

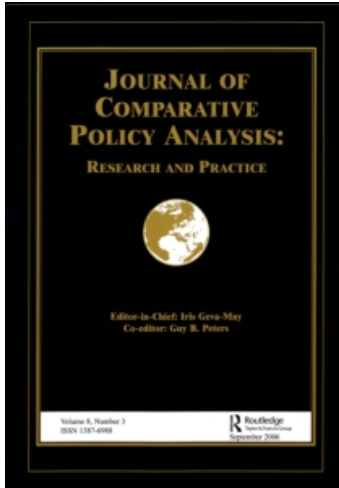
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Europeanization, Institutionalization and Policy Change in French and Italian Electricity Policy

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ABSTRACT *This article focuses on the role of institutionalization of public policies in the EU member states' response to Europeanization in energy-related policy domain. The article first provides a critical overview of the "goodness of fit" logic. It is argued that such a logic is problematic in explaining the policy change and the policy development at the domestic level. Then the article proposes to integrate the goodness of fit framework with the analysis of the degree of institutionalization of national policies. Comparative analysis of the development of the French and Italian electricity policy during the 1990s confirms that the institutionalization of public policies is an important dimension that has been missed by the literature on Europeanization. The study of institutionalization is useful in that it clarifies the different degrees and directions of policy change under similar European adaptive pressures.*

Introduction

Studies on Europeanization have grown rapidly in the last decade, in particular in the field of public policy. The attention of scholars is generally focused on the impact of Europeanization on national public policy; however, few frameworks have been developed which are useful to explain the different configurations of that process and its outcomes in different countries or policy areas (Radaelli 2003, Bulmer and Radaelli 2005). The main general explanatory model that has been elaborated with respect to the mechanisms and impact of Europeanization is the "goodness of fit model" (Cowles Green et al. 2001, Börzel and Risse 2003). The *goodness of fit* model is useful to address certain mechanisms of Europeanization, but it has some limits too. In particular, the goodness of fit model, which is based on institutional theory, yields only a reductive and static image of relevant institutions; it fails to consider the *multidimensional* nature of institutions and the *process of institutionalization* in a systematic manner. In the first section of this article, I will discuss the problems related to the use of "goodness of fit" logic in explaining the policy change and the policy development in the cases of the French and Italian electricity policy during the

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1990s. Then I will present some elements that may facilitate the study of Europeanization and policy change based on the analysis of institutionalization, with the aid of sociological and historical institutionalism. In the second section, I will evaluate the proposed hypothesis on the basis of research conducted on the Europeanization of electricity policy in France and Italy.¹ I will use the classification of policy elements and the taxonomy of policy development proposed by Cashore and Howlett (2007) in order to present a more accurate measurement of the degree and direction of policy change under European pressure. Finally, I will use the findings of this research to suggest the role of institutionalization as mediating factor of Europeanization. Studying the impact of Europeanization in the electricity sector is important because it facilitates the analysis of the “net impact” of European integration (Levi-Faur 2004). The electricity policy is a useful specimen because, in this sector, neither technological change nor global competition was a significant driver of market reforms (Bartle 2005: 96). In addition, the emergence of EU-level market reforms in electricity is well documented (Schmidt 1998, Eising and Jabko 2001, Jabko 2006), and it is possible to concentrate on the implementation stage at national level.

Europeanization and Institutionalization: The Missing Dimension

European Policy and Domestic Policy: Misfit and Policy Change

The goodness of fit framework is based upon the degree of fit between European and national institutions and policies; in case of a “misfit”, Europeanization exerts a general adaptive pressure for institutional or policy change (Cowles Green et al. 2001). According to Cowles Green and colleagues, the interesting cases are those where the adaptational pressures are significant. In such cases a sort of stalemate is expected between EU institution and domestic institution resulting in severe implementation deficit (Cowles Green et al. 2001: 8). As pointed out by Börzel and Risse (2003: 70), according to the logic of sociological institutionalism high adaptational pressure is likely to meet strong institutional inertia preventing any domestic change; in case the process of adaptation evolves along the same institutional path. This conventional construct of Europeanization views “goodness of fit” between the European and national institutional and policy settings as a key indicator of the level of adaptational pressure. However the usefulness of this concept in the empirical analysis of policy change is problematic (Mendez et al. 2008). This is the case of the dynamic of the French and Italian electricity policy during the 1990s.

