4. Continuity and change in multilevel governance

In this chapter, theories of multilevel governance and theories of institutional and policy change will be linked in order to design a framework for analysing policy change and innovation in complex structures and processes. As outlined in Chapter 2, multilevel governance disperses authority among governments and among institutions within governments, it includes many actors participating in policymaking, it regularly incorporates more veto players than a unitary government, and it combines processes that operate in different contexts and according to different logics. For these reasons, policies are made under various constraints. However, the diversity of multilevel governance not only compels actors to cope with these constraints, but it also provides ample opportunities for strategic action. Depending on the scope of a policy, the complex multilevel structure consists of local, regional or national governments, with either democratic or non-democratic political systems, international organizations, and private associations or corporations. Actors interacting in multilevel governance depend on resources from these governments, organizations or associations and have to comply with their rules and policies. At the same time though, the position of these actors in boundary-spanning roles allows them to exploit the strategic options which are available in the ‘two-level game’ of intergovernmental (or international) and ‘domestic’ politics (Putnam 1988).

Domestic and intergovernmental politics proceed in ‘arenas’, that is fields of interactions demarcated by institutions and policies (Timmermans 2001). Arenas develop ‘a characteristic political structure, political process, elites and group relations’ (Lowi 1964: 689–90). Yet they are neither, as Theodore Lowi argued, determined by policies nor are they identical with, or part of, institutions. They usually overlap with institutions. It is primarily the interactions among actors involved in policymaking and the established procedures and norms that constitute and delineate the boundaries of arenas, rather than formal rules. Although arenas, like institutions, include and exclude actors, their boundaries are flexible. For instance, we can consider a system of government or a parliament as an institution, whereas an arena would result from the interplay of different actors who are involved in elaborating a policy proposal within a government, and the interaction of executives, members of parliament and interest organizations in the process of legislation.
Multilevel political systems are characterized by a particular diversity of multiple arenas, as some of them exist within governments (intragovernmental arenas) and others in the interface between governments (intergovernmental arenas). Usually, institutions are stronger within national and sub-national governments as they legitimize powers by defining their scope, execution and control, whereas multilevel relations tend to be less institutionalized and reach beyond boundaries of institutions. Linkages between both types of arenas usually are not established in particular institutional rules. The interactions through which these linkages materialize include ‘boundary-spanning’ actors who are influenced by intragovernmental institutions and intergovernmental patterns of interaction such as institutions of parliamentary or non-parliamentary democracy on the one hand, and intergovernmental councils, committees or informal meetings of executives on the other hand. The effects of these institutions – which boundary-spanning actors, that is usually executives from governments or international organizations, need to take into account – can be more or less intense, but they are in any case ambivalent. Although actors can exploit this ambivalence arising at the interface between different policy arenas, they might also face serious dilemmas due to conflicting rules and diverging expectations resulting from particular modes of governance and expectations of political constituencies within jurisdictions.

To get a sense of the evolution of policies and the chances of policy change or innovation in multilevel governance, we need to consider the interplay of these various arenas. By establishing diverse patterns of interaction and coordination, they necessarily do not multiply constraints, but rather provide opportunities for strategic and communicative interaction. This is particularly the case if processes of policymaking shift from one arena to another, from those in which institutions and established modes of politics limit discretion to those where communicative processes promise to bring about new ideas or to dissolve stalemate in policymaking. For good reasons the room for manoeuvre of executives is constrained to their sphere of competence, by scrutiny through parliaments and by the jurisprudence of courts in those arenas where political power is located and formally executed, that is, in the territorial jurisdiction of a democratic government. The need to manage interdependence between levels of government by coordinated policies creates additional constraints in the arena of intergovernmental relations. A clash of different constraints of politics in intergovernmental and intragovernmental arenas of multilevel governance cannot be ruled out. However, this situation can be avoided by strategic interactions coping with these constraints, and actors can rearrange processes in such a way that they find creative solutions in arenas where unconstrained communication is possible. The options of shifting policies between arenas can be more or less restricted by institutional conditions of policymaking which exist within the different arenas. Certainly, actors cannot
avoid formal procedures in legislation or ignore the constitutional division of powers. However, the policy cycle proceeds through different arenas comprising varying actor constellations. The sequence of the different phases of this cycle is not fixed, and it is even more variable in multilevel governance than within a government. Executives, in particular, interact in variable patterns of governance, which prove to be comparatively flexible in cases of conflicts.

