

Varieties of Regulatory Capitalism: Getting the Most Out of the Comparative Method

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The rationale behind this special issue's stepwise analysis of cross-sectoral and cross-national variations and similarities of regulatory reforms is explained. The processes of case selection and inference are clarified and justified. At the same time, the article offers a strategy for an increase in the number of cases without compromising the strength of case-oriented analysis. William Whewell's notion of consilience is employed to (a) justify the inclusion of sectoral as well as national cases; (b) justify different degrees of in-depth analysis according to the inferential role of the case in the research design; and (c) suggest a distinction in the inferential process between comparisons that enhance internal and external validity. The article concludes with a systematic examination of cross-sectoral and cross-national variations in a table that provides a "panoramic snapshot" and "holistic picture" of the combination of variations and commonalities of the cases analyzed.

That capitalism *varies* across nations is a widely accepted convention now embedded in the organization of our profession. The subdisciplines of comparative politics, comparative political economy, and comparative public policy are all dominated by research designs that reflect the conviction that nations *matter*. This seems to be anything but controversial even in the face of expectations of convergence, the decline of nationalism, and the so-called retreat of the state. Nations vary across many political dimensions, and these variations often have significant effects on their citizens' welfare and their political and economic performance (Castles 1993; Esping-Andersen 1990; Hall and Soskice 2001; Hayward and Page 1995; Richardson 1982; Schmidt 2002; Vogel 1986; Weiss 2003). Yet capitalism varies not only across nations but also across sectors: we expect variations in governance regimes across different sectors in the same country (Atkinson and Coleman 1989; Freeman 1986; Hollingsworth, Schmitter, and Streeck 1994). Privatization, labor union, regulation, autonomy, technocracy, patterns of decision making, and competition vary considerably within countries and across sectors. Quite evidently, one cannot really explain outcomes or processes at the national level without

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attention to the peculiarities of the sector under study. Consequently it was argued that "Capitalism can no longer be studied as a whole, but must be broken down into its parts. . . . Both to capture the diversity of capitalism and to render it manageable, *it seems useful to focus on the sector as the key unit for comparative analysis. . . .*" (Hollingsworth, Schmitter, and Streeck 1994, 8–9).

Nations and sectors are an important source of political variations and some marked advantages accrue from studying them together in the same research design. A precondition for such an enterprise is a clear distinction between the National Patterns Approach to political analysis (NPA) and the Policy Sector Approach (PSA) (Levi-Faur 2004). These two approaches are contrasted here in order to clarify case selection, explicate the research design, and draw analytical distinctions. The NPA suggests that national-level characteristics exert a major impact on policy, politics, economics, and society. Cross-national comparative designs are therefore expected to show significant diversity across countries and to explain major variations in policy processes and outcomes. Specifically, the NPA suggests that political processes and outcomes are shaped by a country's unique national and historically determined characteristics embedded in specific state traditions, and that the nation-level community of policy-makers has effective control over domestic political processes. The PSA, by contrast, emphasizes the autonomous political characteristics of distinct policy sectors, hence the multiplicity of political patterns in any one country. Sectors are expected to be embodied in policy communities and policy networks that are organized domestically in a regulatory regime. This approach asserts the existence of distinct policy communities and policy networks surrounding the generation, transmission, and distribution of electrical energy. These communities and networks are expected to govern by regimes that mainly reflect the generic characteristics of the technology, economy, and human environment of the sectors, as well as the nation-specific conditions. The main suggestions of the PSA might be summarized in two major propositions: "[First] that the style of policy making and the nature of political conflicts in a country will vary significantly from sector to sector . . . [And second] that policy making in a particular sector will exhibit strong similarities, whatever its national context" (Freeman 1986, 486). These claims clearly challenge the notion of "national patterns," which suggests significant similarities in the modes of the political process across different sectors in any given country.¹

