EUROPEAN UNION STUDIES ASSOCIATION (EUSA)
2007 CONFERENCE
MONTREAL, CANADA, MAY 17-19

PANEL ON
LEARNING AND GOVERNANCE IN THE EU POLICY-MAKING PROCESS: COMPARATIVE PERSPECTIVES

CHAIR: ANTHONY R. ZITO

DOES REGULATORY IMPACT ASSESSMENT "MAKE INSTITUTIONS THINK"?

Claudio M. Radaelli
Professor of Political Science and Jean Monnet Chair
Director, Centre for Regulatory Governance
University of Exeter (UK)

Abstract

Do systematic approaches to economic policy appraisal, specifically regulatory impact assessment (RIA), enable complex organizations to learn? This question invites a reconsideration of how we conceptualize learning in public policy. Consequently, this paper distinguishes between economic-Bayesian learning, social learning, and political learning. These three types of learning are examined alongside the null hypothesis of change brought about by factors different from learning – such as partisan politics, regulatory competition, and coercion. Evidence from four countries (Denmark, the Netherlands, Sweden, and the UK) is examined within a time-period of ten years or so, controlling for both domestic and multi-level (that is, domestic-EU) effects. The findings corroborate social learning rather than economic-Bayesian learning. In turn, social learning does not provide a convincing explanation, unless one enters political learning. There is only random and scattered evidence for the null hypothesis, but this is contingent on a sample of highly developed countries, in which coercion from international organizations and donor requirements do not play a significant role.

Keywords: European Union, regulation, regulatory impact assessment, learning, knowledge utilization, Denmark, Netherlands, Sweden, UK

The support of the Economic and Social Research Council, grant on "Regulatory Impact Assessment in Comparative Perspective" No. RES-000-23-1284 is gratefully acknowledged

Introduction

Several years ago, Carol Weiss argued convincingly that the main empirical finding of the literature on knowledge utilization is that very rarely does an individual study shape a public decision. However – she carried on – ideas, ways of looking at policy problems, and new paradigms for the analysis of policy that run across several studies have more chances of affecting how decisions are made, and may even change the way policy makers and institutions think about problems and policy solutions (Weiss 1979). More recently, Susan Owens and her collaborators reminded us of the importance of taking a longitudinal approach to find out how policy instruments change those who use them - via learning effects (Owens et al. 2004).

Regulatory impact assessment (RIA) provides an appropriate empirical reference for the analysis of learning over a long period of time. To begin with, RIA is a coherent set of rules for the appraisal of policy virtually applicable to any type of regulatory decision, typically at the stage of policy formulation. As such, RIA is different from, say, an individual policy evaluation study or a background study. It has more general properties. Once it has been adopted, governments and regulators take the commitment to use RIA to scrutinize proposed regulation no matter what the substance of the policy problem may be. Thus, over the years the regulators experiment with the same set of rules, decision after decision – an ideal experimental condition to test the arguments formulated by Carol Weiss.

Second, the main component of RIA is the systematic analysis of how different stakeholders are affected by proposed regulation. In turn, the analysis draws eminently on the social sciences. The guidelines for RIA adopted by the OECD countries make several references to cost-benefit analysis and cost-effectiveness analysis. Thus, we have a policy instrument that draws significantly on economics and the socio-environmental sciences – yet this tool is situated in a very political context, that is, policy formulation within key agencies and government departments. Although RIA is supposed to simply 'inform' the decision-makers, in some countries individual RIAs have to make a specific

recommendation on the policy option to be adopted – typically this is the option that maximizes the net benefits, or the one that achieves a policy goal at the smallest possible cost for business and the society as a whole. The whole question of informing the decision-maker raises issues about law-making and its political control (Meuwese 2007). In consequence, RIA provides a good case to examine the interplay between knowledge and the utilization of the social sciences in a highly political context. This important function played in the decision-making process makes RIA different from, say, background studies and literature reviews that are routinely commissioned by departments, but with no intention of influencing directly the decision.

The third observation is that we have European countries that have experimented with RIA for at least ten years, a fairly long period of time to observe some of the 'knowledge utilization' effects from the point of view of the analysis of learning. Institutions like the OECD have argued in their documents that the most profound impact of RIA is not about getting the economics right before a specific decision is taken, and it is not even about adopting the best regulatory option (in fact, the best option may well be non-regulatory). It is about transforming the way in which institutions consider the impact of public intervention, and about being able to compare the pros and cons of regulation with 'smarter' ways of achieving public goals, for example using markets or market-friendly instruments. In short, RIA is supposed to make institutions think differently. It is explicitly described as an instrument for institutional learning. If RIA is supposed to change regulatory governance, this is a good case to check if this ambition in terms of learning is matched by empirical evidence.

In terms of case selection, these considerations suggest the inclusion of the European countries that have a long experience of RIA (at least ten years). These countries are Denmark, Netherlands, Sweden, and the UK. Case selection is therefore straightforward. The methodology adopted for this study is based on desk research, examination of individual RIAs (still in progress), and semi-structured interviews. The sample of interviewees in each country includes the top officers in charge of regulatory oversight, regulators and economists in key departments or agencies (trade, environment, and

labor), think tank experts, and one academic per country. The semi-structured interviews were carried out in Fall 2006 and Spring 2007. They were based on a set of closed questions and some open questions on the trends in regulatory reform and RIA. On average, each interview lasted 75 minutes. They were all face to face and taped, with the exception of two questionnaires (one in the UK and one in Sweden) that were answered in writing because this was the choice of the interviewees.

The paper is organized as follows. We first re-conceptualize learning and propose a strategy to get to grips with the empirical analysis of this phenomenon. Although different categories of learning are ideal-typical, one can formulate expectations about the empirical evidence that would corroborate one category or another. It is also important to be clear on the type of evidence that shows that there hasn't been learning – the null hypothesis. The next Sections consider different types of learning, specifically economic-Bayesian learning, social learning, political learning, and, finally, the null hypothesis. The conclusions discuss the findings and the implications for further research.

What have we learned about learning?

The state of the academic debate on policy learning is somewhat disappointing. True, we have seen several studies trying to define and pin down empirical evidence of policy learning over the last thirty years or so. The discussion on learning has also crossed roads with the studies on policy diffusion (Weyland 2005; Meseguer 2005), thus finding learning across countries and over time. In this context, several studies have shed light on epidemiological pathways triggered by informational cascades and herding phenomena. They have also explained how diffusion may well create certain forms of herding-based learning that are based on the inefficient use of information (Banerjee 1992).

At the theoretical level, the analysis of learning has been linked to the examination of different types of knowledge in the policy process - therefore distinguishing between information, data, social science models, arguments, paradigms as sources of policy

learning (Radaelli 1997). Further, the role of information itself has been usefully explored, by looking at information as symbol, signal, and cognitive device (March 1981; Levitt and March 1988). Other studies have diagnosed the role of specific actors as agents of learning, considering the political role of policy entrepreneurs, 'ideological leaders' in revolutionary cascades, international organizations, policy research institutes, networks of expertise, consulting firms, and advisors (Calvert 1985; Stone 1996; Radaelli 1998; Lohmann 1994).

Yet, the frustration with learning studies arises out of *specific* problems of conceptual analysis and research design. As shown by Brady and Collier, conceptual analysis has priority over measurement, for obvious reasons of internal validity (Brady and Collier 2004). What are the frustrating features of conceptual analysis then? First, research designs often try to map out different types of learning across space and time, but there is no control for the null hypothesis of lack of learning. One consequence is that the measurement of the dependent variable may be flawed – if one does not consider the possibility of finding cases without learning. Put differently, it is hard to find studies that tell us what is not learning and how empirical evidence about lack of learning can be collected and used to falsify propositions.

Second, there is a tendency to talk about learning as a comprehensive, well-specified concept. However, the message coming out loud and clear from decades of research on this topic is that we should move lower down the ladder of abstraction. It is useful to clarify the conceptual difference between learning and lack of learning. But then we should also be explicit on the types of learning and the mechanisms that are empirically investigated. This is current practice in any classificatory analysis, respectful of the differences between *species* and *genus*.