The following two sections explain this variation in rigidity or flexibility regarding the intragovernmental and intergovernmental dimension of a multilevel political system. By looking at processes linking these arenas, the final section includes the temporal dimension of multilevel governance.

INTERGOVERNMENTAL DIVISION OF POWER AND MODES OF GOVERNANCE

Following Liesbet Hooghe and Gary Marks, we can describe the intergovernmental dimension of multilevel governance by two characteristic features. First, we find territorially organized (type I) and function-specific (type II) varieties (Hooghe and Marks 2003). The first has mostly emerged in processes of regionalization and federalization in nation states, the second is the result of specific patterns for cooperation among jurisdictions within states and beyond the state. With the exception of the UN system and federations of states like the EU, which are developing in other world regions too (Lenz and Marks 2016), international politics has given rise to function-specific forms of multilevel governance. Compared to them, territorially organized forms of multilevel governance reveal more complex structures, since they link governments and include actors who act for their government. In functionally organized types, executives, private interest organizations or non-governmental organizations predominate processes, with all of them being specialized in policy fields. Obviously, the distinction between territorial and function-specific structures of multilevel governance is relevant when we discuss linkages between inter- and intragovernmental structures. In general, function-specific forms are embedded in structures of a state, although there are instances of ‘private government’ without the state. As mentioned in the introduction, I will focus here on territorially organized multilevel governance in the world of democratic governments.

The second feature of intergovernmental structures concerns the distribution of powers between levels. Accordingly, we can distinguish more centralized and more decentralized polities and describe the evolution and dynamics of multilevel governance either as the decentralization of unitary states (in particular the rise of regional governments; Hooghe et al. 2010; Hooghe et al. 2016b) or as centralization, that is the delegation of authority to the EU or international organizations (Hooghe et al. 2016a). However, rather than
centralization or decentralization, it is the distinction between shared rule and self-rule which determines mechanisms of governance and this therefore is rightly emphasized in the studies by Hooghe and Marks. Self-rule means that powers are separated, and decentralized competences for policies imply the right of the respective governments or constituent units to autonomously decide and act. Shared rule requires joint-decision making among governments, or at least the effective participation of constituent units of a multilevel political system in policymaking at the central level. In this case, policies are negotiated in intergovernmental relations and governments decide in agreement.

As power which can be executed autonomously is only legitimized in a democratic government, self-rule seems to presume the institution of a state, whereas European legislation and international law require the assent and compliance of member states. Indeed, multilevel governance beyond the state regularly implies shared rule which is institutionalized in intergovernmental councils representing member state governments. Scholars have discussed whether European or international executive bodies like the European Commission and their agencies or secretariats of international organizations can act independently from member states. Although they lack legal power to enforce decisions, they have achieved ‘expert authority’ (Busch und Liese 2017; Sendling 2017) or ‘moral authority’ (Barnett and Finnemore 2004: 25–7). However, they use this power mostly in multilevel relations with national administrations.

Shared rule establishes coordination of policies across levels of government, either by constitutional rules or by acknowledged practice. These rules or arrangements compel governments to find an agreement. Even if constitutional law provides for self-rule, mutual dependence of policies or tasks can make joint-decision making in multilevel governance inevitable (Scharpf 1997: 143–5). Therefore, governments can either lack the power to decide on their own, or they face a situation in which going alone in policymaking would launch a vicious circle of thrust and riposte in intergovernmental relations, with the consequence that, as in a game of ‘chicken’, the outcome can be disastrous for all. In a less strict or less formalized mode, shared rule means that governments from one level are invited to participate in policymaking at another level. In this case, cooperation is voluntary and does not rule out the exit of individual governments of constituent units. The exit option changes the conditions for negotiations, because the number of veto players is reduced to those actors representing governments that need to be included in shared rule in order to solve problems or fulfil joint tasks. Usually, necessary participants include the central government. Beyond that, veto power can be executed in voluntary cooperation by governments acting for jurisdictions where many people live, where important economic resources or activities are located, or where the problems to be coped with are concentrated.
As already mentioned in Chapter 2, stalemate is most likely in joint-decision making, particularly if governments stand for competing parties and if bargaining in intergovernmental relations is hampered by a confrontation of self-interested actors, so that policymaking turns into a zero-sum game (Scharpf 1997: 87). In consequence, actors tend to evade conflicts and in view of distributive effects of any policy change, they achieve gradual change at best. Voluntary cooperation reduces the hurdles to achieve an agreement. Nevertheless, negotiations among the essential participants might become rather complicated. Shared rule precludes unilateral decisions of a central authority, and mutual adjustments of decentralized policies do not lead to an effectively coordinated joint policy, when cooperation has failed.