At the end of the 1980s, the European Commission elaborated the first proposal for the Internal Energy Market (IEM). The idea was to overcome the “energy exception” and to treat the electricity and gas sectors like any other regulated sector, and thus to integrate it into the common market framework (Matlárý 1997). In the electricity sector, the European Commission tried to promote a policy programme based upon a new organizational model of the electricity industry (De Paoli 2001). With the adoption of Directive 96/92/EC, approved after a long and intense debate between the member states and the European Commission (Schmidt 1998; Padgett 2003), that model was partly incorporated into European law and was later confirmed by Directive 2003/54/EC. Based on a new paradigm and setting coming

from the market approach to energy policy, the EU policy programme contrasted sharply with those of many European countries.²

That was the case of both France and Italy. In each of these countries, the electricity sector was organized, after nationalization, in a similar way as regards ownership, industrial structure and regulation (De Paoli 1993, 2001). The nationalization laws that created Enel, *Ente nazionale energia elettrica* (1962) and Edf, *Électricité de France* (1946), established two large state-owned companies that were vertically integrated, with a legal monopoly in all segments of the electricity industry. The regulation of the sector was in the hands of the central government, in particular the Ministry of Industry. These policy instruments were accompanied by the idea that public intervention is motivated by economic considerations – preventing market failure – but, in addition, by social and political considerations because access to electricity was considered a “right” to be guaranteed to all people within the territory. Following the taxonomy proposed by Cashore and Howlett (2007) is possible to distinguish in a more accurate manner the main policy elements – policy focus and policy content – of the “Traditional policy regime” (French and Italian cases) and of the “New policy regime” (according to the market approach) of the electricity sector as a complex mix of ends and means-related goals, objectives, and setting (Table 1).

Due to these differences during the 1990s in Italy and in France, there was a long debate on the reform of the electricity sector under the influence of the European

Table 1. Traditional policy regime (TPR) and new policy regime (NPR) in electricity sector, following the taxonomy of policy measures of Cashore and Howlett (2007)

		Policy content		
		Goals	Objectives	Settings
Policy focus	<i>Ends</i>	<i>TPR:</i> Overall social, economical and political development	<i>TPR:</i> State intervention to prevent market failure and to strengthen the energy industry	<i>TPR:</i> Integrated industrial structure (To enhance co-ordination and economy of scale)
		<i>NPR:</i> Separation between the political and social goals and the management of the electricity sector	<i>NPR:</i> Liberalization and privatization to improve efficiency and inexpensiveness of electricity provision	<i>NPR:</i> De-integrated industrial structure (to enhance competition)
	<i>Means</i>	<i>TPR:</i> Use of coercive instruments	<i>TPR:</i> Public enterprise	<i>TPR:</i> State ownership to strengthen the control of the central government on the electricity policy
		<i>NPR:</i> Preferences for market mechanism to guarantee co-ordination and efficiency of electricity sector	<i>NPR:</i> Market regulation	<i>NPR:</i> Private ownership, regulation through authority, wholesale electricity market

policy process. In the end, the result in Italy was a more market-oriented reform, while a more conservative reform was realized in France (Campidoglio and Vaciago 1999, Glachant and Finon 2003).

Furthermore, in France the policy change was very slow, the French government delays the implementation of directive 96/92/EC until February 2000, even if the expiry date of the period for the transposition of the directive was the February of 1999. In the Italian case the policy change was more rapid, and the government was able to adopt the directive 96/92/CE in time to comply with European requirements.

The French case seems to confirm the goodness-of-fit hypothesis, i.e. a low degree of change and incremental policy evolution in the case of “high misfit” (since domestic institutions defended their own integrity), but the Italian case does not confirm that hypothesis. In spite of a high inconsistency between European policy and the domestic policy in Italy, a more pronounced and rapid policy change occurred. Although Italy and France had a similar policy regime, there were certain differences that depended on the institutional context in which the process of Europeanization was inserted. Electricity policies are closely interconnected with general energy and economic policies of the state, and in both cases they are influenced by the conditions of institutional context; the institutionalization of electricity policies in these countries is different because in each case there were different political and administrative frameworks.

As noted by Morlino (2002: 5–6), in the “goodness of fit” framework Cowles Green, Caporaso and Risse assume that domestic institutions are all of the same status, and that they have a similar ability to resist European adaptive pressure. If domestic institutions are well established and entrenched, the actors involved will be well defined and conscious of their strategies. But the situation could be different: institutions might be in transition or crisis (Morlino 2002, Morlino et al. 2006), or they could be undergoing a redefinition. In some institutional contexts, therefore, the search for appropriateness by actors is more probable than the resistance (March and Olsen 1989). The problem of institutional and policy change in the context of Europeanization would be considered not as change due to external pressure, but as a matter of co-evolution of national and European policies (Olsen 2002), each influencing the other. Domestic factors would be the starting point to address the process at work in the analyzed policy process (Radaelli 2003). Institutional theory, which inspired Europeanization studies (Vink and Graziano 2006: 17), underlines that the endogenous dynamics of institutions are fundamental to explain institutional change, even if the focus is on exogenous variables, because endogenous factors mediate the influence of external change. In particular, the capacity of an institution to defend its internal dynamics and logic from external pressure is linked to its degree of institutionalization (Lanzalaco 1995). In similar conditions, the same adaptive pressure may have different effects due to varying degrees of institutionalization, whether the object of the pressure is an institution, a social relationship, a political system or a public policy.

