

Reforming European Institutions of Governance

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Abstract

The European Union has combined a belief in institutional engineering with the experience that comprehensive reform is difficult to achieve. The long-term development has been in a consistent direction. Yet, the history of the Union is one of founding acts and deliberate institution-building, as well as informal and gradual institutional evolution where common practices have been codified into formal-legal institutions. Institutional arrangements are contingent and malleable, but not necessarily in a voluntaristic way. A simple model of institutional engineering, assuming predetermined political will, understanding and power, is not likely to capture processes of comprehensive reform in complex and dynamic political orders like the EU. This does not deny that there are several options for deliberate intervention in existing structures. EU reformers may both reduce the need for reform and make reform more feasible.

I. Comprehensive Institutional Reform and the Search for Political Order

Institutional reform has – again – become a salient issue on the political agenda of the European Union. The allegation is that the EU institutions of governance have major weaknesses, that they lack effectiveness and legitimacy and that comprehensive reform is needed. The claim includes single institutions, as well as the relationships between and balance among institutions. Therefore, the basic principles and rules for constituting, distributing, controlling and legitimizing power are involved.

My focus is on a comprehensive reform of the European political order, and the prospects for a deliberate rearrangement of the relations between key institutions. What can students of political institutions contribute to a better understanding of institutional reform in a complex, dynamic, multi-cultural and pluralistic setting like the EU? How useful are existing theoretical ideas

about institutional dynamics, that is, how political orders are established, maintained, changed or abandoned? What do these ideas tell us about the processes through which a new European order is being established, to what degree institutional engineering is feasible, and what can be achieved through deliberate reform?

There is no generally agreed theory of institutional dynamics that explains how and when institutions of governance change, and with what implications. Neither is there agreement on the significance of deliberate intervention in the processes of change. There are different ways of understanding reform, based on competing conceptions of political institutions, actors and processes of change.

A reform perspective emphasizes the role of political agency and the attributes of identifiable and autonomous actors – such as their will, understanding and power. The working assumption of this article, however, is that an adequate understanding of comprehensive reform in the EU presupposes that actors and their will, understanding and power may change during reform processes. The institutional perspective used also assumes that such changes are influenced by the contexts within which reform takes place. Making actors, their normative and cognitive beliefs and power endogenous, rather than treating them as predetermined and exogenous, complicates our models of change. However, this starting point may also deepen our understanding of how formally organized political institutions change and how they may be deliberately improved.

I start with the demands for comprehensive reform in the EU. Next, a simple model of institutional engineering is sketched. Then, the complications of seeing actors, political will, understanding and control as endogenous to reform processes are introduced. Finally, I return to the prospects of institutional engineering in complex and dynamic settings like the EU.

II. The Demand for Comprehensive Institutional Reform in the EU

The assertion that European institutions are not working properly – that they are unable to cope with major social and economic problems, to do what they are intended to do, and to adapt to a rapidly changing world – is hardly new. Neither is the demand for comprehensive reform completely without precedent. Still, at the end of the 1990s the contested legitimacy of European institutions was portrayed by some as part of a constitutional crisis (Cowles and Smith 2000, p. 3). It is argued that the Union has to rethink and reshape the way institutions are organized, governed and changed. The EU needs to reform its institutions as well as the ways in which institutions are being revised.

Demands for reform have a threefold basis. Firstly, policy reforms, and an expanding social and economic agenda leaving few spheres of life unaffected by EU policy, have already created a need for parallel institutional reforms. Secondly, the coming enlargement will increase the size and heterogeneity of the Union and will have a significant impact on the functioning of institutions. Finally, the need for reform is reinforced by changes in the world economy and geo-politics, and by the EU's desire to strengthen Europe's role in the world and harness globalization.

The demand for comprehensive institutional reform has been aired from Maastricht through to Nice. Reform will also be high on the agenda of the 2004 Intergovernmental Conference (IGC) and have a prominent place in the Commission White Paper on Governance in Europe (Commission, 2001a). According to the President of the Commission, Romano Prodi, Laeken implies 'launching a new constitutional phase in the building of Europe' and the convention model is a 'deliberate break with the past' and a radically new approach to change. The Convention is expected to 'take the European project forward' and reveal the weaknesses of other approaches to change (Prodi, 2001a, b). According to Prodi, the issue is nothing less than 'the grand project of creating a European Union' and the fundamental nature of the Union in the future. Comprehensive reform involves building a political union and not only a trading bloc, improving the Union's external power and internal solidarity, and protecting and affirming the values of democracy, social cohesion and justice (Prodi 2001c).