Self-rule is based on a separation of power. However, it neither prevents overlaps of competences or interdependence of policies made at the different levels, nor does it make intergovernmental relations and coordination superfluous. Compared to shared rule, different modes of coordination materialize under this institutional condition. If authority is more centralized, top-down modes take shape as central regulation, which is addressed to lower-level governments. Unilateral action by a superior authority can enforce decentralized policies. However, even in centralized power structures, multilevel governance regularly involves governments from ‘lower’ levels, either according to constitutional principles (which typically apply in federations) or by way of interest intermediation. Given a functional division of powers, a central authority acts in a principal–agent relationship, for instance when programmes or laws need to be implemented by transposing them into decentralized policies. In principle, a central authority can decide autonomously, but it lacks the necessary local information and capacities to put a policy into effect. Therefore, policies are coordinated, either by cooperation in the shadow of hierarchy or by mutual adjustment of programming and implementation.

Bottom-up coordination occurs under the condition of self-rule, when powers are more decentralized and the central authority is limited to supervise, support or motivate, and can intervene in policymaking of lower-level governments in the last resort. It can use unilateral power to initiate and organize yardstick competition, with standards, informal consultation or fiscal incentives serving to influence the direction of expected policy change. To avoid intervention from the centre, governments of constituent units or member states can engage in horizontal joint-decision making. Otherwise, they cooperate in an intergovernmental council or less formal relations or deal with external effects by trans-border cooperation. Finally, interjurisdictional competition and policy transfer remain as options for coordination.

In separation of power systems, central power is not constrained by veto power from lower levels like in joint-decision making. Therefore, significant policy change seems to be possible if powers to self-rule are either central-
ized or decentralized. However, neither assumption is fully convincing if we take seriously the multilevel character of governance. For central regulation this follows from the fact that rules need to be applied to specific cases and particular contexts, and the varieties of cases and context conditions cannot be covered by general rules. Furthermore, regulation in a policy field usually affects other policies, and though a bill is coordinated among the different departments of the responsible government or regulating authorities, policy interdependence reappears in implementation. For both reasons, feedback effects occur between levels of government (Pierson 1993). In consequence, central regulation evolves in iterated processes of adjustments. Implementing authorities adjust general rules to particular cases; central regulation responds to what governments or legislatures perceive as implementation deficits and adjust general rules accordingly. This interplay of regulation and implementation constitutes a source of policy change on its own, but this mechanism usually tends to stabilize a policy, because gradual mutual adjustment aims at reducing its failure.

In theories of multilevel governance, central regulation appears as ‘hard governance’. Yet faced by information asymmetries or limited regulative competences, central authorities often apply ‘soft modes’ of governance. They set goals or standards for decentralized policymaking and monitor their implementation. ‘Naming and shaming’, that is, public recommendations of best practices and critical evaluation of underperforming policies, should drive the involved governments to direct their policymaking to common goals and make efforts to meet standards. Financial incentives can complement this instrument of coordination. When incentives are provided on the condition of positive evaluation, soft governance gets hardened towards ‘governance in the shadow of hierarchy’ (Bakvis 2013; Börzel 2010; Héritier and Rhodes 2011). In view of the diversity of contexts of decentralized policymaking, evaluation by peers and communication of the results appear often as a more effective way of coordination in a multilevel system than central regulation. Consultation acknowledges the autonomy of subcentral governments and the diversity of contexts in different jurisdictions. Most importantly, it can induce processes of lesson-drawing and the diffusion of innovative policies (Karch 2010).

If powers are decentralized, governments can manage interdependent tasks by horizontal intergovernmental negotiations or cooperation or by mutual adjustment. Governments of neighbouring jurisdictions within or between states negotiate agreements and often set up special bodies for cooperation, in particular to utilize and preserve common resources or to provide public goods (Blatter and Clement 2000; Zimmerman 2011). Intergovernmental councils represent another form of cooperation, have become a common practice in federal states (Behnke and Müller 2017; Schnabel 2020), and constitute a characteristic feature of transnational federations. In federal states,
these assemblies usually operate on an informal basis and serve to exchange information and to consult on common issues. The councils established in the EU and assemblies of international organizations are institutionalized bodies which commit participating governments to engage in joint-decision making. As under the condition of shared powers, these intergovernmental bodies not only include all governments of constituent units, they also decide, at least in practice, unanimously and prevent individual governments from opting out. Therefore, whenever governments coordinate policies by negotiations and cooperation, self-rule can turn into shared rule, and the other way around. Accordingly, the conditions for policy change and innovation can improve or deteriorate.