Third, there is the problem of the time-dimension. If we examine learning over a fairly narrow time-frame, our explanation will most likely consider inertial factors and continuity, rather than learning. But if we consider a long time-frame, it is almost impossible NOT to find instances of learning. If we consider a group of countries over

30-40 years and look at policy change in selected areas, it will be easy to find evidence of learning. Organizations, political systems, actors must learn, at least if they have to survive in an environment that is changing. Hence the question becomes, when do we pre-judge learning, and when does the opposite pitfall of analysis emerge, in which we do not see learning in the making because there are not enough years in our observations?

Fourth, it is not clear 'where' the researchers should go in terms of measuring learning. If one relies on process tracing, looks at the documentation, and interviews actors, the classic problems of self-attribution of merits for change crop up – no matter how well triangulation and other techniques are used. Policy makers want to be seen as promoters of change, and it is always more popular to tell stories about learning rather than answering questions using the language of competition, winners and losers, coercion, and so on. Especially when we interview technical-bureaucratic elites, it is hard to get them to talk about conflict and politics. Learning is often evoked in interviews as an antidote to 'hard' politics. But it does not mean that conflict was not there in 'the real world'. Neither can we dismiss the hypothesis that conflict (rather than policy enlightenment) has been the source of some political forms of learning. This pitfall can be called the benevolent view of learning.

As for conflict, learning about policy (that is, what works and what doesn't) is different from political learning, but they are both included in the concept of learning (May 1992; Bennett and Howlett 1992; Dunlop and James 2007 Forthcoming). Peter May (1992) refers to political learning when actors learn about each others' strategies and preferences. This notion can be extended to 'learning politically' about what works in terms of electoral success (or, at the opposite, which aspects of policy can spawn unwanted debates in the media and create an hostile public opinion). In this political mode, the underlying assumption is that politicians do not want to improve policies - they want to win elections. As for bureaucrats, the hypothesis would be that they do not want to achieve high policy performance; they want to expand their competences, budget, and so on. We are in familiar public choice territory – a healthy counterpoint to benevolent learning.

Going back to the point of ascertaining learning by dint of empirical analysis, is there an alternative to actor-centered approaches? If, instead of speaking to policy makers, one goes for institutional analysis and tries to find out how institutions think (Douglas 1986), there is always someone ready to object that institutions do not have cognitive capability. These critics would not make sense of propositions such as 'the European Commission learned that….' because they would argue that only actors learn, not structures. Some of them would also raise objections cast in the paradigm of methodological individualism, and ask questions about how one goes from the micro-level of individuals to macro institutional analysis. This objection ultimately boils down to concerns about the micro-foundations of institutional analysis.

Finally, diffusion studies alert us about the multi-level nature of learning. However, the trend is either towards diffusion studies (in which the international dimension is the sole focus) or domestic changes. There is not much on how the domestic level influences the international level of diffusion, and what happens when bi-lateral diffusion (from A to B) is also used to support generalized adoption of policies or instruments at the supra-national level (from A to B and C - and then from a coalition of member states to the EU). Of course, there are studies that deviate from the trend. Research on policy transfer (Dolowitz and Marsh 1996) has shown how change from the international to the domestic level occurs (Evans and Davies 1999). But we need more explicit consideration of the multi-level nature of learning, especially if the object we are interested in is the European Union (EU).

Getting to grips with the empirical analysis of learning

This paper does not tackle all of these problems. But it makes an effort towards clarification and explicit re-conceptualization of this elusive entity called learning. To begin with, we consider the full range of the dependent variable, from lack of learning to

learning. We also make explicit conjectures on the empirical evidence that would lead us to think that there is no learning.

A second step is to consider different types of learning, including those that are closer to the conflictual pole of politics. To avoid the benevolent bias mentioned above, it is useful to consider forms of learning that are not based on assumptions about policy enlightenment, such as highly political types of learning (May 1992), and types triggered by the search for legitimacy in international contexts (as opposed to learning generated by the desire to improve on policy and obtain success, efficiency, and so on).

In their influential analysis of the diffusion of liberalism, Simmons, Dobbin, and Garrett consider four different theories of diffusion – namely, coercion, competition, learning, and emulation (Simmons et al. 2006). Coercion and competition operate in domains different from learning. However, emulation can be considered a type of learning: countries draw lessons from abroad and learn what is needed to become more similar to the others, and therefore gain legitimacy (Rose 1991; Radaelli 2000). Consequently, isomorphic processes have a non-trivial learning component (DiMaggio and Powell 1991). Recent work by Jensen and Londstädt models informational cascades, herding, diffusion and emulation as social learning (Jensen and Londstädt 2007). Banerjee (1992) has demonstrated that this type of learning does make efficient use of information – yet another reason to distinguish it from economic-Bayesian learning.
These considerations justify the inclusion of emulation and diffusion under the rubric of social learning. Another innovation in this paper is the explicit consideration of the multi-level nature of learning processes in the EU – especially in connection to social learning.

As for the bias generated by the time-dimension, the choice made here is to look at change over a fairly long period of time (10-15 years), but not excessively long. Sabatier and others have convincingly argued that a good heuristic is to consider a period of a decade or so (Sabatier 1993). Consequently, the paper tracks down regulatory impact assessment from the mid-1990s to 2007.

Finally, in relation to the issue of whether learning should be measured at the micro level or at the macro-institutional level, and whether new regulatory tools impact on individual decisions or at a broader level of policy paradigms, we can improve marginally by making a clear distinction between the individual level of instruments (specifically, types of RIA and their use) and the broader setting of better regulation policy.

Table 1 shows our approach to learning. The table has two columns, one containing the type of empirical evidence at the macro level of better regulation (the policy-setting dimension), and one on the evidence on RIA (the instrument-setting dimension). The idea to clarify how evidence corroborates one type of learning or another comes from Peter May (1992:344).

Looking at the table by row, the first row is about empirical evidence that is not a manifestation of learning – the null hypothesis. There are three ways in which evidence may tell us that we are way out of the territory of learning. They are coercion (in some countries RIA is introduced as one of the donor requirements), regulatory competition (countries may just want to win to competition race and get high growth rates), and partisan effects (a new administration may want to re-set better regulation and RIA in a more business-friendly direction to remunerate business constituencies for support). Some qualifications are in order. Coercion is not a major feature but neither is it entirely absent from the European scene. Some governments may wish to tweak their RIA systems in anticipation of (or in response to) OECD reviews or Commission's communications. Moreover, the vertical dimension of EU governance offers a formidable opportunity to the most active Finance ministers to upload their preferences onto the EU-level, by pressing the Commission and the Council.

The second column portrays two types of rational learning. One is 'economic' maximization and optimal regulation with rational expectations; the other is rational behavior under conditions of uncertainty – or Bayesian learning. There is a distinction between rational and bounded learning in the specialized literature (Meseguer 2006), but for the sake of our discussion we can consider them together .

RIA is particularly appropriate for an analysis along the lines of Bayesian learning. When regulation is being developed, there is substantial uncertainty about risks and categories of costs and benefits – not to mention their quantification. RIA provides a set of rules through which regulators learn by experience and modify their prior probability on the basis of consultation, empirical studies, and other forms of appraisals. RIA can also be used in a Bayesian way by using empirical evidence to foster convergence across different regulatory stakeholders. A fundamental theorem in Bayesian statistics states that when experience becomes considerable - and provided that actors are coherent in adapting their prior probabilities - the value of initial attributions of probability to events (that is, prior probabilities) does not matter much - except in extreme cases when an individual attributes either zero or one probability to an event. Posterior probabilities converge when experience grows.

Empirically, we find macro-level evidence of rational learning when cost-benefit analysis plays a large role in RIA, the focus is on policy success (i.e., what works and what doesn't), and regulatory quality bodies look at better regulation and RIA to ascertain the quality of analysis and to perform systematic evaluations of regulatory tools and institutions. We also expect to find epistemic communities that have developed around common beliefs of what RIA is and what the economic analysis of regulation is for.

At the micro-level, evidence should point to the presence of a single template for undertaking RIA, the preference for benefit-cost rules (that is, rules are introduced or revised on the basis of whether they deliver benefits that justify or, in a stronger formulation, outweigh the costs), and the role of experience and evaluation in the revision of RIA guidelines (as opposed to, say, the partisan effect of a new administration that simply wants to be seen as different and more pro-business than the predecessor). Another important rational way to learn from RIA is to use this tool to inform decisions. In this connection, RIAs should be well-embedded in the decision-making processes.