Reform aspirations are reflected in the instrumental language used. Reformers want to 'build Europe' by changing 'the European institutional architecture' and the 'institutional machinery'. Institutions are portrayed as tools for implementing policies and visions of a better society. According to the Treaties, the Union is supposed to endow itself with the appropriate institutional instruments and other means necessary to attain its objectives and carry through its policies. 'The Union shall be served by a single institutional framework which shall ensure the consistency and the continuity of the activities carried out in order to attain its objectives' (European Union Consolidated Treaties, 1997, Article 6.4 and Article 3).

The rhetoric indicates a belief in the possibility and importance of governing through deliberate, comprehensive institutional reform. Institutional engineering is seen as a possible strategy to achieve intended social development.¹ Still, there have been disappointments. The Union does not seem to be

¹ Prodi's 'The State of the Union in 2001' speech illustrates the claim that reform should start with substance, that is, what the European peoples want to share together and therefore the ultimate purpose of the Union. Then the institutional implications should be drawn and a 'coherent and durable design for our enlarged Union' developed. Consistent with this 'tool' view of institutions, Prodi makes a distinction between the 'eminently political' issues of substance and institutional issues.

capable of achieving reform by means of the one-off shot of a constitutive assembly writing a constitution and specifying the basic principles of political organization. For reform enthusiasts, for example, the achievements reflected in the Amsterdam Treaty and the Treaty of Nice were seen as inadequate.

While comprehensive reform has been difficult to achieve, the institutional balance of the Union is dynamic, not static. In the words of Romano Prodi: 'Since 1981, first the Community and then the Union have been going through a continual process of adjustment, restructuring, enlargement and adaptation'. There has been a constant seismic shock shaking the institutions and making the general public less sure 'what Europe is all about or whether it is headed in the right direction' (Prodi, 2001, p. 5).

Still, over the years there has been a consistent trend towards institutionalized co-operation, more so than in any other region of the world. Member States' authorities have become an integral part of European governance (Commission, 2000, p. 13). The EU has been transformed from a bargained agreement among nation-states, to a quasi-federal polity (Stone Sweet and Sandholtz, 1998, p. 1).

III. A Simple Model of Institutional Engineering

Institutional design and reform involve how institutions might be, and ought to be, adapted to human purposes in order to function well and create improvement (Simon, 1970). Then institutions are seen as organized arrangements created and run by purposeful people (Egeberg, 1987; Stinchcombe, 1986, 1997). Institutions are supposed to govern systems of activities, raising the question of how and to what extent they are capable of coping with the problems they are supposed to solve and produce substantive results (Underdal, 1995).

Institutional engineering suggests an understanding that focuses on changes in the will (intention), knowledge (intelligence) and power (resources and control) of identifiable political actors. An institution represents a solution to a shared problem in a consensus system, or an imposed, coerced solution from a winning coalition or a conqueror. Institutions arise and are maintained or transformed as a function of the degree to which they serve the purposes of the relevant actors (March and Olsen, 1995, 1998).

A simple model of institutional engineering suggests that institutions can be deliberately designed, chosen and reformed by actors:

1. Who know what they want. Reformers have clear, consistent and stable objectives or normative criteria over the time period studied. These

criteria define tasks, goals, performance failure, improvement and progress.

2. Who know what it takes to achieve their objectives. Organizational form is a significant determinant of performance and the actors understand how alternative institutional forms affect performance. Claims for comprehensive reform follow from a perceived major performance failure or unexploited potential for improvement.
3. Who have the power to do what is needed to achieve a desired result. Choices made by political actors are the most important determinants of institutional form.

In sum, in the simple version of institutional engineering, rational leaders with clear objectives develop policies and then design or reform institutions as rational organizational instruments for implementing those policies. Political institutions are conceptualized as malleable organizational instruments. Legitimacy is functional-instrumental, that is, understood in terms of cost-effective technical performance and improved substantive results.

This view is basically consistent with the democratic idea that citizens, collectively and as equals, should determine how they may live together and organize politically (Dahl, 1989). The winners of elections should have the authority and power to shape and reshape political and administrative institutions. The view is also consistent with parts of organization theory, seeing formal organizations as 'consciously planned, deliberately constructed and restructured' (Etzioni, 1964, p. 3). Furthermore, it is consistent with mainstream international relations theory. Neo-liberal institutionalists see international institutions and co-operation as rational attempts to counteract the inadequacy of one's own resources and discover Pareto improvements (Keohane, 1982, 1984). Realists also portray international institutions as tools. Structures reflect the interests of victorious states and are the outcome of strategic interaction, alliances, coercion, competing interests and relative power. Changes in order results from changing powers and material capabilities (Strange, 1983; Grieco, 1988; Mearsheimer, 1994).