Institutionalization of Public Policy

Public policies are – or may become – institutions, defined as sets of rules, norms, routines or social practices that give legitimacy and meaning to actions and lock

individual and organizational behaviours in paradigms which are guidelines for actors' strategies (Gualmini 1998, Capano 2009).³ Like any other institution, the capacity of a public policy to preserve its internal development logic and to evolve in a path-dependent manner is strongly conditioned by its degree of institutionalization.

Measuring institutionalization is one of the most challenging issues for institutional theory (Peters 1999). Institutionalization can be interpreted as a process or as a feature of an institution. As a process, it can be analyzed only in a diachronic perspective.⁴ As a feature, it can vary along a continuum from a minimum to a maximum level; an institution can be characterized in a particular period by a high or a low degree of institutionalization. According to institutional theory, the main operational characteristic of institutionalization can be summed up in a few key words:⁵ *differentiation, internal cohesion, autonomy, coherence, legitimacy and embeddedness*.

In order to consider the institutionalization of a public policy, we can focus on three main dimensions of the policy: organizational structures, procedural structures and normative structures (Table 2).⁶ At the organizational level, the institutionalization of policy is determined by the differentiation of organizations from its environment and by its internal cohesion. In this way, the main actors in the policy domain have an independent standing, accountability, and resources detached from the general political arena. Other government actors and interests cannot enter the policy arena and unilaterally shape policy outcomes. This dimension can be referred to as the configuration of the organizational field of public policy (Di Maggio 1986): the presence of a predominant coalition among actors which has the resources necessary to maintain control over the policy domain. Organizational cohesion suggests clearly defined patterns of interaction among the units for specific organizational tasks, allowing them to achieve a stable output that meets the policy's goals (Lenschow and Zito 1998). In this context, actors have clearly defined roles which are functionally different in the sense that they are not interchangeable (Polsby 1968). Along the organizational dimension, the more pronounced the policy's impermeability is – with respect to other policy area or politics and with respect to others actors – the more effective the policy's differentiation, autonomy, and internal cohesion.

With regard to the procedural structure, an important element is whether the procedures produce clear signals about what constitutes appropriate behaviour. By contrast, if these principles are ignored or weakened by inadequate implementation measures, institutionalization is likely to be low. In this respect, an important indicator of institutionalization is the capacity to gain consensus and legitimacy with

Table 2. Institutionalization dimension and indicators for public policy

Institutionalization dimension for public policy	Operational characteristics of institutionalization	Indicators
Organizational structure	– differentiation – internal cohesion	– impermeability of policy
Procedural structure	– legitimacy	– policy output acceptance
Normative structure	– coherence	– policy paradigm in policy domain

respect to policy outputs. A public policy presents a high degree of institutionalization if the policy outcomes are not significantly conditioned by territorial or social factors, and when decisions are implemented without provoking progressive social conflict and without redefining the substantive policy content each time (Tebaldi 1999). On the contrary, when decisions provoke conflict and decision makers have to reconsider a policy's substantive content, the degree of policy's institutionalization is low.

The impact of corresponding normative structures depends on their coherence (at what level do normative elements relate or contradict each other?) and embeddedness in the process (to what degree are these elements reflected in the rules of the game, and how they are accepted by the relevant policy actors?) (Lenschow and Zito 1998). In general, institutionalization is related to the stability and formality of the institutional process and principles; given a high level of institutionalization, actors have less scope to ignore the rules or to interpret them in ways that may not accord with the original premise (Lenschow and Zito 1998). Along this dimension, a public policy presents a high degree of institutionalization if there are not many policy paradigms in competition in the policy domain.⁷ Public policy is thus highly institutionalized if in the policy domain a single paradigm predominates. This indicator can be appropriate regarding the normative dimension of public policy because policy paradigms tend to incorporate normative codes in a community (Hall 1993, Lanzalaco 1995, Sabatier 1999, Surel 2000).

