indeed, in the late stages of the accession process, the European Commission expected candidate countries to create a national institution to manage the EU funds on behalf of the regions since it did not trust the regions' administrative capacities.

In 1999, after corruption scandals forced the European Commission, chaired by Santer, to resign, the regional funds policy changed. The fear of potential mismanagement of EU funds led officials within the Commission to favor a centralized approach regarding the allocation of funds. In the name of efficiency, the Commission chose the most reliable and easily monitored system of funds' distribution, namely the line ministries.

As the accession process came close to its conclusion, the idea of regionalization through democratic participation became less important and very practical issues, such as absorption capacity and inter-ministerial coordination in managing EU funds, completely

dominated the last regular reports of the Commission. One can observe this policy shift by looking at the Commission's regular reports on the advancement of the candidate countries towards accession. The Commission's opinion on Hungary's regionalization changed over time and went from positive (in 1997) to negative (in 1999) – pointing out delays in the management and implementation of EU funds – and back to positive (in 2000/2001) after the Orbán government centralized the allocation of such funds. Indeed, the regular reports were powerful tools of policy promotion in the hands of the European Commission, especially when the Commission lacked legal instruments to force a particular institutional model on the candidate countries.

Initially, in 1997, after the 1996 Act on regionalization was passed, the Commission claimed that Hungary had taken the lead in regionalization, being the first country among the CEECs to adopt a legal framework closely in line with EU structural policy. One year later, in 1998, the Commission's regular report was still positive but stated that despite the progress made in terms of legislation, Hungary's regional institutions were still weak and that their weakness had delayed the implementation of the EU's pre-accession funds.

In the 1999 regular report, the overall assessment changed considerably. Hungary went in one year from leader to laggard. The Commission criticized the poor implementation of regional policy, particularly the insufficient cooperation and coordination in regional policy-making and the lack of sufficient human and financial resources for it. Interestingly, this time the regular report especially condemned the low level of absorption of pre-accession funds and expressed concern about the difficulties of

transferring EU assistance upon entry because of the weakness of the regional institutional system.⁵⁵

The Orbán government instrumentally used the Commission's regular report to justify its decision to centralize the allocation of EU funds and to exclude social and economic actors from the regional councils. Members of the government argued that the inclusion of representatives of the ministries in the RDCs was likely to broaden the range of sectors represented in the councils and help develop a more comprehensive and effective regional policy, in line with the EU's requirements. They also pointed to examples of EU member states, such as Portugal, where regional policy was mainly led by the central government (Fowler, 2002).

As the Commission's primary concern in regional policy shifted from subsidiarity and partnership to the central government's control over the EU's funds, its regular reports started focusing on the institutional measures that candidate countries should adopt to guarantee such control. The 2001 regular reports focused on evaluating the steps taken by each candidate country in organizing institutions, at the ministerial level, able to manage the EU's structural funds after accession. Paradoxically, the 2002 regular reports praised Hungary's centralized approach to regional policy, while expressing criticism towards other candidate countries, such as Poland, which had created the strongest and most democratic regional governments, for its lack of such central control (Hughes et al., 2004c).

During the national electoral campaign, the center-left coalition highly criticized Orbán's exclusion of local representatives from the regional councils and the lack of

⁵⁵ In this respect, the World Bank's report on the new members' administrative capacity (2006) shows how Hungary has the lowest level, among the CEECs, of absorption of EU post-accession funds.

cooperation with local actors in regional decision-making. In 2002, the new prime minister, Peter Medgyessy, (center-left) outlined his commitment to create self-governing regions, which would decide on their own budget, including EU assistance.

However, in this new government there was a big contrast between political will and actual reform capacity. This was because the government's regional reform was opposed by its own socialist-liberal coalition, especially by the liberals who feared they could lose local elections due to their lack of constituency in the countryside. Moreover, the government needed to find a compromise with the opposition parties, as a two-thirds majority vote in parliament was necessary to change the constitution. Finally, the government needed to overcome the resistance of local elites in the counties, whose opposition to democratic regionalization depended on a number of different factors (Agh, 2005). First, local elites' identity is firmly attached to the thousand-year old counties. Regions are merely perceived as artificial structures created only to standardize the allocation of EU financial assistance.

Second, during the accession processes, the Commission and the Hungarian government monopolized the negotiations over regional policy and ignored local elites' perspectives on regionalization. It is reasonable to suppose that if local elites had also been invited to discuss the formation of the regions instead of only instructing them to do so, their resistance could have been reduced.

Third, the exclusion of local actors from the RDCs and the government's monopoly over the allocation of EU funds reinforced local elites' detachment from both the processes of EU accession and regionalization. A study by Hughes, et al. argues that in general CEE local elites show poor or limited knowledge about the EU's assistance

programs and low recognition that the EU's funds could alleviate the problems of transition. According to this study, one reason is that EU funds are managed by central ministries, which distribute them to sectors, and only indirectly to local geographical areas. Local elites' perception is that EU assistance mainly benefits the national rather than the local level (Hughes, et al., 2004c). Thus, as the administration of EU funding ought to remain centralized at the level of ministries, with the endorsement of the European Commission, local elites did not have any financial incentive to support the creation of democratic regions. Why create regions with elected organs if they cannot decide on their own budget?

Fourth, if local county elites could not foresee any financial advantage coming from democratic regionalization, they clearly anticipated a potential loss of political power in favor of the new regional governments. Agh argues that the Medgyessy government could overcome their resistance by guaranteeing them regional careers and widening their administrative competences with proper funding. However, within the governing coalition there were politicians who feared that more independence granted to the regional-local level could produce negative political and financial consequences for the central government, namely the loss of political power and financial resources (Agh, 2005).

The situation did not improve in the post-accession period. After Medgyessy resigned in July of 2004, the new prime minister, Ferenc Gyurcsany, committed to complete the regionalization process by legislating the role of local actors as autonomous regions with elected organs and their own budgeting, enabling them for the absorption of EU transfers for the budget cycle 2007-2013. In June 2006, after winning the elections –

this was the first time, since 1989, for the same governing coalition to be reelected – the parliament was called to change the constitution and institute administrative and legislative regions. However, the governing coalition led by Gyurcsany only had a simple majority and needed the votes of the opposition to reach the two-thirds necessary to change the constitution. The necessary compromise with the opposition could still not be reached. Agh, interviewed by the author, claims that in this case the opposition acted against its own interests because it had prospects to win regional elections as it had won elections in the municipalities in 2006.

By contrast, in Poland, although similar concerns arose against democratic regionalization, the politics of compromise prevailed. The government was able to find an agreement with parties of the left-wing political opposition, which feared a loss of electoral support in the rural communities; deputies within the right-wing governing coalition who claimed that the reform was threatening national unity; and central ministries' officials who feared to lose decision-making power over the allocation of regional funds. As a result, the 1999 regional reform instituted a three-tier sub-national governing system, composed of municipalities, districts, and 16 regions, where all three levels have a democratically elected council.

According to Hughes, et al., (2004c) the reform was shaped to address the criticism expressed by the European Commission in its 1998 and 1999 Regular Reports. Supporters of the reform maintained that strong regions were crucial if Poland was to benefit fully from its integration into the EU. Thus, in this case, the EU was used as a legitimating device for reform promoters to advance their political preferences. After 1999, however, the European Commission shifted its emphasis on the central

management of EU financial assistance and argued that the role of the Polish regions in managing the funds had to be reconsidered.

In turn, whereas in Hungary the national government seized on the EU's pressures to justify and legitimize its centrally led regionalization, in Poland reform supporters used the same pressures to support democratic regionalization. The ambiguity of the messages coming from the EU and the sparseness of the *acquis* on this matter created possibilities for CEE national elites to use the EU's conditionality in ways it could best serve elites' preferences on regionalization. After the EU changed its approach on regional policy, the Commission's new preference for centralized regionalization and the Orbán government's "statist conception of the sub-national sector" (Fowler, 2001, 45) became mutually reinforcing: the Commission praised Orbán for being in line with its new centralized approach and Orbán used the Commission to circumvent potentially lengthy domestic debates.

Concerning the management of EU structural funds in Hungary, central government's ministries are largely responsible for the preparation of national development plans, which they use to apply for EU financial assistance. Regional and local participation in the preparation of such plans is limited. Line ministries are also the managing authorities of EU funds and play a leading role in their implementation. Yet, although a centralized system for funds' administration is in place, effective cooperation and coordination across the relevant ministries is still missing: inter-ministerial power struggle over competencies is a persistent problem, causing delays in the preparation and implementation of programs (Kalman, 2001, Horvat and Maier, 2005).

The availability of grants from the central budget and from the EU funds depends upon local governments' capacity to provide their share of co-financing. However, Hungarian sub-national governments are often unable to co-finance projects of regional development. In fact, although regional and county development councils are entitled by law to gather their own resources by imposing taxes, no mechanism or practices have been established for them to do so. This means that the majority of Hungarian municipalities are not in a position to apply for EU funds on their own. A change in Hungary's fiscal system is needed for local governments to apply for funds directly. Such a change might include a reconsideration of the local and regional shares of the most important taxes, as well as whether to implement certain taxes at the regional or local level (Kalman, 2001).

As local governments' investment resources are still highly fragmented, the central government finances the majority of local investments. This heavy reliance on central government resources creates two different problems. First, Hungarian local investments are almost exclusively driven by central government's preferences. Second, since the central government is the allocator of EU funds, local governments lobby to obtain the funds or the necessary co-financing shares. Sometimes legal lobbying activities are replaced by illegal forms of rent-seeking, such as bribery.

Lessons drawn from success stories in the EU-15, such as the Irish case⁵⁶, show that the effective use of EU funds requires a full implementation of the partnership principle, which entails participation of social actors and non-governmental organizations in the preparation of regional development projects to be financed by the EU, and cooperation and coordination between national and local governments in the

⁵⁶ See Laffan (1996) in Hooghe et al.,.

implementation of funds. Even in countries with a relatively strong and dominant central government, such as Portugal, regional governments played a significant role in the preparation of development plans, and in selecting and evaluating projects to be financed by the EU.

Yet, partnership can be pursued in a very formalistic and superficial manner, and simply to meet Commission requirements. The Hungarian National Development Office established a database of information on partner organizations, which collects the opinions and recommendations expressed by partners on development programs to be funded by the EU. Nonetheless, the involvement of representatives of local interests should not only be provided through the possibility to visit an Internet site with all the relevant data regarding the preparation of national development programs, but also by involving local partners early on in the process of programming. In Hungary, civil society is invited to participate just before the deadlines for the submission of programming documents to the Commission. This limits the possibility of local actors to impinge on the contents of such documents.

In the end, Hungary achieved EU-compatibility by meeting minimal institutional requirements without reaching real institutional changes. This “regionalization without regions” (Palne Kovacs, 2005:181) is the result of both internal and external factors. From the domestic side, the fears of central governments (particularly, but not exclusively, the Orbán’s government) to lose political power and control over financial resources have produced centralization in the managing of EU funds and exclusion of local elites representatives from the regional councils. From the EU side, I identified two factors: first, the inconsistency of the messages of the European Commission, and its

ultimate preference for centralization and statistical regionalization; second, the “regional deficit” caused by the limited involvement of sub-national actors in the negotiations over EU regional policy. Because local elites could not participate in the decision-making process over regional policy, they eventually became hostile towards the process of democratic regionalization. As a result, regionalization in Hungary has been merely formal and characterized by a bias against politically and financially empowered regions. This might negatively impact Hungary’s capacity to absorb and implement effectively EU structural funds.

Conclusions

In this chapter, I have analyzed Hungary's state administration reforms – in particular civil service and regional reforms – in the context of the EU accession process. Both reforms were rooted in national debates and developed in a path-dependent way from political choices adopted since the process of transition started. Civil service reforms were shaped by legislation adopted early in the transition process – and amended in later stages – which left practically untouched the possibility of politicians to exert political discretion in the appointments of civil servants. Regional reforms were on the agenda before the regime change but, even with some variation adopted by different governing coalitions, were constantly characterized by scarce allocation of financial resources and limited devolution of political powers. In both cases, the reform process seems to be locked in trajectories defined early in the transition.

In this context, the EU accession process has produced different effects. In the case of regionalization, the EU has been at the most an intervening variable, which has only reinforced and not caused certain institutional outcomes. The requirements of the accession process were used to justify the agenda and the design of the reforms, which in reality corresponded to both governments' preferences and ability to compromise with other relevant domestic actors. As a result, regionalization has produced mere formal change, which is Hungary's coping strategy with the EU's regional requirements.

Similarly, civil service reforms have been on Hungary's political agenda since the regime change. However, different coalitions of government along the left-right divide have de facto opposed a credible depoliticization of the public service, as governing parties allocate public posts outside the public administration to reward a

party's supporters. In this context, the EU administrative criteria, which could have been potentially a strong stimulus for the reform or at least its legitimizing device, have played no role in favoring the depoliticization of the bureaucracy at large. Quite the opposite, the EU administrative criteria have strengthened the bias towards formal, legislated reforms, which per se do not decrease patronage, and have sent domestic governments mixed messages by focusing foremost on sectoral rather than general administrative capacity.

Yet, the EU accession process has produced an important institutional outcome: the creation of a patronage-free zone represented by domestic EU experts in charge of the accession. This outcome is Hungary's learning response to both the shortage of experts able to conduct the negotiations and the need to fill the role of a candidate country by following the rules, formal and informal, of the accession process.

This professional and apolitical bureaucratic elite was able to remain unchanged through the two national elections held during the years of the negotiations. One might argue that in the post-accession years an increasing number of civil servants in EU affairs could be free from patronage politics, as if the experience of the accession could shape in a path-dependent way the development of a professional and apolitical EU bureaucracy. However, initial evidence suggests that the group of bureaucrats in charge of the negotiating process is now dispersed and that training programs for the creation of a professional bureaucracy in EU affairs have been hitherto ineffective.

Nonetheless, one of "the ways to do things" learned during the accession process could be far more long-lasting: the practice of considering Europe a business for few or a monopoly for the bureaucratic elite. The accession process – which in theory required candidate countries to consult with the interested parties – has paradoxically reinforced

and justified the custom of the elite to exclude domestic actors from the decision-making process. Democracy has been sacrificed in the name of efficiency, forgetting that legislated reforms, besides being passed quickly upon a false consensus, will have to be de facto implemented.

This is the case of regional reforms, as local actors excluded from the negotiations on the EU's regional policy have turned against democratic regionalization. If national elites and EU officials had invited them to sit at the negotiating table, they could have pushed the government to create democratic regions with substantial decision-making power over the distribution of EU funds. However, as in other public policy areas, negotiations over regional policy were confined among EU officials and national bureaucratic elites. Although the EU required national governments to consult with local elites on regional policy, consultations with them, when held, were formalistic and superficial. The Orbán government even substituted local elites' representatives in regional councils with representatives of the line ministries and instrumentally used the concerns of the EU about potential mismanagement of funds to justify its centralized approach to the allocation of EU financial assistance.

The Orbán government's *modus operandi*, backed by the European Commission, has de facto magnified local elites' detachment from the simultaneous processes of regionalization and EU accession. Local elites excluded from the negotiations over regional policy and deprived of decision-making power over the allocation of EU funds have eventually turned against the creation of democratically elected regions. Furthermore, a merely formalistic implementation of the partnership principle in the

allocation of EU funds might have negative repercussions on Hungary's efficient and effective use of such funds for the budget period 2007-2013.

Participation of domestic actors in each reform process is important for democratic consolidation as well as for reforms to be implemented and produce real and long-lasting institutional change. Although the EU, in principle, recognizes the importance of domestic participation in the decision-making process, it has *de facto* favored elitism and centralization both in the negotiating process and in the distribution of its regional funds. The EU's preferences for democratic participation have ultimately been replaced by practical issues, such as efficiency in the adoption of EU policy and monitoring over funds' distribution. The result is that Hungary has created regions with neither political power nor financial autonomy, and has chosen to allocate most of the EU financial assistance through a centralized system (whereas in many EU15 countries there has been a progressive regionalization of EU funds' management).

In the end, the exclusion of domestic actors from the negotiations – or accession democratic deficit – has produced what Agh calls “accession crisis,” a situation in which administrative reforms have stalled together with the process of democratic consolidation. Agh suggests that a second wave of EU-related reforms – perhaps the negotiations to enter the Euro zone, which have already started in Hungary – is needed to reinvigorate both the process of state administration reforms and democratic consolidation. If this is the case, in the context of a new accession process, domestic elites will have to open up the secret doors of the negotiations to all the parties affected by the reforms, if real institutional change is to be achieved.

Chapter Three

The Italian Case Study

Introduction

In the second chapter, I argued that when a process of reform is not democratically discussed and engaged, domestic actors are more likely to oppose change and reforms will not last or even be implemented. In this chapter, I analyze the process of administrative reforms in Italy during the years of the EMU (Economic Monetary Union) accession. As in Hungary, also in Italy, the accession process empowered domestic reformers by altering the structure of the decision-making process, creating information asymmetries in favor of technocratic elites, and generating a strong ideological justification for reforms. However, whereas in Hungary the executive used the EU accession as a pretext to monopolize the domestic decision-making process and exclude parliamentary, social, and local forces from the negotiations, in Italy, both the EMU accession and the simultaneous process of institutional reforms were managed by the executive in cooperation with civil society and regional authorities. In this context of dialogue and cooperation, the Italian parliament represents the main exception. In Italy, the parliament had already lost some control to the executive over the last thirty years but this loss was accelerated by the preparation for EMU.

In Italy, I will show, the EMU accession process contributed to the creation of a culture of macroeconomic stability and helped strengthen domestic policy-making capacity both in terms of efficiency and fairness by including a large variety of domestic actors in the reform process. Yet, administrative reforms, which focused particularly on

the depoliticization of the civil service and the devolution of central power and financial resources to regional governments, are still far from being implemented.

This chapter argues that even when reforms are to some extent democratically discussed, their implementation can still be hindered by the chronic political instability of governing coalitions, whose parliamentary majority depends on a large number of small and heterogeneous political parties. Such parties demand political appointments for their own clientele in exchange for their support to the political majority. Clientelism, which I define as the particularistic use of public resources in exchange for political support, makes governing coalitions more unstable and ultimately prevents them from implementing anti-patronage reforms.⁵⁷ As I show in the Hungarian case, also in Italy, governments of both the left and the right seek to reward their political supporters through the allocation of public posts in ministries and government agencies. However, in Italy, together with party supporters, governments must also accommodate the requests of patronage-seeking micro-parties, without which they would lose their majority in parliament.

Although Italy has been a democracy since 1947, during its first 60 years of democratic history, clientelism has been the main way of gaining and wielding political power. Since the dividing line between the public and the private sphere is blurred and particularism often prevails over the pursuit of the common good, O'Donnell argues that Italy belongs to that group of polyarchies in which democratic consolidation is still an

⁵⁷ In a comparative analysis of clientelism and patronage in Europe, Piattoni (2001) argues that clientelism and patronage are strategies for the acquisition, maintenance, and aggrandizement of political power on the part of the patrons, and strategies for the protection and promotion of their interests on the part of the clients. While patronage is strictly related to the distribution of public jobs to partisan supporters, with clientelism all public decision-making can become a token for exchange: from a birth certificate to a building permit, from a disability pension to a tax exemption.

unfinished process (O'Donnell, 1996). Similarly, Bull and Rhodes (1997, 2007) describe Italy as an incomplete and poorly performing democracy in which the state is not simply exploited by its political masters but captured by a broad range of particularistic interests in a self-perpetuating cycle of clientelistic exchanges.

Yet, in the 1990s, after corruption scandals and judicial investigations swept away the dominant political class and to some extent the informal clientelistic networks that supported it, there were some expectations that Italy could finally complete its process of democratic consolidation. In this context, the EMU accession process acted as a catalyst of change. It created pressures on domestic elites to begin long-term political and economic reforms and created a shared understanding that the country could no longer afford patronage and clientelism if it wished to remain in the inner circle of EU countries.

The EMU accession process raises very interesting questions about the simultaneous processes of Europeanization and democratic consolidation, and a more general question about real, as opposed to formal only, institutional change in a context in which the demand for change is coming, even if not exclusively, from the outside. This chapter aims to answer two such questions: first, how and to what extent has EMU accession causally influenced domestic institutional change in Italy at the level of policy (state administration reforms), politics (national political battles and negotiations over reforms), and politics (relationships between state and society, executive and parliament, and central government and regions); second, whether reforms that are passed with some democratic participation can still produce real institutional change, when the

governments that should implement them are politically unstable and strongly influenced by particularistic interests.

During the years of the accession process, a small nucleus of technocrats with expertise on EU matters was in charge of managing Italy's negotiations for EMU membership. In section 1, I explore the dynamics of such negotiations. Unlike the CEECs, which had no bargaining power on the Copenhagen criteria, Italy was one of the most active negotiators of the Maastricht parameters for EMU membership. This section also explores how the relationship between Italy and the EU substantially changed after EMU accession was concluded and a new center-right governing coalition came to power. In 2001, as the pressures for macroeconomic stability coming from the EU collided with Berlusconi's populist political agenda, his government tried to convince the other European countries to abolish the Maastricht parameters.

Whereas in the Eastern enlargement, the EU specifically required the CEECs to reform their public administrations, the EMU accession never included a set of administrative criteria among its conditions for membership. Yet, since the EU put great emphasis on the reform of national public finances, the restructuring of public administration both at the central and regional level was considered by Italian reformers a fundamental step to increase the coherence and efficiency of government spending.

In section 2, I will argue that albeit different governments passed consecutive administrative reforms aimed at banning patronage from the senior civil service, the Italian bureaucracy is still highly politicized. This is because political parties expect to receive public appointments in exchange for their support to the political majority. Thus, senior civil servants are appointed on the basis of political criteria. Yet, during the years

of the EMU accession process, a small nucleus of technocrats at the treasury was free from party patronage and remained in charge of the negotiations throughout five changes of government and two general elections. I will apply to this Italian case the same explanatory argument used for Hungary. On the one hand, political parties strategically maintained the same group of Italian technocrats because of the limited number of officials with expertise on EMU matters. On the other hand, domestic actors coming in contact with EU actors internalized some rules of appropriateness, such as maintaining a stable and professional group of national EU experts during the negotiating process.

Although the expert work of the technocrats in charge of managing the accession was free from party patronage, it was not screened from interactions with parliament, civil society, and regional and local authorities. In section 3, I will show how the EMU accession process was characterized by intense modes of cooperation between technocrats at the executive branch of government and members of labor unions, research institutes, and regional governments. Although the parliament abdicated to the executive its control over the transposition of EU laws (the executive was able to acquire greater control over the law-making process by using decree laws and legislative decrees) some of the governments of the 1990s still consulted with parliamentary committees on important reforms of the state administration that were crucial for the process of financial adjustment required by EMU. Why was democratic participation important for the reform process? It helped in creating genuine consensus over the reforms, provided legitimization to technocratic governments which lacked electoral investiture, and avoided social tensions in a moment of national emergency.