With the third row we move to another type of learning - diffusion or social learning. The reference to social learning, in this case at least, has nothing to do with participatory or bottom-up dimensions of policy making processes. It simply states that learning has a cross-national and often trans-national social dimension. Diffusion processes are channeled by social networks across countries and international organizations. The main trigger is emulation, rather than the rational evaluation of success. Beyond a certain threshold, most or all governments want to emulate. They do so because they want to achieve legitimacy in international contexts, not because they have carefully examined the chances of getting more policy-level success by emulating or not. Put differently, what matters is political success and to avoid being left out. In the EU, the social dimension of this type of learning refers to coordination activities across EU Presidencies and to the creation of ad-hoc networks to support diffusion of best practice and tools. At the micro-level, we should find evidence that RIA templates are copied, translated, imitated widely across Europe. Over time, we expect rapid adoption of those tools that are easier or simply more politically amenable to diffusion – arguably, not the complicated cost-benefit analytic RIAs, but some stripped down versions, such as the analysis of specific costs. EU targets should be set and matched to domestic targets – so that the whole train of diffusion is not slowed down by some coaches. On guidance, we should observe that RIA guides and policy documents make references to what is happening abroad, or make explicit the intention to emulate.

The final column refers to political learning. From the point of view of the core executive, the policy-setting exercise can be used to learn politically in the following ways. To begin with, we expect better regulation policy goals to be set in accordance to their electoral feasibility, with policy performance as secondary goal. Innovations in better regulation – the argument goes on – would be used to increase the political control of the core executive. Thus, they will be pushed down rather than pulled up. Further, quality assurance would reflect the preferences of the principals, and limit agency loss. And the achievement of better regulation targets should be linked to the economic resources that are assigned to departments by the core executive in the budgetary cycle. There are no regulatory budgets in Europe. The idea is simply that departments that stick

to the preferences of the core executive are remunerated by the Finance Ministers when it comes to giving them resources or cutting expenditures with the Finance Bill.

Turning to expectations about the micro-level, evidence should show that RIA is essentially an information obligation monitored by core executive structures – and a fire-alarm for constituencies (McCubbin et al. 1987). Pressure groups can use RIA to gather information about agency loss, and alert the principal that regulators are drifting away. Thus, there will be conflict between the core executive and departments about the implementation of RIAs – departments that have constituencies for support different from the ones of the core executive will probably resist RIAs or adopt it without making too many efforts in terms of implementation. Finally, guidance should be strict on oversight requirements – that is, who scrutinizes the analysis contained in departmental RIAs, how the central unit working for the principal can stop a departmental agent drifting away, and so on.

To conclude, this Section has shown how the complex concept of learning can be broken down in different categories, categorized, and measured. This comes at the cost of a fairly high level of abstraction. The same empirical evidence about a country can contain both instances of rational and political learning, thus making it difficult to code evidence with precision. The categories of learning are ideal-types that reflect some assumptions – one could argue for a learning component in regulatory competition or coercion, since a country can learn the hard rules of the competition game and interdependent economy as well as the conditions imposed by membership of international organizations and donors' requirements. These qualifications are important, but provided that one is explicit about the demarcation between one category and the others, they should not hinder empirical analysis.

Economic-Bayesian learning

In this Section we appraise the role of RIA in processes of rational learning over a decade or so. Let us consider the policy-setting level first. Is better regulation policy set in terms of economic rationality, optimization, and welfare economics? Have the better regulators learned from systematic evidence and success, thus introducing change on the basis of Bayesian updating of probabilities? Have the quality assurance mechanisms been set in a way to provide information on the quality of analysis, and have policy makers taken notice of the watchdogs' messages over the years?

These questions are a tall order for any policy, and better regulation is no exception. One thing we can safely rule out is the presence of epistemic communities. Although there are regulatory experts in all the countries we have examined, there is no solid professional community with shared beliefs about the nature, content, and purpose of RIA and more generally better regulation. Contrast this with the US, where administrations and the political use of RIA change from one election to the other, but the nucleus of regulatory professionals in the Office for Management and Budget, the federal executive agencies, research institutes and university departments has been relatively stable and professionally solid over the last fifteen years or so.

Apart from this observation, it is difficult to find countries that fully match the ideal-type of economic-Bayesian learning. But perhaps the UK gets a bit closer to the template than the other three countries. This is the only country in our sample in which better regulation has evolved from an early emphasis on the assessment of compliance costs faced by business to a template informed by the systematic analysis of how benefits and costs affect different stakeholders. Since the mid-1990s, the UK has looked at cost-benefit criteria for inspiration on how to set better regulation policy and specifically RIA, although this country has not gone as far as the US in terms of adopting cost-benefit techniques. Departments such as Defra, Transport, and to some extent the DTI have invested resources on the analysis and in some cases monetization of benefits. Studies on how to assess benefits via contingent evaluation and other techniques have been promoted by the departments over the last ten years or so. The DTI has taken a sophisticated approach to the cost-side of the equation, looking into the thorny issues

raised by the measurement of cumulative burdens. Defra commissioned a full set of literature reviews on the economic analysis of regulation in 2006. The central unit in charge of better regulation, the Better Regulation Executive (BRE) based in the cabinet office, has made it clear that improving on the quality of economic analysis is a priority, and in 2007 launched several initiatives with academics and experts on this topic, and revised written guidance for RIA accordingly (although the debate on whether the revised guidance provides 'better economic analysis' is open).

However, the UK does not score highly in terms of systematic evaluation of better regulation policy. Most of the initiatives launched on RIA and the measurement of administrative burdens have not been formally evaluated. Although there are more than seventy people in the cabinet office's BRE, this unit does not provide an annual report on better regulation. Indeed, there is no major reporting exercise whatsoever provided by the BRE on a regular basis that can inform the discussion in Westminster and with the political leaders. Some assessments of regulatory policies are provided by the Better Regulation Commission (BRC), a body of business people, academics, and experts that supports the government's aim to improve on regulation and can challenge the government itself on what should be achieved. The BRC reports, however, change focus and topic depending on what the BRC wants to address.

Interestingly, it was the BRC to ask the UK's National Audit Office (NAO) to provide an ad-hoc report on RIA in the early 2000s, by sending NAO a sample of RIAs that were considered of poor quality. The initial idea was to ask NAO to provide some lessons for learning. Since then, the NAO has produced an annual report on RIA that informs the discussion on regulatory reform in the UK. NAO does not take its sample from the BRC any longer. But this does not mean that NAO has a statistical sample. The choice of departments to be scrutinized changes from one year to another. There is no systematic use of regulatory quality indicators applied to a representative sample of RIAs. Hence the evidence produced by NAO is not cumulative in a socio-scientific sense – one cannot build up time-series of RIA indicators and see whether between year n and year n+1 there has been learning across Whitehall (about economic analysis for example). In 2006 NAO

also produced a report on the integration between sustainable development and RIA. Some organizations and academics close to the business community provide studies based on compilations of RIAs year per year – the idea being one of adding up the costs introduced by new rules in a given period of time and show that they are higher than the benefits (see the report for the British Chambers of Commerce, Ambler et al. 2007).

The new initiatives on reducing administrative burdens and simplification plans have been introduced by the cabinet office in 2005-2007 without an ex-ante evaluation of their costs and benefits, and whether resources invested on these new exercise could crowd out other desirable initiatives – indeed, the NAO 2006 report noted that some department had problems in carrying out their RIAs because their resources were being absorbed by the measurement of administrative burdens (NAO 2006). The initiative on burdens came from political impetus rather than the careful analysis of evidence. Overall, there is no systematic evaluation of better regulation.

In terms of watchdogs, the obvious candidates are the NAO and the BRC. The former does a professional job of informing the public, although as we have seen the idea is more to target specific policy issues than to provide cumulative evidence on better regulation tools by using representative samples and systematic time-series. The NAO statute does not enable it to challenge policy goals, although this body can (and does) challenge the ways in which the government goes about using taxpayers' money to achieve the goals. Instead, the BRC reports can challenge the government, but their goals are more political than analytic. To illustrate, for the BRC is much more important to suggest a new topic (say, risk-risk analysis, or how independent regulatory authorities should go about policy appraisal) than to gather and scrutinize empirical evidence on RIA.