When we study sectors we examine them in two senses, the *generic* and the *nation-specific* (cf. Vogel 1996, 258). The generic characteristics of the sector are the most common features that a sector has; they exist beyond nations and regions and are applicable in principle to countries as different, for example, as Jamaica and Germany. The nation-specific characteristics of a sector reflect the changes in the generic features as the result of its integration into the national setting or context. To distinguish between

generic and nation-specific characteristics of a sector is to be sensitive to the commonalities of the telecoms sectors beyond nations but at the same time to understand that sectors are embedded in national settings and thus acquire characteristics of their own. Indeed, it makes sense to distinguish three different aspects of the sectors' *generic* and *nation-specific* characteristics: the technological, the economic, and the political (see Table 1). The generic technological characteristics of the telecoms sector include, for example, its digitalization, which allows convergence between the telecoms and the computer industry. This aspect is common to the telecoms industry beyond nations and regions, and therefore deserves to be captured by the notion of generic sectoral characteristics. But some telecoms technologies are nation- or region-specific; this is certainly the case with standards of mobile telecommunications. Nations opt for different technologies, and this may have some important implications for the choices they make in regard to the scope, extent, and pace of liberalization and regulatory reform.

To examine the implications of the NPA and the PSA, the contributors to this special issue employ a compound research design. They *combine* the NPA and the PSA in a methodologically systematic way. The PSA is examined against variations in the governance of the telecommunications and electricity industries, while the NPA is examined through a pairwise comparison of two alternating countries. In addition, some of the contributors found it necessary to look at variations across international regimes (International Regime Approach, e.g., European regime for telecoms vs. European regime for electricity) as well as across time (Temporal Patterns Approach, e.g., old and new regimes) (see Levi-Faur 2004).

TABLE 1
Generic and Nation-Specific Variations: Major Analytical Questions

	Technological	Economic	Political
Generic characteristics of a sector	To what extent have generic sector-specific technological features shaped the extent, scope, and pace of liberalization?	To what extent have generic sector-specific economic features shaped the extent, scope, and pace of liberalization?	To what extent have generic sector-specific political features shaped the extent, scope, and pace of liberalization?
Nation-specific characteristics of a sector	To what extent have a sector's nation-specific technological features shaped the extent, scope, and pace of liberalization?	To what extent have a sector's nation-specific economic features shaped the extent, scope, and pace of liberalization?	To what extent have a sector's nation-specific political features shaped the extent, scope, and pace of liberalization?

The first part of the present article discusses some advantages and limits of case studies, especially the tension between accuracy and generalization and between case-oriented approaches and variable-oriented approaches.² The second part then discusses the advantages of combining cross-sectoral and cross-national analysis in a single research design. It rests on William Whewell's notion of *consilience* to justify (a) the inclusion of sectoral as well as national cases and (b) different degrees of in-depth analysis according to the inferential role of the case in the research design. The third part of the article clarifies a distinction in the inferential process between comparisons that enhance internal and external validity. Internal validity is maximized through the formalization of stepwise iterative comparisons that examine the same research question two cases at a time, while external validity is promoted through an increase in the number of cases and selection of different types of cases (nations and sectors). The fourth section sets out the advantages of our two-by-two or "panoramic snapshot" table of cross-national and cross-sectoral similarities and variations in cases that were disaggregated at the start of the analysis.

I. From One to Many—A Case-Oriented Trajectory

The comparative strategy employed here increases the number and variety of cases in our study by their disaggregation to their more elementary components (e.g., British Telecom to British Telecom before and after reform). Why should we increase the number of cases? And if we have a reason to do so, how can we protect some of the more important advantages of the case-oriented approach? A good starting point for our discussion is Arend Lijphart's seminal paper on the comparative method. Lijphart saw distinctly some of the advantages of "focusing on a single case that can be intensively examined even when the research resources at the investigator's disposal are relatively limited" (Lijphart 1971, 691). Still, he cautions, the "scientific status of the case study method is somewhat ambiguous because science is a generalizing activity. A single case can constitute neither the basis of a valid generalization nor the ground for disproving an established generalization" (ibid., 691). He concludes: it is only "indirectly that case studies can make an important contribution to the establishment of general propositions and thus to theory building in political science" (ibid., 691). Lijphart in 1971 therefore harbours some strong doubts as to the scientific status of much of the research output in political science.