Institutionalization and Europeanization of Electricity Policy in France and Italy

Genesis, Evolution and Institutionalization of National Electricity Policies

France. In the French case, since the 1950s policy making in the electricity sector has been characterized by the predominant role of: the managers of Edf, the biggest trade unions of the energy sector (in particular Cgt-Energie – *Confédération Générale du Travail*), and by the administrative structures of *tutelle*, in particular the Ministry of Industry. These actors, tied together by a common conception of *service public*, by a common confidence in scientific knowledge, and – with regard to the managers and high civil servants in public administration – by common origins and socialization in the *Grandes écoles*, emerged as the predominant policy coalition in the critical juncture that led to the nationalization of the industry. In fact, these actors could enjoy, both inside and outside the policy field, legitimacy and consensus vis-à-vis citizens for their leadership and for their decisions, which were considered in line with the national priorities of the time (reconstruction and development). These actors have control over technical, economic, organizational, ideological and normative resources (public service and national interest), so they can prevent other actors from “co-determining” the result of policy making. The developments of the 1960s and 1970s confirm this process of institutionalization. The nuclear programme enforces the role of Edf in the policy domain and confirms the company's capacity to conduct, with the support of the Ministry of Industry, the French energy policy. In this period, the control over technical and normative resources by these actors (Edf and administrative structures) makes it possible to legitimize policy choices regarding efficiency (the best solution in cost–benefit terms) and appropriateness (the best solution for the modernization of the country); it also allows decisions by

consensus. Indeed, with the nuclear programme of the 1970s, electricity policy became a privileged field of the strategies of national independence, translated in the promotion of the French industrial and economic system. Edf became the symbol and the instrument of the national strategy of independence. In this way, the coalition of predominant actors strengthened its capability to take control over normative resources in the policy field, because the main actors could claim that what was “good for Edf” was “good for France”. The first important criticism of electricity policy and of the main actors came in the 1980s, when the socialist party in the government tried to regionalize Edf, i.e. to transform the organizational structure of the electricity sector. These policy options, which would have changed the role of the central administration, conceding more power to local administrations in the regulation of Edf’s activities, failed because of the ability of the predominant coalition to mobilize substantial resources to prevent the policy change; this is a signal of high policy stability. Although the contestation against the nuclear programme became more pronounced, the continuity with the electro-nuclear option decided by the socialist government renovated and strengthened the role of the traditional actors in the policy field. The same dynamics were operative in the second part of the 1980s with right-wing parties in the government. The attempt to change the electricity policy, applying the new economic doctrine of deregulation, failed due to the active opposition of the administrative *Grandes corps* and of high civil servants in the Ministry of Industry and Finance. This event, the failure of a neo-liberal transformation in the electricity sector, is the further demonstration of the policy’s capacity to evolve autonomously with respect to the political dynamics.

The implementation of the electro-nuclear programme, without amplifying political conflicts, in particular with local actors – considering its enormous scale – confirms the high degree of the policy’s institutionalization along the output dimension. Moreover, the fact that the original policy regime was never questioned is an important stability factor in the relationship between the different components of Edf (managers and trade unions) and high civil servants in the public administration. This institutional setting is linked to a coherent normative frame that accords legitimacy to public intervention in energy sector and is based upon the predominance of a unique paradigm in the policy domain, a paradigm that excludes market logic from electricity policy.

Italy. The central role of political parties in policy making and in the formulation of Enel’s business strategies characterized Italy’s electricity policy in the 1960s. That state of affairs, as well as the absence of a strong public administration with important technical resources and legitimacy, and the lack of cohesion between employees and managers of the new company, hindered the consolidation of a predominant coalition in the “critical juncture” of the law that nationalized Enel in 1962. The main role played by political parties in policy formulation (due to their presence in the government, in the parliament and in all the government committees responsible for energy sector) and in policy implementation (due to their influence on operational strategies, which was assured by their prevalence on Enel’s board), made the policy highly permeable to actors outside the policy field and to special interests (lack of autonomy). This was the case of electro-nuclear policy in the 1970s. Enel could not lead the programme because certain industrial groups opposed Enel’s