IV. Developing Political Will, Understanding and Control

Sometimes reformers have precise preferences, perfect knowledge and full control. More often, however, they have a host of motives and concerns. The criteria for what makes one set of institutions more desirable than others are ambiguous, inconsistent or changing over the period studied. Likewise, the understanding and control of institutional dynamics may be more or less perfect. Reformers are not omnisciently rational. They do not necessarily know

all possible institutional alternatives and their implications for the relevant objectives and principles. Neither are reformers omnipotent, controlling perfectly all factors having an impact on institutional change. One implication is that political will, understanding and power may be seen as endogenous, not exogenous, to processes of comprehensive institutional reform. We need to understand goal formation processes; how information is obtained, interpreted and used; as well as how power, resources and capabilities are influenced by reform processes. Both the perceived need for comprehensive reform and the ability to implement reforms are influenced by the institutional context and the processes of interaction within which reform takes place. What, then, are the implications for institutional engineering in the EU?

Processes of Will-Formation

What do EU reformers want? What do they expect from their institutions? What criteria (values, principles, norms, preferences, interests) do they use when they try to improve institutions?

Consider, firstly, that institutional reform reflects the predetermined and stable *policy* preferences of the reformers. Actors have preferences over outcomes, but not over social relations. There are no intrinsically valuable forms of association and cohesion (Lake, 1996, pp. 12–13).

Consider, secondly, that reformers have predetermined and stable preferences over institutional arrangements. They may adhere to durable general principles of political organization, only loosely connected to specific policy choices. Practices and procedures may become valued beyond their technical-functional properties (Selznick, 1957). Then, institutions are not solely organizational tools for the policy achievements of one group of actors. They are part of a political order making it possible to live peacefully together with enduring tensions and conflicts. Legitimacy depends on the degree to which structures, procedures and rules conform to societal beliefs about appropriate institutions (Meyer and Rowan, 1977). For instance, representative democratic government is not defined by particular actions at a particular moment, but by long-term systemic arrangements and how they function (Pitkin, 1972, p. 234). A complication is that institutional legitimacy and policy efficiency do not necessarily coincide. There are illegitimate but technically efficient means, as well as legitimate but inefficient means (Merton, 1938; Weber, 1978).

Consider, thirdly, that objectives, preferences, interests, norms, principles and values may change over the period studied. This may be so in terms both of the attention they are given and how their content, consistency and significance are interpreted.

The motivations of EU reformers are complex and shifting. They want many, different and not necessarily consistent things. Like other reformers

(Nystrom and Starbuck, 1981, p. xiii; Goodin, 1995, p. 39), political leaders in the EU try to make institutions more rational and efficient, more humane, representative, responsive, transparent and accountable. They also try to make them more useful to societies, more profitable for owners, more submissive to top managers, more stable, predictable and robust, or more flexible, adaptive and able to learn.

Purposes and objectives include substantive policy criteria as well as maintaining and developing democratic institutions and processes. As the social and economic agenda has expanded, so has the number of relevant policy goals. In addition, in its self-presentation the EU adheres to several fundamental principles of governance, independent of the single policy issue at hand. Examples are: democracy, transparency, subsidiarity, respect for human rights and fundamental freedoms, the rule of law, and a competitive market economy.

The complexity of the Union's normative criteria makes it less likely that reformers can act on the basis of a single normative principle, or maximize a single objective or a consistent and stable utility function. They are likely to attend to a variety of partly competing and changing normative criteria. Consequently, students of institutional dynamics need to understand which criteria are attended to when, and how tensions among them are resolved. Conflicts between states and adherents of competing visions of European co-operation are well known. Here, attention is drawn to two less discussed complications.

Firstly, sometimes reform focused on adapting institutions to desired policy outcomes and improved effectiveness, and reform focused on system improvement according to general organizational principles, create problems for each other. Policy-driven reform typically adapts institutions to a specific task- or policy environment. As each part of a system of governance adapts to its immediate task environment in a more or less myopic manner (Levinthal and March, 1993), the system as a whole may become incoherent and ineffective. There is an increasing demand for co-ordination across functional sectors. Yet, functional differentiation and integration, as well as institutional 'fusion' between levels of governance, make system-wide co-ordination difficult (Rometsch and Wessels, 1996; Brunsson and Olsen, 1998).