Yet, although democratic participation is important for any reform to be passed and implemented, it is not *per se* sufficient. Reforms' implementation requires also some level of political stability together with the government's independence from particularistic interests. In Italy, governing coalitions are made of numerous and heterogeneous political parties, often representing various and incompatible interests. Some of these parties are micro-parties built around the figure of a prominent political leader rather than around a specific ideology or a detailed political program. Yet, despite their size, these parties hold a wide range of clientelistic relationships with both political and nonpolitical actors (i.e., contractors, entrepreneurs, campaign contributors, and local politicians) who expect favors in return for their political and financial support. Since such parties are crucial for the stability of the parliamentary majority, they make their support to the government dependent on the number of public appointments to governmental boards and commissions they are able to obtain for themselves and their own clientele. In this chapter, I will show how the need to satisfy the expectations of micro political parties in the majority made impossible for governments to implement administrative reforms that aimed at banning patronage from the bureaucracy.

Section 4 examines this argument also in the case of regional reforms. Under EU pressures, Italy attempted to reform its regional and cohesion policy. Yet, reforms remained for the most part unfinished and Italy's rate of absorption of EU funds is still among the lowest in Europe. Thus, I will argue that the political instability of both central and regional governments, exacerbated by clientelistic exchanges between governments, political parties, and party clientele, hindered the process of regionalization and had negative repercussions on Italy's capacity to use EU funds efficiently.

During the years of EMU accession, Italy was often indicated as a model of political dynamism and change. However, after membership, the wave of administrative reforms stalled as the EU external pressure diminished, the global momentum for public administration reforms ended, a right-wing government with a different political agenda came to power, and more importantly political parties that were momentarily in quarantine during the EMU accession regained political power. What is left today of the wind of reforms that blew over Italy during the EMU accession process? Did such wind generate any long-lasting change in the political behavior of domestic actors?

1. Italy's bumpy road to Maastricht: how technocrats and politicians faced the EMU challenge

Unlike the CEECs, which had no bargaining power on the Copenhagen criteria, Italy was one of the most active negotiators of the Maastricht parameters for EMU membership.⁵⁸ The goal of Italian negotiators was twofold: first, they aimed at negotiating specific economic parameters and rigid deadlines which were to stimulate throughout the country a credible commitment towards financial adjustment; second, they

⁵⁸ The process for the creation of the Economic and Monetary Union (EMU) begun in 1988, when during the German presidency of the European Parliament, the German chancellor, Kohl, and the president of the European Commission, Delors, signed a document for the implementation of EMU. A year later, in 1989, the Delors Report, which differentiated three different stages for the adoption of the common currency, was signed by the governors of all European central banks, including the British one, despite the sharp opposition of Margaret Thatcher. The fall of the Berlin Wall, as the literature has suggested, was the turning point for the acceleration of the process (Dyson and Featherstone, 1999). In fact, the reunification of Germany and the consequent political weakening of France were the two major factors that convinced the French government to create the monetary union, as a way to counterbalance Germany's growing economic and political power. President Mitterrand was the genial architect of EMU. He used his personal influence on Chancellor Kohl to pressure Germany to embrace EMU. He convinced Kohl that delaying EMU could lead to Germany's isolation.

negotiated parameters that while being rigid and specific, could still be met by Italy's limping economy in the medium time period.

The negotiations for EMU membership took place at a critical juncture for Italy. Since 1948, Italian politics revolved around the Christian Democratic Party (DC) and were characterized by lack of substantial alternation in government, which gave no incentives for governments to produce substantial changes in both economy and society. In the early 1990s, this regime suddenly collapsed as a result of two events: first, a corruption scandal that brought in front of the judiciary the old Italian political class (in particular the Christian Democrats and some members of the Socialist party) and legitimated a new political elite which included reformed Communists and a new right-wing political force (Casa delle Libertà) led by the tycoon Silvio Berlusconi; second, a currency crisis that forced the Italian Lira out of the European Monetary System (EMS) and instigated a dreadful fiscal and economic crisis. Scholars refer to the decade that followed such events as the years of the Italian transition towards political and economic modernization (Radaelli 2004, Ceccanti and Vassallo 2004, Di Palma et al., 2000).

In this context of transition, the EMU accession process performed as a catalyst of change. Treasury minister Guido Carli – a central banker turned politician – was the first one to argue that in Italy, EMU acted as *vincolo esterno* (literally external constraint) as it was able to promote otherwise elusive domestic reforms (Carli 1993, cited in Ferrera and Gualimi, 2004)). Domestic reformers used EMU accession as leverage to engineer major policy shifts and eradicate the profligacy pursued by the *partitocrazia* or *partitocracy*⁵⁹ (Dyson and Featherstone 1996, 1999). Yet, as Ferrera and

⁵⁹ Partitocracy or partocracy or partocracy is a form of government in which the will of one or more political parties in power dominates political life.

Gualmini suggest, EMU cannot be entirely considered an exogenous factor. Domestic actors, in fact, played a fundamental role in negotiating the parameters for membership.

The Maastricht Treaty, signed in 1992, established that the third and last stage for the completion of the monetary union, which was the creation of the Euro as a common currency, was to start in 1997 with at least seven countries, or at the latest in 1999 with no quorum (Ferrera and Gualmini, 2004). The Maastricht Treaty set five convergence criteria that member states had to meet before adopting the Euro. Compliance is checked on the basis of reports produced by the European Commission and the European Central Bank (ECB). The criteria are: first, the ratio of government deficit to gross domestic product must not exceed 3%; second, the ratio of government debt to gross domestic product must not exceed 60%; third there must be a sustainable degree of price stability and an average inflation rate, which does not exceed by more than one and a half percentage points that of the three best performing member states; fourth, there must be a long-term nominal interest rate which does not exceed by more than two percentage points that of the three best performing member states in terms of price stability; finally, the normal fluctuation margins provided for by the exchange-rate mechanism must be respected without severe tensions for at least two years.

The first challenge for Italy was to obtain some amendments to the original economic parameters. The Italian negotiators, namely prime minister Andreotti, minister of treasury Carli, the central bank's governor Ciampi, and foreign minister De Michelis, had to work on multiple fronts. First, they had to overcome the British opposition to EMU, as Margaret Thatcher opposed any commitment to move forward to a common currency. Second, they had to push for the creation of specific and rigid deadlines, in

order to commit the stronger European countries to EMU, especially Germany. Third, they had to forge an external constraint able to stimulate the financial adjustment of the weakest countries. Finally, and most important for Italy, they had to negotiate criteria that were not too prohibitive for their country's economy.

In 1990, during the summit of Rome, Italy's prime minister, Andreotti, as president of the European Council, managed to isolate Thatcher's anti-Euro position and, together with Mitterrand, pushed to begin the third phase of EMU on January 1st 1999. Moreover, the Italian negotiators had to contrast the power of the German central bank, the Bundesbank, which aimed at creating a "Germanized union" characterized by price stability, absence of public deficit, a strong and politically independent central European bank, and the anchorage of the European monetary system to the Deutschmark. In 1991, a Dutch proposal, backed by Germany, suggested to create a set of convergence criteria based on automatic thresholds, which were completely out of reach for Italy.

At this particular time, the negotiating ability of treasury minister Carli and foreign minister De Michelis was fundamental. They asked and obtained economic parameters, such as inflation and deficit, to be considered not at a given time but as evolutionary trends to be analyzed over time. They also obtained that the *quorum* to initiate the third stage of the monetary union, which entailed the creation of the Euro, was lifted from six to seven countries, thus increasing Italy's chances to be part of the first group of acceding countries. This provision was ultimately included in the Maastricht Treaty (Ferrera and Gualmini, 2004).⁶⁰

After successfully negotiating the Maastricht parameters, the last Andreotti government was swept away by the outbreak of the Tangentopoli scandal. New elections

⁶⁰ The Maastricht Treaty, articles 104c and 109j.

were held in 1992, and the first technocratic executive⁶¹ led by Amato became in charge of leading the financial adjustment. The year 1992 is often referred to as *annus fatalis*, or a Copernican revolution, or a watershed between the previous fifty years of spending dissolution (also referred to as the First Republic) and the adjustment era. The new prime minister, Amato, managed to pass a budget law of 93,000 billion Liras (about 48,000 million Euros) which is considered the largest financial maneuver in Italy's history, and represented the first fundamental step to correct Italy's public finances (Ferrera and Gualmini, 2004).⁶²

The second technocratic government was led by Ciampi. His executive, a fully technocratic cabinet in which none of the ministers was a member of the parliament, is often referred to as *governo dei professori*, the government of the academic professors. Ciampi's cabinet was successful in gaining international credibility, freeing itself from domestic political parties, and building a direct relationship with trade unions.

The scenario changed with the first Berlusconi government (1994), which was the first government elected after the reform of the electoral system (from proportional to majoritarian). In this cabinet, the number of politicians outgrew the number of technocrats, although even Berlusconi needed the expertise of Lamberto Dini, a

⁶¹ In Italian politics, the president of the republic can, under particular circumstances, such as a political crisis and the abrupt fall of the government, decide to appoint a new prime minister without holding general elections. After the appointed prime minister receives the mandate to form a new executive, he will select the cabinet's ministers according to criteria of merit and expertise rather than for their political affiliation to political parties.

⁶² Amato had different factors on his side, both internal and external. First, the financial crisis of that year, which drove the Italian former currency, Lira, out of the European Monetary System (EMS), increased Italians' sense of emergency and profound humiliation. In order to confront the crisis, Amato received important delegated powers from the parliament (see *infra*) which, delegitimized by the corruption scandal, stayed on the sidelines. Second, the new government used the EMU financial constraints to overcome potential vetoes from political leaders. Third, one important feature of this first technocratic cabinet was the constant search for social consensus. In fact, fearing a legitimacy deficit as he was appointed without elections, Amato sought the consensus and support of social partners (Radaelli, 2002).

technocrat from the Italian Central Bank, to continue on the road of financial adjustment (Radaelli, 2002). Berlusconi broke away from the cooperation with social forces, and was unable to pass a new budget law, due to the fragmentation of its coalition. Moreover, his foreign minister, Martino, who was a Euro-skeptic, argued in favor of a more favorable renegotiation of the Maastricht criteria, thus increasing the doubts of other European countries on Italy's determination to join the Euro-zone (Radaelli, 2002). Eventually, Berlusconi's governing coalition disintegrated with the departure of one of its main parties, the Northern League.

Dini, the former director of the central bank and minister of treasury in the Berlusconi government, was called to lead a third technocratic executive with the support of the centre-left. During Dini's government, the debate over which financial measures Italy needed to enter EMU became quite tense. In fact, in 1995, the German financial minister argued in a press conference that given the status of Italy's, Belgium's, and Spain's public finances, it was unlikely for these countries to join EMU. Dini tried to buy Italy some time by convincing his European partners to postpone the EMU deadlines. However, he also felt that only a political executive, rather than a technocratic one, could make decisions on EMU accession (Radaelli, 2002).

In 1996, new elections were held and this time the coalition of the Olive Tree, led by a former professor of economics, Romano Prodi, was elected. Prodi immediately indicated the entry into EMU as the priority of his mandate.⁶³ Immediately after being

⁶³ Few words need to be spent here on the structure of Prodi's executive. The previous technocratic executives were characterized by a high number of experts and technocrats who were neither MPs nor affiliated with political parties. The number of technocrats rose exponentially in the 1990s: 16% of the members of the Amato government were technocrats, compared with 52% in the Ciampi government, and 95% in the Dini government. The creation of technocratic executives reflected the need of facing economic emergencies in between elections. The presence of technocrats of great experience and reputation was critical for two fundamental reasons: first, technocrats possessed important policy skills and experience;

elected, the Prodi government tried one last time to renegotiate the Maastricht parameters. To this purpose, Prodi sought to convince the Spanish prime minister, Aznar, to create a common front for a more flexible interpretation of the economic parameters. However, Aznar was not interested in the Italian proposal, since he thought he could meet all the conditions for entry before the deadline. In a bilateral meeting in Valencia, Aznar publicly accused Italy of seeking Spain's support to bend the convergence criteria (Radaelli, 2002).

After the humiliation of Valencia, Prodi sought to reassure his European partners of Italy's commitment to EMU. The possibility for Italy to join the Euro-zone with a second group of acceding countries (which included Greece) could not be considered: besides leaving the Italian currency vulnerable to financial speculation, it would have been a humiliating debacle for the country to be forced to accept a unilateral exclusion. As in the case of the CEECs' accession process, competition among peer countries represented a driving force for compliance with the EMU convergence criteria. Also, from a strictly financial point of view, Italy's late entry would have been more costly in terms of the fiscal effort necessary to meet the parameters. In fact, as Nobel prizewinner Modigliani argued, a large fiscal correction promptly undertaken would have reduced the

second, by being nonpartisan and independent from the delegitimized party system, they were able to restore the full responsibility of the executive over the decision-making process and its autonomy from party leaders (see *infra*). Although Prodi could count on the electoral legitimization of his government, he decided to follow the same path of his predecessors by creating another executive of technocrats. Prodi himself was not a party leader but the leader of the governing coalition. Prodi needed the expertise of technocrats to manage the technicalities and the economic constraints of the EMU accession process. The executive could count on experts of great prestige, both nationally and internationally, as the former governor of the central bank, Ciampi, who became minister of economy, Draghi, who was nominated general director of the treasury, Dini who led the foreign ministry, and Bassanini, an academician who authored the reform of the public administration and the regionalization process.

spread between the Italian and the German interest rates (Modigliani, 1996, cited in Radaelli, 2002).

As a result, Prodi was left with the only option of embarking on an extraordinary effort of financial adjustment. In this effort, the government still had to face the resistance of its own coalition. In particular, Rifondazione Comunista, the former Communist party, whose support was necessary to maintain a parliamentary majority, was against further cuts of the welfare state.

Despite the dissent coming from a part of its governing coalition, Prodi was able to pass a financial law for 60,000 billion Liras, which contained some budget cuts, including a new pension reform. In addition, five days after the humiliation of Valencia, the Prodi government instituted a specific “tax for Europe” which was levied on all incomes. The tax was necessary to meet the 3% deficit target. The government asked the public to make sacrifices for the EMU entry, promising that the Euro-tax would be paid back after accession (Radaelli, 2002).⁶⁴

Under the Prodi government, Italy was accepted into the Euro-zone. However, immediately after, the leader of Rifondazione Comunista, Bertinotti, repeatedly asked Prodi for a signal of a leftward policy turn, especially regarding unemployment subsidies for the southern regions.⁶⁵ Prodi refused to accept Bertinotti’s requests, which would have meant interrupting the virtuous reform cycle boosted by the EMU accession process and regressing to the distributive policies of the past. With the departure of the former

⁶⁴ Radaelli’s analysis of the political discourse that accompanied the Euro-tax shows that the message delivered by the government spoke of “not being left out from Europe.” In reality, the content of this message was inherently false, as Italy was one of the founding members of the European Community in 1950. However, this message was able to dramatize the Italian financial effort and to fill it with passion and emotions. Europe was presented as a question of life and death for Italians and a matter of patriotism (Radaelli, 2002).

⁶⁵ I will discuss below the pitfalls of the Italian system of financial assistance to the south.

communist party from the governing coalition, Prodi lost his majority in parliament. His government collapsed in October 1998 (Ferrera and Gualmini, 2004).

A new center-left coalition, led by D'Alema, the leader of the Democrats of the Left, was formed with the support of a new party UDEUR (Unione Democratici per l'Europa), and of some politicians who had left Berlusconi's party. The new government succeeded in passing Prodi's draft budget law. The bill aimed at conforming to the financial provisions of the Growth and Stability Pact (which defines the economic rules of the Euro zone). However, the D'Alema executive was substantially different from Prodi's. Political parties regained power vis-à-vis the prime minister and its cabinet, and the number of technocratic ministers and undersecretaries diminished significantly. The ministries, in fact, had to be redistributed among seven different parties in the new governing coalition, compared with the five parties of the previous government.

Because of its internal fragmentation and after the negative performance of the center-left coalition in the regional election, the D'Alema government fell in early 2000. At this point, the new President of the Republic, Ciampi, decided not to call for national elections and appointed Amato as the new prime minister. Amato carried out the executive until the following general elections of 2001 when Berlusconi for the second time in a decade.

During Berlusconi's second mandate, the dynamics between Italy and the EU changed considerably. Radaelli and Quaglia (2007) argue that while center-left governments used the EU as a lever for policy change, the center-right sought to eliminate EU pressures at the source. In 1996, Prodi used the EU as a catalyst for difficult reform policies and a learning opportunity for the country. By contrast, Berlusconi

pushed for the abolition of the Stability and Growth Pact as it collided with his pledges of tax reductions, pensions increase, and boost of government's expenditure for infrastructure (see *infra*).

Moreover, the way in which both leaders related to the EU, both in terms of political approach and personal views, was antithetic. Prodi and his ministers "were in their element when dealing with the Commission" (Quaglia and Radaelli, 2007, 929) and favored a more supranational approach to the EU. By contrast, Berlusconi had a more realist and intergovernmental view of Europe, which led him to seek the support of other European governments instead of the Commission.⁶⁶

This was also the first presidency to be held by Italy's right-wing government. According to Quaglia (2004), despite his overconfident style, Berlusconi's lack of experience with EU dynamics hampered his capacity to lead successfully the complex negotiations of the EU constitutional treaty.⁶⁷

Berlusconi's turbulent relationship with the EU was also exacerbated by the increasing Euro-skepticism of parties and politicians within his governing coalition,

⁶⁶ Apart from his intergovernmental approach to the EU, Berlusconi's strained relationship with the European Commission and the Parliament had personal origins. Ironically, when Berlusconi became Italy's prime minister, Prodi was nominated president of the European Commission. The fact that the EU was led by the leader of the domestic political opposition increased Berlusconi's distrust of the Commission and his technocrats. The rivalry between the two leaders was exacerbated when Berlusconi became the president of the European Council during the Italian semester of 2003. That year was a critical juncture for both Italy and the EU. The EU was working on the completion of the Eastern enlargement and on the negotiations (open to 25 member states) of the new European Constitution. Internationally, the war in Iraq had strained the relationship between the US and the EU, with Italy supporting the war in Iraq, unlike the Franco-German axis.

⁶⁷ The relationship between Berlusconi and the European Parliament degenerated quite rapidly as well. In 2003, during a session of the European Parliament, Berlusconi ridiculed a German MP from the European Socialist Party who had previously attacked him, by calling him a Nazi. Similarly, in 2004, one of the ministers of the Berlusconi government, Buttiglione, who was Italy's candidate to the new European Commission presided by Barroso, had to withdraw after the European Parliament expressed its negative opinion of his candidacy (Quaglia, 2005).

especially the Northern League but also some members of his own party, Forza Italia.⁶⁸ Apart from political parties, however, a new and to some extent previously unknown wind of Euro-skepticism was blowing over Italy, with public polls indicating a decreasing support for European integration among Italians, although never below the EU average. Public support for the EU decreased as governments continued making unpopular and costly economic decisions (as raising taxes and reducing public expenditures) in order to respect the Stability and Growth Pact.⁶⁹

EMU represented a concrete obstacle for Berlusconi's populist economic policy. The opportunity that he was seeking to change the rules of the game and eradicate EU pressures for economic and financial adaptation came in 2002, when both France and Germany found it impossible to respect the parameters of the Stability and Growth Pact. At this point, the Berlusconi government publicly announced that the EU could no longer postpone a revision of the Maastricht parameters (especially the 3% ceiling on budget deficit).

During the Italian presidency of the European Council, Italy worked on a declaration to grant France and Germany more time to comply and supported the suspension of any economic sanctions against them. If a country breaks the rule for three consecutive years, in fact, the Commission can impose a fine up to 0.5 % of the GDP. Ironically, in 2004, Italy itself could not meet the requirements of the Stability and

⁶⁸ Minister of defense Martino, a prominent member of Forza Italia, was always known for his Euro-skepticism, while the pro-EU foreign minister, Ruggiero, who had served in the European Commission, resigned after less than one year because of differences of opinion with Berlusconi.

⁶⁹ Even under the Berlusconi government, Italy's approach was never anti-European and it was rather characterized by a great deal of continuity with the past. This is because of the still wide consensus for European integration among the public opinion, the overall pro-EU stance of two major right-wing parties in the governing coalition, the National Alliance and Forza Italia, and the pro-EU approach of a third small party, the Christian Democrats, whose votes were important for Berlusconi's parliamentary majority.

Growth Pact, mainly as a result of Berlusconi's tax reductions and expenditure increase. One year later, in 2005, the EU members agreed on more flexible rules for the Stability Pact (the same key rules for deficit and debt, but a long list of exceptions for the types of public expenditures that would no longer be counted as part of the debt). The Italian government would have preferred its complete abolition rather than a mere revision (Quaglia and Radaelli, 2007). By the end of 2005, the European Commission opened a formal proceeding against Italy for its budgetary imbalance. In 2006, Italy's debt was over 100% of GDP, when according to the Stability Pact it should be 60%.

In 2006, when Prodi was elected for his second mandate, he prioritized the financial adjustment necessary to meet the Stability Pact and used his connections at the Commission to obtain support for his economic policy. The measures undertaken by his cabinet included drastic tax increases, which resulted in great unpopularity for Prodi and his government.

Given the differences in the way Prodi and Berlusconi managed pressures of adaptation coming from Brussels, Quaglia and Radaelli (2007) seem to suggest that with the center-left coalition in power in the decade 1997-2007, the Europeanization of Italian policies could have been more rapid and effective. However, as I will show in the next section, although Prodi's approach to the EU was more supranational and technocratic, his government (in 2006) was still unable to continue on the pattern of institutional reforms which started during EMU accession (1996-2001) and interrupted when Berlusconi seized power in 2001. Concerning civil service reforms and especially depoliticization, there is no substantial difference between Prodi 2006 and Berlusconi

2001. Prodi and Berlusconi were both preoccupied with replacing inherited senior civil servants with their own political appointees.

Both internal and external factors explain why Prodi was unable to continue on the pattern of reforms started during EMU accession. On the domestic front, Prodi could not count on a solid majority in parliament and had to work with a highly fragmented governing coalition.⁷⁰ Prodi's incapacity to govern with a very fragmented and litigious coalition and without a robust majority in the senate became clear almost immediately. The Prodi government was the captive of all the parties of his governing coalition, which often traded their support for the government with ministries and other political appointments in the bureaucracy (see section II). The second Prodi government lasted only 20 months and collapsed together with its political majority in early 2008. In the 2008 general elections, Berlusconi obtained a strong majority and started his fourth mandate as Italy's prime minister.