Turning to the micro-level, there is a single template for RIA in the UK. In the period we are examining, the UK has been the only country in Europe to insist on a benefit-cost test for proposed regulations. The guidance for RIA makes it clear that benefits should justify the costs. This is not as 'hard' as saying that benefits should overweigh the costs –

Ministers can still depend a proposed regulation by arguing that the justification goes beyond economic reasons and quantified impacts. But it is a pretty solid standard, inspired by Clinton's executive order on US RIAs (no. 12866).

Over the years, however, changes were made to written guidance – and not necessarily on the basis of careful analysis of evidence of how RIAs are used. In our response to the changes (to written guidance) proposed in the second half of 2006, we noted that the new proposed guide was more inspired by 'new political goals for better regulation' than by a careful interpretation of evidence. We observed that:

> 'We have learned from international experience that good RIA practice includes four elements, that is, (a) problem definition (b) decision-making criteria (c) choice of techniques (the 'choice of instruments' debate in the legal literature) and (d) the economic analysis of options. As a consequence, a test of good RIA should include all of these points. It is clear, however, that learning is less important than the political re-direction of better regulation in the document that is object of consultation.'(Centre for Regulatory Governance 2006).

Finally, we have to consider whether economic analysis really informs regulatory decisions (last item in table 1, second row). This is a very difficult question, indeed it is two questions into one, that is (i) does RIA embody good economic analysis and (ii) are economics-oriented RIAs an important point of reference for decision-makers, when they decide on different regulatory options? The problem is that we do not know what the benchmark may be. Judging by the NAO reports, however, it is clear that most RIAs, even when they contain good analysis, do not shape regulatory decisions because they were started late (when some options had been de facto chosen or taken out of the radar), or because Ministers have priorities other than reading or asking for briefings on RIAs. Indeed, one of the arguments put forward by the BRE to change guidance and format for RIAs in 2006-2007 was that the impact of this tool on regulatory decisions was much less than expected. Hence the BRE proposed a front-page summary with the costs and benefits – to increase the likelihood that ministers actually see what the overall economic impact of a regulatory proposal may be. If we look at studies that were not produced with the aim of explaining the role of RIA in decision-making, but were carried out with the

wider ambition of finding out how policy teams in the UK develop policies and law, we do not find any significant mention of this tool (Page and Jenkins 2005; Page 2003).

What about the other three countries then? Denmark has set better regulation policy with the aim of improving the business environment for firms. In some areas of better regulation Denmark has been a leader in Europe for a long time – for example in using panels of firms to test the costs of proposed regulation. But the idea of scrutinizing regulatory proposals on the basis on theories of optimal regulation or cost-benefit principles is absent. True, there are guides on how regulatory proposals should look both at the benefit side of the equation as well as to the cost side. But as interviews for this project have established, they are not implemented in a cost-benefit analysis format. Indeed, it is very difficult to find written evidence of Danish RIAs that more or less follow the template of analysis and quantification (if not monetization) of costs and benefits, and relate discounted total benefits to the indirect and direct costs. Calculations on costs and benefits, when they both exist, do not percolate in a final public document summarizing the net impact of proposals. Instead, they inform a discussion that hinges on informal cooperation. Informal cooperation among departments and between different Ministers would be hampered by the presence of a type of economic analysis leading to clear conclusions about which option should be preferred in a benefit-cost framework. When I asked an expert in Denmark about how the Danish system would cope with an Anglo-Saxon RIA document, the answer was 'the system would come to a grinding halt in two weeks' (Interview in Copenhagen, November 2006).

There are however written RIAs available for public discussion and analysis – but they cover only one aspect of proposed regulation, that is, the administrative costs for firms. When a regulatory proposal has an impact in terms of information requirements and administrative burdens in general, we find 'burdens-analysis only' RIAs that are quite sophisticated. The Danish Commerce and Companies Agency contributes directly to these RIAs, by performing some calculations of the burdens for the department in charge of developing the rule. Other calculations and analyses are contracted out to consulting firms, with the aim of reducing the burdens imposed by new regulation. Like in the UK,

departments are also involved on simplification plans that will reduce burdens originating from existing legislation.

Interestingly, although Denmark has a pretty good record in terms of ex-post evaluation of policies, better regulation has not been evaluated (HANNE FOSSE). Independent watchdogs do not exist, although the Danish Commerce and Companies Agencies works closely with the Department of Finance to increase the quality of the analysis of administrative burdens across departments. Momentum for changes in better regulation policy has come from political initiatives - learning from evidence has been less important. At the micro-level, we do not find a single template for RIA – as shown, administrative burdens are captured more selectively than other types of impacts. The RIA system is dual.

On the role of economic analysis in supporting regulatory decisions, the point to bear in mind is the following. In the development of new legislation, Danish policy makers do not see a separation between an analytic phase (supported by RIA) and informal cooperation of a more political-administrative nature. The Danish notion of policy appraisal includes both analysis and more political discussions and administrative cooperation. In turn, analysis is not limited to RIA. In Denmark, RIA has the same status of other evidence-based forms of appraisals, such as background studies, consultation from hearings (note that in Denmark consultation is not part of RIA), discussions of scenarios with experts and so on. To identify the impact of an individual RIA on a given decision is impossible. In most cases, it would also be impossible to find the RIA as written document with a narrative explaining how initial options were identified, how the costs and benefits were calculated, and how the analysis supports the choice of a given option. With the exception of the administrative burdens RIA and environmental impact assessment of large infrastructural projects, the very notion of a RIA in the Anglo-Saxon sense is misleading. This does not mean – to repeat an important point – that in Denmark the appraisal of proposed legislation is poor.

We find the same problem of distinguishing between technical-economic and political analysis of proposals in some of the Swedish RIAs. In Sweden, there are different systems of RIAs. When legislation is being developed by one or more departments, the lead Ministry organizes a committee to appraise the impact of proposals. For major proposals, the committee will include representatives from different parties represented in Parliament, as well as civil servants. The choice of the chair of this committee is obviously very political, and so is the drafting of the mandate given to the committee. The committee then produces a report that blends both empirical evidence and political deliberation. For major proposals, the reports are quite lengthy, and do not follow the template of a classic Anglo-Saxon RIA. For minor proposals, the lead department may well decide (with the consensus of the ministers involved of course) to have a small committee of civil servants, even only one civil servant. In this case, the 'committee' will perform its inquiry with a less political-deliberative orientation. However, there is no expectation that this type of committee will necessarily bracket politics and administrative priorities away, and confine the inquiry to the economic analysis of costs and benefits. Indeed, the recommendations of the committee are expected to be directly useful to the minister, rather than being an initial exercise in economic analysis supporting decisions. As several interviewees remarked during my fieldwork in Sweden, the entire work of the committees looking at proposed rules could be called 'appraisal' or 'impact assessment' but this assessment is much broader in scope and more political in orientation than the one covered by UK RIAs. The departments are also supposed to produce impact assessments, either for regulations that they are developing directly or following up the initial scrutiny of proposals carried out by committees.

There is another type of Swedish RIAs, this time carried out by the 550 agencies. Swedish agencies are quite independent, arguably the most independent in the four countries we are examining. In some cases it is the government that asks agencies to look into the impact of proposed governmental regulation, in others it is the agency itself that performs an analysis of consequences (this is the Swedish translation of RIA) within the scope of their regulatory power. The regulations issues by agencies are supported by an

'analysis of consequences' that in some cases follows the template of an Anglo-Saxon RIA, in others is more similar to large background studies.

Finally, every year there are some 200 assessments of the effects of regulation on small business. They are mandatory, but the format varies. They can be as short as one page, or even less – a simple box on 'impact on business' ticked (personal communication with Magnus Erlandsson, SCORE-University of Stockholm, March 2007).

The guidance produced by the Swedish government is quite general and dispersed, being contained in different ordinances – they cover committees, agencies, and simplification. The government is considering a single template and has looked into different formats, considering also the advice of the OECD and the experience of other countries, like the UK – a point that leads to hypotheses different from Bayesian-economic learning. Up until now, there has been no single template for RIA and no obligations to show that the benefits justify the costs. Guidance has been introduced incrementally during the years, for different aims – simplification, regulating committees, and controlling regulation produced by the agencies.