strategies and proposed two different technological options, with important operational consequences that could be overcome only in the 1980s. The technological choice was not the result of Enel's strategies or of a unitary electro-nuclear strategy; rather, it was made by political parties according to a logic of wealth distribution. In the same period, the permeability of the policy field with respect to external interests (in this case pushed by trade unions) was evident in the government's decisions on electricity tariffs. The electricity tariffs were determined as a function of party politics. The effect was the permanent financial distress of Enel, which was unable to negotiate an increase of tariffs until the continued provision of service was at risk. The "tariff politics" was also evident from the political exchange between government and large industrial groups (Clò 1994). These groups managed to secure a low tariff scheme, to the detriment of Enel's financial stability, despite the fact that the government's policy of oil substitution in electricity generation was ineffective. With regard to the second dimension of institutionalization, on the policy outcomes side, programmes were ineffective and produced many conflicts (i.e. between national and local government on the electro-nuclear programme), which induced the government to reconsider its policy objectives. The main characteristic of electricity policy during the 1970s was the incongruence between government's decisions and policy outcomes. The lack of implementation of the government's energy plan (*Piani energetici nazionali*, or "Pen"), led the government to a new decision-making process (the "Pen review"). This circular process weakened the legitimacy and credibility of decision makers' strategies. These conditions, which led to a low degree of institutionalization of policy, were more pronounced in the 1980s. The political parties' division on energy programmes and the influence of their local components transformed the procedure of localization for new power plants – nuclear and coal-fired facilities – into an exhausting negotiation between central and local government. The policy's permeability with respect to political dynamics was more evident at the end of the Italian electro-nuclear programme. Party politics and coalition politics allowed green movements – which were hardly organized at all – to enter the policy field as *de facto* veto players.

At the beginning of the 1990s, the Italian government sought to reform the energy sector. Law no. 9 and Law no. 10 of 1991 started to undermine certain elements of the original policy regime, allowing a marginal liberalization in the electricity generation. Then, in 1992, Law no. 359, decided in August in the midst of a public budget crisis, transformed Enel into a joint-stock company (thus setting the stage for privatization). Although the state maintained ownership of the new company, this choice weakened, in a more pronounced manner, the original policy programme. The policy field was thus characterized at that time by two different kinds of logic: the first was connected with the monopolistic and vertically integrated structure of the original model; and the second was connected with the idea of privatization and liberalization of the energy sector, according to the new organizational model in energy markets. Elements of different policy paradigms began to cohabit the same policy domain; there was no longer predominance of a single paradigm. Furthermore, the period 1991–1996 was characterized by the crisis of the Italian party system (Cotta and Isernia 1996). This crisis also related to the legitimacy of party government and of the intervention of the state in the economic sectors (Di Palma et al. 2000). Within a short period of time, the crisis of parties and of the party

system disadvantaged the traditional players in electricity policy making and provoked a change in the structure of relationships in the policy field.

During the formulation of Directive 96/92/EC, Italian electricity policy was thus characterized by a low degree of institutionalization; although formally the policy programme was launched long ago, i.e. with the nationalization of the industry in 1962, the actors and the relationships that have sustained it and the basic principles have been challenged and contested.

The Policy Change: European Adaptive Pressures and Internal Dynamics

France. Despite some tensions among the traditional actors of electricity policy (in particular between Cgt and Edf's management) at the beginning of the European liberalization process, French electricity policy presents a high degree of institutionalization. The original model of nationalization, though it has evolved, is still stable, and so are the relationships among the main actors in the policy domain. At the end of the 1980s, the French government, responding to Edf's need to export its electro-nuclear surplus to foreign markets, promoted at European level the creation of a common energy market. According to the French idea, this new market would not create a radical change in its energy policy, because the project was based upon co-operation among the national electricity companies of the member states. However, when the debate at European level went in the direction of a reform perceived as incompatible with national settings and traditions, with the general issue of public service and the particular organizational model of the electricity sector, the French position changed quickly. From that moment in the early 1990s, the main actors in the field of electricity policy were active in defending domestic policy from European pressures. This defence revolved around two different but complementary elements: the idea of public service and the organizational model of an electricity industry based upon the intervention of the state and vertically and horizontally integrated companies. On the first issue, the government and all the political parties perceived the Commission's proposal to liberalize the sector (and thus potentially expose public services to competitive threats) as an explicit challenge to the French economic and social regulative system. These actors thus mobilized themselves rapidly and effectively. In the first part of the 1990s, the French governments tried to convince other national governments of the need to integrate the notion of general interest in European law and European practice in certain economic sectors (Héritier 2001). In the electricity sector, the government – in agreement with Edf – committed itself in the formulation of European electricity policy due to a negotiation with the other member states and European Commission starting from the position expressed in the *Rapport Mandile*. This report aimed to defend the French electricity sector by proposing the introduction of the notion of a "Single Buyer", and by contesting the paradigm of open markets in the energy sector. In this phase, all the main actors of domestic policy perceived strong pressure to change and react in different ways using different resources. The Ministry of Industry used its knowledge and expertise to propose an organizational model for the electricity sector – elaborated in the *Rapport Mandile* – which was different from the market paradigm proposed by the Commission, and which would only imply a marginal change of the traditional model. Trade unions