On the European front, the main element missing during Prodi's second mandate was the presence of a powerful, external constraint at the EU level able to stimulate domestic reforms. Apart from EMU accession, which was no longer acting as external leverage for domestic reforms, the enforcement of the Growth and Stability Pact has been repeatedly called into question by several EU member states. Moreover, the EU is

⁷⁰ In 2006, prior to the national elections, the Berlusconi government approved a new electoral law which reinstated the proportional system and provided a majority bonus for the winning coalition. According to Diamanti (2007), in this way Berlusconi hoped to weaken the center-left coalition, which in previous elections had obtained better results with the majoritarian system. The electoral law established a very low threshold, 2%, for political parties to receive seats in parliament. Thus, both the center-left and center-right coalition created broad and heterogeneous electoral alliances which resembled more electoral machines created to win votes than coalitions able to govern. In the lower chamber, Prodi's coalition prevailed by only 25,000 votes (which was 0.07% of the total valid votes). The results were contested by Berlusconi and a re-count took place in a sample of electoral areas. The still very slim margin was sufficient for the center-left coalition to gain the majority bonus in the lower chamber. In the senate, however, Berlusconi's obtained 270,000 more votes (a slim margin that he also contested). Yet, Prodi's coalition obtained more votes in more regions (10 out of 17) and gained majority in the senate, though with only two seats (Diamanti, 2007).

currently facing a difficult time of integration fatigue. Since the early 2000s, in fact, a legitimacy crisis has shaken the whole European project, with the failed attempt to reform EU institutions prior to the Eastern enlargement, the rejection of the European constitution by French and Dutch voters in 2005, and ultimately the rejection of its revised version, the Lisbon Treaty, by the Irish referendum of 2008. Without a strong Europe acting as an external constraint, Italian reformers remain alone in their struggle for change

Table1: Prime ministers and executives from 1992 to 2008

Prime Minister	Year	Type of executive
Amato	1992-1993	Technocratic cabinet
Ciampi	1993-1994	Technocratic cabinet
Berlusconi	May 1994-December 1994	Cabinet appointed after the center-right won the elections in 1994
Dini	1995-1996	Technocratic cabinet
Prodi	May 1996-October 1998	Cabinet appointed after the centre-left won the elections in 1996
D'Alema	October 1998-December 1999	Appointed by the president of the republic after government crisis
D'Alema <i>bis</i>	December 1999-April 2000	Second mandate after crisis
Amato	April 2000-June 2001	Appointed by the president of the republic after crisis
Berlusconi	June 2001-April 2005	Cabinet appointed after the center-right won the elections in 2001
Belusconi <i>bis</i>	April 2005-May 2006	Second mandate after crisis
Prodi	2006-2008	Cabinet appointed after the center-left won the elections in 2006
Berlusconi	April 2008-present	Cabinet appointed after the center-right won the elections in 2008

2. Civil service reforms in the context of the EMU accession process and beyond: success and defeat of depoliticization in the Italian senior bureaucracy

In the 1990s, the Italian administrative system went through a long and difficult process of reforms. This is quite surprising, given the fact that all the previous attempts to reform the public administration either failed or if legislated reforms were passed they were merely symbolic and never implemented. Why after decades of institutional inertia were administrative reforms passed? Were reforms mere coping devices to accommodate the extraordinary pressures of EMU accession or fundamental changes in the logic of behavior of domestic actors?

Della Cananea (1997) argues that within the process of financial adjustment required by EMU, public administration reforms played a crucial role. In Italy, financing and administration are basic components of public power and are both subject to clientelistic party interference. Public spending sustains political power by distributing resources to political parties and their electoral base, while the public administration provides jobs and career opportunities for both party supporters and political allies.⁷¹

In 1979, the minister of public administration, Giannini, described in a famous report the main pitfalls of the Italian public administration.⁷² The Italian public service was an enormous patronage machine used to dispense partisan favor. By placing their nominees throughout the bureaucracy, political parties were able to consolidate their

⁷¹ In 1997, public finance absorbed more than half of Italy's GDP, making the budget deficit rise to 10%, while the public administration, whose personnel had substantially increased in the 1970s and 1980s, performed the function of guaranteeing employment rather than providing services (Della Cananea, 1997).

⁷² Problems started at the very top, with the ministers themselves facing two main obstacles: the constant interference from their own party and the short duration of their appointments, usually only a few months. As a result, the ministers felt little responsibility towards their ministries and their staff had little sense of loyalty to its transient chiefs (Giannini, 1979).

power while extending their clientelistic network. Although recruitment formally occurred through public examination, entry procedures could be bypassed if one had the right political connections (Giannini, 1979). In turn, jobs and career opportunities were the main type of currency used by political parties to buy electoral support (Di Quirico 2003).

Both Cassese (1995) and Bassanini (2008) argue that the relationship between politics and bureaucracy was characterized by a tacit agreement in which bureaucrats would accept to have limited influence in the policy-making process and limited freedom to maneuver in the implementation of such policy, in exchange for the certainty of an administrative career based on seniority. In turn, bureaucrats traded decision-making power for predictability and security in their relationships with politics (Hine, 1993).

When asked why no action was undertaken to reform the public administration after the report was published, Giannini replied that “there was no political will to solve the problem” (cited in Spotts and Wieser, 1986:136). The problem went back to the parties: no genuine reform was possible until political parties refrained from using the public administration as an instrument of partisan control and clientelism.⁷³

While in the previous 50 years, any attempt to reform the public administration was in vain and unproductive,⁷⁴ in 1992, a new era of administrative reforms had begun.

⁷³ In the early 1970s, Robert Putnam conducted a study on the Italian public service and found that Italians in comparison with British and German public servants were older and served longer in the public administration because of the slow promotion procedures: in the 1970s civil servants were still for the most part the same people who had begun their careers under Fascism (Putnam, 1975). Because of the low pay, slow promotion procedures, and no risk of being fired, most civil servants hold a second job. According to a survey conducted in 1978 by the Rome employment office, 74% of the higher service, 40% of the middle-level officials, and 76% of custodial personnel have a second occupation. As a result, absenteeism thrived (around 10%) and office performance suffered (Spotts and Wieser, 1986).

⁷⁴ From 1945 to 1983, all attempts to reform the public administration failed for the same reasons: the incapacity of the Italian governments to lead the reform process in an efficient way (in the remote case, the executive received the mandate from the parliament to reform the public administration); the overbearing

In the 1990s, in order to begin a rational reorganization of public spending, Italy initiated a comprehensive reform of its administrative system, which had great responsibility in determining its financial imbalance. As Della Cananea (1997) argues, public finance and public administration are deeply connected because the reform of the latter affects the former and vice versa.

The new virtuous cycle started with the first technocratic government led by Amato. In 1992, the parliament delegated to the government the power to reform matters such as, health care, pensions, local budgeting, and civil service. The new government obtained from the parliament the mandate to reform the ministerial bureaucracy starting with the downsizing of the civil service. The government's decree on the reform of the public service was passed in less than 100 days. The new law distinguished between the role of politicians, which is to indicate the policy's objectives, and the task of the public managers, which is to implement them. It also introduces the provision of holding public managers responsible for the completion of these tasks. It instituted both internal and external committees to evaluate the performance of the civil service and privatized the civil servants' labor contracts.

The reform process continued with the following technocratic government led by the former chairman of Italy's central bank, Ciampi (April 1993-April 1994). Ciampi

role played by political parties in the decision-making process and their refusal to end their exploitation of the bureaucracy; the increasing veto powers of the trade unions, preoccupied with defending the interests of public employees and especially their immovability, even when wrongdoing was proved; finally, a strong resistance of the ministerial bureaucracy, which strenuously sought to defend its privileges. Between 1983 and 1992, no ambitious and comprehensive reform plans were on governments' political agenda. In the absence of a unitary reform project, numerous *una tantum* sectoral measures were adopted without coordination, thus increasing the level of fragmentation and incoherence of the public administration.

nominated Cassese, a professor of administrative law, minister of public administration.⁷⁵

Cassese, as a technocratic minister, had the advantage of being free from political ties to the governing parties. As he contends, while his predecessors had to dedicate a considerable amount of time to please their own parties, he was accountable only to the public and had greater freedom to maneuver in the reform process (Cassese, 1995). Nevertheless, Cassese still had to face a large resistance from various domestic actors. The attempt to reduce the number of ministries was opposed by the political parties. Similarly, the attempt to fight absenteeism by enforcing respect for the working hours was opposed by the unions. He recalls that in those years in which political parties were in quarantine (the 1990s), the unions became particularly strong, acting almost as a third chamber of the parliament. As a result, conflicts arose between them and the reformers. Despite numerous disputes, Cassese argues that the dialogue was never interrupted and decisions were always made in consultations with the unions (Cassese, 1995).

During the first Berlusconi government (May 1994-December 1994), there was no significant advancement in the reform process. Similarly, the following technocratic government, led by Dini, did not continue on the reform path opened by the governments of Amato and Ciampi. Indeed, regardless of the intention of public administration ministers, who are ministers without portfolio, the importance of administrative reforms within the political agenda of any government depends to a large extent on how they are prioritized by the prime minister (Della Cananea, 1997). The first Prodi government

⁷⁵ Before then, ministers of public administration had largely focused on addressing the needs of their own employees rather than working on improving the efficiency of the public administration and the quality of its services. They often asked their government to increase the stipends of the civil servants, regardless of the quality of services they provided to citizens (Della Cananea, 1997). The government for its part often allowed such a pay increase because the ruling parties saw it as an opportunity to expand their electoral base in the public administration

(1996-1998) put administrative reforms on top of its political agenda. In 1997, under the guidance of a new minister, Bassanini,⁷⁶ the government passed two administrative laws, called the Bassanini laws, after obtaining from the parliament powerful legislative tools to carry out the reform.⁷⁷ In the reform process, there were some key factors of success: the concentration of decision-making capacity in the hands of the executive; the appointment of a single minister with full powers and responsibilities for the coordination of the reform plans (later on the second Berlusconi government would divide those powers among four ministers, thus leading to lack of coordination and problems of implementation); and in the end, the partnership with regional and local authorities, social actors, and stakeholders, such as trade unions, entrepreneurs' organizations, and consumers' associations. Concerning this last point, the support from business and workers' organizations, political parties in the parliament, and local administrations was a crucial element of the reform and facilitated its implementation. In particular, trade unions supported the reforms even in its most controversial aspects such as decentralization, civil service privatization, cost and performance controls, and productivity incentives (see 3.1).

The Bassanini reform centered on the principle of separation between politics and administration, which was already indicated by the legislative decree of 1993 but has not

⁷⁶ Bassanini argues that as a result of the policy he adopted to contain public spending, the cost of public employment (which includes civil servants as well as teachers, troopers, and public medical personnel) was reduced from 12.6% of the GDP in 1990 to 10.5% in 2001. This contributed to reducing the public deficit from 11.1% of the GDP in 1990 to 0.6% in 2000, and to decreasing the public debt from 112.3% of GDP in 1990 to 106.7% in 2002.

⁷⁷ In particular, the parliament authorized the government to substitute a great number of primary laws with governmental decrees (secondary level regulations) in two main areas, namely administrative procedures and organization of public offices. The government decrees had to be approved with the previous advice of a reform parliamentary committee and of the national conference of regional and local authorities. Although their advice was not mandatory, the government decided to accept the suggestions and the amendments on the two consultative bodies.

been implemented. According to this principle, while ministers define policy and strategies, assess results, revoke appointments when they are inefficient, and appoint some high-ranking officials from outside the public administration to carry out specific tasks, they should have no further direct involvement in the administration. Thus, public managers (first level managers or *dirigenti generali* and second level managers or *dirigenti*) should be given broader powers and greater responsibilities, together with salaries linked to results and performance.

In the Bassanini reform, access to the civil service remained through public competition. However, 5% of top managers could be chosen from the private sector for a limited period of time. In general, for the top managers, contracts last from a minimum of two years to a maximum of seven years. Salaries vary depending on responsibilities and performance. For the top public managers, the variable part of the salaries could exceed 50% of the total. This entailed putting in place a system of performance control based on benchmarks. This part of the reform met strong resistance from the ministerial bureaucracy, which strenuously tried to defend its privileges.

The Bassanini reform stated that a limited number of high-ranking officials – 25 under- secretaries and directors of the various departments (first level managers) within the line ministries, and 20 departments’ directors of the prime minister office, for a total of 45 civil servants – could be removed from office within 90 days from the election of a new government. The other 400 general directors (second level managers) were instead confirmed in office.⁷⁸

As I argued in the Hungarian chapter, a limited spoils system is generally considered necessary and beneficial, as it gives to politicians, who have no concrete

⁷⁸ Bassanini Law number 59, 1997

administrative power, the possibility to monitor policy achievements. Thus, a limited turnover is legitimate and desirable so that a government democratically elected is not boycotted by a hostile bureaucracy. However, a widespread spoils system can produce some distortions as political parties may appoint public administrators only for their political loyalty and regardless of their managerial capacity. In this case, excessive turnover could create lack of coordination, inefficiency, and fragmentation of the civil service.

When, in 2001, Berlusconi won the national elections, the new minister of public administration, Frattini, changed the law on the spoils system. The new legislation, called Frattini's law⁷⁹, established that only for the incumbent government (and not for its successors) was it possible to replace within 90 days all the public managers (first and second level) with new managers loyal to the newly elected governing coalition.

As a result, while with the Bassanini laws only 16% of the managers changed, with the Frattini law, 40% of the same managers were replaced. Out of 387 managers only 232 were confirmed, which is about 60% of the total, while half of the posts that changed were assigned to personnel coming from outside the public service (data Ministry of Public Administration, 2006). The personnel who are not confirmed in office are not laid off but remain within the public service (out of 155 managers revoked, 22% were appointed to a new position, 11% were given new tasks with the same remuneration, and 7% were given time for research for one year).

Furthermore, the Frattini law ordered that within 60 days all the high-ranking officials appointed from outside the public administration from the previous government could be replaced. It also extended the possibility to appoint officials from outside the

⁷⁹ Frattini Law number 145, 2002

public administration from 5% to 10% for the first level managers (*dirigente generale*) and from 5% to 8% from the second level managers (*dirigente*). The contracts lasted to a maximum of five years for the former and three years for the latter.

In this way, when in 2006 the left-wing coalition won the elections, the new government, led once again by Prodi, found a ministerial bureaucracy entirely appointed – in its managerial part – by the previous government, with the possibility to replace only 45 high-ranking officials, as previously established by the Bassanini laws. In order to overcome this political disadvantage, the newly elected government passed a new law which extended to seven months, after winning the elections, the possibility of the government to change all the under-secretaries and first level managers; extended the spoils system to all the top managers in the state agencies (i.e. tax agencies); and finally established that all the managers appointed from outside the public administration could be dismissed after elections (also the Frattini law included this last clause, but in that case it was meant to be only temporary and applicable exclusively to his government, whereas with this new law it became a permanent provision, applicable to all governments).⁸⁰

Another aspect of the Bassanini reform was the reorganization of the line ministries. The law reduced the number of ministries from 14 to 12.⁸¹ However, right after being victorious in the national elections, the Berlusconi government lifted the number of ministries back to 14. Paradoxically, when the center-left coalition regained

⁸⁰ In 2007, a decision of the Italian Supreme Court (number 103/2007) meant to stop this runaway spoils system Italian style. The court declared unconstitutional article 7 of the Frattini law (2002) which gave the government the opportunity to dismiss all the first-level and second-level managers of the public service. According to the court, only the first level managers can be removed by incoming governments, whereas the appointments of the second-level managers can be revoked only if managers' wrongdoing is proved. Another decision (104/2007) raised doubts on the legitimacy of the law passed by the Prodi government in 2006. In fact, according to the court, state agencies should be autonomous and not subjected to the spoils system. Thus, their managers cannot be removed by incoming governments.

⁸¹ Bassanini Law Number 50, 1999

power in 2006, the new government, led once again by Prodi, kept expanding the number of ministries – in open contradiction with the Bassanini law that the first Prodi government passed in 1997– which reached the historical peak of 26 ministries, 9 vice-ministers, and 63 under-secretaries.

In 2006, the main problem that Prodi had to face was to reward all the different political parties (a total of 12) that composed his large coalition of government. Each party, even if small, expected to be assigned a ministry in exchange for its political support to the government. As the number of ministries was insufficient to satisfy the high demand, some ministries were arbitrarily divided into two different departments, assigned different names, tasks, budgets, and ultimately ministers. This, as it can be anticipated, led to a greater fragmentation of the bureaucracy and its further submission to the government of the day.⁸²

If the reduction of the number of ministries is neither a necessary nor a sufficient condition for the depoliticization of the ministerial bureaucracy, one could argue that the increase in the number of ministries can possibly increase the fragmentation of the bureaucracy and its dependence on political parties. The second Prodi government, in theory, embraced the principle that the number of ministries should be established on the basis of the real needs of the state bureaucracy, rather than on the patronage drives of political parties. To this purpose, in late 1997, the government passed a law to downsize the number of ministries. However, in 2006 the Prodi government failed to apply this law

⁸² Moreover, administrative efficiency suffered, as tasks and matters once in the same ministry (e. g., infrastructure and transportations) were now divided between two ministries and lacked coordination. Also, the bureaucracy itself felt disoriented by the split, as some public servants declared in interviews with this author. For instance, health benefits, once granted to all civil servants by a single ministry, were now subjected to budget cuts, which were necessary to afford the expense of managing two ministries. While civil servants in the ministry of transportation could keep their health benefits, civil servants in the ministry of infrastructure were denied them (Author's interview, Rome, 2008).

to its own ministries, as this provision would have faced the resistance of the political parties in its coalition, and possibly their departure from the majority.

Thus, the Prodi government announced that the law downsizing the number of ministries would be enforced only in the following legislature, when the opposition was likely to win the elections. Prodi's decision was openly contested by the opposition, and more importantly by the media and public opinion. This contributed to raise people's dissatisfaction with the Prodi government together with the prime minister's unpopularity.⁸³

While governments come and go, the bureaucracy should last. In Italy, as governments have recently become more stable and long-lasting (since 2001), the top-level bureaucracy has become more transient. The average duration of governing coalitions which was less than one year in the 1990s, shows in the 2000s, a tendency to be closer to five years (the duration of the legislature) with the exception of the second Prodi government which lasted less than two years. As governments can count on a more stable majority in parliament to support their policies (especially in the case of Berlusconi's government, in 2001 and 2008), they also expect a bureaucracy ready to implement them.

⁸³In 1997, the Bassanini reform instituted managerial departments within each ministry in substitution for the existing general directorates. Five years later, in 2001, the second Berlusconi government reinstituted the general directions. The difference between the two is not to be overlooked. The departments give greater responsibility to the managers while the directorates reintroduce a hierarchical structure in which the managers are subjected to the secretary general who is appointed by the minister on the basis of a relationship of trust. Thus, the latter system ultimately reduces the autonomy of the ministerial bureaucracy (Gualmini, 2006).

It is not uncommon in other industrialized countries that high-ranking civil servants are appointed on the basis of political criteria.⁸⁴ However, in the Italian case, politicization assumes a disproportionate magnitude. Patronage responds to the need of governments to satisfy greedy political allies and party supporters. Reforms to depoliticize the ministerial bureaucracy were passed in years in which political parties were in quarantine, and technocratic governments, free from political ties, could use the Maastricht parameters for membership as an external constraint for the creation of a more professional and apolitical civil service (see 2.2). However, after political parties reconsolidated their strength and the EMU accession process was concluded, party patronage acquired a new vigor.

This Italian case-study, as the Hungarian one discussed in chapter two, seems to invalidate the theory that a robust party competition and the presence of a critical opposition leads to the adoption of formal institutions of monitoring – such as the laws on civil service – able to constrain political opponents from exploiting state resources for their own gain (Grzymala-Busse, 2003).

⁸⁴ In Germany, for instance, party politicization is a well-known political phenomenon. Party membership is almost 60% among German top-bureaucrats (Schröter, 2001). In Greece, there is a clear domination of politics over bureaucracy through the instrument of patronage (Spanou, 2001). The civil service displays a low degree of expertise and efficiency. Political interference and patronage have left a limited space to professionalism and merit criteria. In Spain, at each change of government all top level managers (under-secretaries, secretaries general, director general, and deputy directors) are replaced by new managers selected according to political criteria (Alba, 2001). Sweden, in this respect, represents an exception. According to Pierre (2001), in Sweden, the civil service has never been politicized when compared with other industrialized countries. Quite the opposite, elected officials were generally weak vis-à-vis senior civil servants. In general, politicians should set the goals and let the bureaucracy operate towards those goals. In the Swedish case, the bureaucracy traditionally formulates those goals. Thus, the reforms of the 1990s have generally increased the number of political appointees in the ministries in order to enhance the power of elected officials in the policy-making process. For a comparative analysis of administrative reforms in industrialized countries see Peters and Pierre (2001) whose book discusses (among others) all the above case-studies.

In Italy, governing coalitions manipulate anti-patronage legislation in ways it can best serve their patronage ambitions. Simultaneously, they adopt anti-patronage legislation with the intention of tying the hands of the opposition once in government. In both the second Berlusconi and the second Prodi government, there are examples of this *modus operandi*. The second Prodi government (2006) failed to implement anti-patronage legislation that it had approved in 1997, and ultimately changed that legislation in its favor. Similarly, although the second Prodi government passed legislation aimed at reducing the number of ministries, it announced that the legislation would become effective only in the following legislature, when political alternation would most likely put the opposition in power. Finally, the second Berlusconi government (2001) passed pro-patronage legislation, with effectiveness limited to its own mandate.

Therefore, even if the presence of a robust political competition might foster the adoption of laws that constrain political opponents from exploiting the state bureaucracy, incumbent governments find creative solutions not to be constrained by those laws. Anti-patronage laws, governing parties across the political spectrum seem to agree, are created only for political opponents.

Similarly, in Italy the executive branch of government does not simply use patronage to ensure the implementation of policies from the part of the bureaucracy, as Meyer-Sahling suggests in the Hungarian case. The magnitude is such – by involving both first and second-level ministerial managers – that it reveals the intention of political parties in governing coalitions to satisfy their clientelistic networks through the systematic exploitation of the state administration.

As I showed in the Hungarian case, also in Italy, governments of both the left and the right seek to reward their political supporters through the allocation of public posts in ministries and government agencies. However, in Italy, together with party supporters, governments must also accommodate the requests of patronage-seeking micro-parties within their governing coalitions, without which they would lose their majority in parliament. Government posts are virtually allocated during the electoral campaign. Right after the elections, when the precise electoral weight of each party in government becomes clear, governing parties promptly renegotiate the allocation of public posts. If party expectations are deluded by such allocation, frustrated political leaders might threaten the newly elected government to withdraw their parties from the majority, and when that happens, the government falls shortly after.⁸⁵

⁸⁵ In 2006, the Prodi government was elected with only 25,000 votes more than the center-right political coalition. His governing coalition was composed of 12 political parties versus only five in the 1996-2001 legislature. One micro-political party with roots in different parts of the south, UDEUR, obtained from Prodi one of the most important posts in the ministerial apparatus, the justice ministry. UDEUR was accountable for bringing in about 25,000 votes, which were crucial for Prodi's electoral victory. UDEUR was ultimately responsible for the fall of the Prodi government, 20 months after the general election of 2006. It withdrew from the center-left majority in early 2008, after Prodi's party proposed to pass a referendum to increase the 2% threshold for gaining seats in parliament. Prodi's party meant in this way to rationalize the Italian political system by reducing the number of parties in parliament and making the decision-making process more efficient and rapid. With a higher parliamentary threshold, UDEUR was not likely to make it into parliament in the next general elections. The withdrawal of UDEUR from Prodi's coalition resulted in the abrupt ending of the legislature and in the rush for a new electoral campaign, which lasted only a month. In April 2008, in the new general elections, Berlusconi unsurprisingly obtained a strong and undisputed victory and a solid majority in both chambers.

Table 2: The reform of the civil service 1992-2008

Minister of public administration	Government	Reform
Barucci	Amato 1992-1993	Downsized the public administration.
Cassese	Ciampi 1993-1994	Reduced the number of ministers; enforced respect for working hours; fought absenteeism.
Bassanini	Prodi 1996-1998	Cut the cost of public employment ; contributed to reducing the budget deficit and the public debt and meeting the Maastricht parameters; established that 5% of the top managers could be chosen from outside the civil service and 45 top managers could be removed from office within 90 days.
Amato	D'Alema 1998-2000	Amato tried to implement the Bassanini laws but met the resistance of the political parties.
Bassanini	Amato 2000-2001	A "Maastricht for public administration" (see next section).
Frattoni	Berlusconi 2001-2006	10% of the top managers could be appointed from outside the public administration. All the top managers appointed by the previous government could be replaced within 60 days.
Nicolais	Prodi 2006-2008	All the managers from outside the civil service could be dismissed by the new government. All the top managers in state agencies could be removed. All first level managers appointed by the previous government could be replaced within 7 months.