Przeworski and Teune are certainly harsher than Lijphart in their judgement of the value of case studies. Accuracy, or in-depth knowledge of one's case, is demoted to a secondary goal in their formulation: "The generality and parsimony of theories should be given primacy over their accuracy. . . . Social science theories, rather than explaining phenomena as accurately as possible in terms relative to specific historical circumstances, should attempt to explain phenomena wherever and whenever they

occur" (Przeworski and Teune 1970, 17). It is only natural to conclude, if one accepts their interpretation, that even the greatest advantage of the case-oriented approach, intimate knowledge of one's case, yields only a marginal benefit for scientific progress. Yet to suggest, like Przeworski and Teune, that generality and parsimony of theories should have primacy over their accuracy is to assume that social reality is driven by only a few "*shakers and movers*" that are responsible for most visible outcomes in the political and social world. Consequently, we might end up with ontology of "simple" theories for a "simple" world. But if one adopts a more complex ontology, and perceives social reality as a product of conjectural causality, then accuracy and intimate knowledge of one's case might be elevated to the same importance as the search for generalization.³ Instead of giving up on either generalization or accuracy, it might be useful to balance these conflicting goals. This much is also implied by Charles Ragin:

The main weakness of the case-oriented strategy is its tendency toward particularizing (often while pretending to great generality—for example, a theory of ethnic political mobilization based on one case); the main weakness of the variable-oriented strategy is its tendency toward abstract, and sometimes vacuous, generalizations. (Ragin 1987, 69)

Generalizations tend to fade when we look at the particular case (Verba 1967, 113) yet case analysis without an attempt at generalization is a mere anecdote. So one has fairly good reason to increase the number of cases in the quest for generalizations.

But how may the number of cases be increased, and should one apply the statistical method beyond a certain number of cases? Lijphart, who advocated an increase in the number of cases as part of the agenda of comparative case-oriented methodology (1971, 686–687), changed his mind just four years later: "I now think that it is more appropriate to reserve the term comparative method to the comparable cases strategy and to assign the first solution [maximizing the number of cases] to the category of the statistical method" (Lijphart 1975, 163). Unlike Lijphart in 1975, it is suggested here that it is possible (and desirable) to increase the number of cases but to stay firmly in the context of case-oriented research. And it is also suggested, unlike Przeworski and Teune, that intimate knowledge of one's case is not a secondary goal of social science analysis but at least equal in importance to other goals, such as generalization and parsimony.

The suggestion that through some simple formalization of research techniques one can greatly increase confidence in the research conclusions is shared by a recent authoritative methodological textbook. King, Keohane, and Verba's *Designing Social Inquiry* (1994) moves the research agenda forward by making some useful suggestions on how to increase the number of cases in the context of small-*N* design. "What may appear," write King, Keohane, and Verba, "to be a single-case study, or a study of only a few cases, may indeed contain many potential observations, at

different levels of analysis, that are relevant to the theory being evaluated" (King, Keohane, and Verba 1994, 208). The way to go about an increase in the number of cases involves *redefining the nature* of the case while still keeping the focus directly on evidence for or against the theory (ibid., 217). Three particular techniques are offered. First, one can study more units and thus keep the same explanatory and dependent variables intact. This is the most straightforward way to increase the number of cases. A scholar of regulatory governance, for example, devoting much time to the study of enforcement problems in the British water sector, may often choose to increase the number of cases studied and to check the validity of his or her conclusions against enforcement problems either in the water sector in Germany (a one-sector, two-nation design) or in health and safety issues in Britain (a two-sector, one-nation design). Alternatively, he or she may manipulate the notion of a case, and without necessarily collecting a large amount of additional data compare the problems of regulatory enforcement in the British water sector before and after privatization (a one-nation, one-sector, two-era design). A second technique is to make new and different measures of the dependent variable. Regulatory enforcement in the water sector can be measured against several indicators, including the number of cases where regulations were breached, the number of inspections, and the number of litigations (a design based on one sector, one nation, and several measures of regulatory enforcement). A third technique is to increase both units and measures, that is, to observe more units while applying new measures. This requires a new (or greatly revised) hypothesis that uses a new dependent variable and new explanatory variables (ibid., 218). In sum, to increase the number of cases it is possible to employ similar measures in additional units, to use the same units but change the measures, or to change both measures and units (ibid., 217).