In particular, the Simplex ordinance is a checklist, and in some cases it is interpreted like a set of boxes to be ticked rather than being the framework for in-depth economic analysis of legislation. Thus, there is no evidence that points towards systematic use of economics in Swedish RIAs, although some of the RIAs carried out by agencies contain lengthy economic analyses. Even in the case of detailed agencies analyses, however, it is more correct to consider them like the classic economic studies, sustainability reports, background documents rather than RIAs. Finally, economic analysis plays a role in the initiative to crack down on administrative burdens. Both in Sweden and Denmark the measurement is conducted following the template of the Dutch standard cost model – a rudimentary yet cost-effective tool to appraise the economic costs originated by information requirements and other types of administrative obligations. The major Swedish measurement initiatives on tax, agriculture, labor, environmental regulation, building, statistics and foodstuff regulation are described at http://www.administrative-

burdens.com/default.asp?page=90. Affter each measurement is completed, the government sets a target. A full baseline measurement is currently being completed.

Quality assurance is also fragmented and currently under revision. The analysis of consequences produced by agencies is monitored by an agency, Nutek. Governmental RIAs are monitored by a better regulation unit in the Ministry of Enterprise and Industry. In the interviews carried out for this project, all government officials have acknowledged that quality assurance needs improvement, and specific proposals for more coordination and more effective control are being considered. A recent report by the OECD has also tackled the issue (OECD 2007) – policy-makers have found the OECD analysis of quality assurance mechanisms in Sweden very useful. The presentation of the OECD regulatory review in Stockholm on 30 March 2007 was a major event for the community of policy-makers considering changes to the RIA system in Sweden. But this is evidence that takes us outside the territory of economic-Bayesian learning.

The Netherlands is yet another case in which we find different types of RIAs. On the one hand, there is a checklist system for new regulatory-legislative proposals monitored by the department of economic affairs. The checklist is pretty basic. It looks at the impact of the economy, the environment, and the overall quality of legislation. The checklist itself is indeed a collection of three different types of questions on these topics. Thus, there are officers who are in charge of measuring costs (and consequently make use of one section of the checklist only), officers working on environmental impacts and finally analysts looking at the legal-enforcement-administrative feasibility components of proposed rules. This three-fold structure of the checklist is mirrored by the organizational structure. The small unit (called 'proposed legislation desk') at the department of economic affairs looks directly at compliance costs, but for the environmental analyses and the 'quality of legislation' dimension is supported by a handful of officers respectively from the departments of environment and justice. The system has been improved in terms of written guidance – recent documents are more sophisticated on how to measure compliance costs. Yet the overall quality of economic analysis contained in these Dutch RIAs does not match the standards of cost-benefit analysis. It is also difficult to find

written evidence of the economics supporting regulatory decisions. In fact, the Dutch do not publish full RIAs (including sections on the analysis of costs and benefits) but only explanatory memoranda that accompany legislation sent to Parliament. Hence it is *de facto* very difficult to scrutinize the quality of economic analysis, unless one has access to working documents stored in the PCs of government officers!

Since the early 2000s, however, the Dutch have also experimented with the appraisal of administrative burdens, both ex ante and ex post. Originally situated in the same unit at the department of economic affairs, the program to reduce administrative burdens migrated to the much more powerful department of finance. There, an interdepartmental unit reporting to the minister, IPAL, is in charge of the ex-post analysis and elimination of burdens. IPAL monitors effectively the progress with simplification plans made by the departments. An independent body, Actal, checks that burdens have been minimized in the preparation of new legislation. Actal can issue negative opinions on the scrutiny of proposals prepared by the departments, whilst the proposed legislation desk in the department of economic affairs does not have this role. The war on red tape in the Netherlands is based on the standard cost model. As mentioned, this is a basic technique that provides information on how administrative obligations impact on business costs. Recently, the department of home affairs (with a unit called PAL) has looked into how burdens affect citizens, tracking down over the years a small sample of nine Dutch citizens and families to see how their burdens decrease (by listening to their real-life stories rather than taking for granted the numbers communicated by departments).

To sum up then, this Section has found limited evidence of economic rationality-learning in the four countries examined. Neither have we found a solid professional community around better regulation and RIA. There is interest in this type of learning, however. The UK and Sweden would like to see more economics and learning from evidence in their regulatory decisions. Yet the changes under way in these two countries have little to do with rational learning and more with politics and control of the regulators – a point to which we will return in the Section on political learning. The Netherlands and Denmark are relatively happy with the status quo, but the main reason is not because it produces

evidence-based learning. The major success in these two countries is the war on red tape, an initiative that has interesting political properties (described below).

Social learning and diffusion

In this Section we look at learning as emulation. We expect to find evidence on this type of learning at the macro level by looking at the explicit intention to emulate what has been done by one (or more) 'leader' country. Additionally, diffusion does not take place in vacuum. It is supported by social networks built on purpose (Evans and Davies 1999). In a multi-level system like the EU, we would expect to see the emergence of specific networks. Finally, the diffusion of ideas and tools requires coordination across EU Presidencies, otherwise the political impetus may be easily lost.

Evidence seems to confirm the expectations. For many years there has been an attempt to diffuse RIA in Europe, with the UK in a leading position, together with other countries like the Netherlands, Denmark, and Sweden, Italy (in the second part of the 1990s), and, most-recently, Germany and Ireland. The success has been limited. It has been observed that although the RIA 'bottle' has been successfully diffused in practically all the old-15 member states, the 'wine' is quite different and in some cases there is nothing inside the bottle, only symbolic politics (Radaelli 2005).

Two observations are in order. First, the hypothesis on emulation is fully consistent with symbolic adoption: beyond a certain threshold, adoption of a new policy tool becomes a way to gain legitimacy, even if there is no intention to implement the innovation efficiently. Second, although the diffusion of cost-benefit RIA is limited in Europe, a stripped-down version of impact assessment based on the measurement of administrative burdens has become popular. All the countries examined here have adopted it and implemented it, with Sweden being the laggard among the four. Most interestingly, adoption has been triggered by the explicit intention to emulate the Dutch experiment. In the first stage, diffusion has focused on the tool used by the Dutch, that is, the standard

cost model. But over the last two years or so other components of the Dutch approach have been discussed with a view to emulating them, specifically the role of sanctions and incentives in the system, and the presence of independent bodies like Actal.
Sweden is currently considering the creation of a similar watchdog. In the UK, an influential report from the then Better Regulation Task Force on *Less is More* spawned a political debate on the Dutch model. This report was requested in October 2004 by the Prime Minister – a unique case in the history of the Better Regulation Task Force.
It was endorsed publicly by Tony Blair – with a letter sent to the then Better Regulation Task Force (BRTF) chair in July 2005 - and the Chancellor of the Exchequer. The report draws explicitly on the standard cost model (one chapter of *Less is More* is entirely dedicated to the Dutch methodology). The main recommendation arising out of the analysis presented in *Less is More* was to identify a baseline via the standard cost model and then set targets for the reduction via simplification plans prepared by the departments and monitored by the cabinet office. The recalibration of bodies such as the Regulatory Impact Unit (now Better Regulation Executive) and the BRTF (now Better Regulation Commission) is a consequence of the new targets for simplification and the reduction of administrative burdens. In 2007, the National Audit Office started monitoring the programs for burdens reduction by creating a panel of firms to be surveyed regularly.

Overall, there is no doubt that there has been emulation of the Dutch approach – thirteen EU countries and Norway are currently involved in burdens reduction initiatives (source: http://www.administrative-burdens.com/). Thus, we have a clear leader, the Netherlands, a process of emulation, and a specific network of developers and implementers of the standard cost model, with its own website, programmes, documents, bilateral visits and coordinated campaigns. At the EU-level, coordination has stepped up gear. The Dutch and British Presidencies have explicitly sought to prioritize better regulation and the adoption of targets for the reduction of administrative burdens at the EU-level. The better regulation priorities were initially set in documents of the four successive EU Presidencies, soon to become six. Four Finance Ministers wrote for the first time a document on better regulation to alert Brussels and the member states of the importance of the topic (see documents in Radaelli and De Francesco 2007). Vice-President

Verheugen worked in team with the German Presidency of 2007 to secure at the March 2007 European Council a commitment for the reduction of burdens at the EU level and for more incisive action at the level of the member states. An informal, voluntary body of Directors of Better Regulation convenes regularly and feeds back, informally, into the work of the Competitiveness Council on regulation. The Directors have organized sessions on best practice, funded studies on RIA, and designed training on multi-level impact assessment.