2.1 The role of EMU in the process of public administration reforms

As I discussed in chapters 1 and 2, the EU lacks jurisdiction over the public administration of its member states. Yet, during the Eastern enlargement, the European Commission created a set of administrative criteria for membership with the intention of bringing the CEECs up to the standards of the EU-15. By contrast, in the Maastricht package, there were no administrative criteria to be filled prior to EMU accession, nor did EU institutions generally advocate the pursuit of financial adjustment via public administration reforms.

On the agenda of the Prodi government, administrative reforms had high priority. The government considered them a crucial device for the rationalization of public spending, which was a *conditio sine qua non* for EMU accession. Bassanini, entrusted by Prodi with the task of reforming the Italian public administration, sought to use EMU accession as external leverage for domestic administrative reforms. He strongly believed that since EMU accession worked in favor of financial discipline and rigor, European governments could profitably use it also as a stimulus for administrative reforms.

With this intention, Bassanini worked to create a special European *vincolo esterno* for public administrations, a sort of “administrative Maastricht,” as he defined it in an interview with the author. In 1997, Bassanini launched the proposal to create a set of common administrative requirements to which all the EU members had to conform.⁸⁶ The idea behind the proposal was that more efficient public administrations at the national level would make the EU as a whole more competitive at the global level.

⁸⁶ The following description mainly draws from an interview of the author with Franco Bassanini (Tuscany, September 2006).

According to the proposal, the Commission would periodically evaluate all member states on the basis of their bureaucratic performance and publish such ratings on official reports. Bassanini believed that the Commission's reports would create competition between member states and pressure them to conform to the EU administrative requirements. As I argued in the previous chapter, the Commission's reports produced the same compliance effect on the CEECs, although, in that case, the threat of exclusion from the EU was a far more effective yardstick.

In order to present a bipartisan proposal to the Commission, Bassanini sought to involve the Spanish government of Aznar. In the late 1990s, as center-left governments ruled the majority of European countries (i.e., France, Germany, Italy, and the UK), Bassanini feared that his initiative could be perceived as entirely driven by the European left. Thus, he sought to involve a right-wing government. The Italian initiative was well-received by Aznar. The result was an Italian-Spanish proposal to the European Commission to create a set of EU administrative standards for the member states.

European governments reacted in different ways to this proposal. In 1998, the British government had the presidency of the European council for six months. Its reaction was surprisingly enthusiastic. Despite their well-known Euro-skepticism, British governments have always stigmatized other member states' delays and inefficiencies in transposing EU legislation as detrimental for the internal market. Thus, the Blair government thought that by bringing all European public administrations to common standards of efficiency, it could prompt the adoption of EU laws.⁸⁷ However, the

⁸⁷ This is Bassanini's interpretation of why the British government was enthusiastic (Author's interview, 2006).

following president of the European Council, Germany, was rather cold to the proposal.⁸⁸ Only with the French presidency of the European Council, did the proposal acquire new strength. In Strasbourg, the public administration ministers of all EU member states held their first council. The council instituted a special commission, called the Mandelkern Group, which was entrusted with the task of creating the EU benchmarking for public administration.⁸⁹

Nonetheless, interest for the work of the Mandelkern Group dissipated quickly. In 2001, administrative reforms lost momentum and terrorism became the main theme of discussion among EU members. Moreover, in the following years, the EU started showing an increasing integration fatigue which clearly manifested itself in the incapacity of the member states to reform EU institutions before the Eastern enlargement and in the rejection of the European Constitution by France and Holland in 2005 and Ireland in 2008.⁹⁰

⁸⁸ In Germany, the federal government has no legal jurisdiction on the public administration of the Länder. Furthermore, the German ministerial apparatus does not include a ministry of public administration. Therefore, the German government could only appoint an under-secretary from the ministry of internal affairs as an interlocutor of the other EU ministers. Yet, the under-secretary had no actual decision-making power.

⁸⁹ In November 2000, ministers of public administration from across the EU met in Strasbourg to discuss a range of issues of mutual interest: civil service reform, e-government, quality of public services, and better regulation. They established a high-level advisory group, chaired by Dieudonné Mandelkern. The Mandelkern Group was made up of representatives of the fifteen member states. Officials from the Commissions' Secretariat-General also attended. An interim report was finalized at the end of February 2001 and considered by the heads of state and government at the Spring European Council in Stockholm. The final report was finished in November 2001. The report takes into account a set of seven core principles: necessity, proportionality, subsidiarity, transparency, accountability, accessibility and simplicity. It looks at best practice in seven key areas applicable at both national and EU level and suggests how they might be applied.

⁹⁰ In the 2000s, some northern European countries, such as Ireland, Finland, Austria, and the UK, which consecutively chaired the European Council, tried to redirect attention onto administrative reforms. However, they definitely abandoned the idea of an administrative benchmarking for the EU. Furthermore, in 2001, the Italian center-left lost the national elections and the following government, led by Berlusconi, had no interest in administrative reforms either domestically or at the EU level.

In the 1990s, Italian center-left governments sought with two other initiatives at the international level to create an external leverage for administrative reforms. According to Bassanini, Italians unlike other Europeans give great importance to the opinion of international actors and institutions. He argued: “Italians are not chauvinist and have greater trust and respect for European and international institutions than for their national ones. Thus, external pressures have greater impact on Italy than elsewhere.”⁹¹

In 1998, the Italian government, convinced by Bassanini, asked the OECD (Organization for Economic Cooperation and Development) to review the performance of its public administration. The OECD annually releases reports on public administrations’ performance, called Regulatory Reform Review. Since the parameters that the OECD generally utilizes in its reviews are public (i.e., transparency, decentralization, quality of service, simplification of existing rules), Bassanini sent them out to every public administration at the national and local level, specifying that the OECD reviewers would run an inspection and judge them on the basis of those parameters by the following year. The result was that the performance of the public administration improved considerably, and two years later the OECD’s Regulatory Reform Review praised Italy’s efforts and achievements.⁹²

⁹¹ Author’s interview, September 2006.

⁹² “Italy’s governance and market reforms are the first broad-based attempt in post-war years to transform the role and practices of the state. These reforms have gone beyond simple adjustments to improve the performance of the existing system. Rather, reforms have established new relations between the state, citizens, and the market. Reform of the regulatory state is, however, a formidable and long-term task, due to a legacy of decades of regulatory complexity, corruption, and inefficiency. Some early results are appearing such as reductions in administrative burdens, and Italy’s vigorous approach to e-government could yield further improvements in regulatory simplicity. A broad regulatory quality strategy was built over a decade, and particularly since 1997 within the framework of the Bassanini reforms. New procedures and institutions are in place, reinforced by watchdogs at the centre of government. Decentralisation to regions and municipalities represents a fresh attempt to bridge regional differences but further safeguards

The second initiative to create an external constraint for public administration reforms was taken by the Italian center-left at the global level. In 1999, the Clinton-Gore administration organized in New York City the first Global Forum on Reinventing Government.⁹³ The idea was that a national administration that was efficient, performing, transparent, modern, and high-tech was a crucial factor in the consolidation of democracy. The second global forum was hosted in Brazil in 2000. During that time the Italian government proposed the candidacy of Naples, as a host city for the third global forum. The proposal was backed by Al Gore who thought that Italy was one of the most representative examples of successful administrative reforms.

In 2001, Naples hosted the third global forum, whose theme was “strengthening development and democracy through e-government.” The number of countries

are needed to avoid policy fragmentation and a decline in regulatory quality. The central government has been reshaped to concentrate on its "core business", and its size was reduced. Transparency has been a major weakness in Italian regulation, but recent initiatives show promise in opening up the rulemaking process to a wider range of interest groups. A series of reforms in 1997-2000 improved the accountability of the public service for its actions and helped rationalise inspection and compliance activities, adding to a process begun by the 1990 Administrative Procedure Act. Furthermore, in 1998 the process of "privatisation" of the status of civil servants was completed. Among recent reforms with the most far-reaching potential impact on national regulatory quality is the adoption of regulatory impact analysis. Its results will depend on careful and sustained implementation” (The Regulatory Reform in Italy, Chapter 2, OECD Review, 2001).

⁹³ In the 1990s, during the Clinton-Gore administration, the US passed and implemented some administrative reforms, also known as the National Performance Review (NPR). NPR calls for a government that “works better and costs less” (Gore, 1993). The American reforms were a source of inspiration for European countries, especially for Italy. At that time, in fact, the US was organizing Global Forums on public administration reforms in which governments met and shared best-practices. On administrative reforms in the U.S. see Aberbach and Rockman in Peters and Pierre Eds. (2001). The NPR lists four key objectives: 1) cutting red tape; 2) putting costumers first; 3) empowering civil servants by giving them more autonomy in the decision-making and holding them accountable for results; 4) finally, eliminating obsolete programs and duplication of programs. According to Aberback and Rockman (2001), the NPR does not give enough attention to the problem of the increasing number of political appointees in the American civil service. They argue that political appointees are a major obstacle towards achieving a better performing federal bureaucracy. With so many political appointees among the top bureaucrats, they argue, it is difficult to hold anybody accountable for results. Also, the talents and expertise of top career civil servants cannot be effectively utilized when presidential political appointees (about 3,000) hold so many key positions.

participating in the forum grew exponentially, from 46 in New York to 65 in Brasilia, and 122 in Naples, 65 of which sent ministers of public administration to represent them.

A year later, however, the organization of the global forums became the responsibility of the UNDESA, the United Nations economic and social development department. At that time, as Bassanini recalls:

The international scenario had significantly changed. The US had new priorities to focus on, especially after the terrorist attacks of September 11. In Italy, the center-left coalition lost the general elections and the political agenda of the new prime minister did not assign any priority to administrative reforms. The global forums continued under the guidance of the UN in Morocco, Mexico, and South Korea. However, the idea of linking public administration and democracy was abandoned and the meetings became only an exchange of best practices between the participating countries.

In the end, administrative reforms in Italy could not be implemented for a combination of domestic and international factors. On the domestic front, the instability of governing coalitions and the practice of distributing public appointments to ensure the support of micro-political parties and the consequent survival of the majority made it impossible for governments to implement the package of administrative reforms that they passed during the EMU accession process. On the international front, when the demand for change coming from EMU accession, OECD reviewers, and the Global Forums faded as a result of a new international scenario that required different political priorities, domestic reformers lost the most important lever they had to stimulate administrative reforms. Thus, reforms remained unfinished and patronage practices regained vigor across the senior civil service.

2.2 The technocratic elites at the treasury, Bank of Italy, and foreign ministry: expertise and political independence versus *partitocrazia*

While the Italian senior civil service is highly politicized, some administrative institutions and their senior officials were able to remain politically independent throughout the years of the EMU accession process. A small nucleus of technocrats in these institutions used the window of opportunity offered by EMU accession to promote Italy's shift towards fiscal discipline and market principles. This nucleus of technocrats operated under the umbrella of three main institutions: the Bank of Italy, the treasury, and the foreign ministry. A tradition of effective anti-patronage personnel policies always ensured expertise and political independence in two of these institutions, namely the Bank of Italy and the foreign ministry. By contrast, the treasury was traditionally the captive of Italian political parties. The situation, I will show, changed during the EMU accession process when the same group of senior officials at the treasury remained in charge of the negotiations for membership throughout five changes of government and two general elections.

Since the 1960s, the Italian central bank has enjoyed domestic and international prestige, together with a reputation for political independence from the *partitocrazia* and its clientelistic practices. The bank and its staff were the main providers of economic expertise in Italy, especially after Guido Carli created in the 1960s a strong research department, which was complemented by 200 officials in the 1980s. The personnel practice at the central bank was arguably the main factor that helped create and maintain the political independence of the institution. The governor, the director-general, and two deputy directors were each appointed by an internal committee, called the board of

directors, which included 16 directors. These nominees were then automatically ratified by the president of the republic and the government. Their appointments had no time limit. The government, which was always extremely effectual in appointing senior civil servants on the basis of political criteria everywhere else in the bureaucracy, had its hands tied at the central bank. Since 1948, all the governors have been elected by promotion of the director-general within the central bank.⁹⁴

Unlike the Bank of Italy, the treasury was the captive of the government of the day. The *partitocrazia* had decision-making power over the appointment of its senior personnel. More importantly, populist party leaders often used its pro forma consensus to support their profligate economic policies. Unlike the central bank, the treasury lacked, both domestically and internationally, the institutional credibility of an independent economic policy actor. In the 1960s and 1970s, it condoned economic policies that fostered the accumulation of an unprecedented public debt, which caused the successive monetary crises.

In the late 1980s, it became clear that Italy could not continue to satisfy the anti-competitive interests of his political establishment and face the challenges posed by major international developments, namely the emergence of global financial markets and

⁹⁴ One exception occurred in 1994, when the newly elected Berlusconi government, displeased with the governor's decision to raise interest rates, sought to impose an outsider as director-general. This attempt ultimately failed. Yet, instead of promoting as director-general the senior deputy Padoa-Schioppa, the board of directors appointed the junior deputy. In this case, the government managed to influence the decision of the board against the appointment of Padoa-Schioppa, despite the fact that he was a senior candidate with a widely-respected reputation. Dyson and Featherstone (1999) suggest that Berlusconi opposed the appointment of Padoa-Schioppa (who became in 2006 minister of treasury under the second Prodi government) because he was closely linked with Ciampi (former governor of the central bank and prime minister in 1992-1993). Despite this isolated episode, the political independence and the economic expertise of the Bank of Italy were widely recognized by its international partners at the EU level, especially by the European committee of central bank governors, who actively worked at the creation of EMU.

liberal economic policies, and the intensification of the European integration process with the Single European Act and the Maastricht Treaty. These international pressures created urgency for a radical shift, which was crucial for Italy to remain in the inner circle of European integration and maintain its international economic position. Such exogenous pressures empowered political and technocratic figures to enact the long-needed change.⁹⁵

In 1999, the center-left government decided to merge the treasury and the budget ministry. The concentration of power in the hands of the minister of economy strengthened his position against the attempts of other ministers and political parties to influence decisions on public financing. In this way, the minister had greater power to enforce the financial rigor that was necessary to meet the Maastricht parameters. Also the ministry of economy was divided into departments whose organization was the full responsibility of senior executives directly accountable to the political leadership (Vassallo, 2007).⁹⁶

⁹⁵ The treasury started a long and difficult process of internal reforms which were guided by the forceful figure of Sarcinelli (1982-1991). Sarcinelli, who served four treasury ministers, including Carli, was particularly courageous in responding to the attacks of *partitocrazia*, whose leaders he openly disdained. He feared that the feeble decision-making power of the treasury on public financing would imperil Italy's role in Europe, especially in the context of an imminent monetary integration. Sarcinelli was the last technocrat to operate with the ancien régime. As policy entrepreneur, he acted practically solo to overcome the laxity of the government. In 1991, he ultimately decided to resign from his post of director-general of the treasury. In his resignation letter, Sarcinelli was able to cite a number of cases in which the treasury's personnel had acquired some work experience abroad helped by the British Council. Yet, despite improvements in the quality of the senior personnel, progress remained very fragile. Sarcinelli's reform work was taken over by Draghi (1991-2001) who brought in personnel with international experience. Some of these new officials were from outside the treasury, especially technical economists from the Bank of Italy and academicians from prestigious Italian universities. (Dyson and Featherstone, 1999). In order to promote fiscal discipline, Draghi created a process of multiyear budget planning, developed more sophisticated tools for debt management, and encouraged the department of fiscal revenues to adopt its own tools to improve the impact and predictability of tax policy (Hine, 2005).

⁹⁶ However, after Italy entered the Euro-zone, the minister of economy became vulnerable again to political interference. During the second Berlusconi government, minister Tremonti was convinced by Berlusconi himself to resign because he had angered the leaders of two parties in Berlusconi's governing coalition (National Alliance and Democratic Center) who disagreed with his austere fiscal policy. His successor also resigned shortly after, mainly because of his disagreement with Berlusconi's populist approach to the

Apart from technocrats at the treasury and the central bank, officials at the foreign ministry and diplomats at the Italian permanent representation in Brussels played a crucial role in the EMU accession process. Among Italy's politicized and inefficient ministerial bureaucracy, the foreign ministry has always occupied a special position and enjoyed a widely recognized prestige.⁹⁷

As Hine (1993) argues, the foreign ministry differs from the other ministries in its technical efficiency and reputation, and it shows a clear sense of mission. During the EMU accession process, its senior officials were deeply committed to keeping Italy in the inner circle of European countries. Also after EMU accession, the work of senior officials at the foreign ministry helped maintain the same level of continuity in the management of EU affairs despite three changes of government.⁹⁸

drafting of the 2006 budget, which he meant to use to gain votes in that year's general elections (Hine, 2005 and Vassallo, 2007).

⁹⁷ Since the 1950s, Italian ambassadors have taken part to the meetings of the COREPER (Committee of permanent representatives) which is responsible for preparing the work of the European Council. The COREPER consists of the ambassadors of the EU member states and it is chaired by the member state that holds the presidency of the European Council for six months. COREPER occupies a fundamental position in the EU decision-making process as it is a forum for dialogue and a means of political control over the work of the expert groups. COREPER works in two different groups: COREPER I which is composed of the deputy permanent representatives and deals with technical matters and COREPER II which is composed of the EU ambassadors and deals with political, economic, and institutional matters (<http://europa.eu>). In the end, COREPER is the center of negotiations between the EU and the member states. Agenda items prepared by COREPER II are simply voted upon in the Council without any debate.

⁹⁸ The civil servants at the ministry of foreign affairs manage the day-to-day negotiations of EU affairs. In particular, a special directorate general within the foreign ministry (Direzione Generale per l'Integrazione Europea), which was instituted by the Prodi government in 1997, manages the task of elaborating Italy's positions vis-à-vis the EU institutions and is in charge of conducting negotiations related to the process of EU integration (Della Cananea, 2002). The director general of this division, usually a diplomat of great experience and prestige, is not replaced after changes of government. In late 2007, Ambassador Fabbri was appointed director general by the Prodi government. When the government fell in early 2008, he was not replaced by the incoming Berlusconi government. Italy's permanent representation in Brussels also plays an important role in the management of EU affairs. The permanent representation is a body of 50 career diplomats and numerous technical experts who channel information from Brussels to Rome (legislation drafts and policy guidelines) and receive from Rome the national positions over the various EU policies, which have to be supported in the framework of EU negotiations. According to the law, there should be a maximum of 29 experts, half from the foreign ministry and the rest from other ministries. In reality, as interviewees at the permanent representation suggested, the number of experts at times surpasses the number of diplomats, so that there are two experts for every one diplomat. Diplomats, even if younger, have a clear primacy in the negotiation process over technical experts. Nonetheless, the work of technical

Thus, I would argue, when governments of both the left and the right appoint technocrats for the management of EU affairs, expertise and personal qualifications count more than political affiliation. Senior civil servants at the ministry of foreign affairs and at the Italian representation in Brussels are officials of great experience, with a five-decade-long legacy of relations with Europe, and hold important personal relationships with their European counterparts. In the management of EU affairs, personal relationships are fundamental. Diplomats at the permanent representation argued that rather than during formal meetings and negotiations, agreements are reached during coffee breaks and informal dinners between negotiators. In these more relaxed occasions, negotiators get to know each other more personally and acquire a deeper knowledge of each other's background, policy styles, and beliefs.⁹⁹

2.3 A highly politicized senior civil service versus the untouchable team of EMU technocrats

As we have discussed above, while the Bank of Italy and the foreign ministry traditionally enjoyed professional prestige and a reputation of political independence both domestically and abroad, the treasury was the captive of the government of the day. In particular, the treasury's independence in the economic policy-making process was undermined by the interference of *partitocrazia* and its staff was subjected to political patronage. Arguably, a depoliticized senior civil service at the treasury is more likely to

experts is fundamental. Career diplomats, in fact, could not replace them because they lack technical skills, for example in the negotiations of banking directives, for which the expertise of officials from the treasury and the central bank is crucial. Experts are selected by their own ministry and formally approved by the foreign minister and by the treasury, for financial reasons. There is neither a specific procedure nor a precise set of criteria for their selection.

⁹⁹ Author's interview, Fall 2008.

adopt a technocratic approach in the management of economic policies. By contrast, when senior officials are appointed on the basis of their political affiliation, the management of economic policy is more likely to serve the interests of the ruling parties.

During the EMU accession process, the same group of technocrats at the treasury ministry remained unchanged despite five changes of government (Amato, Ciampi, Berlusconi I, Dini, and Prodi) and two general elections (in 1994 and 1996). Because of this continuity, this nucleus of technocrats, together with experts at the central bank and career diplomats at the foreign ministry, was able to manage successfully the negotiations for EMU accession.

How can we explain the long stability of these technocrats in the context of a traditionally politicized treasury? We can apply here the same explanatory argument provided in chapter 2 for the Hungarian case. A first explanation is that in general, senior rank officials from previous governments are more likely to be replaced if there is a good supply of bureaucrats who combine political loyalty and governmental expertise. However, in the EMU accession process, turnover was unlikely because the supply of experts was fairly low. In fact, because of the technicalities of EU monetary policy, there were a limited number of Italian officials with high expertise on economic issues and knowledge of foreign languages who were able to manage the negotiating process. Thus, political parties refrained from replacing these bureaucratic islands of excellence as they did not want to take the risk of policy failure during the negotiations.

A second explanation is that a stable bureaucracy is more likely to foster policy implementation when there is a strong political consensus across the political spectrum on a given issue. In the Italian case, the high consensus over EMU membership helped

mitigate problems of trust between opposing government coalitions over the group of technocrats in charge of managing the accession.¹⁰⁰

Third, the team of national EU experts has gained over the years respect and appreciation from the Italian political class, as it had a good policy-making record on economic issues, especially in the context of financial adjustment. Similarly, senior bureaucrats' career records – whether they were appointed on their own merit or because of political connections – convinced incoming governments to trust inherited senior civil servants. The national EMU experts' career records showed that their appointments were not political, as they had been working consistently on economic issues for decades, especially in the case of Ciampi, Padoa Schioppa, Sarcinelli, and Draghi.

Finally, in the lengthy accession process, there was an unquestionable need for an element of continuity. The credibility of Italy's membership bid could only be maintained if a change of government would not call into question the commitment of the country to the objective of EMU accession. As for the Hungarian case, an element of continuity, unaffected by five changes of government during the EMU accession process, was represented by the stability of key actors involved in the management of the negotiations. Because of the expertise of this elite group and the continuity of their service in the same field, the EMU accession process was conducted on the basis of strong personal relationships among the domestic and European actors.

¹⁰⁰ Two factors can explain such consensus. On the one hand, Italian governments were traditionally under pressure from public opinion to work for closer European integration. This consensus helped technocrats framing the EMU accession as a once-in-a-lifetime opportunity to keep Italy in the inner circle of EU countries. On the other hand, as Dyson and Featherstone (1999) suggest, political support for EMU also depended on the incapacity of most political parties to fully predict the constraints that accession would have put on their ability to exploit public financing. Even when politicians were aware of such constraints, they simply thought that rules initially agreed upon could be easily reinterpreted in the future.