In principle, decentralized self-rule permits responsible governments to act unilaterally with the consequence that interdependence of policies can give rise to interjurisdictional competition. In the economic theory of fiscal federalism, as in economics in general (see Chapter 3), competition has been praised as a mechanism to increase the effectiveness of governments and to reduce the intervention of politics into the market economy (Weingast 1995). However, this theory presumes the mobility of actors, goods and capital, which could react to regulative and distributive policies by migrating to those locations where they find efficient and market-preserving governments. Generally, this assumption seems plausible for capital. The mobility of actors and goods is higher at the local level than between regions or nation states, where only specific groups or goods are mobile to a significant extent. Hence competition between regions and states might affect particular policies but cannot be considered as a general mechanism of coordination. From another point of view, competition tends to lead to a race to the bottom of regulation which privileges mobile taxpayers. Again, this assumption has been contested in research and the results of empirical studies remain inconclusive so far (Woods 2021: 240–43). Therefore, the effects of this market-like competition among governments striving to gain or maintain benefits for their jurisdiction (‘institutional competition’; Höijer 2008) depend on various conditions. There is no doubt that this kind of competition is likely to induce policy change, but this change would be enforced by external causes and not by independent governance in the sense of self-rule. It is unintended and therefore not an indication of policy innovation.

Therefore, the mode of ‘yardstick competition’, mentioned in Chapter 2, has attracted growing attention in studies on multilevel governance. Pierre Salmon (2019) emphasized its relevance to reduce information asymmetries between executives and parliaments or citizens. In other publications, contests for best practices appear as mechanisms generating innovative policies and supporting the diffusion of these innovations to other jurisdictions. In the ‘second generation theory on fiscal federalism’ (Oates 2005), constituent units
of federal systems are considered as laboratories of experimental governance, and competition for the best performance in a policy field instead of competition of governments for mobile taxpayers or tax resources should encourage innovation. However, in contrast to competition in a market, performance contests have to be organized for specific policies, performance indicators have to be defined, comparative data have to be collected and evaluations need to be published. The causal mechanism promising innovation has to be created by appropriate procedures and rules, and more often than not it is a central authority that provides for the institutional framework. Those governments or administrations addressed by yardstick competition have no intrinsic incentives to participate in such processes, they rather tend to avoid comparative evaluations of their policies and eschew performance rankings (Benz 2012).

Empirical research on the horizontal dimension of multilevel governance has focused on diffusion of policies or policy transfer rather than on processes of competition (for these concepts, see: Porto de Olivera 2021). In this context, different conditions and mechanisms have been identified. Territorial or cultural proximity or distance seems to constitute one relevant condition, others include the similarity or diversity of contexts and the institutional or political settings affecting the adoption and success of a new policy. Mechanisms identified in research range from direct communication, emulation and recommendations from independent organizations or central authorities to competition for best practices (Berry and Berry 1999; Holzinger et al. 2007; Jordan and Huitema 2014; Karch 2010; Simmons and Elkins 2004; Volden and Shipan 2008). While self-rule and decentralization by themselves do not necessarily favour innovation, they seem to encourage the diffusion of innovation. However, it is an open question as to whether mechanisms stimulating diffusion and policy transfer increase or undermine the potential for innovation within self-ruled jurisdictions. They can also lead to the solidification of a particular pattern.