While these three techniques are indeed valuable, they seem to reflect some of the limits of King, Keohane, and Verba's approach to social science inquiry. King, Keohane, and Verba assume at the outset that qualitative research faces the same problems of causal inference as quantitative research, that there is a single logic of explanation common to all empirical social scientific research, and that this logic is statistical (McKeown 1999, 161). But if the problems are not assumed to be identical, and some attention is given to the importance of in-depth analysis, one should recognize two problems with King, Keohane, and Verba's solutions. First, they do not show how to balance the increase in the number of cases with in-depth knowledge of one's case. Would not an increase in the number of cases distract the researcher's attention from his or her primary commitment to supply in-depth analysis of a case? Second, they do not address the problem of case selection in case-oriented analysis. In fact, because their conception of a case is taken from the statistical world, and because all cases have the same predictive value and role in the inferential process, they do not distinguish kinds of cases. We address these two issues in the

discussion of the notion of consilience and its peculiar implications for case selection in the context of case-oriented research.

II. Adding Up Nations, Adding Up Sectors: The Criterion of Consilience

The term consilience suggests a criterion for a theory choice that emphasizes the importance of concurrence of observations from different classes of facts. Generalizations are more valid to the extent they have been examined against different kinds of classes rather than because of their sheer number. The term originated in the work of the British philosopher of science William Whewell (1794–1866) who was also the first to coin the term “scientist.” The evidence in favor of an induction, argued Whewell, is “of much higher and more forcible character when it enables us to explain and determine cases of a *kind* different from those which were contemplated in the formation of our hypothesis” (Whewell 1840, 230). Consilience therefore is this superior test which makes one theory and one research design far stronger than another. Accordingly, Thagard (1988) suggested that the degree of consilience is one of three criteria used to evaluate the relative value of theories and as a guide for “theory choice.”⁴ What speaks most for our research design is the suggestion that the value of theory should be tested against different classes of evidence rather than its sheer quantity. This aspect is argued most clearly by Thagard:

A consilient theory unifies and systematizes. To say that a theory is consilient is to say more than it ‘fits the facts’ or ‘has broad scope’; it is to say first that the theory explains the facts, and second that the facts that it explains are taken from more than one domain. These two features differentiate consilience from a number of other notions, which have been called ‘explanatory power,’ ‘systematic power,’ ‘systematicization,’ ‘or unification’ . . . We are not concerned with the explanation of a horde of trivial facts from the same class . . . In inferring the best explanation, what matters is not the sheer number of facts explained, but their variety and relative importance. . . . (Thagard 1988, 80–81)

These criteria stand in contrast to the somewhat mechanical process of increase in the number of cases that is implied by King, Keohane, and Verba. Of course, the notion of “classes of facts” (Whewell uses *class* and *kind* interchangeably) requires clarification. This is especially important since the criterion of consilience taken to the extreme suggests that the ultimate goal of science is one theory of everything.⁵ Our goal is less ambitious, so we are interested in research designs that derive some of their validity from testing theories against different kinds of cases.