As Dyson and Featherstone (1999) suggest, in fact, an essential component of the EMU accession process was represented by the domestic and international socialization of Italy's technocratic elites. On the domestic front, technocrats at the treasury and the central bank shared the same support for European integration and valued financial discipline. More importantly, they "believed in a depoliticized, technocratic policy framework for monetary management" (Dyson and Featherstone, 1999, 507).

Similarly, on the European front, the socialization of the Italian technocratic elite with their European counterparts was also fundamental. The Italian technocrats in charge of managing the EMU accession were officials who had long and prestigious careers, and who had connections and personal relationships with other European technocratic elites.¹⁰¹ For example, as minister of economy in the first Prodi government, Ciampi played a crucial role in building a network of personal relationships and cooperation with other European technocrats. He used his own reputation to convince the other European policy-makers of the robustness of his economic policy. He spoke directly with his interlocutors, avoiding possible distortions of his messages by the press. Moreover, he arranged meetings abroad, as well as in Rome, with many foreign leaders and financial bankers with the aim of convincing them of the capacity of the Italian economy to face the Euro challenge (Radaelli, 2002).

¹⁰¹ For example, Draghi, senior official of the treasury, had acquired substantial international experience as executive director of the World Bank between 1984 and 1990 (later on, in 2007 he became governor of the Bank of Italy) and had also an established academic reputation both domestically and abroad (which followed his Ph.D. in Economics at MIT). Padoa-Schioppa was the former director general for economic and financial affairs at the European Commission. He was also the closest Italian figure to Jaques Delors, as he was the co-rapporteur of the Delors Committee. Thus, he had been extremely involved in the very genesis of EMU. Similarly, Vattani was a diplomatic counselor who had established relations with leading European monetary-policy figures, such as Trichet (who became governor of the European Central Bank in 2003). Finally, Ciampi was the "genial architect" (Dyson and Featherstone, 1999, 502) of Italy's accession to EMU. He was involved in the process since its very inception by authoring in 1989 a famous paper in which he provided an operational framework for the future integrated monetary policy in Europe. This paper had a significant influence on the discussions of the Delors Committee.

In the end, relationships of trust and respect between European and Italian officials at the treasury were crucial for the success of the negotiations. Thus, the pool of national economic experts could not be replaced during the EMU accession process.¹⁰²

2.4 The Europeanization of the bureaucratic elite in charge of EMU accession

The depoliticization of the bureaucratic elite of EMU experts was Italy's learning response to the challenges of the accession process, which required expertise on economic matters and reliability in the negotiations. As in the Hungarian case, I will argue that the personnel continuity of the Italian group of economic experts is an example of Europeanization through horizontal integration and voluntaristic learning.

According to the literature, horizontal Europeanization can occur in two ways: by altering the opportunity structure in which domestic actors make decisions and by changing their ideas and beliefs (Knill and Lehmkuhl, 2001). In the case of Europeanization by altering the opportunity structure, the EU changes the distribution of power and resources among domestic actors, thus challenging existing institutional equilibria.

As for the Hungarian case, one can argue that this way of Europeanization applies also to the Italian bureaucratic elite in charge of the EMU accession. The EU has changed the distribution of power among domestic actors by empowering the group of national experts who managed the EMU accession over both national politicians and civil

¹⁰² This argument can be generally applied to any EU negotiating process. In a recent interview to *L'Espresso* (February 6, 2009), Prodi argues that the excessive turnover of Italian MPs at the European Parliament (the highest in Europe, as in the last five years, 36 Italian MPs left Strasbourg to run in national elections) might ultimately jeopardize Italy's capacity to influence the EU decision-making process. As Prodi contends, in EU negotiations, continuity is crucial because it enables Italians to build connections and personal relationships with their European colleagues. These relationships, he argues, are fundamental to push the Italian position forward in any EU negotiating process.

servants without expertise. The accession technocrats were granted informational advantages over the negotiations, which they used to increase their bargaining power in national political conflicts over both EU and domestic issues.¹⁰³

In the case of Europeanization by changing ideas and beliefs, the EU fosters domestic institutional change by altering ideas, beliefs, and expectations of domestic actors. According to the literature on Europeanization, framing integration might impact either the outcomes of national reforms or even the process of reform itself (Knill and Lehmkuhl, 2001). In the first case, the EU provides a focal point for the solution of domestic problems when there is already a broad consensus for domestic reforms and when reforms are basically in line with the objectives of EU legislation. In the second case, the EU is able to alter the reform process itself by changing the beliefs of veto players who previously opposed the reforms, thus creating broader support for change.

In the Italian case, the EU changed the behavior of domestic actors by convincing political parties, that a political-free zone was needed to manage the EMU accession process. The technicalities of the monetary policy created a hard shell in which technocrats could act free from political interference. At the same time, the passivity of

¹⁰³ This seems to be a common pattern among EMU candidate countries. In Greece, for example, technocrats at the central bank used EMU as a vehicle for their own independence from the political class, while officials at the ministries of finance and economy used EMU as an opportunity to implement fiscal discipline and constrain the manipulations and clientelism of party leaders. Similarly, in Spain, a group of economists at the central bank, who valued fiscal discipline and financial rigor, became stronger and more assertive over economic and monetary policy. Across Europe, EMU offered political advantages to bureaucratic actors seeking to defend their interests within the state machine. One might argue that the EMU accession represented a long-awaited opportunity for technocratic elites to gain more power. However, as Dyson and Featherstone (1999) contend, technocrats at the treasury acquired autonomy from ministers and political parties but simultaneously lost their power vis-à-vis the EU and the global markets. On the one hand, technocrats became the main interpreters of the demands from the markets and the executors of the new EU monetary policy. On the other hand, their options were constrained and their agenda externally set by EU financial institutions, namely the European Central Bank and ECOFIN (the European council of finance ministers).

the other Italian ministers involved in the EMU accession process enhanced the technocrats' freedom to maneuver. In fact, politicians agreed on the final target, EMU accession, but they stayed out from the actual policies necessary to reach such target.¹⁰⁴

Political parties, I will argue, behaved according to both “a logic of consequences” and a “logic of appropriateness.” When individuals behave according to “a logic of consequences,” their actions are the result of strategic calculations that aim at maximizing benefits and minimizing costs of political behavior. In this case, Europe creates strategic opportunities for some domestic actors to exploit: national actors use the EU as a political resource to improve their bargaining power in domestic political conflicts. By contrast, when domestic actors behave according to a “logic of appropriateness,” their actions can result from the obligation to fill a role in a given situation, rather than from individual preference (March and Olsen, 1989). In this case, the EU redefines domestic actors' interests and identities through processes of elite learning and internalization of new values.

These explanations, only *prima facie* mutually exclusive, are complementary. In fact, interests and ideas impact political change simultaneously and sequentially as individuals both calculate consequences and follow rules. Domestic political actors carefully calculated the consequences of replacing the bureaucratic elite in charge of the negotiations. The cost of replacing the technocrats, in fact, could have caused a delay in the EMU accession process, due to lack of expertise on economic matters and the

¹⁰⁴ This was possible only because there was a strong consensus both across the Italian political spectrum and public opinion for EMU, as for any new project which advanced EU integration. In particular, in the case of EMU, Italy was the country in Europe with the highest percentage of supporters for the common currency (Eurobarometer, 52, 2000, cited by Radaelli, 2001).

interruption of relationships of trust and respect between national and European negotiators.

Given the prestige of central bankers and the expertise of financial ministers, and more importantly because of the mysterious technicalities of economic policy, politicians were content to leave to technocrats the task of supplying economic ideas and proving the techniques to negotiate EMU. Although politicians wanted to exercise an overall control over the negotiations, they were well aware that their excessive interference could undermine the technical credibility of EMU final bargain as well as relationships of trust between domestic and European central bankers and treasury ministers. These relationships proved to be particularly important during the negotiations, when negotiators used their connections with like-minded officials in other European countries to support their position.

Simultaneously, I will argue, domestic actors were concerned with following the array of rules, practices, and routines that defined candidate countries' appropriate behavior during the negotiations. As for the Eastern enlargement, also for EMU accession, one of the unwritten rules of the negotiating process was to maintain in charge the same group of domestic bureaucrats. This continuity served the purpose of guaranteeing in each candidate country commitment to the process of accession and credibility in the negotiations. Also, any turnover risked interrupting channels of communication and cooperation between domestic and European bureaucrats, which were crucial for the success of the negotiations.

As Dyson and Featherstone argue, national negotiators aimed at persuading their European partners that they were serious negotiators.¹⁰⁵ Thus, in order to win friends and allies among other negotiators, the same team of Italian technocrats remained in office throughout the accession process, despite five changes of government and two general elections.

Nonetheless, immediately after EMU accession, political parties tried to resort to profligate economic policies. The first Prodi government fell when the reformed communist party in its coalition attempted to restore its control over the allocation of financial resources. When Prodi, together with senior officials at the treasury and at the central bank, adamantly defended their commitment to financial stability, the former communist party withdrew from the parliamentary majority. Similarly, during the second Berlusconi government, two parties in the governing coalition obtained the resignation of the minister of economy (a member of Berlusconi's party, Forza Italia) who had opposed tax cuts and populist spending. When his successor was forced to resign for similar reasons, Berlusconi became minister of economy *ad interim*. Because of the profligate economic policies of the second Berlusconi government, the EU started a formal proceeding against Italy for violation of the Stability Pact. Berlusconi then tried to eliminate the EU pressures at the source by advocating, with no success, the elimination of the convergence criteria.

¹⁰⁵ The actors who negotiated EMU were part of a complex and evolving set of decision rules, styles, and codes of behavior at the EC level which endowed their interactions with a quality not apparent in other international institutions.[...] A small group of finance ministers and central bank officials developed relations of close personal intimacy as they revolved between ECOFIN, EC Monetary Committee, Committee of Central Bank Governors [...] EMU bargaining was ongoing and interactive, across a range of issues and extending over time. Hence optimizing behavior involved retaining and where possible, building one's credit. It meant attending to one's reputation as trustworthy, reliable, and honest negotiator who respected the constraints operating on others and sought to play a constructive role in finding mutually acceptable solutions (Dyson and Featherstone, 22- 23, 1999).

In 2006, when the Prodi government came to power again, it had to face a massive budget deficit and an infraction procedure from the EU. Prodi entrusted with the task of a new financial adjustment the same technocrats who had worked on the EMU accession process. Padoa-Schioppa became minister of economy and used his reputation and connections in Brussels, together with a restrictive fiscal policy at home, to put order in Italy's finances and close the EU infraction procedure. The second Prodi government did not live long enough to enjoy the fruits of its financial austerity, which cost the administration great unpopularity among the public.¹⁰⁶ A few months after the government collapsed under the rubble of its own coalition, Brussels closed the infraction procedure against Italy.

In the end, while technocrats at the treasury, including ministers under the second Berlusconi government, seem to share the same commitment to financial stability and fiscal discipline, political parties still attempt to reestablish the old practice of populist and economic policies, which they use to gain support from the electorate. Yet, the EMU accession process had the merit of creating and consolidating in the treasury a culture of economic stability and independence from politics which seems resistant to attacks from party leaders.

¹⁰⁶ During his second mandate, Prodi could not longer count on the support of the Italian public for EMU. In Italy, support for Euro reached two high peaks in early 1998 and again in early 2002. However, between 2003 and 2007, it declined sharply as a result of the economic stagnation of the Euro-zone and the strains in the Stability and Growth Pact. The Italian public blamed the Euro for the economic downturn of the early 2000s. Price increases, reduced purchasing power capacity, low growth, and high unemployment were all perceived as "side effects" of the Euro (Dyson, 2008).

3. Democratic participation during the EMU accession process

Although the expert work of the technocrats in charge of managing the accession was free from party patronage and political interferences, it was not screened from interactions with interest groups and regional authorities. In this section, I will show how EMU accession and the simultaneous process of domestic reforms were characterized by intense modes of cooperation between technocrats at the executive branch of government and members of labor unions, research institutes¹⁰⁷, and regional governments. Democratic participation, I will show, was important for three reasons. It helped create genuine consensus over the reforms, provided legitimacy to technocratic governments which lacked electoral investiture, and avoided social tensions in a moment of (real or perceived) national emergency.

In this context of dialogue and cooperation, the Italian parliament represents the main exception. During the years of EMU accession, the parliament lost control over the management of EU affairs in favor of the executive branch of government (the

¹⁰⁷ While technocrats at the treasury, central bank, and foreign ministry were the architects of the EMU accession process, there was a larger circle of builders, made up of academicians and research institutes, who worked intensively in support of the accession. The question that is relevant for our argument is whether Italian academic professors and think tanks were able to make an impact during the years of the EMU accession. Italy's efforts to join EMU found a supportive environment in the Italian academic world. Academic professors in the most prestigious Italian universities, such as Bocconi (in Milan) and the universities of Rome, Venice, and Bologna, favored moves towards EMU and provided the intellectual justification for it. They presented EMU as the catalyst of Italy's long-needed financial adjustment. Together with technocrats, academicians formed a sort of pro-EMU coalition, which was successful in constructing at home a shared understanding that EMU accession was a necessary step for the country. The same kind of action in support of EMU was carried out by think tanks. In the 1980s, two different advocacy coalitions monopolized the public debate: the coalition pro-public expenditures and the coalition pro-financial adjustment. The EMU accession process was the exogenous factor that empowered the coalition pro-financial adjustment. This coalition attracted individuals from think tanks, especially academicians, because of their competence and expertise. Thus, think tank members became active advocates of financial adjustment and EMU accession. Some of them became also members of the government and took part in the EMU negotiating process (e.g., Bassanini). In the EMU accession process, the involvement of think tanks at the level of organization was rather indirect, and occurred mainly through the mediation of their members who were often academicians with political appointments in the government. Yet, at the level of organization, think tanks operated as policy fora and facilitated the emergence of a discourse based upon the paradigm of financial discipline and convergence.

parliament had already lost some control to the executive over the last thirty years but this loss was accelerated by the preparation for EMU). Yet, as I will show below (section 4) some of executives of the 1990s still valued the parliament's contribution to the process of state administration reforms, especially on regionalization.

3.1 Trade unions and the resurgence of concertation in the 1990s: consensual bargaining style in the EMU accession process

During the years of the EMU accession process, a new consensual decision-making approach was inaugurated. Such new approach, called *concertazione* (concerted action), was characterized by a close cooperation between governments and labor unions. In order to find viable solutions to the economic crisis and to the challenges posed by EMU accession, all the governments of the 1990s needed to rely on the support of labor unions. The Italian political class, in fact, was for the most part identified with the old corrupt regime, while technocratic executives, which had credentials and expertise, lacked electoral legitimacy (especially the cabinets of Ciampi, Amato, and Dini). As a substitute for elections, these governments sought the external support of organized interests.¹⁰⁸

The first technocratic executive led by Amato sought the help of trade unions to work out a solution to the economic crisis and the increasingly difficult process of EMU

¹⁰⁸ On the role of interest groups on implementation of EU laws good insights come from Siedentopf and Ziller (1988) who argue that when interest groups are ignored in the process of transposition and implementation of EU laws they can represent a serious obstacle to the application of such laws, while they can become a driving force if involved in the process. Also Falkner et al., 2005, discuss the role of interest groups and whether they make a difference in the process of transposition of EU laws. They argue that lengthy debates between governments and the social partners can delay the transposition of laws. In Italy, for example this happened in the case of the EU directive on working hours (1993). Yet, their discussion focuses only on the transposition of EU laws and does not shed light on the impact of interest groups on the implementation phase which is far more important to understand if EU laws were ultimately applied.

accession. The most visible results of this cooperation were the abolition of the *scala mobile* (indexing wages to the cost of living) and a wage freeze in 1992 and 1993. The second technocratic government led by Ciampi followed the same path of its predecessor. Government and labor unions signed an agreement that confirmed the abolition of the wage index, completely reformed the structure of collective bargaining, and established a strict incomes policy (which was designed to contain labor costs, inflation and nominal incomes, and promote job creation and firm competitiveness). The same concerted action was used by Ciampi to design the reform of the Italian pension system. The most important novelty of this reform was the admission of labor unions to the decision-making arena (Ferrera and Gualmini, 2004).

Ciampi's successor, Berlusconi, opted for an alternative approach to concerted action and introduced provisions designed to abolish seniority pensions into the 1995 budget law. Labor unions rose up against this unilateral move, and the consequent general strike led to the removal of such provisions. In this case, unions offered a further demonstration of the powerful role they played not only as joint decision-makers but also as leaders of the opposition to the center-right government. Finally, the last technocratic government led by Dini bargained with trade unions a new pension reform. Simultaneously, unions organized assemblies and debates to discuss the reform plan proposed by the government. In 1996, in a secret ballot referendum, four and a half million workers voted on the pension reform, and 64% declared themselves in favor of it (Ferrera and Gualmini, 2004).

Regini and Regalia argue that in the 1990s, negotiations between governments and labor unions changed considerably relative to the past. While in the 1980s,

negotiations over tripartite agreements were based on exchange of benefits and resources between each part involved, in the 1990s, negotiations aimed at reaching largely shared objectives, such as EMU accession. Moreover, while the tripartite agreements of the 1970s and 1980s were made unstable by the excessive distance between labor unions' leaders and their rank and file, the negotiations of the 1990s were based on a system of consultations between each labor organization and its leadership. The fact that unionists could express their voice from within gave a bottom-up legitimacy to the unions involved in the reform process (Regini and Regalia, 1997).

Concerted action continued successfully under the first Prodi government. Yet, the dynamics of some agreements between the government and labor unions show that the base was not always involved in the decision-making. In 1996, Italy was struggling to complete the financial adjustment required by EMU. Hoping to save public money, minister of economy Ciampi proposed to subtract from the stipend of public employees (including civil servants) the biannual inflation increase. Without the inflation increase, the government would save about 2,000 billion Lire (1,000 million Euros), thus coming closer to the budgetary parameters required by EMU.¹⁰⁹

Ciampi knew that his proposal would meet the fierce opposition of public employees. Thus, committed as he was to avoid any social confrontation in a time of national emergency, he proposed to Bassanini to seek the help of labor unions.¹¹⁰ The two ministers organized a secret meeting with the national secretaries of two Italian labor unions, CGIL and CISL. The third labor union, UIL, was not invited, as the leaders of CGIL and CISL did not trust the UIL national secretary to keep the meeting secret.

¹⁰⁹ Author's interview, Tuscany, Fall 2006.

¹¹⁰ CGIL, CISL, and UIL are Italy's main labor unions. CGIL is Confederazione Generale Italiana del Lavoro. CISL is Confederazione Italiana Sindacati del Lavoro, and UIL is Unione Italiana Lavoro.

Ciampi proposed to the leaders of CGIL and CISL to include in the stipend of public employees only half of the inflation increase, while the other half would have been paid immediately after EMU accession. With great surprise of Ciampi and Bassanini, the two unionists accepted the proposal, upon the condition that the agreement had to remain secret. Thus, in order to hide the missing inflation increase, Ciampi instructed some senior officials at the ministry of economy to manipulate the numbers of the new labor contract.

As Bassanini argued during that particular meeting, the leaders of CGIL and CISL recognized the importance that EMU had for Italy and for the workers they represented, and only in the name of EMU did they support the government's financial plan and its austerity.¹¹¹ Also they knew that the government was willing to pay the inflation increase immediately after EMU accession, as it happened. Yet, when I interviewed the former national secretary of CGIL, Cofferati, he denied that such meeting ever took place. He recalled instead that Italy's successful entry into the Euro-zone was possible because of the labor agreement signed by CGIL, CISL, UIL, and the Ciampi government back in 1993, when they decided to postpone the payment of the inflation increase for all public employees to 1996. Thus, he denied that in 1996, he agreed with Ciampi and Bassanini to delay once again such payment until after Italy's accession to EMU.

It is not surprising that the former national secretary of CGIL, Italy's largest labor organization, denied his union's support for the agreement that secretly decreased the stipend of public employees, even if such agreement was to serve Italy's best interest in

¹¹¹ This agreement between CGIL, CISL and the Prodi government has remained secret for a decade. Bassanini has given permission to the author to make it public.

the EMU accession process. Cofferati agreed, nonetheless, that a failure in the EMU accession process would have had terrible repercussions on Italy's economy and labor, as it would have exposed its currency, the Lira, to continuous devaluation. Finally, he argued that the tripartite labor agreement of 1993 played a crucial role in favoring the financial adjustment required by EMU, as it contributed to lowering both the inflation rate and the public debt.

In the end, this episode shows how trade unions were a resource for technocratic governments without electoral investiture as well as for democratically elected governments, such as Prodi's. In both cases, governments refrained from taking unilateral action in the process of financial adjustment as they did not want to risk social confrontation in a moment of national emergency.¹¹² Yet, I argue, not all the agreements that took place during the years of concertation were characterized by consultations between unions' leaders and their rank and file. As the episode above shows, some important agreements, probably the most controversial ones, were tacitly signed by the leaders without the bottom-up legitimacy of their fellow members.

In 2001, after Italy's accession to EMU was secured, the new right-wing government quickly abandoned any form of cooperation with labor unions, and

¹¹² Also in France, labor unions were involved in the reform of the public administration (from 1988 to 1991). As Beses (2001) argues, by providing labor unions with information and representativity, Rocard (French socialist prime minister during the presidency of Mitterand) tried to generate civil servants' and public sectors unions' commitment to the reform process. By contrast, Juppé (the right-wing prime minister during the presidency of Chirac) who also tried to push a new wave of administrative reforms (1992-1997) broke the previous arrangements with the unions and designed the reform without consulting with them. In Juppé's reform, the separation between politics and administration was central. In the political rhetoric, both Juppé and Chirac accused higher civil servants of monopolizing power and announced their idea of restoring a clear hierarchy between administrative and political roles (See the chapter from Beses in Peters and Pierre 2001).

inaugurated a new season of confrontation and social tensions to which labor unions responded with mass protests and strikes, among the largest in the post-war era.¹¹³

Since at home, unions' decision-making capacity was seriously undermined by Berlusconi's *modus operandi*, labor unions tried to find alternative ways to influence social policies at the EU level. In this respect, Susanna Florio, Italy's representative of CGIL at the European Committee for Economic and Social Affairs argued:

According to the Italian law, the government should consult with labor unions on any European directive concerning social policies. However, during the second Berlusconi government, consultations could never take place. The Italian Committee of Economy and Labor is the institution in charge of organizing such consultations. Yet, during the Berlusconi government, the committee never functioned as forum of consultations. Thus, by 2001, if unions wanted to have any influence on social policies, they were forced to activate channels of communication and cooperation at the EU level. To this purpose, Italian unions joined forces and resources with other European unions, sent their opinions and recommendations on social affairs to the European parliament as well as to national parliaments, and used the authority of the European Committee for Economic and Social Affairs to influence social directives.¹¹⁴

Because of these new forms of cooperation at the EU level, Italian unions were successful in influencing some European directives on social affairs, such as the directive on working hours. In turn, as in the Hungarian case, labor unions in Italy used EU channels of cooperation and communication to influence domestic social affairs,

¹¹³ According to Berlusconi's new approach, social partners were not completely deprived of policy-making functions, but these functions had to be exercised within the objectives and priorities set by the government. In 2001, Berlusconi's government asked the parliament for a broad delegation of powers for labor market reforms which included the modification of article 18 of the Workers' Statute of 1970. Article 18 claims that if a worker is unjustly fired, a judge can automatically reintegrate him into his job and sentence the employer to pay all the wages from the time in which the worker was fired to the ruling, as well as social security contributions and a penalty. This article applies to firms with more than 15 employees. Berlusconi's government proposed a derogation from article 18 in three cases: if a company "comes out" from the black market, if it hires new personnel, and if it transforms temporary workers into permanent ones (Ferrera and Gualmini, 2004). What upset the unions was the sudden appearance of this issue in the delegation draft bill without any prior discussion. In response, CGIL called a general strike that mobilized three million workers around the country. By contrast, the other two unions, CISL and UIL, softened their position and decided to sign the labor reform proposed by the government. In the end, Berlusconi's new approach to collective bargaining created a deep division within Italian labor unions. (Ferrera and Gualmini, 2004).