Initially, the Dutch campaign (soon to become Dutch-UK campaign) to focus on red tape was not well-received by the European Commission. I remember some of my contacts at the Commission saying on the phone 'Claudio, we are under Dutch administrative burden attack'. Brussels, in fact, was moving towards a template for RIA based on different pillars (economic, social, and environmental) and on the consideration of a large set of benefits and costs. Most policy officers at the Commission saw the burdens agenda as a re-definition of the RIA programme, or a narrowing down of better regulation from 'good governance' to 'good industrial policy'. But over time the same officers started to reason that perhaps this was the only practical way forward. Decisive was the position of the other member states, certainly more prepared to wage the war on red tape than to carry outcomplex RIA programmes for regulatory quality.

Turning to the instrument-setting level, the standard cost model has been diffused across most of the EU countries (see the evidence in Boeheim et al. 2007). Interestingly, it is exactly the tool that has the greatest potential for diffusion that has been transferred, not cost-benefit analysis RIAs – that is, the instrument with the highest potential in terms of rational regulatory policy making. Convergence around the standard cost model has been rapid. The OECD has also contributed to the diffusion process, by providing an opportunity to experiment with its own red tape scoreboard and devise common methods across the EU and Norway – a project on common methods was completed in Spring 2007.

A second manifestation of emulation is the adoption of common targets for RIA. No common EU indicators for better regulation and the quality of RIA exist, although they have been discussed in the past and DG Enterprise funded a study of this topic. But, as mentioned, there is an EU target for burdens. The member states have agreed to match the ambition of the EU target at the March 2007 European Council, without over taking a commitment in terms of a percentage of reduction. Countries like the UK and Denmark (and then Sweden) decided to follow the Dutch standard cost model well before the March 2007 Council, but this does not apply to the EU-27. Further to visits to the Netherlands and visits by Actal and the Dutch ministry of finance to the countries considered in this paper, Sections and Handbooks regarding RIA guidance have been reformulated in Sweden, Denmark and the UK to take the standard cost model into consideration – another empirical manifestation of emulation. The EU Guidance on RIA was changed specifically to include a Section on administrative burdens.

To conclude, these aspects of emulation support Wiener's argument that 'the better regulation initiative in Europe is a conscious exercise in legal borrowing. This borrowing has been both horizontal and vertical' (Wiener 2006:3). Of course, emulation does not mean wiping out history. Sweden has encountered the Dutch standard cost model after a decade of experience with better regulation as simplification and political attention to the regulatory costs incurred by small firms and enterprises in general. The Danish encounter with the standard cost model also comes from a decade of political efforts to focus better regulation around the problems of firms. The UK is perhaps the only case in which historical trajectories have been zigzagging, with swings of the political pendulum from less regulation to more regulatory quality, and less regulation (and risk-tolerant) regulation again (Dodds 2006).

Political learning

Let us now turn the angle of observation in the direction of political learning. We would expect more steering than in the previous cells of table 1. The policy-setting level should

show that better regulation is used as an instrument to control the regulators. Principal-agent relations should be of paramount importance - both at the level of policy-setting and in terms of instruments-setting.

Arguably, the most striking element is the link between policy-setting and electoral feasibility (table 1, last row, column 1). A mentioned, the war on administrative burdens and the Dutch standard cost model have achieved momentum in Europe. The question is why? It would be simplistic to argue that the main reason is the scientific robustness of the instruments or the obvious gains in terms of policy performance. The basic nature of the instruments originally implemented by the Netherlands does not qualify the recent switch in terms of sound economic ideas. There are serious and valid concerns about the conceptual limitations of the exercise and the quality of economic theory embedded in the Dutch approach (Helm 2006). As for the costs, the direct cost of the baseline measurement of the burdens arising out of regulation in the UK was close to 12-million GPB. So we are back to the question why is the war on red tape so popular at the moment, much more than wider assessments of the costs and benefits of regulation?

The answer is that, politically, it is attractive to target burdens, less attractive to invest in complex RIA systems and cost-benefit analysis. The war on the burdens captures the political imagination – the media in Europe are more willing to talk about red tape and bureaucratic hurdles to entrepreneurship than about impact assessment and cost-benefit analysis. It delivers over a single electoral cycle – the programs for the reduction of burdens are timed to provide results in 3-4 years, whilst full RIA programs deliver across a decade or even more, hence they are not politically attractive. Finally, the war on red tape chimes with the priorities of the EU and its member states for competitiveness – hence better regulation can easily be attached to the momentum created by the Lisbon agenda on competitiveness. The 'Lisbonization' of better regulation has enabled this policy to rise up high on the list of political and economic policy priorities (Radaelli 2007).

Another manifestation of the political aspects of learning is how innovations have been pushed down by the core executive rather than pulled out. Both the Netherlands and the UK present plenty of evidence of changes that, as one interviewee put it, 'are foisted on us' (interview, October 2006). Watchdogs like Actal and Ipal in the Netherlands, and the Better Regulation Executive – Better Regulation Commission in the UK are there to assist the core executive in the implementation of the better regulation policies.

Three more aspects complete the picture of policy-setting in terms of 'controlling the regulators' – to use a term originally applied to compliance cost assessment techniques in the UK (Froud et al. 1998) and to the US oversight of regulatory agencies via administrative procedure (McCubbin et al. 1987). First, in the UK a panel for regulatory accountability was created, originally with the idea of looking at the regulatory agenda across departments, but then re-focused on RIA. The panel then became a formal cabinet committee, chaired by the Prime Minister and with a fairly high-level representation from Treasury. For ministers in regulatory departments, the scrutiny of regulatory proposals provided by this high-level committee has created a strong disincentive to take the better regulation agenda lightly. The real work, of course, is done well-before the panel meets, since no department wants to be embarrassed, or send a junior minister knowing that the Prime Minister may chair the next meeting. It is essentially a mechanism of oversight based on anticipated reactions – knowing that scrutiny takes place at a high-level, proposals are not sent to the panel unless there is confidence in the quality of the regulatory analysis behind them.

Second, in the Netherlands Actal and Ipal have been established specifically with the goal of securing compliance with the goals of the government and use sanctions against recalcitrant departments. Actal's officers examine the quality of proposed regulation. If they find that the analysis of administrative burdens is poor, they issue a negative opinion. Anticipated reactions work well in this case too, as no-one wants to be named and shamed by a (public) negative opinion issued by Actal. Ipal works on the delivery of simplification plans and burdens reduction targets by operating directly from within the powerful ministry of finance in The Hague. This enables Ipal to observe how well a

department is doing in the burdens reduction exercise and make suggestions to the minister of finance about how well the same department should be rewarded in terms of economic resources with the finance bill. The link is not automatic – it is not based on a formula connecting departmental burdens budgets and financial budget. Yet is has established a sound mechanism of sticks and carrots (Jansen and Voermans 2006).

Thirdly, in an attempt to secure consistency to the burdens reduction programmes beyond the electoral cycle, in 2006 the Dutch ministry of finance asked the World Bank and the OECD to evaluate their initiatives and make recommendations for the future. This is an unprecedented case of better regulation units using effectively international organizations to create political ammunition. The move was successful – from the point of view of units like Ipal. The OECD and the World Bank praised the work done by Ipal and Actal under the leadership of finance minister Gerrit Zalm. They suggested the next government set the same target (an additional 25 per cent reduction of burdens), confirm the key role of Actal and Ipal, and assign these two bodies new better regulation tasks. So the new government formed in early 2007 found a clear message from two international organizations: 'carry on with the same policy trajectory, and support those units who have done well until now'. Unsurprisingly then, although Zalm is no longer finance minister, the coalition pact signed by the parties in government on 7 February 2007 contains the following key reference in crystal clear political language:

> 'The project to reduce the regulatory burden on businesses will be continued, with the target of an additional 25 per cent reduction in the administrative burden'. (http://www.government.nl/policy/balkenende4/regeerakkoord/index.jsp).