mobilized a lot of workers and citizens, frequently invoking the idea of public service (Cole 1999). Trade unions, in particular in the energy sector, were seen as a legitimate actor in the defence of the public service concept. The mobilization capacity of these actors and their legitimacy, including their clout vis-à-vis many political elites, forced the government to devote special attention to these issues in the negotiations at the EU level. This situation was reinforced by the strikes which in 1995 put pressure on the Balladur government. In the same year, something at the domestic level started to change. The French government reformulated the notion of public service, to conform the regulation of many economic sectors to the internal market programme (Cohen and Henry 1997). This process was very slow and incremental, and it resulted in the 1990s in a new doctrine of public service that was less ideological and more pragmatic: without transforming the main institutional features of French economic governance in the energy sector, and without any expressed adhesion to an external model, the French government proposed to transform the national champion into a European champion.

The commitment of the French government to use all the concessions obtained in the European negotiations (incorporated in Directive 92/96/EC), and to implement only a marginal change was immediately evident. This decision, taken by a right-wing government (Balladur), was confirmed by a left-wing government (Jospin). The transposition of Directive 92/96/EC confirmed once again the stability and strength of traditional actors of electricity policy and of the institutional setting established during nationalization. Law 2000-108 of 10 February 2000 was approved with many tensions among the left-wing parties in the government, and there was a convergence with the opposition on the defence of public service and of the integrity of Edf's organizational structure. Essentially, no significant political forces wanted a more radical policy change with respect to the 1946 model. The French government opted for the minimum rate of liberalization permitted by 96/92/EC, and Edf's status and role in the French energy system was confirmed in the law of 10 February 2000 (and in subsequent decisions); indeed, although by 2004 Edf had been partially privatized, in accordance with the law of 9 August 2004, the French state was still required to hold at least 70 per cent of the capital and voting rights.

Italy. The policy change started in 1991, and the process accelerated in 1992 in a particular context of party system crisis and economic problems for the country. The main role of the political parties in the policy domain made the policy evolution very sensitive towards the redefinition of political parties' positions on economic policy and state intervention in economic sectors. During the first part of the 1990s, the Italian government was not really involved in the policy formulation at the European level. The debate was all centred on the domestic level, with the problems of public finance guiding the decisions. The absence of a clear reform project was evident in 1992, when public finance problems pushed the government (led by Giuliano Amato) to ignore this issue in order to transform Enel as soon as possible into a joint-stock company. Only in 1994 did a debate take place on a general reform of the electricity sector in order to overcome the nationalization framework in place. For the first time in this period, actors focused their attention on the ongoing debate at the European level. The European policy, which at that time did not yet present a defined legal framework, began to spread its effects at the national level. In an unstable

institutional context – the repositioning of traditional actors was accompanied by the entrance into the policy domain of new actors, such as the antitrust authority and auto-producers in the electricity markets due to the law of 1991 – the ideas promoted by the European Commission and by other states approving liberalization in energy markets finally emerged in the national arena. During the first part of 1990, without any European legal framework for the electricity sector and, in this respect, without real pressure to change arising from European law, the debate at the European level was used to legitimize the positions of the actors which at national level were more favourable to policy change. In this situation, the national preferences (such as the project to transform the structure of the electricity industry by reducing Enel's generation capacity through divestitures) can be linked to European decisions. In particular, national actors more favourable to policy change began to “use” European policy (Jacquot and Wall 2003). During the short-lived Dini government, there was no dissent from European policy, and the national actors did not feel real pressure to bring about change, partly because the domestic reform process in the energy sector was continuing with the institution of the energy regulator, the AEEG (law no. 481 of 14 November 1995). In this period, the policy domain was very permeable to ideas and lessons coming from abroad. This is particularly true for the draft Directive discussed by the European institutions (and particular reform solutions such as the Single Buyer), but also for the “English reform” that was promoted by the antitrust authority and by some political parties. The Italian decision makers were searching for solutions. The negative lessons of past public intervention made the defence of the traditional model untenable; the lessons from abroad were used to legitimate national preferences in the reform process. At any rate, the divisions between political parties in the government did not allow the actors pushing for the reform (and particularly the Ministry of Industry) to overcome the veto power of the Parliament. After 1996, with the new Prodi government and with the Directive 96/92/EC approved, the reform process changed again. The new Ministry of Industry (Bersani) wanted to undertake a reform more drastic than the provisions of the Directive and more drastic than the approach of the previous government. Throughout the work of the “Carpi Commission” – instituted by the Ministry of Industry to elaborate a policy framework for the electricity sector – the government incorporated national preferences into the transposition of Directive 96/92/EC. Indeed, the political debate during the second part of 1990, until the approval of law no. 79 of 1999 (the “Decreto Bersani”) was centred only on these issues. The Bersani Decree was not a simple application of 96/92/EC; it represented a more incisive policy change. The Decree designed a new organizational structure in the electricity sector, forced Enel to sell some power plants, and liberalized the market beyond the European requirements (De Paoli 1999). During the debate on the Bersani Decree, no political actors at the national level really contested European policy. The main political parties, in the government and in the opposition, all viewed the European Directive as an opportunity to transform Italian energy policy. Even the actors opposed to the national reform – Enel's management, trade unions, and the “Rifondazione Comunista” party in Parliament – contested not the European policy but the way the Italian government wanted to change the industrial structure and reduce Enel's role in the national market. The link between national preferences and the transposition of Directive