¹¹⁴ Author's interview, December 2008.

particularly when national governments favored open confrontation to forms of dialogue and cooperation with them.

3.2 The role of the parliament in the management of EU affairs

The countries that perform better in adopting and implementing European legislation are usually the ones in which veto players are either limited in number or totally absent from the decision-making process (Giuliani, 2000, cited by Fabbrini, 2003, Vassallo, 2007). In consensual democracies, such as Italy, veto players are free to block the policy-making process. Thus, the implementation of EU laws is often delayed.

In its first 40 years of democratic history, Italy was “a highly bargained pluralistic democracy with power dispersed across a wide range of arenas” (Hine, 1993, 3). The political system featured a high number of political and institutional veto players both in government and in parliament. The parliament played a central role in the decision-making process, while the cabinet was usually weak and beholden to the governing parties. Coalition agreement focused almost exclusively on the distribution of governmental posts. Thus, discussions over public policies would take place between parliamentary groups and in the cabinet itself only after the formation of the new government. Yet, the legislative process was highly fragmented and often produced scattered outputs because of the incapacity of the cabinet to guide policy-making (Vassallo, 2007).¹¹⁵

¹¹⁵ Tsebelis argues that when a system permits a considerable number of actors to exercise veto power, inertia and immobility prevail over change and innovation (Tsebelis, 2002, cited in Vassallo, 2007). Some institutional characteristics of the Italian legislative system favor such inertia.¹¹⁵ The Italian parliament features two chambers, the house of representatives and the senate, with the same legislative duties. As each bill must be approved by both chambers, a minor modification of the wording of the bill by one of the chambers requires the other one to reexamine the whole bill. Thus, those who wish to hinder the approval of any bill simply need to modify its wording.

The government was unable to operate as the engine of the legislative process and its bills were often modified by the parliament. The Italian parliament from its part managed to produce a greater number of laws than other European democracies. This was because the majority of such laws were mere *leggine* or little laws, passed with a very limited purpose, usually to benefit particular groups or categories.

In the 1990s, the government was able to acquire greater control over the law-making process by using two types of legislative tools: decree laws and legislative decrees. Decree laws are promulgated in case of urgency and necessity and do not require the prior authorization of the parliament. They also need to be converted into laws within 60 days and to be approved by the parliament immediately after.¹¹⁶ Legislative decrees, instead, are promulgated by the government after the parliament's authorization and immediately come into force as laws. The parliament's authorization is called *legge delega*. It indicates the objectives of the new legislation and the time period available for the government to pass it.

Legislative decrees were barely utilized in the past. Only in the late 1980s, did Italian governments resort to this type of procedure in the attempt to fill the gap accumulated in the transposition of European laws, especially the ones related to the completion of the common market. The last Andreotti government (1989-1992) made extensive use of legislative decrees to pass EU directives. Similarly, in 1992, the Amato

¹¹⁶ In the 1980s, Italian governments often used decree laws for reasons of urgency, mainly when they were not able to have their bill approved by the parliament. As governments were frequently unable to convert the decree in law within 60 days, they used to reiterate the decree in order to maintain its validity. In 1996, however, the Italian constitutional court declared that the practice of reiterating decrees was illegitimate. Thus, the Prodi government found itself in the situation of converting all the previously accumulated decrees in laws. Since then, decrees are converted into laws relatively quickly.

government used legislative decrees to intervene in certain policy sectors, which were crucial to resolve the financial crisis (civil service, health care, pensions, and local government finances). Both the governments of Amato (1992-1993) and Ciampi (1993-1994) were able to obtain from the parliament the powers of legislating through decrees. According to Vassallo (2007), this was possible also because at that time many MPs were under investigation for corruption. MPs feared that a failure in the government's attempt to solve the financial crisis would have increased the chances of new general elections, with a possible loss of seats for politicians under investigation.

The elections were eventually held in 1996, when the first Prodi government came to power. In this case, the government was able to obtain from the parliament broad delegated powers in the fields of fiscal policy and administrative decentralization. Prodi justified the use of such powers by arguing that it was the only way for the government to circumvent the sluggishness of the ordinary legislative process and pass promptly the reforms required by EMU accession.¹¹⁷

When Berlusconi came to power in 2001, the EMU accession process was successfully concluded. Thus, the new government did not have the pressure of working under the same tight political agenda of the center-left. Nevertheless, Berlusconi continued using fast-track procedures to legislate issues that were at the top of his priority list, especially the reform of company law and the decriminalization of false accounting practices, of which he was accused by the Italian judiciary. Decrees were extensively

¹¹⁷ In 1997, the first Prodi government introduced another important legislative tool called regulations. Regulations are provisions, without status of laws, issued by the government. The Prodi government used regulations to discipline areas such as the internal organization of ministries, which I discussed earlier in this chapter. When the first Prodi government collapsed, the following center-left governments, led by D'alema and Amato, continued exercising the powers delegated by the parliament.

used by Berlusconi to pass laws *ad personam*, which were designed to benefit foremost his own business companies.¹¹⁸

Vassallo (2007) provides data that show the increasing use of fast-track procedures in the 1990s and the 2000s. In 1987-1992 out of 1,428 legislative instruments, 75% were laws while only 9% were legislative decrees, and 15% were law decrees. During the center-left (1996-2001) and center-right (2001-2006) governments, laws fell to 50%, decree laws were about the same, legislative decrees doubled, and 10% were regulations. In the legislature that goes from 1996 to 2001, out of 425 legislative decrees, 139 were issued to enforce EU directives.

Concerning the adoption of EU legislation, the Italian parliament seems to have lost control over EU affairs in favor of the executive branch of government. This is not a rare case in the EU. In most of the EU-27, with only the remarkable exception of Denmark, the executive branch of government has become the uncontested legislator of EU laws to be transposed into national legislation.

The legislative process for the transposition of EU legislation was reformed in 1989. The reform aimed at achieving two crucial goals. First, as the process of monetary integration was imminent, Italy needed to fill its temporal gap in the transposition of EU legislation. Second, the reform aimed at strengthening the parliament's control over

¹¹⁸ Together with decree laws, the governments of the 2000s have also made large use of the vote of confidence. As Italian governing coalitions are fragmented, heterogeneous, and often litigious, it is not uncommon that one political party (or more) in the governing coalition decides to vote against the decrees proposed by the government. During the second Prodi government (2006-2008) this was a constant problem. As a possible remedy, Prodi often called the parliament for a vote of confidence. The advantage of calling for a vote of confidence is that it forces dissenting groups within the majority to vote in line with the government, as the government puts at risk its own survival. That is how Prodi managed to pass both the 2006 and 2007 financial budgets. In early 2008, this strategy did not pay off. When UDEUR withdrew from his majority, Prodi called the parliament for a vote of confidence. After obtaining the support of the lower chamber, Prodi received a vote of no-confidence from the Senate, where the center-left was in minority.

European affairs (Doná, 2003). The 1989 reform succeeded in achieving the former objective as the rate of transposition of EU laws went from 81.7% in 1990 to 96.3% in 2001. However, it failed to reach the latter. In fact, despite the reform, the role of the parliament is still marginal.

The reasons for such exclusion are similar to the ones I have identified in the Hungarian case. As in Hungary, also in Italy, MPs have an extremely low preparation on EU affairs, which together with the technicalities of EU legislation force them in a situation of self-exclusion from the legislative process. Moreover, since MPs underestimate the impact of EU legislation on national legislation, they show low interest for its legislative process. This is mainly because EU-related laws cannot generally be exploited to gain electoral favors as often occurs for national legislation. In turn, MPs perceive EU-related legislation as distant and uncontrollable (Doná, 2003).

Moreover, it should not be underestimated that the necessity to transpose quickly and efficiently all the EU laws accumulated in years of delays and sluggishness of the legislative system, convinced the parliament that the government's proposals on EU matters needed to be passed through fast-track procedures and without modifications. Thus, in the 1990s, a great number of EU-related laws proposed by the executive were passed by the parliament almost automatically (Doná, 2003).

The executive plays a central role in the making of EU-related laws through the European affairs ministry, which is part of the prime minister's office. The legislative office of the European affairs ministry is responsible for the drafting of EU-related laws. Its initial task is to identify EU laws that need to be transposed into national legislation and detect areas within the national legislation in which European laws are violated. The

enforcement of the majority of EU directives is pursued by an annual delegating law called *legge comunitaria* (Doná, 2003). During the drafting of such law, the contribution of line ministers potentially affected by EU laws is quite marginal, despite the fact that the 1989 reform regulates their participation in this phase of the process.¹¹⁹

After the approval of the government, the European affairs commissions of the senate and the house of representatives examine the proposal. The commission in the lower chamber has 45 days to examine the law and present a briefing to the whole parliament. In this phase, the role played by the government is still central. In fact, when the government receives from the chambers the amendments to its law proposal, it discretionally decides the ones to insert in its final draft.

According to Doná (2003) a way to give back to the parliament its central role in the domestic legislative process would be by supporting its participation in the negotiations of European laws at the supranational level (the Lisbon Treaty rejected by the Irish vote in 2008 makes consultation with national parliament mandatory). In fact, because the parliament is excluded from the negotiating phase at the EU level, it abdicates to the government the management of European affairs also at the domestic level.

In the end, during the EMU accession process, the need for a more effective management of EU affairs fostered a radical change in the relationship between parliament and government. The former lost its monopoly over the transposition of EU

¹¹⁹ In this respect, Doná (2003) argues that as the content of European laws is mostly decided at the supra-national level, line ministries can hardly make any impact on the domestic legislative process. Not surprisingly, also the foreign affairs ministry is not involved in the national legislative process. Its activity, in fact, focuses primarily on negotiating European legislation at the supra-national level. In turn, when the European affairs minister presents the draft law to the cabinet, the contribution of the ministerial apparatus has most likely been minimal.

laws, while the latter acquired greater control over the policy-making process in general and over the management of EU affairs in particular. Such change has been possible because all the governments of the 1990s have made large use of decree powers. Decrees have allowed governments to circumvent the impasse of the ordinary legislative process and to disempower its numerous veto players. This trend has continued also in the 2000s.

Yet, apart from EU affairs, the Italian executive is far from being the central character of the domestic decision-making process. As the political events of the late 1990s and early 2000s have shown, Italian political parties, in quarantine after the corruption scandals of the 1990s, have lately acquired new power. As governing coalitions are large and heterogeneous and lack a solid majority, the very survival of the government depends heavily on political parties. As a result, the policy-making capacity of the Italian cabinet is deeply weakened.

4. Regional reforms in the context of EMU accession

Within state administration reforms, regional reforms carried out in the context of the EMU accession process represent an illustrative case study of how reforms do not last or can even be implemented when governing coalitions at both central and regional level are politically unstable and swayed by particularistic interests.

First, this case study shows how the EMU accession process and the new EU cohesion policy (inaugurated in the late 1980s) created pressures on Italian governments to both devolve decision-making power and financial resources to regional governments and reform archaic and inefficient systems of financial assistance to Italy's poorest regions. Second, it shows that despite the pressures created by the EMU accession

process and some level of democratic participation in the making of the reforms, regional reforms remained for the most part unfinished and the rate of absorption of EU funds in Italy is still among the lowest in Europe. In this section, I argue that democratic participation is important for the implementation of regional reforms. However, democratic participation cannot be simply explained as a function of participation in voluntary associations, as Putnam would argue, especially if these associations are not *per se* democratic.¹²⁰ Thus, this section aims at examining in specific terms how participation of regional governments in the making of the reform can effectively prompt the process of regionalization. Moreover, it examines how the stability of governments at both central and regional level can ultimately affect their policy performance. Finally, albeit this section is a study of regional reforms in Italy, it focuses foremost on the regions of the south as they are the main beneficiary of EU structural and cohesion funds.

Although the Italian constitution contains a number of provisions regulating the devolution of decision-making power and financial resources from the central

¹²⁰ Robert Putnam (1993) examines how the regional governments created in the 1970s and implanted over the next two decades compare in terms of policy performance. Putnam finds dramatic differences between the regions in the north of Italy and the regions in the south, differences that he associates with the different levels of civic involvement. Putnam explores the history of each region to seek the sources of these differences. He then argues that social capital – which combines together trust among individuals, norms of reciprocity, and social networks – explains regional governments' performance across the country. Ancient civic traditions in the north have provided citizens with many repertoires of cooperation that help them solve collective action problems. On the contrary, in the south, where there are not previous successful forms of cooperation, it is more difficult to overcome barriers of mistrust. Thus, social capital inherited from the past has generated a virtuous cycle in the north and a vicious cycle in the south in respect to institutional effectiveness and performance. Putnam describes the regions in the north as having many choral societies, soccer teams, bird-watching clubs, and Rotary clubs. He also argues that in the north, most citizens are engaged by public issues, but not by patron-client politics, and leaders are relatively honest. By contrast, in the south, corruption is widely regarded as the norm and engagement in social and cultural associations is meager. As Sidney Tarrow (1996) suggests in his critique of Putnam's work, it would have been interesting to know how Putnam would explain the corruption scandals that exploded in the north as his book was going to press as well as the secessionist movement that started in the early 1990s under the direction of the Northern League.

In their critiques of Putnam's work, Margaret Levi (1996) and David Laitin (1995) argue that networks of civic engagements not always do promote democracy. As Laitin contends, the regions of the north which were rich in civic communities were also the ones that provided the principal support to fascism.

government to the regions (Constitution of the Italian Republic, 1948, Part II, Title V, articles 114-133), for almost five decades there was no genuine implementation of the law. The reason behind such delay stemmed from the adamant resistance of the majority party, the Christian Democrats, which feared that the creation of powerful regional governments could benefit the leftist political opposition, namely the Italian Communist Party. Nonetheless, in the 1970s, the parliament attempted a first reform of Italy's regional system. Yet, the 1970 reform provided a very narrow interpretation of regionalism: regions were set to have minimal decision-making power and *de facto* no financial autonomy from the central government.

Unlike the previous decades, in the 1990s, Italy's domestic political situation changed in favor of genuine regionalization. The factors contributing to such change were both endogenous and exogenous. On the domestic front, regionalism progressively became a popular theme of discussion among politicians. Starting in 1990, in fact, the electoral success of the Northern League, a party which has made of devolution its own political motto, underlined the deep dissatisfaction of the country towards the political and administrative centralism of the Italian state system. Such malaise grew exponentially with the corruption scandals and the judiciary investigations of the early 1990s, which ultimately swept away the dominant political class. New political parties representing local constituencies emerged on the national political arena. Apart from the Northern League, the Party of the Mayors advocated greater political and financial autonomy for local governments, as well as the direct election of the mayors. Bottom-up pressures for political decentralization also came from regional governments themselves and local political actors.

In the 1996 general elections, the Northern League obtained an unprecedented success by presenting an electoral program entirely focused on the secession of Italy's northern regions from the rest of the country.¹²¹ After the center-left coalition led by Prodi won the elections, Prodi's main strategy to extend consensus across the political spectrum was to launch a new regional reform. By presenting a new reform plan, the government aimed at achieving two main goals: first, it hoped to neutralize the League's secessionist proposal by offering a viable solution for regional autonomy without altering the territorial structure of the country; second, it hoped to satisfy the expectations of its own constituencies who demanded authentic regionalization.

On the European front, the EMU accession process opened a new window of opportunity for the authentic devolution of decision-making power from the center to the periphery. It pressured central governments to reform local financing, as a *conditio sine qua* non to achieve the required macroeconomic adjustment. Because of the constraints set on public finance by the EMU accession, the governments of the 1990s were forced to grant some financial autonomy to the regions by allowing them to levy their own taxes.

¹²¹ In 1994, the League saw in the EU an opportunity for the northern regions of Italy, Padania, to enhance their political power and independence from Rome. Its leader, Bossi, hoped that in Europe, member states would inexorably disappear, leaving to local administrators the task of managing EU's macro-regions. Bossi also thought that EMU would play in favor of his own secessionist cause. For this reason, he wrote a letter to the European Commission inquiring about the possibility for Padania to join EMU prior to the rest of the country (since the wealthy regions of the North could easily meet the economic parameters for membership). When the EU rejected his application, Bossi hoped that Italy, under the center-left administration, would be excluded from the first wave of entering countries. Bossi thought that such failure could help his secessionist campaign as he intended to blame it on the laggard regions of the south. In 1999, after the Prodi government ensured Italy's entry into the Euro-zone, Bossi started criticizing EMU, the fact that Italy's accession had to be decided without a referendum, and publicly referred to the EU as the Soviet Union of Europe. Once it was clear that the EU was not serving its secessionist cause, the League chose a Euro-skeptic stance, which is not surprising for a populist party. As Quaglia argues by citing Diamanti (1996), this shift was also an attempt for the party to reconstruct its identity as a political subject, differentiating itself from Forza Italia, whose electoral support had increased by driving votes away from the League, and drawing attention on itself.

Both the governments of Amato and Ciampi worked in this direction. However, only under the Prodi government was a coherent reform plan laid out.

In the new reform process, minister Bassanini played once again a leading role. He authored the new law on regionalization and worked as a policy entrepreneur to create consensus around the reform itself. His experience and expertise on the matter were undisputed. As an academician, he had published numerous studies on regionalization and worked in cooperation with the ministry of regions since the late 1970s. The reform was drafted by the government in record time and only three months after the elections, it was presented to the parliament.

In order to pass the law, the Prodi government made large use of decree powers. Baldi (2000) argues that in the history of the Italian republic, legislation 59/1997 (also known as the Bassanini Law) is by far the law that delegates the broadest legislative powers to the government.¹²²

Yet, Bassanini highly valued the parliament's contribution to the process of regional reforms and worked closely with two parliamentary commissions, the commission for administrative reforms and the commission for regional reforms, to reach an agreement over the new legislation. Bassanini operated as the undisputed leader of the reform process and as the point of coordination between the various actors who participated in the making of the reform. The minister regularly met with the representatives of the regions, especially the regions' presidents. This represented a novelty relative to the past. Previously, in fact, sub-national actors had only a weak lobbying capacity and an indirect impact on the making of regional reforms, often only

¹²² During the legislative process, the center-right opposition presented about 3,000 amendments to the law. However, the government accepted only a few of the proposed amendments and overcame the potential sluggishness of voting on the rest of them by calling the parliament for a vote of confidence.

through the mediation of political parties (Baldi, 2000). Regional governments also acquired a growing capacity to voice their interests within the institutional framework of the State-Regions Conference (Gualini, 2004).

The Bassanini reform aimed at creating a stronger regionalization without changing the constitution. Law 59/1997 aimed at strengthening local authorities through the progressive devolution of competencies. By applying the principle of subsidiarity, the law defined the few policy areas in which the central government was competent (article 2) and established that for all the remaining areas, regional and local authorities had decision-making power. A significant aspect related to the strengthening of local authorities was the introduction of the direct election of the mayors by citizens. Previously, in fact, mayors were elected by city councils. This legislative provision reshaped the relationship between local executives and councils and strengthened the former over the latter.¹²³ This innovation, along with the progressive devolution of taxing powers to regional and local authorities, contributed to creating greater accountability for local governments. The Bassanini reform also allowed regional governments to define at their discretion sectoral and/or geographical areas which could be eligible for state aid.

Meanwhile, in parallel to the Bassanini reform, the government started working on a new constitutional law. To this purpose, a special commission (*Commissione Bicamerale*) composed of members of both chambers of the parliament was instituted with the purpose of reforming the constitution in two main areas: regionalism and powers and competences of the prime minister (Furlong, 2003). The commission was chaired by Massimo D'Alema, the leader of the Left Democrats (Prodi's party).

¹²³ Bassanini Law 59/1997

The procedures for constitutional reforms require a law to be passed in both chambers twice at an interval of six months with an absolute majority in each chamber. In case the majority is less than two-thirds on any occasion, the law has to be subjected to constitutional referendum. To get the reform passed, the center-left, whose parliamentary majority was small in both chambers, needed the votes of the far left as well as the support of the opposition (especially of Forza Italia, Berlusconi's party, and Alleanza Nazionale). The Northern League, for its part, opposed any reform that did not deliver complete fiscal autonomy to the regions, devolution of all important functions of the state to the regions, and abolition of the power of the state to monitor the activities of the regions. The League's vision of regionalism was unacceptable for the center-left as well as for part of the opposition, especially Alleanza Nazionale.¹²⁴

The regional reform agreed by the commission comprised the following elements: recognition of the federal character of the republic and the equal status of its territorial parts (communes, provinces, regions, and the state); distribution of public functions among communes, provinces, regions, and the state according to the principle of subsidiarity; legislative responsibility to the regions in all policy areas except foreign policy, citizenship and immigration, defense, currency, public order, judicial policy, major transports, posts, and telecommunications; right for regional authorities to levy taxes and retain at least half of the fiscal resources; right of the regions to make agreements with other national regions and with regions in other states.

¹²⁴ The other matter the commission discussed was the reform of the powers of the prime minister. While the center-left agreed on strengthening such powers and creating the so-called *premierato* (a reinforced prime-ministership adapted from the British model), Berlusconi favored a semi-presidential system, similar to the French model. The reform agreed by the commission was in the end the result of a complex compromise in which the center-left obtained its preferred version of the regional reform, while the center-right obtained its preferred reform of government, namely semi-presidentialism.

In the complex negotiations of the reforms carried out by the *Bicamerale*, D'Alema's main strategy was to involve Berlusconi as much as possible and win his support with concessions and compromises. At the same time, he tried to isolate the radical and intransigent positions of the Northern League on regionalization. However, as the package was ready to be approved, the Northern League convinced Berlusconi to oppose the type of regionalization favored by the center-left in exchange for its support to Berlusconi's coalition in the next general elections (in the previous 1996 elections, the League was running solo).

In 1998, the constitutional reform, approved only by the center-left in the *Bicamerale*, started its lengthy legislative process in parliament, where it needed to be approved twice by both chambers (a process that lasted two years). Meanwhile, the government tried to implement the less complicated Bassanini reform on regionalization. It is worth noticing that the constitutional reform and the Bassanini reform have many provisions in common, including the fiscal autonomy. Yet, for the Bassanini reform to be implemented the government needed to draft several decrees.¹²⁵

When the Prodi government fell in late 1998 and was replaced by a new center-left government led by D'Alema, the process of regional reforms was inevitably interrupted. Apart from the delays caused by the institutional turnover, the reform process was deeply undermined by D'Alema's new operational approach on regionalization. D'Alema replaced Bassanini with minister Piazza and entrusted three different ministers with the task of carrying out the reform (the new public administration minister himself,

¹²⁵ In general, after the parliament accepts to delegate legislative powers to the government on any given policy, the government has the responsibility to promulgate legislative decrees on the matters identified by the delegating law (which is drafted by the government and passed by the parliament itself). Without such decrees, any reform process risks stalling.

the minister of regional reforms, and the minister for institutional reforms). Although Piazza's knowledge on the matter was unquestionable, the other two ministers (Amato and Belillo) had neither experience nor expertise on regionalization.