Turning to the instrument-setting level, the evidence on how policy makers have learned to use RIA politically is less convincing. True, there has been resistance to RIA from some departments in all the four countries examined, but there is no hard evidence that the central units have been willing to (and have managed to) use impact assessment to steer the regulatory agenda of the departments politically. It is impossible to provide evidence that the constituencies of support for the prime minister and the finance minister

use RIA as information obligation that alerts them on whether the regulators are going too far and are trying to set policy outside the principal's goal. There is no involvement of the Courts in Europe – by this, I mean the Courts using RIAs as fire-alarm to reign in agents that deviate from the principal's objective – via jurisprudence on how RIA should be used, the depth of cost-benefit analysis, the degree of sophistication needed to justify a proposal, and so on. Although the argument has been made at the theoretical level (McCubbin et al. 1987) and may have empirical leverage in the US, there is no evidence for Europe. The fact that 'regulators' in the US are federal executive agencies controlled by the President, whilst in Europe RIA is performed by departments operating in various types of cabinet-decision making casts some doubts on this public choice interpretation of RIA and administrative procedure in general. But as mentioned the main problem is lack of evidence.

If this is the broad RIA picture, there is no doubt that for certain departments the current enthusiasm of finance ministers and the cabinet office of their country for the reduction of burdens has been a less-than-welcome redirection of the political agenda. In some interviews in these departments, simplification plans and targets for the reduction of burdens have been refereed to as manifestations of political steering from the centre. An interviewee from a department said 'Probably my comment, though, is that the pressure [on us] has been applied very crudely through the Standard Cost Model'. Interestingly, the interviewee carried on observing that 'we have responded to that, we've been working very hard to broaden the agenda so that we get the right outcomes' (Interview, October 2006).

The null hypothesis

To control for the null-hypothesis, we have to look at coercion, regulatory competition, and partisan effects (table 1, first row). At the policy-setting level, coercion and donor requirements are absent in the sample considered here. Partisan effects should be pronounced when a right-of-center government is established after the elections. In this

case, we should see more emphasis on better regulation as simplification of the regulatory environment and war on red tape. Although there are instances in which this has happened (the current Swedish government is certainly more confident with this interpretation of better regulation than the previous administrations), there has been a pretty even diffusion of better regulation principles across Europe. The current Dutch government has not changed the trajectory of the previous, more neo-liberal, administration. Neither has the UK changed party in government in the period examined here, yet better regulation has been re-defined more than once (Radaelli 2007).

In a sense, there is a partisan effect at the level of the Commission. The current Barroso Commission is by all standards closer to a definition of better regulation as simplification and better regulatory environment for business than the previous Prodi Commission, more interested in better regulation as a model of open governance and balanced approach to sustainable development, social cohesion and growth. This is consistent with the political affiliation of the current Commissioners, closer to neo-liberal parties and ideas than their predecessors under Prodi (Hix 2007: chp.1).

Regulatory competition may well be strong in areas such as tax competition and trade regulation, but does not seem to affect the nature of RIA, although there are of course plenty of references to competitiveness in the discourse around better regulation. The reason of my skepticism is that if EU governments were really into the competition game, they would pay more attention to benefit-cost criteria in the assessment of proposed legislation and in simplification programs. Otherwise, there is no reason to believe that the reduction of administrative obligations will deliver a more competitive Europe. To illustrate, in some cases the elimination of an information requirement in a given rule may affect negatively the benefits. Or administrative burden reductions may prompt an increase in regulatory policy costs (a public service organization that receives less information may increase control directly), thus leaving the net benefit of a rule un-affected. The OECD, although supportive of burdens reduction programmes under way, has recently rang the alarm bell – the member states of the EU have to start looking at net-benefits, argued Joseph Konvitz of the *Governance and Territory* Directorate of the

Paris-Based organization (Konvitz 2007). Concluding on this point, the mobilization of political power to use RIA to take over other economies and become more competitive may well be one of the aims of some champions of better regulation. Indeed, there is also a burgeoning discussion trying to link progress on the reduction of burdens to gains in terms of GDP and growth (on this, see the sensible skepticism of Helm 2006). However, there are more direct ways to influence the economy.

At the instrument-setting level, there has been a minor impact of a very soft version of coercion in that Sweden has accelerated progress with reform in 2007 on the wake of the recommendations formulated by the OECD about quality control and lack of a single template for RIA. There has also been more than one episode in which the most active finance ministers, such as Gordon Brown and Gerrit Zalm, have put pressure on the Commission to move forward with better regulation innovations consistent with the goals pursued by the ministers at home. This is partly in connection to the mobilization of better regulation networks at the EU level (and therefore falls in the category of diffusion and emulation), but it has also partly taken the shape (in some months and on specific episodes) of explicit political pressure on Brussels.

Conclusions

We can look at the major findings of this study in table 2. The strongest learning effects are in the cell of social learning – emulation. If, however, one tries to answer the question 'why has diffusion of the standard cost model and administrative burdens reduction programs been so fast', one has to look at the dimension of political learning for an answer. These programs are attractive from a political – electoral point of view. Policy makers seem to have learned how to use better regulation politically. By contrast, the evidence of economic-Bayesian learning is weak but not entirely absent from the scene. So is the evidence for the null hypothesis. If we had considered countries like the USA and Australia, we would have most likely found more support for the economic-Bayesian learning hypothesis. And if we had considered countries like Kenya or Ukraine, we

would have found more evidence of coercion to corroborate the null hypothesis. So the conclusions that can be drawn from this analysis are contingent on the sample of countries considered.

Turning to the theoretical conclusions, this paper has put forward ideas to handle the empirical analysis of learning. The strategy suggested here is (a) to distinguish between different types of learning, (b) to consider both learning and the null hypotheses of 'what is not learning', (c) to examine learning over a period of a decade or so and (d) to consider both the macro dimension of policy-setting and the micro-dimension of instrument-setting. Another important point is to re-insert conflict and politics into our analysis of learning, by giving consideration to political learning. Finally, learning should not be correlated with policy improvement. It is obvious that policy makers in the member states and at the EU level have learned about RIA and better regulation over the last ten years or so, but this does not necessarily mean that the quality of rules has increased. The latter is a proposition that requires its own research design to be tested. Future research could usefully look into the relationship between better regulation, learning, and the implications for the quality of the regulatory systems in Europe. For example, it is not clear if RIA has led to a more systematic use of alternatives to traditional regulation, or whether it has created net benefits for the European citizens and firms.

An important qualification concerns the status of the ideal-types of learning discussed here. After having written this paper, I have become convinced that learning is essentially a systematic approach (among many however!) in which we can examine some important political phenomena. It is an angle of observation, or perhaps a style we use to conduct research and write our findings. As one of the possible styles of research, it shows some interesting features of public policy, but it does distract our attention from other features. We know from Allison's *Essence of Decision* that the same phenomenon can be examined by drawing on different types of analysis (Allison 1972). The surrealist novelist and poet Raymond Queneau managed to tell the same simple story in different 99 styles (Queneau 1998 [Ed Or 1947]). No-one knows what the other n styles to talk

about policy are, but if learning is one of the major styles, we should always be aware of the opportunity cost of using this style and not using another. Future researchers may therefore wish to abandon the search of the Holy Grail of 'how do we definitively provide a proof that learning has taken place and can be measured', become more humble, and test the learning style against one or more rival alternative styles in relation to the same research question, such as policy change. The idea to include an explicit null hypothesis is just one of the steps that can be taken in this direction.