What we are looking for is not maximization of the variance on the dependent variable, as suggested by Geddes (1990), or even as implied by the Most Different and Most Similar System Designs of Przeworski and Teune (1970). Unlike these scholars, who were concerned with variation and measurement along one dimension, it is suggested that sectors

and nations supply two different dimensions in which observations regarding agency and causality can be examined. These different dimensions supply a better variety of categories of cases than is usually offered by research designs that increase the number of cases in only one dimension (be it sector or nation). But why is that? Why not increase either the number of sectors or the number of nations, rather than both? More specifically, why not compare four telecom sectors in four different countries rather than, say, two telecoms and two electricity sectors in two countries? The answer is grounded in the criterion of consilience. After an increase in the number of cases from telecoms in Britain to telecoms in Australia, the next step is to add electricity in Britain rather than telecoms in another country because electricity in Britain or Australia represents a different kind of case. Being different, the case adds variations and thus represents new challenges and tests for the researcher's arguments.⁶

The notion of consilience has a second implication for our research design. Consilience suggests that theories are generated from one set of facts rather than many, and that the validity of a theory increases with its application against other sets of facts. Consequently, it makes transparent and legitimate the different degrees of knowledge that are part of any study. In-depth knowledge is *sine qua non* for the primary cases on which theory was generated, but is impossible and even not desirable for the secondary and tertiary cases against which the theory is examined. Indeed, the notion of consilience is grounded in a certain understanding of the inferential process as one where a somewhat thin "veil of ignorance" exists regarding the facts in the secondary and tertiary cases, which in Whewell's terminology makes possible an *explanatory surprise* (Fisch 1991, 297).⁷ Without this veil of ignorance we cannot really test our case.

The element of explanatory surprise in one's research cannot be realized without imbalance in our knowledge, without knowing more about one case than about another. Inference is a process of the examination of one case that we know intimately against another, about which we know much less. In this process we trade depth for breadth and dilute one type of knowledge for another. This also implies that cases vary in their "inferential status" and that comparative analysis that rests on varying degrees of in-depth analysis is a legitimate scientific enterprise (Levi-Faur 2004). The addition of cases beyond the "primary cases" does not necessarily have to compromise in-depth analysis; it is not that costly if one is willing to distinguish degrees of in-depth analysis, and it does not necessarily impair the analysis as it adds validity.

III. A Stepwise Comparative Process: Away from Implicit Inferences

If the inclusion of different kinds of cases is the first characteristic of our "compound research design," a second unique characteristic involves a methodical exploration of the various dimensions or implica-

tions of the research argument through a series of comparisons; we label this a stepwise inferential process. It may involve the gradual construction of the argument through a series of comparisons or it may involve an *iterative strategy* (hence a stepwise-iterative strategy) of asking the same research question of different periods, sectors, and nations. Alternatively, the stepwise process may involve a *patchy strategy* of inference. Here instead of keeping the research question constant, different aspects of the research question are raised in different sets of comparison; accordingly, different aspects of the argument are revealed with the progress of the comparisons, not unlike the procedures beyond "grounded theory" (Strauss and Corbin 1990). While iterative stepwise comparisons are structured systematically, patchy comparisons are not. Our contributors all opted for the well-structured stepwise-iterative strategy.

Stepwise designs have at least two advantages. First, the analysis is formalized in a manner that increases the transparency of the inferential process. Since scientific advance rests on collegial criticism and on the examination of "plausible rival hypotheses," and since collegial criticism and rivalry are contingent on transparency of the inferential process, this is an important advantage of stepwise comparative analysis. A second and probably more important advantage is captured through the notion of advance in internal validity. Good research designs devise skillful and insightful balances between conflicting goals. Ours is an effort to balance internal and external validity. Validity, the authors of the most widely cited paper on this subject tell us, "refers to the best available approximation to the truth or falsity of propositions, including propositions about cause" (Cook and Campbell 1979, 37). The presence of the word "best" in this definition means that all knowledge is approximate to the truth and there is always uncertainty about its validity. Internal validity refers to the approximate validity with which we infer that the relationship between two variables is causal. External refers to the approximate validity with which we can infer that the "presumed causal relationship can be generalized to and across alternate measures of cause and effect and across different types of persons, setting, and times" (ibid.)⁸ These two types of validity are often in conflict, and are suggested to work out independently from each other in the process of scientific inference. This independence is all the more important with reference to the requisite nature of internal validity. Problems of internal validity are chronologically and epistemically antecedent to problems of external validity (Guala 2003). A theory, hypothesis, or argument that fails the test of internal validity is meaningless even if it holds across many cases. The tensions between these two kinds of validity are many; perhaps the most familiar is that of limited resources that require investment in one or other type of validity. This is why our efforts are aimed at increasing the number of comparisons and the number of cases simultaneously (rather than emphasizing one of these goals).