Such abrupt turnover disrupted the efforts of communication and cooperation between the central government and local authorities. Having lost their main interlocutor, the representatives of the regions were forced to find new channels of communication with the ministerial figures the new cabinet had appointed. Furthermore, as the team of policy makers – who had worked cohesively under the leadership of Bassanini – was divided between three different ministries, it became extremely difficult to coordinate efforts towards the drafting of the decrees. Ironically, in the new cabinet, Bassanini was appointed under-secretary (of the prime minister's office) for the coordination of administrative reforms. This appointment created tensions and conflicts between Bassanini and minister Piazza, the newly-appointed minister for public administration reforms. The result was an amalgam of confusion, rivalries, fragmentation, and delays which all contributed to stalling the reform process.

D'Alema's questionable approach to regional reforms was a clear sign of the broader malaise that was shaking the executive. After the fall of Prodi's government, political parties quickly acquired new strength and veto powers. The support of small political parties, such as UDEUR, previously part of the center-right coalition, was essential for the creation of a new parliamentary majority after the departure of Riformazione Comunista. These political parties demanded public appointments and governmental posts, regardless of the preparation and expertise of their own appointees.

In 2000 and 2001, the constitutional reform, as drafted by the *Bicamerale*, was finally approved twice by both chambers. In the fall of 2001, the reform was also submitted to a popular referendum and supported by a clear majority. Nonetheless, in 2001, Berlusconi won the national elections and his government drafted its own regional reform within the context of a broader constitutional reform, this time heavily influenced by the Northern League's intransigent positions. The new constitutional law contained two parts: the first one regarding the prime minister¹²⁶ and the second one concerning regional reforms, which went under the name of "devolution". The 20 Italian regions were given exclusive legislative power regarding health care, education, and regional and local police. More importantly, the law established a new regime of fiscal federalism in which each region could retain 100% of its fiscal revenues. By giving so much power to the regions, Berlusconi meant to consolidate the political alliance with the Northern League and to ensure the League's political support (as Bossi made "devolution" a prerequisite for the continuation of such support).¹²⁷

In June 2006, after the center-left won the general elections and Prodi became prime minister, Berlusconi's constitutional reform was submitted to a popular referendum. The center-left coalition campaigned for the abolition of Berlusconi's reform and ultimately the law was opposed by 61.7% of the voters (while only 38% approved it).

¹²⁶ First, the new law aimed at strengthening the power of the prime minister by stipulating that he was to be elected directly by the citizens and that he no longer needed a vote of confidence from the Italian parliament. The reform also granted the prime minister the power of dismissing ministers and dissolving the parliament.

¹²⁷ Gianfranco Fini, leader of Alleanza Nazionale, strongly criticized the new constitutional reform, fearing that it could lose its political base in the impoverished southern regions. Such regions, in fact, are dependent from the tax revenues coming from the north, which are redistributed by the central government in Rome. Without such redistribution, Italy's southern regions would become the poorest regions of the EU-27, in terms of income per capita. Although Fini could not oppose the reform directly, he introduced a clause on "national interest." According to such clause, the government could block any regional law that was against the country's national interest (*La Repubblica*, February 2003).

After the Prodi government collapsed in early 2008 and Berlusconi regained power, we should expect the new government to launch a new regional reform. The Northern League, in fact, has obtained a clamorous success in the general elections of 2008 and it will probably make its political support to the governing coalition dependent on the drafting of a new “devolution.”

Table 3: Regional reforms from 1996 to 2006

Reform	Content
1996- Prodi government	Direct election of the mayors; greater legislative and taxing powers to the regions; power to decide areas and sectors eligible for state aid (Bassanini Law 59/1997).
1997-Bicamerale	Reform of the Italian constitution on two main subjects: powers of the prime minister and powers of the regions. Right of the region to retain 50 % of the fiscal resources.
2001-Referendum	Reform approved by referendum.
2003-Berlusconi	New reform: right of the regions to retain 100% of their fiscal resources.
2006-Referendum	Reform annulled by referendum.

In the same years in which Italy worked on reforming its regional system, the country's approach towards the absorption and implementation of EU cohesion and structural funds changed considerably. In the early 1990s, Italy was the country among the EU-15 with the lowest rate of absorption of EU funds (73%, which represents how much the country spent of the total allocation of funds).¹²⁸ In other words, although such funds were made available by the European Commission to benefit Italy's poorest regions and foster their economic development, the country was unable to spend them. Such incapacity had two main causes: first, because of the inefficiency of its central and regional authorities, Italy was unable to design coherent development programs to be financed by the EU; second, the abundance of national financial aid – distributed by the government according to clientelistic principles and without monitoring whether results were achieved – persuaded sub-national actors to choose them over EU funds.¹²⁹

¹²⁸ Gualini (2004).

¹²⁹ Italy's incapacity to use EU funds was strictly related to the inefficiencies of its own regional and cohesion policies. Immediately after the country's unification in 1870, the economic backwardness of the *Mezzogiorno* (Italy's southern regions) became evident to both policy-makers and public opinion. In the 1950s, the government created a special institution, named *Cassa per il Mezzogiorno* (CPM), whose main task was channeling extraordinary funds from the central government to the southern periphery. The CPM was entrusted with setting up a ten-year program of extraordinary public works aimed at modernizing southern infrastructures and the agricultural sector (Gualini, 2004). Unlike the rest of the Italian bureaucracy, the technocrats at the CPM were relatively free from party ties and enjoyed some decision-making autonomy. The personnel practice at the CPM helped create and maintain the political independence of the institution. The board of directors was composed of highly qualified members appointed by the prime minister. Also, by law, members of the parliament could not be appointed to the board of directors. Yet, the government had veto power over the funding of specific development programs, which had to be approved by the parliament. Also regional authorities were never consulted by the CPM over the funding of development programs for the regions (Graziano, 2003). In the 1960s, a new law (717/1965) assigned the presidency of the CPM to the minister for extraordinary intervention. In this way, the relative political autonomy of the CPM was inevitably destabilized. According to the new legislation, the minister for extraordinary intervention had decision-making power over the CPM's annual budget and more importantly had the authority to both appoint and dismiss its board of directors. Furthermore, the law provided the minister with the power of lending money at extremely low interest rates to a limited number of southern business companies. This provision created a new device for clientelism and inevitably altered the relationship between politics and entrepreneurship. In the end, the autonomy of the technocrats at the CPM was seriously undermined, while the central ministerial bureaucracy acquired new discretionary power over the distribution of funds (Graziano, 2003). In 1984, both the government and the parliament agreed to abolish the CPM. The magnitude of its corruption had become a matter of public shame for the entire Italian political class.

In the 1990s, two exogenous factors contributed to foster the process of regional reform and break from the state centrism that had characterized for five decades Italy's financial assistance to the south, namely the EU competition policy and the reform of the EU cohesion policy. One of the most contested aspects of the government's financial assistance for the south concerned the creation of a special regime of fiscal exemptions for southern enterprises. Fiscal exemptions were meant to relieve southern business companies from costs related to salaries, transportation, and rent, in an attempt to promote entrepreneurship in the south.¹³⁰

Since the late 1980s, the European Commission has raised doubts over the admissibility of the regime of fiscal incentives, which it views as state aid. For the Commission, state aid is incompatible with the EU competition policy, as it violates the regime of competition between member states' enterprises. For this reason, in the early 1990s, the Commission decided to initiate a formal proceeding against Italy. Despite the Commission's restrictions on regional state aid, there was a strong front of resistance among politicians and academic professors against the abandonment of the fiscal regime, especially for its potential repercussions on the already dramatic conditions of the southern labor market (and possibly for its potential electoral backlashes). Negotiations between Italy and the European Commission over this matter lasted until 1995. In 1994, the Italian government abolished via decree the regime of fiscal exemptions for the south

¹³⁰ Over time, the government's fiscal policy lost its capacity to foster economic development and became a simple means of social assistance. Paradoxically, such policy reinforced the culture of dependency of the south and weakened the entrepreneurial initiative of its enterprises. Furthermore, the amount of fiscal exemptions increased disproportionately over the years contributing to worsen the state of public finance (Gualini, 2004).

and one year later reached an agreement with the EU on terminating such exemptions before the end of 1997 (Gualini, 2004).

Gualini (2004) argues that the agreement over the abolition of fiscal incentives for the South shows how much Italy was truly concerned with reaching the performance of other European countries in the implementation of EU laws. In view of the imminent EMU accession, in fact, Italy aimed at regaining credibility in Europe and normalizing its relationship with EU institutions. Conforming to the Commission's new policy on competition was exactly a first, important step in this direction.

The second main exogenous factor at work in the reform of Italy's cohesion policy for the south was represented by the new EU discipline regulating structural and cohesion funds. In 1988, the European Community created a new set of standardized principles¹³¹ to regulate the transfer of financial aid to its member states' poorest regions.¹³²

¹³¹ First and foremost, the law stipulated that only regions whose GDP per capita was less than 75% of the average GDP per capita in Europe, qualified for financial assistance. This first economic parameter was in open contradiction with the extremely generic criteria that regulated the transfer of governmental aid to Italy's southern regions. The Italian law simply stated that the regions of the south in need of economic and social development qualified for financial aid from the central government. By contrast, according to the new European cohesion policy, EU funds were not to be assigned to the south per se but to any region whose GDP met the European economic criteria for financial assistance. Second, the law established that EU funds could finance the regions' developmental programs only in part, as the central government had to contribute to such programs with its own financial assistance. Third, for European financial assistance to be granted, coherent development plans for each region had to be designed. Although the domestic legislation of 1965 contained such principle, the government's financial assistance had always been fragmented and dispersed among multiple actors and institutions at the regional level, without a coherent development plan. Fourth, according to the European cohesion policy, the contribution of regional actors in designing such plans was fundamental. By contrast, in Italy, there was no partnership between the central government and the regions in the decision-making process over financial assistance. Finally, the EU established that its assistance had to be concentrated on a few important projects as opposed to dispersing it among multiple small ones. In theory, the domestic legislation already contained such a principle. Yet, Italian ministers could still decide to divert governmental funds to other small programs and geographical areas.

¹³² On the EU cohesion policy see Liesbet Hooghe et al., 1996. The book is a comparative analysis of the EU cohesion policy in the EU-15. The case selection includes (among others) Italy, the UK, Ireland, France, and Greece. The book focuses on the EU cohesion policy between 1988 and 1993. In the Italian case, it argues that in the early 1990s, the central government still played a dominant role in the management of EU funds. By contrast, in France, regional councils became more influential in the

Some of the technocratic governments of the 1990s attempted to increase Italy's capacity to implement EU funds by eliminating administrative bottlenecks, at both the national and regional level, that hampered such capacity. One of the main factors contributing to Italy's incapacity to manage EU funds depended on the high degree of disorganization of the central government. In 1995, as a way to increase the efficiency of the ministerial bureaucracy, the Dini government assigned to the ministry of budget the role of coordinating and supervising all territorial programming tasks related to EU funds, which were previously performed by the ministry of European affairs.

Nonetheless, only in 1997, did the Prodi government make a significant contribution to the reorganization of the ministerial bureaucracy by merging two different ministries (treasury and budget) into the ministry of economy. Within the new ministry, the government created a special department entrusted with the task of managing EU funds, called the department for development and cohesion policy, which was guided by a technocrat from the central bank. One of the most important improvements introduced with the creation of this department was related to its monitoring and evaluation activities, which were crucial in the process of negotiating EU funds with the Commission.

negotiations of regional plans to be financed by the EU. Although, in France, the central government did not lose its predominance over the allocation of EU funds, conflict among levels of government about each level's own competence increased. Similarly in the UK, the EU cohesion policy enhanced the expectations of sub-national actors concerning their role in regional development. In Greece, instead, the impact of the EU cohesion policy on institutional change was marginal and the balance of power between the center and the periphery remained unchanged. Thus, in Greece, the allocation of EU funds was still highly centralized and dominated by the hegemonic role of the ministry of national economy. Finally, in Ireland, the transfer of EU funds was one of the main reasons for the country's accession into the European Community in 1973. Ireland has been extremely successful in taking advantage of the EU cohesion policy and it has achieved the highest rate of economic growth among the member states in the budget period 1989-1993. In the book, Laffan (1996) argues that the Irish success was the result of two factors: the efficiency and expertise of officials at the central government and the inclusion of local actors and local groups in the decision-making process over the allocation of EU funds.

Anticipating the challenge of programming Italy's share of EU funds for the budget period 2000-2006, the cohesion department worked for two years to disseminate information on EU cohesion policy and define the necessary procedures for the creation of regional developing programs. In this context, the cohesion department became an indispensable mediator between the rationales and discourses of the EU cohesion policy and an emerging and fragmented regional activism, which expressed the variety of interests, ideas, and needs of local communities (Gualini, 2004).

As Gualini argues, one major challenge was represented by the ambition of achieving a high level of administrative efficiency while adopting a partnership-based approach. In this respect, the ministry of economy took an important initiative by creating a forum of discussion in which multidisciplinary contributors could express ideas and proposals for regional development (Gualini, 2004).

On the regional front, the reorganization focused mainly on restructuring the southern regional governments. Such governments lacked all the features embedded in the EU cohesion policy: there was no long-term planning; no regional management; and no monitoring and evaluation of the regional programs. The existence of a set of standardized principles created by the European Commission to regulate the EU cohesion policy became a strategic device for the minister of economy and the technocrats working at the department of development and cohesion policy. In fact, both the minister and his cohesion department used the Commission's new cohesion policy as an external constraint to force regional governments towards a greater efficiency in absorbing and implementing financial assistance from the EU.

At this point in time, the government fully applied the partnership principle by working in cooperation with regional authorities and interest groups. Graziano (2003) argues that in the late 1990s, a coalition composed of technocrats from both the treasury and the ministry for European affairs, interest groups, regional authorities, academic professors, and EU officials worked towards the creation of a new cohesion policy for Italy's poorest regions, which was to be modeled according to European standards. Yet, without diminishing the role played by this coalition, we should not forget that its accomplishments were possible mainly because political parties, which had previously opposed any Europeanization of Italian regional policy, were momentarily ousted from power.

Graziano (2003) argues that mainly because of the work of this coalition, Italy's capacity to spend EU funds considerably increased in the early 2000s. His study also predicts that such trend would continue throughout the decade. However, in 2008, the expected positive trend did not materialize. At the end of 2004, Italy had spent as little as 26% of the available EU funds (Leonardi 2005, cited by Milio, 2008) while in the budget period 2000-2006, Italy failed to spend 2.5 billion Euros (La Repubblica, November, 2008). Although Italian regions have carried out similar administrative reforms and extensively applied the partnership principle, some regions still show a low rate of absorption of EU funds.

In a recent study, Milio argues that the high political instability of regional governments hindered the implementation of EU funds. Milio analyzes the performance of three southern regions: Basilicata, Apulia, and Sicily.¹³³ She suggests that in the Italian

¹³³ While in the period 1989-1993, the first one spent 92% of its allocation, Sicily and Apulia spent 57% and 64%, respectively. In the following period, 1994-1999, Basilicata spent its whole allocation, while

case, apart from administrative capacity, there are other factors at work in the process of absorption of EU funds. She argues that together with administrative efficiency, political stability highly influences regions' absorption rate. While in Basilicata, in four consecutive legislatures, the regional government had four different presidents and each one lasted for the entire five-year legislature, both Apulia and Sicily had ten different presidents. When she relates data on expenditures of EU funds to data of changes in presidential leadership and cabinet members, she finds a clear correlation between greater governmental stability and higher level of performance.¹³⁴ Because of the continuous changes of regional managers, programming of EU funds was delayed. Moreover, managers often used the short period of time they were in office to redirect financial resources towards more rewarding investments for themselves and their clients.

In the end, I would argue, the relationship between politicians and bureaucrats at both the central and local level presents similar distortions. In both cases, newly-elected politicians replace managers selected by previous administrations with people appointed according to political criteria, often in exchange for their political support or the support of their clientele. Those incoming managers use their time in office to reward their own clients with financial resources coming from the EU. This has negative repercussions on the way the EU financial assistance is ultimately implemented.

Sicily and Apulia spent 75% and 77%, respectively. These data show that although some regions have increased their administrative capacity, their performance is still mediocre.

¹³⁴ In the period 2000-2006, each of the three regions experienced greater governmental stability, with governments lasting for the whole legislature. This stability is mainly the result of two constitutional laws which have introduced the direct election of the presidents (previously they were elected by the cabinets which were able to remove them with a simple vote of no-confidence). Yet, although there is greater governmental stability, the performance of Sicily and Apulia is still low. The reason, according to Milio, is that the members of the cabinets responsible for the implementation of EU funds have changed three or four times in Sicily, and two times in Apulia. Also the general managers of few departments were reshuffled a few times during the legislature. Every personnel change leads to lack of continuity and changes of strategies. Also in both regions, the cabinets feature high inter-party fragmentation, with the president constantly opposed by the cabinet.

In conclusion, in this section I discussed two different aspects of regional reforms in Italy: devolution of decision-making power from the central government to the regions and implementation of national and EU financial assistance by Italy's poorest regions. First, concerning the devolution of decision-making power from the center to the periphery, I argued that in the last three legislatures, governments of both the left and the right tried in vain to pass and implement regional reforms, both with and without revising the constitution. Such attempts mainly failed for three reasons. First, fragmentation of governing coalitions and abrupt changes of government delayed the reform process by interrupting channels of cooperation and communication between the center and the periphery, and forcing local authorities to work each time with new ministerial figures. Second agreements between the political majority and the opposition on the model of regionalization to implement could never be reached, as the Northern League convinced Berlusconi to oppose the type of regionalization favored by the center-left in exchange for its political support. Finally, once in government, the opposition always worked to undo the reforms passed by the previous administration, even when supported by popular referenda.

Second, I argued that EMU accession pushed domestic politicians to work for the demise of Italy's state-centric and deficit-spending approach to regional aid and inspired them to a new concerted action in the management of both national and EU financial assistance. Yet, although some administrative reforms were implemented and regional actors became more involved in the process of allocating EU funds, the capacity of Italian regions to absorb such funds remained low. Governmental instability at the regional level and the consequent reshuffling of managers in charge of designing

development programs to be financed by the EU prevented some regions from spending all the available funds. Moreover, the correct allocation of EU funds is often distorted by particularistic interests and clientelistic relationships between politicians, senior civil servants, and a wide range of political friends and supporters.

Conclusions

In the 1990s, the Italian political system was characterized by a high degree of governmental instability. Italian politics featured ten different cabinets, four general elections (including the one in 2001), six diverse coalitions, three complete changeovers of partisan power (right, left, right) and three different technocratic cabinets (one of which was entirely composed of technocrats).

Between 1996 and 2001, the center-left coalition alone featured four different governments (respectively led by Prodi, D'Alema, D'Alema bis, and Amato) and four parliamentary crises. Between 2001 and 2006, the center-right governing coalition was far more stable. Yet, even Berlusconi's tenure was interrupted by the rebellion of some of the parties in his coalition, which forced him to form a new government (Berlusconi *bis*) through the reshuffling of ministries and governmental appointments. When the center-left regained power in 2006, the second Prodi government lasted only 20 months and collapsed when a small political party in its coalition abandoned the majority. During its tenure, Prodi's government was unable to implement the same anti-patronage reforms that it had passed in 1997. This is because political parties in his coalition demanded public appointments in exchange for their support to the majority.

Yet, during EMU accession, a group of technocrats at the treasury remained in charge of the negotiating process despite five changes of government (Ciampi, Amato, Berlusconi, Dini, and Prodi) and two general elections. This continuity was possible because ruling political parties did not want to take the risk of delaying the accession process by replacing the bureaucratic elite in charge of the negotiations with political appointees who lacked experience on EMU matters and political connections at the EU

level. Simultaneously, domestic actors coming in contact with EU actors internalized some rules of appropriateness, such as maintaining a stable and professional group of national EU experts during the negotiating process.

Although free from political interference, technocrats in charge of EMU accession refused to adopt a unilateral approach to the negotiating process. In a moment of national emergency and with the dominant political class delegitimized by corruption scandals, technocrats sought the support of social forces, academicians, research institutes, and regional governments. A unilateral approach to the negotiations, in fact, would most likely create unnecessary social tensions in a moment in which governments needed the widest consensus possible. Some of the governments of the 1990s also valued the contribution of parliamentary committees and tried to find a common position on regional reforms. Nonetheless, the necessity to transpose quickly and efficiently all the EU laws accumulated in years of delays, convinced the parliament that most of the government's proposals on EU matters needed to be passed through fast-track procedures and without modifications.

Even with some nuances, the EMU accession process was characterized by intense modes of cooperation and dialogue between the executive branch of government and a wide range of domestic actors affected by the reforms required by Brussels. Yet, administrative reforms which were crucial to rationalize public spending and meet the Maastricht parameters, could not be implemented. Regional reforms, for instance, remained for the most part unfinished and Italy's rate of absorption of EU funds is still among the lowest in Europe. Despite some level of democratic participation, the reform process was hampered by the chronic political instability of the Italian governing

coalitions and by a self-reinforcing cycle of clientelistic relationships between governments, political parties, and party clientele. The distorted use of EU funds is one illustration of such clientelistic exchanges. EU funds are often diverted by transient regional managers to geographical areas and social categories that are willing to trade electoral support with financial assistance.

What is left today of the wave of political and economic reforms initiated during EMU accession? As Ferrera and Gualmini (2004) argue, although in the 1990s, Italy was rescued by Europe, it remained free to harm itself. After EMU accession, governments abandoned any form of concerted action with social forces and inaugurated a new season of confrontation which ended in strikes and protests. Anti-patronage reforms were proved to be ineffective when governments continued using public appointments to reward political allies and ensure in this way the survival of their own coalition. The parliament is increasingly excluded from the decision-making process as governments use fast-track procedures and votes of confidence to overcome the regular legislative process and approve laws that are meant to benefit some political leaders or small parts of the electorate. Cooperation between the majority and the opposition on matters of national interest, such as regionalization, was also proved impossible, especially when political coalitions refused to find common ground on reforms only to obtain the electoral support of one or more political allies.

Was EMU just another missed opportunity for Italy? What did Italians learn from it? First, EMU proved to Italy that major reforms need more than just a government willing to pass them. The wider and more heterogeneous is the coalition in favor of the reforms, the greater is the chance that those reforms will be passed and implemented.

However, when particularism, political calculations, and personal aggrandizement prevail over the pursuit of public interest, any effort to create institutional change and advance in the process of democratic consolidation becomes ephemeral.¹³⁵

Second, EMU proved to be an extraordinary source of legitimacy for domestic reformers and a strong stimulus for institutional change. Hence, governments should use the EU as lever for domestic reforms rather than trying to eliminate its pressures at the source. Nonetheless, now that Europe is facing a phase of integration fatigue, it will be difficult for domestic negotiators to use the EU as a stimulus for change. Italy needs a strong Europe to lighten up the path of reforms. Thus, Italian politicians should work closely with their European partners to reinvigorate the integration process.