Table 1- Types of learning and expectations about evidence

	Policy setting level (Better regulation policy)	**Instrument-setting** (RIA)
Null hypothesis **(no learning)**	. Coercion, donor requirements . Regulatory competition . Partisan effects	. OECD regulatory reviews accelerate the introduction or redefinition of RIA . International consultants paid by donors design RIA guidance . RIA is used to become more competitive than other countries (no intention to emulate, the intention is to take over) . New incumbents change the nature of RIA to pursue their party-political goals
"Economic" and-or Bayesian learning	. Optimal regulation (CBA, welfare economics) . Focus on success of policy when introducing changes in better regulation . Systematic evaluation of better regulation . Watchdogs care about the quality of analysis . Presence of epistemic communities	. Single template for RIA . Benefits justify costs rules . RIA Guidance is re-formulated on the basis of empirical evidence . Regulatory decisions informed by economic analysis
Social learning – diffusion	. Diffusion of better regulation triggered by the explicit intention to emulate what has been done by the 'leaders' member states . Activation of EU-level networks to promote and sustain better regulation . Coordination across EU Presidencies	. RIA templates and tools transferred from one EU member state to others . EU-level targets for RIA matched by national targets . Rapid convergence across the EU on specific tools for impact assessment, such as the standard cost model . RIA stripped down to basic types of assessment that can be easily diffused across the EU . RIA Guidance is re-formulated on the basis of foreign models
Political learning	. Focus on electoral feasibility rather than policy performance . Innovations are pushed down rather than pulled up . Watchdogs created to assist the principal . Link between better regulation targets and economic resources	. RIA as information obligation monitored by core executive structures . RIA as fire alarm for constituencies of support . Resistance to RIA from some departments

Table 2 – Learning effects and null hypothesis

Null hypothesis	Sweden (party-politics) Commission pressurized by MS
Economic-Bayesian learning	UK (weak effects)
Social learning and diffusion	UK Denmark Sweden NL as leader in the diffusion process EU-Level effects
Political learning	UK NL

References

Allison, G. T. 1972. *Essence of Decision*. Boston: John Wiley and Sons.

Ambler, T., F. Chittenden, and D. Xiao. 2007. "The burden of regulation: Who is watching out for us? - Report for the British Chambers of Commerce." London.

Banerjee, A.V. 1992. "A simple model of herd behavior." *Quarterly Journal of Economics* 107 (3):797-817.

Bennett, C. J., and M. Howlett. 1992. "The lessons of learning: reconciling theories of policy learning and policy change." *Policy Sciences* (25):275-94.

Boeheim, M., A. Renda, H. Leo, T. Weijnen, F. Unterlass, P. Coletti, and M. Schratzenstaller. 2007. "Pilot project on administrative burdens - Final report." Vienna and Brussels (WIFO and CEPS): DG Enterprise and Industry, Contract Nr. B2/ENTR/05/091-FC.

Brady, H. E., and D. Collier, eds. 2004. *Rethinking Social Inquiry: Diverse Tools, Shared Standards*. Lanham: Rowman and Littlefield.

Calvert, R.L. 1985. "The value of biased information: A rational choice model of political advice." *Journal of Politics* 47 (2):530-55.

Centre for Regulatory Governance, Exeter University. 2006. "Response to the BRE consultation document The tools to deliver better regulation." Exeter: University of Exeter.

DiMaggio, P. J., and W. W. Powell. 1991. "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields." In *The New Institutionalism in Organizational Analysis*, ed. W. W. Powell and J. DiMaggio. Chicago and London: University of Chicago Press.

Dodds, A. 2006. "The core executive's approach to regulation: From 'better regulation' to 'risk-tolerant deregulation." *Social Policy and Administration* 40 (5, October):526-42.

Dolowitz, D., and D. Marsh. 1996. "Who learns from whom: a review of the policy transfer literature." *Political Studies* (XLIV):343-57.

Douglas, M. 1986. *How Institutions Think*. London: Routledge and Kegan Paul.

Dunlop, C., and O. James. 2007 Forthcoming. "Principal-agent modelling, learning, and scientific advice: The European Commission and agricultural hormone growth promoters." *Public Policy and Administration*.

Evans, M., and J. Davies. 1999. "Understanding policy transfer: A multi-level, multi-disciplinary perspective." *Public Administration* 77 (2):361-85.

Froud, J., R. Boden, A. Ogus, and P. Stubbs. 1998. *Controlling the Regulators*. Basingstoke, Hampshire: Macmillan.

Helm, D. 2006. "Regulatory reform, capture, and the regulatory burden." *Oxford Review of Economic Policy* 22 (2):169-85.

Hix, S. 2007. *What's Wrong with the European Union and How to Fix It*. London: Polity.

Jansen, W., and W. Voermans. 2006. "Search and destroy in the Netherlands: Legislative policies on combating red tape (our translation from the Portuguese text - CHECK LATER)." *Legislaçao* 44 (October-December).

Jensen, N., and R. Londstädt 2007. "Learning right and learning from the left: Informational cascades, biased advisors and corporate tax policy in the OECD." In *65th Midwst Political Science Association Annual Meeting*. Chicago.
Konvitz, J. 2007. "Administrative simplification in the Netherlands: Main findings by the OECD and World Bank Group." In *Challenges of cutting red tape*. Rotterdam.
Levitt, B., and J. G. March. 1988. "Organizational learning." *Annual Review of Sociology* 14:319-40.
Lohmann, S. 1994. "The dynamics of informational cascades: The Monday demonstrations in Leipzig, East Germany, 1989-1991." *World Politics* 47 (1):42-101.
March, J. G. 1981. "Footnotes to organizational change." *Administrative Science Quarterly* 26:563-77.
May, P. J. 1992. "Policy learning and failure." *Journal of Public Policy* 12(4):331-54.
McCubbin, M.D., R.G. Noll, and B.R. Weingast. 1987. "Administrative procedures as instruments of political control." *Journal of Law, Economics, and Organization* 3 (2):243-77.
Meseguer, C. 2005. "Policy learning, policy diffusion, and the making of a new order." *Annals of the American Academy of Political and Social Science* 598:67-82.
———. 2006. "Rational learning and bounded learning in the diffusion of policy Innovations." *Rationality and Society* 18 (1):35-66.
Meuwese, A.C.M. 2007. "Inter-institutionalizing impact assessment." In *Better Regulation*, ed. S. Weatherill. London: Hart.
NAO, National Audit Office. 2006. "Evaluation of Regulatory Impact Assessment 2005-2006." London: National Audit Office.
OECD. 2007. "Government capacity to assure high quality regulation in Sweden." Paris: Organisation for Economic Cooperation and Development.
Owens, S., T. Rayner, and O. Bina. 2004. "New agendas for appraisal: reflections on theory, practice, and research." *Environmental and Planning A* 36:1943-59.
Page, E.C. 2003. "The Civil Servant as Legislator: Law Making in British Administration." *Public Administration* 81 (4):651-79.
Page, E.C., and B. Jenkins. 2005. *Policy Bureaucracy: Government with a Cast of Thousands*. Oxford: Oxford University Press.
Queneau, R. 1998 [Ed Or 1947]. *Exercises in Style*. London: Calder Publications.
Radaelli, C. M. 1997. *The Politics of Corporate Taxation in the European Union. Knowledge and International Policy Agendas*. London: Routledge.
———. 1998. "Networks of expertise and policy change in Italy." *South European Society and Politics* 3 (2):1-22.
———. 2000. "Policy transfer in the European Union." *Governance* 13 (1):25-43.
———. 2005. "Diffusion Without Convergence: How Political Context Shapes The Adoption Of Regulatory Impact Assessment. ." *Journal of European Public Policy* 12 (5):924-43.
———. 2007. "Whither better regulation for the Lisbon agenda?" *Journal of European Public Policy* 14 (2):190-207.
Radaelli, C.M., and F. De Francesco. 2007. *Regulatory Quality in Europe: Concepts, Measures, and Policy Processes*. Manchester: Manchester University Press.
Rose, R. 1991. "What is lesson-drawing?" *Journal of Public Policy* 11:3-30.

Sabatier, P. 1993. "Policy change over a decade or more." In *Policy Change and Learning*, ed. P. A. Sabatier and H. Jenkins-Smith. Boulder: Westview.
Simmons, B., F. Dobbin, and G. Garrett. 2006. "Introduction: The International diffusion of liberalism." *International Organization* 60 (Fall):781-810.
Stone, D. 1996. *Capturing the Political Imagination. Think Tanks and the Policy Process*. Ilford: Frank Cass.
Weiss, C. H. 1979. "The Many Meanings of Research Utilization." *Public Administration Review* 39 (5):426-31.
Weyland, K. 2005. "Theories of policy diffusion: Lessons from Latin American pension reforms." *World Politics* 57 (2):262-95.
Wiener, J. B. 2006. "Better regulation in Europe." *AEI-Brooking Joint Center on Regulation* 06-26 (September).