96/92/EC was very important in overcoming opposition to the reforms favoured by the government. Indeed, the government could benefit in that period from a high degree of legitimacy, as it presented the national reform as a “European reform”; it was not by chance that the policy change in the electricity sector, which began in 1991, concluded only on 19 February 1999, the expiry date of the period for the transposition of Directive 96/92/EC. After the past reform efforts had failed due to the conflicts among political parties and due to the contingency of the political system during the first part of the 1990s, the path designed by the implementation of European law created a strong incentive to approve the national reform, which was presented as a European requirement. After the Bersani Decree, the transformation of the energy sector continued with the privatization of Enel (the Italian state currently has about the 30 per cent of the capital and voting rights) and with the liberalization of the electricity market. Although the result is still not precisely what was foreseen in the design of the reform, the change with respect to the prior institutional framework is important (Lanza and Silva 2006).

Inconsistency, Institutionalization and Policy Change

When the European Commission elaborated its proposals for an internal energy market, energy policies in both France and Italy were highly inconsistent with the policy programme proposed. However, the electricity policies in these countries were characterized by different degrees of institutionalization: high in the French case, low in the Italian case. Considering the indicators for the analyzed dimensions, the results are indicated in Table 3.

The different degrees of institutionalization of national energy policy can explain the different impact of Europeanization at the national level, i.e. the different degrees of policy change and the diverse pattern of policy development in France and Italy⁸ (Table 4).

In the French case, the electricity policy evolved in a path-dependent manner, and it was led by the traditional main policy actors – trade unions, government and Edf’s management. The result was a marginal adjustment of French policy in the direction of the new policy regime proposed by the Commission, with the incorporation of

Table 3. Degree of institutionalization of French and Italian electricity policy

		Cases	
		France	Italy
Impermeability of policy	High	X	
	Low		X
Policy output acceptance	High	X	
	Low		X
Policy paradigm in policy domain (dominance by single paradigm)	High	X	
	Low		X

Table 4. Pattern of electricity policy development in France (F) and Italy (I), 1990–2000

		Policy content		
		Goals	Objectives	Settings
Policy focus				
<i>Ends</i>	<i>F</i> : Classic Incremental development of policy goals	<i>F</i> : Classic Incremental development of liberalization and privatization	<i>F</i> : Classic Incremental change in industrial structure (marginal change of EDF industrial structure)	
	<i>I</i> : Faux paradigmatic fluctuation between competing goals	<i>I</i> : Classic Paradigmatic shift towards liberalization and privatization	<i>I</i> : Classic Paradigmatic shift in industrial structure (ENEL was forced to sell some power plants)	
<i>Means</i>	<i>F</i> : Classic Incremental developments of regulation	<i>F</i> : Classic Incremental implementation of liberalization and privatization	<i>F</i> : Classical incremental implementation of regulation and market mechanism of co-ordination	
	<i>I</i> : Progressive Incremental development of regulation	<i>I</i> : Progressive incremental implementation of liberalization and privatization	<i>I</i> : Progressive incremental implementation of regulation and market mechanism of co-ordination	

some of the new policy instruments but without a real change of policy goals. European adaptive pressure, in line with the goodness-of-fit hypothesis, was only able to provoke a marginal change.

The development of the policy was a matter of “Classic” incremental type of change in ends and means of the policy regime. As noted by Cashore and Howlett (2007), the institutionalization of the policy objectives prevents the possible change in policy settings. In the French case the stability and support for the policy objectives – i.e. the leading role of the state in the energy domain – created an institutionalized framework in which policy settings were likely to follow a classic incremental pattern of development. The integrated industrial structure of Edf was only partially affected by the reform, liberalization and privatization developed according to a classic incremental pattern, and the central government maintained a strong control over the sector.⁹