Comprehensive institutional reform, in particular at the 'constitutional moments' in the history of a polity (Ackerman, 1991), has a different focus. Here the main concern is to develop a coherent order according to general principles of political organization and governance. Such processes, constitutional in nature, tend to create problems for specific policy sectors because they rarely attend in any detail to policy- or sector-specific characteristics that affect performance.

Secondly, reformers may face a dilemma in reconciling short-term effectiveness and long-term adaptation and survival. A major institutional problem in sustaining adaptive capability is how to balance processes of exploitation of existing standard operating procedures which have proved to be effective in the past, with the exploration of new institutions and procedures that may improve long-term survival (March, 1991, 1994).

For instance, Peterson and Bomberg (2000, p. 39) argue that risk-averse behaviour is a prime characteristic of EU decision-making. If so, political leaders are likely to give priority to improving effectiveness in the short run at the cost of sustaining long-run adaptation and survival. They will be exploiting the *status quo* of established arrangements, rather than exploring the potential of experimenting with new forms, in terms of both empowering European supranational institutions and decentralizing power already transferred to the Union level.

Since reformers face a balance problem, there is no neat solution. Achieving balance, however, depends on the ability simultaneously to ensure that experiments in new possibilities, as well as persistence in them, are stimulated, and that the lessons of experiments are diffused across time and space (March, 1991, 1994). The 'new open method of co-ordination' in the EU, involving score cards, benchmarking and dissemination of best practice across Member States, may make diffusion processes more efficient. Simultaneously this method may produce more homogenization across domestic systems and therefore less experimentation and variation, which in the long run may inhibit learning and adaptation.

In a Europe of complex and dynamic preferences, sustaining institutional adaptive capability, rather than implementing predetermined objectives and principles, may be the main challenge. For the EU, then, the challenge is not necessarily to make comprehensive reforms possible, but to foster the continuous learning and adaptation that makes great leaps unnecessary (Olsen, 1997a). This approach is illustrated by the Finnish Prime Minister, Paavo Lipponen, who has argued that, if the EU were first to define what is wanted, it might be easier to establish how it can be achieved. However, in a changing world this may be an impossible task. Reformers have to develop a Union that is responsive to change and challenges as a continuous process (Lipponen, 2000).

My argument is that a simple model of institutional engineering, assuming a predetermined, coherent and stable political will, is unlikely to provide an adequate understanding of comprehensive reform in the EU. Institutional engineers cannot assume a shared vision of the future Europe, providing clear normative criteria of institutional improvement. Instead, a variety of competing visions and normative criteria are seen as relevant. Reform goes beyond

designing or reforming institutions fit for implementing exogenous objectives or normative principles. To a great extent, the reform debate in the EU involves what type of Europe and European governance is desirable and what democracy may imply in the EU context (Eriksen and Fossum, 2000).

An alternative understanding of the role of human purpose and political will in institutional change is needed: (1) if it cannot be assumed that reformers take all relevant normative concerns into account; (2) that, through exchanges, deliberate trade-offs and side-payments, they organize their preferences into a consistent and stable utility function; and (3) that they act on the basis of these preferences.

One possible approach is suggested by Cyert and March (1963). They argue that the multitude of relevant preferences, purposes and principles can be understood as independent, aspiration level constraints on reform processes. That is, each constraint defines a standard that an acceptable institutional solution must meet. Understanding reform, then, requires a detailed study of a variety of processes and mechanisms:

- institutional identification, where decision-makers are socialized into giving priority to specific normative criteria;
- ‘local rationality’, where different institutions attend to, and protect different goals;
- selective and sequential attention to goals, where shifting attention over time may change the reference group of social comparison and the normative criteria of good performance;
- the significance of slack resources in buffering competing normative claims, suggesting that reduced slack may produce demands for more co-ordination and institutional reforms.

The Search for Knowledge

Cognitive beliefs about institutional change are not always, any more than normative beliefs, predetermined, reliable and stable. A comparative institutional analysis, specifying the short- and long-term consequences of reforming an institutional order, is no mean task. It is often difficult to form rational expectations about the future. Neither is it always easy to interpret collective and individual experience and the lessons of the past (March and Olsen, 1975).