But why does our stepwise comparative design advance the internal validity of the argument of each of the articles? And how does this exercise of an advance in internal validity affect the external validity of the research? To clarify this issue, it might be useful to turn to Harry Eckstein's (1975) renowned paper on "case study and theory in political science." The validity of a theory or an argument, Eckstein argued, is not driven necessarily by the number of cases under study. A large number of tests on the same cases may be an alternative trajectory for increasing the validity of one's conclusions. This is exactly what we do with our research design. We ask the same research question again and again, and examine the validity of our suggestions against different kind of cases. Thus, when Jordana, Levi-Faur, and Puig compare telecoms in Spain and Portugal, and then compare the electricity in these countries, they ask what are the effects of new European regimes on national-level development, first in telecoms and then in electricity. The internal validity of the research might also be increased by a process-tracing technique. By this means, the argument is advanced step by step, revealing new aspects of the genealogy and archaeology with each comparison.

The compound research design—two countries and two sectors—offers more inferential opportunities than we need or can use effectively. We can compare the two countries; we can then compare the two sectors in the same country, move to the same two sectors in the second country, continue with a comparison of the same sector in the two countries, and finally compare the second sector in the two countries. We can move farther still, and add a temporal dimension to the analysis to compare sectors and nations before and after a critical event or a turning point. This can be done at the level of the sector or the nation but even with regard to international events, particularly the creation of a new regime and the formalization of new international commitments. Indeed, the number of possible pairwise comparisons is given by the formula $n(n-1)/2$, where n is the number of cases in the study. Thus, for four sectoral cases the maximum number of pairwise comparisons is six $\{[4(4-1)]/2\}$. If one distinguishes between old and new regimes in each of the sectors, the number of cases is doubled to 8, and the number of possible pairwise comparisons reaches 21. Not surprisingly, only a small number of these possible comparative pairs are used in the contributors' research designs. Some pairs did not make sense at all, while others were made redundant because they were less enlightening or represented a less stringent test of the researcher's argument.

Note, however, that we compare two nations in each of the papers in this special issue. This means that when we compare Norway and Switzerland, Jamaica and Trinidad and Tobago, and Portugal and Spain we have another opportunity for comparison, hence for greater validity of our argument. Such a move from the sectoral to the national level might elicit the objection that it presents new variables (at the national level) that are not controlled. Admittedly, this might be a valid objection as long

as one subjects this level of comparison to the same "test" as the previous comparisons (on the sectoral level). Still, our move from sectors to nations involves a movement from one type of case to another. We follow here the criterion of consilience, so the gains in validity are better captured through the notion of external rather than internal validity. Note, however, that the notion of consilience implies something that has gone unnoticed in the literature on validity. That is, an increase in external validity positively affects an increase in the plausibility that what has been captured and identified as a causal process, and has been a matter for tests of internal validity, is indeed "the best available approximation to the truth or falsity of propositions" (Cook and Campbell 1979, 37). More concretely, if the arguments as to sectoral cases are confirmed at the national level, this does not imply that we have advanced in internal validity; but we certainly have made some gains in external validity and consilience.