Finally, EMU created a culture of macroeconomic stability and financial rigor that still survives in institutions, such as the treasury, previously captured by political parties and their profligate policies. After EMU accession, technocrats in this institution have resisted attempts of governments to resort to populist economic policies, often by paying high personal costs for their resistance.

In 2008, the EU, as the rest of the world, started facing an unprecedented economic crisis. The only way for European countries to rescue their economies is to find common solutions at the EU level. Protectionist measures undertaken by single member

¹³⁵ A certain level of particularism in politics is inevitable. As Piattoni (2001: 193) argues “the inputs of politics are often, probably inherently, particularistic.” For example, citizens often do not ask from their political representatives the elaboration and implementation of public policies for the improvement of the whole society, but rather specific policies for the improvement of their personal lot. There is a difference, however, between interest representation and clientelism. In the former, public policies are meant to benefit a specific social group or a local community (it is what Piattoni (2001:196) calls “constituency service”. The interests that are particular to a given group are already the result of a process of internal articulation and aggregation of individual interests. In the latter, instead, “the interests continued to be promoted at the level of the individual and her family through personal networks that reach into the bureaucracy through political parties and that system degenerates into outright corruption” (Piattoni, 2001:29).

states would only deteriorate the status of the economy. In this context, Italy needs the EU for guidance and financial help. Yet, for any help from the EU to be effective, the Italian political class ought to put aside particularism and divisions, and resort to practices of dialogue and cooperation.

Conclusions

How and to what extent does EU integration (and its policies, rules, and procedures) affect and transform domestic institutions? What is the impact of the EU on domestic politics, politics, and policies? What is needed for externally pushed domestic reforms to be implemented and produce long-lasting changes in the behavior of domestic actors? This study has confronted such questions by focusing on two processes of European integration – the EMU accession and the Eastern enlargement – and on the way in which such processes have changed the distribution of power among domestic actors, the functioning of domestic institutions and their relations with society, and the reform of domestic public policies.

Although this analysis has primarily focused on the impact of EU integration on domestic institutional change, its findings can be applied more broadly to any type of change of domestic institutions, politics, and policies that is externally driven by other regional organizations or by different international agreements. Yet, by no means, do I intend to argue that the European Union is just like any other regional organization. The EU has peculiar characteristics – shared sovereignty, variable boundaries, composite identity, and multi-level governance – that cannot be found in the structure and organization of other projects of regional integration (e.g., MERCOSUR).

The literature still cannot converge on a single and widely accepted definition of the EU. Jacques Delors once defined the EU as an “unidentified political object.”¹³⁶ Yet, there is much agreement on what the EU is not. The EU is not a nation-state, nor a

¹³⁶ In Schmitter (1996:1) cited by Schmidt (2006:8).

federation. One of the latest definitions of the EU is provided by Schmidt. She argues that the EU is a regional state in the making (or a regional union of nation-states) “in which the creative tension between the Union and its member-states ensures ever-increasing regional integration and ever-continuing national differentiation” (Schmidt, 2006: 9).

Granting the peculiarities of EU integration, I argue that the way in which the EU influences domestic institutional change provides some insights into how externally driven change comes about, which can be generalized. In other words, what can we learn from the EU and its impact on domestic politics, politics, and policies?

As Graziano and Vink (2008) argue, the research scope of Europeanization studies goes beyond the mere impact on EU member states, and also beyond the impact of the EU, “therefore the dynamics of change should be generalizable to the effects of regional processes as such” (Vink and Graziano, 2008:9). In this respect, they suggest to consider the European Union not as a unique phenomenon but as an advanced instance of regional cooperation. Thus, they argue, tools developed theoretically in the Europeanization literature could be applied in other cases and vice versa.¹³⁷

This analysis has identified some intervening variables (both at the international and national level) which are likely to determine whether externally pushed domestic reforms will ultimately produce long-lasting changes in the political behavior of domestic actors.

First, I argued that change is likely to be dependent on the specific power relationship between countries and their international counterparts and on the evolution

¹³⁷ Other scholars, such as Lehmkuhl (in Graziano and Vink 2008) are rather skeptical about the possibility of extending the concept of Europeanization onto other regions or projects of regional integration.

of such relationship over time (e.g., whether there is change or continuity in the balance of power between the EU and the candidate countries after accession).

Second, change is potentially affected by the type of external requirements candidate countries ought to meet – whether they are directly or indirectly linked to domestic policy reforms – and by the way in which domestic actors use and filter such requirements. Although the relationship between countries and their international counterparts is one of asymmetrical interdependence, domestic elites have the power to mitigate external rules and policy requirements in the implementation phase.

Third, change is likely to be influenced by the dynamic interaction between domestic elites and their national opponents and constituencies. In particular, the presence (or absence) of veto players in the domestic decision-making arena and the type of role they play both in the negotiating process and in the implementation of reforms is likely to impact the dynamics of change.

Fourth, change depends also on the learning capacity of domestic actors (i.e., national elites, interests groups, civil society, and sub-national authorities). Domestic actors may choose to adopt mere imitative strategies to cope with international requirements or they may decide to internalize rules of behavior through processes of learning and socialization.

Fifth, the ability of domestic elites to promote change is directly proportional to the level of domestic consensus. Yet, domestic consensus can be of two different types: informed consensus, when it is built around public discussion and national debates; and formal consensus, when information is confined to national elites or the disadvantages of the international agreement are not presented to the public.

Sixth, pre-existing domestic institutional settings are likely to affect the unfolding of the reform process by either fostering or preventing change. Some literature (Schmidt 2006) has suggested that by analyzing the specific characteristics of domestic institutions (e.g., federal versus unitary states) one can predict the impact of the EU on domestic polities.

Finally, this analysis has shown that the capacity of governing coalitions to pass and implement externally pushed reforms is a crucial factor in the process of change. Such capacity is seriously hampered when governing coalitions are highly fragmented, dependent on clientelistic relationships, and unable to hold power for the entire duration of the legislature.

In general, the relationship between international institutions and candidate countries is one of power asymmetry. International institutions demand of candidate countries the implementation of domestic reforms in exchange for political and economic rewards (e.g., membership in a club of peer countries and supposedly greater bargaining power in the international arena, and/or financial assistance) or under the threat of economic sanctions and/or political repercussions (e.g., isolation). Such power asymmetry is likely to shape the dynamics of the negotiations between domestic and international elites. Yet, the specific characteristics of this balance of power are likely to vary from country to country and under different (international and regional) agreements (e.g., EMU accession vs. EU enlargement).

In this respect, the EU conditionality has no equivalent in other processes of regional integration or international agreements. In 1993, the European Council of Copenhagen established that the basic condition for the opening of accession negotiations

with the candidate countries was the fulfillment of democratic and human rights standards (the stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities) and the creation of a market economy. Once negotiations started, the focus of conditionality shifted from general democratic (and market economy) norms to the specific rules of the *acquis communautaire* (Schimmelfenning and Sedelmeier, 2008). Studies of Europeanization typically analyze the impact of EU conditionality on accession countries – particularly with regard to the political criteria. Some authors have emphasized the overall strength and effectiveness of EU conditionality and its influence on democratic reforms (Vachudova, 2005). By contrast, other studies (including my own) have underscored the ambiguities, inconsistencies, and lack of effectiveness of EU conditionality (Grzymala-Busse and Innes, 2003, Hughes et al., 2004, Raik, 2005).

Going back to the balance of power between candidate countries and their international counterparts, in general, the greater is a country's bargaining power in the international arena (or simply within a regional or economic group of countries) the greater is its capacity to influence international agreements. In this analysis, I argued that one of the main differences between the negotiating process in Hungary and Italy consisted in the different capacity of each country to (re)negotiate the requirements for EU/EMU membership.

Hungary, as a latecomer, had no bargaining power on the Copenhagen criteria. The entry conditions were univocally set by the EU and did not leave any room for renegotiation. If we understand Europeanization as a two-way process characterized, on the one hand, by the progressive delegation of power from the member states to the EU,

and, on the other hand, by the impact that member states can ultimately make on EU decision-making (i.e., the top-down and bottom-up dimensions of Europeanization) we have to conclude that there was no bottom-up dimension in the Hungarian accession process (and in the accession of the CEECs in general).

By contrast, in Italy, all the governments of the 1990s were able to activate diplomatic channels to renegotiate the Maastricht parameters. In the negotiating process, Italian elites made good use of their five-decade-long relationship with EU institutions and European governments. They ultimately obtained the economic criteria for accession (i.e., inflation and deficit) to be considered as evolutionary trends rather than fixed parameters to be evaluated at a given point in time. As a result, Italy was included in the first wave of EMU acceding countries.

Italy's capacity to renegotiate the Maastricht parameters stemmed from its status as founding member state. Yet, such capacity was rather limited if compared to the decision-making power of other founding members, such as Germany (whose economy eventually became the model used by the EU for the creation of the Maastricht parameters).

In the context of EMU accession, Italy's negotiating capacity contained both elements of autonomy and dependency. As a founding member state it had more negotiating power than latecomers (thus, in this respect, its political role in the accession was supposedly closer to the leading role played by France and Germany). Yet, as it was (and still is) highly dependent on the EU for financial assistance, its bargaining capacity was ultimately more similar to late members such as Spain, Portugal, and Greece. During

the negotiations, Italy sought to convince Spain to create a common front for a more flexible interpretation of the Maastricht parameters.

Unsurprisingly, both Italy's and Hungary's power to influence EU affairs has not substantially changed after membership. Hungary is now a full-fledged EU member and as such has the right to vote on the decisions of the European Council. Yet, its bargaining power is still very limited if compared to older member states which have retained firm control over the EU political agenda. Furthermore, Hungary is a small country in terms of population, and representatives at the European parliament are proportional to the size of a country (only 22 MPs vs. 72 MPs from Italy and 99 from Germany). Finally, Hungary's economy is still highly dependent on EU funds. The older member states use such dependency as leverage to influence Hungary's vote and negotiating positions at the European Council.

In Italy, on the other hand, EMU membership has not *de facto* increased the country's capacity to influence the EU decision-making process. Berlusconi's failed attempt to eliminate the economic constraints of the Stability and Growth Pact is one illustration of the limits of Italy's bargaining power in Europe. Moreover, whereas in 2003, France and Germany were able to avoid economic sanctions for their violation of the Stability Pact, at the end of 2005 the EU opened a formal proceeding against Italy for a similar violation. As this analysis has shown, the EU is far from being a club of peer countries and after accession both for Italy and Hungary, there were no substantial changes in the balance of power vis-à-vis the EU.

A second intervening variable in the process of domestic institutional change is represented by the type of external pressure candidate countries receive and the way in

which domestic actors use, filter, and mitigate such pressure. In this case, the bottom-up dimension can potentially emerge even if a country has low bargaining power and high financial dependency vis-à-vis its international counterpart(s). Although the rules of the game are set from the outside, domestic actors have the opportunity to mediate the effect of such rules in the way they transpose and implement them. Domestic governments, in fact, have the discretion to use external requirements for change in the way they can best fit their national priorities. They can either use external pressure as leverage for domestic change even without specific policy requirements (as in the case of Italy) or they can use external requirements to pass policy that corresponds to governments' own preferences (as in the case of Hungary).

The top-down dimension explains only the requirements coming from above. Understanding how these requirements are processed and incorporated into domestic institutions, politics, and policies – the bottom-up dimension – is equally important. In the phase of transposition and implementation of external requirements, the imbalance of power between international and domestic actors/ institutions is likely to decrease.

Third, the role played by domestic political and technocratic elites is fundamental to understand the dynamics of the negotiations and the unfolding of the reform process. As Putnam (1998) suggests, in negotiations of international agreements, domestic elites play a two-level game in which they are simultaneously involved in international bargaining and negotiations with domestic interest groups. In this process, they try to reconcile interests both at the international and the domestic level. Although they delegate some domestic sovereignty to international actors and institutions, they ultimately acquire power vis-à-vis their domestic opponents. In fact, they generally use

external pressure – both real and perceived – to justify the need for change and overcome the resistance of political and societal veto players.

Yet, in this respect, the EU differs significantly from other regional and international organizations. Domestic elites (and their opposition and constituency) are not simply the counterparts of an international agreement. They are the citizens (or aspirant citizens) of a *sui generis* system of government – the EU polity – that is characterized by shared sovereignty, multi-level governance, and a composite identity that is simultaneously local, national, and European. The specific characteristics of the EU polity add complexity to the otherwise straightforward dynamics of a simple two-level bargaining game. In the complexity of the EU negotiations, the fear of being left out from Europe (even in countries, such as Italy, which were already EU members) plays a role that has no equivalent in other international agreements.

While negotiating external policy requirements, domestic negotiators can use two different approaches: they can either conduct negotiations behind closed doors or they can seek to build a larger domestic coalition in favor of accession and institutional reforms. If they pursue the former approach, they tend to justify the exclusion of other domestic actors from the negotiations by blaming it on the technicalities of the negotiations, the speed of the process, and the fear – real or perceived– of being left out from the group of acceding countries. If they pursue the latter approach, they can still use the fear of being excluded to justify the need for consensus with the difference that such consensus is not merely formal but is achieved via public discussion, or at least, by consulting with the representatives of interest groups, parliamentary committees, and local governments.

Whether externally pushed reforms generate real institutional change is likely to depend on the role played by domestic veto players (parliamentary, social, and local forces) in the negotiating process. The inclusion of domestic actors in the negotiations is crucial to overcome their potential opposition, bring legitimacy to a process which would otherwise be perceived by the public as merely technocratic, and decrease the possibility that reforms will be contested or ignored in the implementation phase. This thesis has shown that when domestic actors are excluded from the negotiating process they are more likely to oppose institutional change.

Fourth, a crucial factor in any reform process is learning. As this analysis has shown, domestic actors can adopt two different types of learning behavior. They can either learn mere imitative strategies to cope with international requirements of change or they can internalize rules of appropriate behavior through processes of persuasion and socialization. In this thesis, there are examples of both types of learning.

Despite the high level of politicization in the senior civil service, both Hungarian and Italian governments were able to create a professional and apolitical team of bureaucrats in charge of managing the EU negotiating process. This is because domestic elites internalized some rules of appropriate behavior that were embedded both in the EU and EMU accession (such as maintaining the same group of domestic technocrats throughout the negotiations). Yet, in the Hungarian accession process, there are also examples of imitative learning. Albeit regional reforms were on the agenda even before the regime change, during the years of accession, Hungarian governments created regions with no democratically elected institutions and no decision-making power over the

allocation of EU funds only to satisfy EU membership requirements and receive financial assistance.

Fifth, together with learning, reforms need domestic consensus to produce long-lasting changes. Yet, consensus is merely formal when information is confined to political and technocratic elites and the public is given only a univocal perspective on the issues. Formal consensus is dangerous for the viability of democracy because citizens might ultimately turn away from politics and become uninterested in practicing their voting rights.

The Hungarian referendum on EU accession is one illustration of the perils of elitism. The referendum on the accession had the lowest turnout among the CEECs and in the history of referenda in Hungary. In this case, citizens chose to abstain from voting because they perceived the accession as something already decided by domestic and European elites. In Hungary, EU accession was never a matter of if, only a matter of when. Thus, national debates focused mainly on its advantages.

How can politics become the expression of real and informed consensus? In this respect, participation of domestic actors (i.e., all the parties affected by the reforms) in the decision-making is crucial. Yet, the level of participation is strictly dependent on the structural characteristics of the national decision-making process. In Hungary, as in the majority of the CEECs, civil society is structurally weak and its representatives are generally excluded from the decision-making arena. Rather than a feature inherited from the previous regime, this weakness is a direct consequence of the political transition. In the 1980s, in fact, civil society was extremely active in Hungary and worked vigorously towards the regime change. During the transition years, however, NGOs became

extremely fragmented and dependent on foreign and governmental aid, while trade unions reached the lowest membership rate in Europe (among other reasons because international corporations refused to hire unionized workers).

By contrast, in Italy, civil society participation became paramount during the transition. In the midst of a dreadful economic crisis and in the view of the imminent monetary integration, governments and trade unions inaugurated a new season of cooperation and consensual decision-making. Unlike the agreements of the 1970s and 1980s, in the reforms of the 1990s, union leaders consulted with their rank and file through a mechanism of internal referenda. The fact that union members could express their voice from within gave a bottom-up legitimacy to the leaders involved in the reform process.

One of the main features of democratic corporatism (Katzenstein, 1985) is the concentration of decision-making power in the hands of union leaders while the base is generally rather compliant. Thus, this Italian case seems quite unusual if compared to other cases of democratic corporatism described by the literature (Boccaro, 2002). Yet, in one particular agreement I described in this thesis, decisions were made exclusively by the government and two national union leaders (the third leader was intentionally excluded) without informing the base. This agreement remained secret for over a decade, supposedly because it was in open contradiction with the concerted style that characterized the Italian decision-making process in the 1990s.

Sixth, pre-existing institutions are likely to influence the unfolding of the reform process and in some cases they might represent a concrete obstacle towards the adoption of new policies. In the Hungarian case, in particular, the requirements of EU accession

and the dynamics of the simultaneous process of regional reforms collided. The EU pushed for the creation of regional structures because it considered the thousand-year-old counties too small (both in terms of size and political power) to manage structural and cohesion funds. Yet, local elites perceived these new regions as artificial structures with no concrete decision-making power over the allocation of EU funds (which remained centralized at the level of ministries). Thus, they opposed the creation of democratically elected regions.

Can pre-existing institutions be used to predict the impact of the EU (or other international agreements) on domestic change? Schmidt (2006) argues that categories such as unitary, regionalized, and federal states, which indicate the pre-existing distribution of power between branches and level of government, can be helpful to predict the impact of the EU on domestic polities. She contends that in unitary states, EU integration enhances the autonomy and independence of sub-national institutions and diminishes the decision-making power of the central government. Yet, even if Schmidt is correct, how far can her findings be expected to apply beyond the case studies of her analysis (Germany, Italy, France, and the UK)? As this thesis has shown, Hungary is a highly centralized state where the accession process reinforced the central government to the detriment of sub-national authorities.

The Hungarian case also contradicts the “institutional fit” theory which argues that in order for the EU to create change, there must be some level of “misfit” between EU requirements and domestic institutions. Without a certain mismatch or divergence between the two, EU integration would require no change. Nonetheless, if the degree of mismatch is too high, inertia or even resistance to domestic adaptation is likely to occur.

In Hungary, there was a high level of misfit between the unitary structure of the Hungarian state and the regional requirements of the EU. If we apply Schmidt's argument, we would expect this misfit to produce change (decentralization) whereas if we apply the "institutional fit" theory, we would expect inertia (i.e., the status quo, thus centralization). Yet, Hungary's response was neither complete inertia nor real institutional change. Change was merely formal (powerless regions) and pursued only to pass the requirements for membership.¹³⁸

In the light of the empirical findings of this thesis, the use of categories such as unitary, regionalized, and federal states to predict the impact of the EU on domestic politics seems problematic. In other words, this argument cannot be generalized (not that Schmidt aimed at any generalization) and does not apply beyond its case-studies which are all in Western Europe.

The process of EU integration in Hungary had different characteristics than in Western Europe (especially because of a different balance of power between the EU and Hungary, a newcomer). Thus, in order to understand Hungary's peculiar political outcomes, in this case a strong executive vis-à-vis powerless regions, we need to look at the way in which the EU accession process has interacted with, and was affected by, Hungary's domestic institutions, interests, and ideas.

Finally, even when change is based on real consensus, processes of learning and internalization of rules, the involvement of domestic actors, and respect for domestic institutions transmitted from the past, reforms can still be hindered by the incapacity of domestic governments to adopt and implement laws. The ability of governments to

¹³⁸ By contrast, the Italian case seems to confirm Schmidt's argument that in more decentralized states, EU integration is likely to strengthen sub-national authorities and simultaneously the executive branch of government.

implement reforms can be seriously jeopardized by the instability of governing coalitions and their dependence on clientelistic relationships. In Italy, anti-patronage laws could never be implemented because of the opposition of small parties within the governing coalition which expected public posts in return for their political support to the government. Similarly, regional reforms were repeatedly interrupted by political crises and the consequent creation of new cabinets (at both national and regional level). New officials allegedly use the brief time in office to divert EU resources to their own clientele.

How far can these observations be expected to apply beyond these particular country cases and EU integration? One obvious limitation to any broad generalization is that the way in which domestic actors respond to external stimuli for change depends on each country's specific characteristics (history, institutions, interests, ideas). These characteristics can differ even among regions such as post-socialist Eastern Europe or Southern Europe which are conventionally treated by the Europeanization literature as relatively homogeneous groups (Wallace, 2001 and Featherstone and Kazamias 2001). The second limitation is that EU integration is a *sui generis* process, especially for the changes it produces in national governance practices.

Yet, with these caveats, the categories employed in this analysis (e.g., power, learning, consensus, participation, and government capacity) can be applied to a broader range of cases in which change is externally driven. These categories can provide insights into how domestic actors make decisions over externally driven policies, the trade-offs they face when forced to prioritize among them, and the conditions which may reinforce a set of objectives over another.

This thesis provides also some useful methodological tools to approach research in Europeanization studies. The first tool concerns the research design. This analysis has shown that comparisons between different processes of EU integration (and different regional groups) are not only possible but provide a viable remedy to solve problems of lack of variation in the EU-level independent variable.

Second, this thesis has proposed a synthetic approach to the study of Europe which reconciles both top-down and bottom-up perspectives. The argument is that Europeanization is a two-way process in which the causal arrow goes from the EU to the member states and back.

Third, this thesis has proposed to explore change in three different, yet overlapping, dimensions of Europeanization – politics, polities, and policies. Since these dimensions are closely intertwined, change in one domain is likely to affect change in the other two.

Fourth, in order to assess the relative impact of the EU on domestic policies, politics, and polities, this thesis has proposed to take into account alternative explanations for change. Apart from EU integration, this research has also considered the role played by other independent variables at work simultaneously – domestic factors (such as national transitions) and global factors (such as globalization).

In the end, this thesis has used simultaneously three causal mechanisms – interests, ideas, and institutions – which are conventionally used by the literature as competitive explanations of change. Individuals both make the best of the new opportunity structure created by the EU and act upon a new identity provided by EU

rules. Yet, their political behavior is also likely to be influenced by the “stickiness” of domestic institutions, policy arrangements, and routines.

Finally, this analysis raises some questions for future research on European integration. One main research area is whether there will be convergence between old and new members in terms of patterns of integration and whether integration in Central and Eastern Europe will produce more homogeneous outcomes than in Western Europe. In order to answer such questions, we would not only need further comparative East-West research (which is still incipient) but also a longer time-frame for the analysis.

Yet, this thesis provides a good starting point for future studies. It has shown that integration is likely to depend on each country’s willingness and ability (political stability, domestic support/opposition, pre-existing domestic institutions) to implement EU decisions as well as on the credibility of the EU enforcement capacity.

My concluding remark concerns the process of EU integration in the current candidate countries. In the accession of Turkey and the Western Balkans (and possibly in the process of monetary integration in Eastern Europe), the EU should pay greater attention to variables such as learning, participation, and real consensus which this analysis has shown to be causally important in the process of real institutional change. No change can be simply imposed from the outside and take place overnight. Lessons drawn from previous enlargements and processes of monetary integration should advise the EU to reassess the benefits of its negotiating strategies and perhaps put aside requirements of speed and efficiency in favor of inclusion and participation.

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