The task is also complicated by the many possible functions institutions may have – as instruments of command and coercion; arrangements for regulating and facilitating exchange; tools for collective problem-solving; vehicles for the redistribution of resources and power; and as frameworks for constructing meaning, defining appropriate behaviour, constructing individual and collective identities and building a political culture. Impacts, then, in-

clude how institutions may affect policy substance, as well as the sense of political community, identity and shared purposes, concepts of right and truth, a shared political vocabulary, and the distribution of institutional resources and capabilities (March and Olsen, 1995).

The idea of bounded rationality suggests that reformers act on a simple model of complex reality. A theory of choice is to a great extent a theory of search. Information has to be obtained and exposure to and search for information are selective (Cyert and March, 1963). Instead of assuming a choice between available institutional arrangements with known consequences, it is necessary to understand how reformers get information about institutional alternatives and their implications, and what can be achieved through reform.

Reformers may, or may not, share beliefs about institutional impacts. Sometimes there are 'reality checks', like a performance crisis or obvious performance differentials convincing everyone that rethinking and reshaping institutions is called for. For instance, Pérez-Díaz portrays Spain's exposure to western Europe as a meeting with institutions and cultures which were far more efficient in achieving some of the traditional Spanish objectives, as well as other objectives which Spaniards were rapidly learning to appreciate. They learned from, imitated and came to identify with the peoples of western Europe, their institutions and their way of life (Pérez-Díaz, 1993, p. 13). Scharpf also argues that Europeans, through a reality check, may learn about international interdependencies and the loss of national 'fate control', so that they adapt aspiration levels, internalize dependencies and the interests of others, avoid wishful thinking and concentrate on alternatives effective under current international interdependencies (Scharpf, 1999, pp. 283–6).

Often, however, rational expectations of the future are uncertain and interpretations of history are not inherent in the events themselves. The meaning of principles and interests in concrete situations has to be interpreted. The indeterminacy of facts, norms, interests and situations makes it difficult to conclude what they imply, how they are going to be applied, and whether they correspond to a specific organizational form (March and Olsen, 1995, p. 44; Habermas, 1996; Kohler-Koch, 2000).

In the EU the struggle over future forms of governance and organization is to a great extent a struggle over competing cognitive frames (Kohler-Koch, 2000). Increased interdependence and extended interaction and communication are crucial elements in the shared experience of Member States. Shifts in cognitive frames may then become a main vehicle for system transformation (Finnemore and Sikkink, 1998, p. 254). Yet such shifts may involve shifting fashions, as much as new knowledge. Interpretations are influenced by both the institutional context and the normative environment in which they take place. Therefore, an adequate comprehension requires studies of the mecha-

nisms by which external influences combine with endogenous processes to produce change (Pérez-Díaz, 1993, p. 13). One aspect is the role experiential learning may have for the emergence of common understandings and identities.

All institutions develop experience-based standard responses for dealing with changing circumstances. As a result, institutions may be transformed through mundane processes of learning and incremental adaptation (March, 1981). Institutions adapt smoothly as they codify their changing experience, wisdom and morality. Yet in practice, there are many impediments to learning and adaptation. In most organized settings, experiential learning is complicated by limited experience, limited capability to make inferences from experience, limited ability to act on the basis of new knowledge, and limited memory and capability of retaining information (March and Olsen, 1995, pp. 206–23). An additional complication is that often several actors are learning simultaneously (March, 1991, 1994).

One implication is that students of institutional dynamics need to understand the main sources of inefficiency in routine institutional processes of learning and adaptation.² On the one hand, a well-functioning democracy – based on representative and accountable government and a well-developed civil society with strong voluntary associations, social movement and free public debate – is supposed to facilitate continuous learning and adaptation. The expectation is that experience will improve the intelligence, effectiveness and adaptability of governance. Governments are supposed to detect and counteract failures, and to improve their performance as well as the polity's fitness for the future. Likewise, citizens are supposed to adapt their aspirations. In an ideal democracy, therefore, equilibrium institutional solutions are assumed to be common. That is, no actors are likely to act in such a way as to radically challenge existing institutions (March and Olsen, 1995; Olsen, 1997a).