IV. Selecting on Variations, Selecting on Similarities: Yet Another Selection Bias?

A third characteristic of our research design involves formalization of the observed variations and commonalities on the dependent variables across nations and sectors. Here we reaggregate the sectoral and national cases that were disaggregated at the beginning of the research, and provide a "holistic picture" of the advance of regulatory reforms. The holistic picture that we provide is more a "panoramic snapshot" than an exhaustive review of all aspects of the cases. Let us clarify this issue by recalling that this article started by contrasting the NPA and the PSA. We noted that no reason existed why both these approaches should not have important effects on the outcomes. Thus, it is plausible to expect some evidence for all or some of the following four outcomes: (a) cross-national variations; (b) cross-sectoral variations; (c) similarities across both sectors and nations; and (d) variations across both sectors and nations. The property space for these four possible outcomes is presented in Table 2.

Each of these four outcomes suggests explanations at different levels of analysis or any combination of them. First, one may find some meaningful commonalities across nations and sectors. Depending on the degree that these commonalities capture meaningful aspects of change, this might suggest that another level of analysis—perhaps global or regional—should be adopted. Here lies one important extension of our framework as it provides a clear roadmap for further exploration and refinement of the arguments involved. Second, one may find some evidence for cross-sectoral variations but cross-national commonalities. These findings support what is often called the policy sector approach, expressed in the radical argument that only sectors matter. Third, one may find evidence for cross-national variations but cross-sectoral similarities. This evidence seems to support a common practice in the study of com-

TABLE 2
 Patterns of Variations and Similarities and their Implications

	Cross-Sectoral Commonalities	Cross-Sectoral Variations
Cross-national commonalities	Evidence does <i>not</i> support either of the two approaches. Move to another level of comparative analysis	Evidence supports the Policy Sector Approach.
Cross-national variations	Evidence supports the National Patterns Approach.	Evidence supports both approaches simultaneously. Explore the conditions in which one is more acceptable than the other.

Source: Levi-Faur 2004

parative politics, namely the utilization of nations as the basic unit of analysis. Finally, one may find evidence of variations across both sectors and nations. Such evidence might be utilized to examine the conditions that make each of the units employed more useful than the others.

We have mentioned already the importance of this research design for clarifying the notion of multilevel analysis. Yet it also minimizes problems of selection bias as it formalizes the findings and reminds scholars and readers about the need to capture similarities as well as variations in the study of change, rather than to focus on either one of them. In this sense we provide a comprehensive or "holistic picture" and a panoramic snapshot of important aspects of our cases. In addition, the systematic examination we offer overcomes problems of case selection that otherwise might plague the research. Two particular problems of case selection are important here: selection on a particular variation and selection on either commonalities or variations.⁹ Selection-bias on a particular variation occurs when there is arbitrary selection of one type of variation while others are ignored. Such a bias might occur, for example, if variations in the advance of regulatory reforms are studied on the level of the European Union without regard to sector-level variations. The choice of a particular set of variations is a process of "casing," that is, defining cases; if the phenomenon under study is only partially captured by the particular set of variations that is the focus of the research design, we face yet another problem of case selection. What explains variations in the stringency of regulatory enforcement in Germany and Britain? Is it the power of German business or the particular experience of mad cow disease that transformed the regulation of food? Research designs that look at variations on either the national or the sectoral level are thus subject to selection bias, which our research design avoids at least partly, and certainly makes transparent. Similarly, our research design is better prepared to deal with another form of selection bias that results from focusing on either varia-

tions or commonalities. Again, focusing on either is part of the process of casing. We define the case as either this or that, yet it is rarely, if not never, only this or that. In most situations it is both. Focusing only on either of these is another form of selection bias that is minimized here.

V. Conclusions: Research Designs for a Multilevel Governance

The comparative method is widely praised, but as a survey of the major journals will demonstrate, in practice it represents a minority of the scholarly output. Too much of its viability is demonstrated through an informal research design and implicit comparisons, and too little is formalized in a way that might make it amenable to critical review. It seems that methodological discussions at present do not address the needs for more formal and structured designs for comparative analysis (cf. Haverland 2006a, 2006b). The compound research design tries to do just that. It should therefore not be surprising that beyond our interest in the emerging systems of regulatory capitalism, and beyond the sectoral cases that dominate all the contributions to this special issue on governance, we all have a strong commitment to the comparative method in its basic and most straightforward form: pairwise comparison, two cases at a time. It is asserted that our research strategy facilitates a balance of in-depth analysis, theory construction, and theory testing. Efforts to approximate truth are most effective when we deal with detail. The value of detail lies in its message, and this must be focused on generalizations. That these generalizations represent, by definition, a lesser approximation of truth is one of the "burdens" of the social sciences. Indeed, this is another dimension of our Sisyphean existence as social scientists. Optimal balance between detail and generalization is a matter for a case-by-case consideration and is contingent, among other things, on the specific research agenda and research goals.