In the Italian case, in a context of a low degree of institutionalization, European adaptive pressure pushed domestic policy towards the new policy regime by providing institutional and normative resources to domestic actors committed to reform. The European policy process contributed to orient the faux paradigmatic fluctuation regarding the policy goals of the first part of the 1990s towards the goals of the “New” policy regime. The European policy also supports the objectives of liberalization and privatization favouring a classical paradigmatic shift toward these ends, and a progressive incremental move towards the implementation of the market-oriented regime. As regards industrial structure, Enel was forced to sell some power plants to reduce its market power; moreover, an authority has been created since 1995 as means of government and a wholesale electricity market was planned in

the reform of 1999.¹⁰ As pointed out by Cashore and Howlett (2007), the progressive incremental pattern of development is different from the classical incremental pattern. The first is a cumulative change leading away from an existing equilibrium toward another; the latter represents a fluctuation consistent with the previous policy equilibrium.

Following the theoretical proposal of institutional change pointed out by Streeck and Thelen (2005), the French and Italian cases show different types of institutional transformation. In the first case the change is less radical and it could be interpreted as a matter of *conversion*; the main policy actors at national level incorporated in the old institutional structure the purpose of the new policy regime promoted by European Commission. This process produced a redirection in the goals of the government: from support Edf becoming a National Champion to support Edf becoming a European Champion in the context of a liberalized electricity market. In the latter, the integration of the elements of the new policy regime in to existing institutions at national level gradually challenge their status and structure, according to the logic of *layering*; then the exogenous pressure from the European level provokes a major policy change challenging the previous compromise between the old and new regime.

Conclusion

In the case of a high degree of institutionalization, the hypothesis of the goodness-of-fit framework, i.e. low domestic change where there is high inconsistency, is confirmed; the domestic institutions defend their “turf”. In a situation of high inconsistency but low institutionalization at a domestic level, the impact of Europeanization is different. In this case, European adaptive pressures can provoke major change and push national policy towards a new equilibrium, for example by providing institutional resources to a coalition of actors which act at a domestic level to achieve policy change. While the goodness-of-fit model in the case of high adaptive pressure implies a low degree of domestic policy change, the findings of the research suggest that relationships can be different, reflecting the different degrees of institutionalization. Institutionalization is an intervening variable, which mediates the impact of adaptive pressures at the domestic level. The contribution is important because it integrates the two logics of change discussed by Börzel and Risse (2003: 73), and because it has the potential to predict the outcomes of Europeanization under high adaptive pressure.

Notes

1. The findings of the empirical research are the results of my PhD dissertation, defended at the University of Florence in 2007 and now published as *L'europeizzazione della politica energetica in Italia e Francia*, Eum, Macerata, 2008.
2. On the features of the new market approach to energy and electricity sector, see Helm et al. (1989) and Helm (2004); on the market approach as a new paradigm in energy policy with consistent policy objectives and policy instruments, see Helm (2005). On the institutionalization of this new paradigm at EU-level energy policy during the 1990s, see Andersen (1999).
3. As noted by March and Olsen (1989) and by the new institutionalism literature in general, an institution is not necessarily a formal structure. On the meaning of institutions in new institutional theory, see Peters (1999).

4. Historical institutionalism (Pierson 2000, Pierson and Skocpol 2000) reveals that institutionalization is the result of a long-term process. According to Pierson (2000: 75), "Once a particular path gets established self-reinforcing processes are prone to consolidation or institutionalization".
5. As pointed out by Lanzalaco (1995), there are not many scholars who consider the operational characteristics of institutionalization and the respective empirical indicators; these key elements derived from seminal studies which analyzed the problem from different perspectives. These include Huntington (1975), Polsby (1968), Zucker (1987), Di Maggio (1986), Pfeffer (1981) and Janicke (1991).
6. I derive this policy dimension from empirical research which attempt to propose indicators for the institutionalization of policy, in particular: Lanzalaco (1995), Lenschow and Zito (1998), and Tebaldi (1999).
7. According to Hall (1993: 279), a policy paradigm is the interpretative framework of ideas and standards that specifies the goals of policy and the kind of instruments that can be used to attain them, and the very nature of the problems they are meant to be addressing.
8. In order to analyze the pattern of policy development and the policy change in the policy focus and content in both France and Italy I use the taxonomy of Cashore and Howlett (2007).
9. On the evolution of regulation and industrial structure in the French electricity sector in 1990s, see Finon (1996, 2003). On the pace and timing of liberalization and on the implementation of the internal electricity market, see the reports of the European Commission (2001, 2003).
10. On the evolution of regulation and of industrial structure in the Italian electricity sector in the 1990s, see De Paoli (1999, 2001), and Campidoglio and Vaciago (1999). On the pace and timing of liberalization and on the implementation of the internal electricity market, see the reports of the European Commission (2001, 2003).

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