On the other hand, inefficiencies in institutional learning and adaptation are integral and planned parts of governance in constitutional democracies. Constitutional rules both institutionalize orderly change and constrain change. In practice, it is also difficult for democracies to live up to the norms, expectations and claims of experiential learning. Causal and normative beliefs, behavioural patterns and institutional designs do not easily change in the light

² Concepts like 'historical inefficiency' and 'path dependency' suggest that the match between reforms, environments, and institutional structure and performance is not automatic, continuous and precise. Change processes depend to a large extent upon the internal constitutive characteristics of existing institutions. Institutions authorize and enable, as well as constrain, change. Therefore, there is a need for understanding how institutions may transform, modify, redirect and integrate, and not only aggregate, the demands, interests and powers of societal actors and forces (March and Olsen 1989, 1995).

of experience (March and Olsen, 1989, 1995; Rose, 1993; Olsen and Peters, 1996).

Disenchantment with public institutions and their ability to learn and adapt has made it commonplace to suggest market mechanisms and competitive pressure as a panacea. Institutions incapable of rapid adjustment to changing circumstances are assumed to be eliminated by competition. However, the vision of an ideal self-regulating market society has to be held together with a practice of more or less perfect markets and with public and private organizations more or less able and willing to adapt to their environments (Nystrom and Starbuck, 1981). There is no guarantee that competition will drive out inefficient institutions or firms (North, 1990). Sometimes institutions are rigid in spite of changing environments and deliberate reform attempts. They outlive their functional efficiency as well as their normative support. They are outdated, promote superstition and allow exploitation. Then, transformations may be radical or revolutionary and characterized by conflict, crisis and institutional breakdown. Change *in* a system can fail so badly that it generates change *of* the system itself (Kochanek, 1971, p. 319).

Understanding change, then, requires comprehension of how the need for deliberate wide-ranging reform may depend on how routine processes of institutional learning and adaptation are working (Olsen, 1997a). Improving transparency, participation and other democratic mechanisms in the EU may, for example, improve processes of learning and adaptation and make comprehensive reforms less important.

For behavioural students, a challenge is that the dynamics of the EU institutions are usually discussed in formal-legal terms, that is, in terms of the powers formalized in treaties and law. The Union is a project of legal integration, representing a renewed trust in governance by law and the legal integration of society. The EU is inspired by a continental European legal culture and mentality emphasizing the importance of abstract constitutive principles, a political-legal order and generalized codes of conduct. Citizens are assumed to accept the obligations and rights following from membership in a political community, decided through positive law-making and legitimized by the principles on which the form of government is founded (Friedrich, 1951, pp. 34–5).

Understanding European institutional dynamics, however, requires a better grasp of how the formal-legal institutions set up by the Treaties are exercised and translated into practices and behaviour. Political scientists have been sceptical as to the importance of constitutional and institutional design and reform (Dahl, 1998, pp. 127–8, 139). Likewise, lawyers have warned against ‘excessive legalism’ and asked for a better understanding of how the formal-legal constitutionalism corresponds with the ways in which power is actually

exercised. The assertion is that there is little correspondence between how institutions are supposed to function according to the Treaties and how they operate in practice (De Búrca, 1999, pp. 61–6).

An implication is that both reformers and scholars have to go beyond the judicial realm, the Treaties and formal-legal institutions. Empirical studies are called for. There is a need for knowledge about the relationships between, on the one hand, formal-legal institutions, legally binding decisions, and authorized texts and, on the other hand, rule implementation, ‘living institutions’ and actual political conduct and outcomes.

Developing Support and Capabilities

In *Discourses*, Machiavelli (1950, p. 138) concludes that, ‘to found a new Republic, or to reform entirely the old institutions of an existing one, must be the work of one man only’. Machiavelli was right in observing that comprehensive reform requires strong organizational capabilities to stabilize attention, provide adequate analyses, mobilize resources and cope with resistance.

In contrast, democratic reformers under normal circumstances have a limited capability for comprehensive design and reform. In practice, political institutions are usually set up in a piecemeal way and they cannot be changed into any arbitrary form (March and Olsen, 1983). Institutional developments are seldom driven by overarching conceptions of the preferred design of the polity as such. There is typically no single design or designer, but rather a process involving several competing designers and localized attempts at partial design (Goodin, 1995, p. 28). As a consequence, reformers and students of institutional dynamics have to attend to the power and conflict dimensions of reform and how resources and capabilities may develop within the process itself.

‘Politics is eternally concerned with the achievement of unity from diversity’ (Wheeler, 1975, p. 4) and the conflict–consensus mix impacts on the legitimacy of comprehensive reform. Heterogeneous societies, in particular, demand strongly qualified majorities to change the power of different branches and levels of government or the relative power of public authorities and citizens (Weaver and Rockman, 1993, p. 464). The integrative power of democratic politics depends on the ability to rally broad public support for institutions and policies. Experience gained from how conflicts of comprehensive reforms are resolved, therefore, is likely to impact on future reforms. The ability to reconcile adaptiveness and system identity and integrity is likely to make future comprehensive reform more acceptable.