Notes

1. In the field of comparative public policy, the policy networks and meso-corporatism literature best represents the policy sector approach. These studies call for a disaggregated view of the state, of the network of policy-making, and of the national level of policymaking (Atkinson and Coleman 1989).
2. The case-oriented analysis is best suited to identifying invariant patterns common to relatively small sets of cases; the variable-oriented strategy is best suited to assessing probabilistic relationships between features of social structures, conceived as variables, over the widest possible population of observations (Ragin 1987, 69).
3. See Tucker (2004, 141–184) for the tensions between simplicity, scope, accuracy, and consistency as criteria of theoretical choice.
4. The other criteria are analogy and simplicity. Thagard's argument as to the importance of consilience builds on several observations from the history of science, especially on debates on the validity of the inferential process involved in them. Most notable is Darwin's theory of evolution, where he

states: "It can hardly be supposed that a false theory would explain, in so satisfactory a manner as does the theory of natural selection, the several large classes of facts above specified. It has recently been objected that this is an unsafe method of arguing; but it is a method used in judging of the common events of life, and has often been used by the greatest natural philosophers" (Darwin, cited in Thagard 1988, 76).

5. Whewell was quite explicit about this implication of the notion of consilience: "These two characters [of induction, i.e., consilience, and simplification of the theory] are, in fact, hardly different; they are exemplified by the same cases . . . The Consilience of our Inductions gives rise to a constant Convergence of our Theory towards Simplicity and Unity" (Whewell 1840, 238–239). However, unlike some contemporary scholars, he did not argue for unity of sciences and did not look for "a theory of everything" (see, e.g., Wilson 1998). For Whewell, "Each science has for its basis a different class of Ideas; and the steps which constitute the progress of one science can never be made by employing the Ideas of another kind of science" (cited in Yeo 1991, 192).
6. The importance of a distinction between different types of cases and the inclusion of as many cases as possible is especially relevant in face of the "Galton problem," namely the problem of interdependency of observations (Ross and Homer 1976). Much analysis in the quantitative and qualitative traditions assumes independence of cases (or observations), yet in a shrinking world the interdependence of actors is expected to increase. This is a methodological problem that cannot but increase in significance. Liberalization in telecoms in one country is expected to be increasingly interdependent with liberalization (or the lack of it) in another country (Levi-Faur 2002). However, interdependence is greater across different countries than across sectors (Jordana and Levi-Faur 2003). In other words, the Galton problem is more severe in the context of analysis across countries than across sectors. This does not suggest that the study of nations is or is not preferable to the study of sectors. It tells us why a combination of the two might be preferable to either of them alone.
7. Fisch also observes that this point is not entirely original. In 1830, John Herschel pointed to the special significance of what he dubbed a "succession of felicities." Whewell, however, unlike anyone before him, elevated the lesson to be learnt from "repeated explanatory surprise to the status of an actual truth-criterion" (Fisch 1991, 297).
8. Guala defines the difference between external and internal validity succinctly: "Whereas internal validity is fundamentally a problem of identifying causal relations, external validity involves an inference to the *robustness* of a causal relation outside the narrow circumstances in which it was observed and established in the first instance" (2003, 4).
9. Ours differ from more common notions of selection bias such as the problem of selection bias on the dependent variable, extensively discussed by Geddes (1990). King, Keohane, and Verba also demonstrated the importance of the problem of selection bias on the independent variable (1994, 137–138) and omitted variables (202–203).

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