In the European Union governance takes place in polycentric, multilevel policy networks of public and private actors (Jachtenfuchs and Kohler-Koch, 1996; Kohler-Koch and Eising, 1999; Hooghe and Marks, 2001). Reformers

are not omnipotent. There is no single sovereign centre with the authority and power to change fundamentally the political order while many factors other than reformers' choices influence change. Furthermore, reform capabilities often are developed as an inherent part of the reform process, a key issue in many applicant countries (Nakrosis, 2000).

Comprehensive reforms tend to be highly divisive and European reformers face enduring differences that cannot be hidden behind an apolitical rhetoric. The challenge is to make binding collective decisions while preserving the social fabric of the Union. Support has to be mobilized or created. Reformers have to convince political leaders and organized interests that reform is possible and desirable. Furthermore, harnessing public support has become a key issue in the EU (Commission, 2001b, p. 4).

Over the last few years, the EU has invested more attention and resources in institutionalizing institutional reform. This makes such work continuous rather than ad hoc and episodic. It becomes somewhat easier to buffer short-term fluctuations in attention. It also becomes easier to divide large-scale reform into deliberate, incremental and consistent reforms, with which the political system of the Union can cope.

Still, the Union is in search of an institutionalized process to change its political order. It has become involved in some kind of semi-permanent IGCs focused on institutional reform. Ad hoc committees are frequently used (e.g. Dehaene *et al.*, 1999). As illustrated by the response to the German Foreign Minister Joschka Fischer's Humboldt lecture on the future organization and governance of Europe, the EU also lacks a shared vocabulary, shared concepts and cognitive frameworks for dealing with comprehensive reform (Joerges *et al.*, 2000; Kohler-Koch, 2000).

This openness may be seen as a liability. However, the future organization of Europe involves a struggle for people's minds, their identities and normative and causal beliefs, and the future distribution of power depends on the outcome of the struggle. As observed by Aristotle (1962, p. 299), 'one needs to learn to be a citizen as much as a craftsman needs to be trained', and debates over the nature of political community are rhetorical events with the potential for educating and socializing Europeans. In periods of transformation the argument is over what should count as appropriate institutional arrangements. Standards of evaluation are made more visible and concepts such as democracy, equity and justice may change (Yack, 1985). So may trust in contestants for authority and power, and consequently the actual distribution of resources and capabilities.

A challenge for European institutional engineers, then, is to establish processes of change which nurture and develop good settings for reflective processes where participants can critically examine their own normative and causal

beliefs and identities (Offe, 1997; March and Olsen, 1995), and possibly the Convention is a step in this direction. Another challenge is to regulate the access of issues and participants to such processes. Consider, for example, a development from the rather closed participation and lack of transparency of many earlier IGCs, to a convention based on extensive participation and public debate, such as that used in the development of the Charter of Fundamental Rights, and even more so the ongoing Convention. A new IGC model, bringing together representatives of governments, national parliaments of both Member States and candidate states, Union institutions, and civil society (e.g. Lipponen, 2000), is likely to make the reform process more unwieldy. Empowering new participants may possibly lead to a stalemate. Yet strengthening participatory democracy may possibly provide legitimacy and help in reframing issues so that normative and causal beliefs converge.

Reformers may also be helped by the ongoing dynamics of imperfectly integrated political orders. A major historic development in Europe is the emergence of differentiated and partly autonomous institutional spheres with distinct logics of action, meaning and resources. Each sphere legitimates different participants, issues, and ways of making, implementing and justifying decisions. While the concept 'political system' suggests an integrated and coherent institutional configuration, Weber observed that institutional orders are never perfectly integrated, and that modernization inevitably produces imbalances, tensions and collisions between spheres.³ For that reason, students of institutional dynamics need to examine the patterns and tempos of separate institutions, including the conflicts around them, and analyse the interaction of different spheres (Orren and Skowronek, 1996, p. 121).

The political order of the European Union makes inter-institutional tensions and collisions likely. First, they are likely because of the lack of agreement on the normative principles and ends according to which the European polity is to be integrated and governed. Secondly, they are likely due to the lack of a clear and stable allocation of powers between levels of governance and institutional spheres (Curtin, 1997; Maduro, 1997; Sand, 1998; Weiler, 1999; Sverdrup, 2000). Consequently, a key to understanding the changing patterns of power in the emerging European polity is to study how institutions collide and penetrate each other, and how reformers may exploit such institutional dynamics.

Large-scale collisions may take place when institutional striving leads to 'overstretching' one ideal (like competitive markets, democratic politics or

³ Gerth and Mills (1970, pp. 328–57); Weber (1978); also Skowronek (1995); Orren and Skowronek (1994, 1996). Often it is observed that reformers face institutional resistance. However, changes consistent with an institution's (or a network's) identity, tradition and dynamics are likely to be continuous and incremental. Changes in opposition to existing identities, traditions and dynamics are likely to be episodic and problematic and create conflict (March and Olsen, 1989, 1995).

judiciary power) and imposing principles and codes outside their traditional legitimate sphere of activity. The significance of collisions can also be understood through studies of how institutions, after they are formally and legally established, learn their place in a larger order. While institutions may be killed through a formal decision, or starved through reduced resources, 'living institutions' cannot be imposed on the world fully blown by decree. Enduring practices, understandings and resource allocations evolve as actors learn from experience – mundane encounters in everyday life as well as historical battles (Olsen, 1997b, p. 175). For example, the European Court of Auditors, as a new institution, had to 'chart the difficult waters of interinstitutional relations', establish its credentials, and find its place in a larger order, through a search and learning process (Laffan, 1999). Similar processes are likely in a variety of other EU settings as new agencies are set up.

V. Institutional Engineering in Complex and Dynamic Worlds

The history of the European Union illustrates that institutions evolve and change in a number of ways. It is a history of founding acts and deliberate institution-building, as well as informal and gradual evolution where common practices have been codified into formal-legal institutions. The development is consistent with the view that institutional arrangements are contingent and malleable, yet not necessarily in a voluntaristic way.

Like many democratic systems, the EU has combined a belief in institutional engineering with the experience that comprehensive reform is difficult to achieve. Still, the long-term development has been in a consistent direction. There has been a gradual increase in the powers of common European institutions and in intergovernmental co-operation across an expanding agenda. The EU has moved towards 'an ever closer Union', in spite of periods of European sclerosis. The Union has also been able to agree on innovations such as the convention model of change.

A simple model of institutional engineering, assuming predetermined political will, understanding and power will be most relevant in fairly stable, coherent, comprehensible and controllable worlds. The model is less likely to capture processes of comprehensive reform in complex and dynamic political orders like the EU. This does not deny that human will, understanding and power are important for understanding institutional dynamics and that developing political institutions of self-governance is a first-order political process.

Setting up new formal-legal institutions, in particular if they are well funded and staffed, is likely to provide routinized attention and support for specific concerns, interests and principles. However, comprehensive formal-legal re-

forms are not likely to produce precise and stable policy outcomes. Many factors intervene between institutional form and substantive results, leaving the precise nature of the influence to be determined. Over time, institutions tend to gain some autonomy. They also adapt to other sources of power as they try to find their place in the larger order.

Reformers may have success in implementing legitimate principles such as democratic participation, transparency or the rule of law. An appropriate task for democratic governance may be to maintain and develop the conditions for various institutional spheres and to influence the mix of structures and processes in order to avoid democratic perversions (March and Olsen, 1995). The nature of the principles on which a polity is founded is important for the identity of the political community. Yet, again the precise impact on behaviour and substantive results is uncertain.

Still, the institutional approach used in this article suggests that there are several options for deliberate intervention in existing structures. Confronted with demands for comprehensive reform due to an expanding agenda, territorial enlargement and globalization, EU reformers may both reduce the need for reform and make reform more feasible.

The need for comprehensive reform may be reduced by improving ordinary processes of learning and adaptation. Somewhat paradoxically, the need for comprehensive reform may also be brought down by *strengthening* reform capabilities. This is so because institutionalized capabilities will make it easier to break up large-scale reform into smaller consistent reforms, digestible for the political system.

Furthermore, successful reform is more likely if a shared reform vocabulary evolves in the EU, and there is convergence in causal and normative beliefs and identities. A precondition for such a development is that reform is understood as an occasion for interpretation and opinion formation as much as decision-making. Finally, comprehensive reform will become more feasible if potential institutional engineers, including the members of the Convention, understand ongoing inter-institutional collisions and learn to use their dynamics intelligently.

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