The categorization of modes of coordination in multilevel political systems, summarized in Table 4.1, reveals a considerable variety. Accordingly, multilevel governance provides different opportunities for or constraints of policy change, as different mechanisms of coordination lead to different policy dynamics:

- There are good reasons to assume that joint-decision making considerably constrains policy change and does not favour innovation. There are, on the other hand, also reasons to argue that unilateral action reduces the hurdles for change. Both assumptions can be based on the veto player theory (Tsebelis 2002) and the theory of joint-decision making (Scharpf 1988).
- Among the different ways to apply unilateral power, central regulation in the form of ‘soft governance’ promises an avenue for policy innova-
## Table 4.1 Modes of coordination in multilevel governance

<table>
<thead>
<tr>
<th></th>
<th>Shared rule</th>
<th>Self-rule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>More centralized</td>
<td>More decentralized</td>
</tr>
<tr>
<td>Unilateral action</td>
<td>(Should be ruled out)</td>
<td>Central regulation, based on consultation with lower-level governments</td>
</tr>
<tr>
<td>Negotiations</td>
<td>Joint-decision making</td>
<td>Joint-decision making</td>
</tr>
<tr>
<td>Negotiations</td>
<td>Intergovernmental</td>
<td>Cooperation in the shadow of hierarchy (governance by standards and monitoring)</td>
</tr>
<tr>
<td>Negotiations</td>
<td>without exit option</td>
<td>Horizontal joint-decision making</td>
</tr>
<tr>
<td>Mutual adjustment</td>
<td>(Not relevant)</td>
<td>Central regulation, decentralized implementation</td>
</tr>
</tbody>
</table>

Governance by yardstick competition generates information and appears a more promising mechanism to advance policy innovation. However, it depends on the willingness of governments to participate in comparative evaluations of their policies.

- Intergovernmental cooperation appears as conducive to policy innovation, if negotiations turn from the bargaining mode into the arguing mode (Risse 2000) or if cooperation evolves in the shadow of hierarchy. In both cases, the existence of policy communities, that is, groups of actors who share values, norms and perceptions of problems and aim at problem solving (Scharpf 1997: 130–32), makes agreements feasible. At the same time, these modes of coordination favour such policy communities to emerge. The communicative processes in these communities can advance policy learning and incrementally revise an existing policy paradigm (Coleman et al. 1996). However, it is not unlikely that policy communities tend to succumb to group think and that their perceptions and decisions become more and more self-referential and conservative.

- Likewise, processes of mutual adjustments between regulation and implementation can lead to positive feedbacks driving change, but they can also end in gradual adjustment or, in the longer term, iterate between progress and regression. Interjurisdictional competition seems to enable innovation, but this is all but certain. In regulation and tax policies, both a race to the top and a race to the bottom is possible.
If we take the two-dimensional nature of multilevel governance into account (see Chapter 2), it is not sufficient to analyse modes of intergovernmental coordination. They are linked to processes evolving within jurisdictions and governments. In democratic states, governmental actors in multilevel governance are accountable to parliaments, need the support of legislatures, or have to be aware of citizens initiatives and referenda. Other actors might represent the specific interests of members of an association and address governments either at one level or different levels at the same time. The processes of agenda setting, formulation of a policy or definition of interests within governments, parties or interest groups interfere with policy coordination across the boundaries of jurisdictions. Thus policy change in multilevel governance is driven by an interplay of intra- and intergovernmental mechanisms. Of particular relevance is the division of power in democratic governments.

DIVISION OF POWER AND POLITICS IN DEMOCRATIC GOVERNMENTS

Democratic governments reveal significant variations, not the least if research covers the multidimensional division or fusion of powers among institutions and diverse processes of interaction and coordination among those institutions and actors involved in politics within the institutions (Bochsler and Kriesi 2013). To simplify the analysis with regard to the core actors in multilevel governance, we can focus on the legislative–executive dimension. In a study on policy change, there are good reasons to leave courts out of consideration. Although they can solve conflicts between political actors and exercise veto power, and they might influence the agenda of politics, courts do not drive policy innovation and their jurisprudence does not constitute an arena that is decisive for policy change. In contrast, it is necessary to include administration in research on policymaking, as is expressed in a growing literature on multilevel administration (Trondal and Bauer 2017). In addition, associations of private interests and experts play a particularly significant role in multilevel governance. Yet there is an important difference between these ‘non-governmental’ actors and executives and legislatures affecting their impact on multilevel governance. The latter interact in processes of representative democracy within the context of their territorial jurisdiction, whereas interest organizations and experts are not necessarily bound to a territory and maintain only loose ties with governments.

Presumably, the relevance of governmental and non-governmental actors varies in different types of multilevel governance. At this point, the distinction between territorially based and functionally focused types of multilevel governance (or, in terms of Hooghe and Marks, multilevel governance type I and type II) warrants revisiting. The first type exists in decentralized or regional-
ized and federal states as well as in transnational federations. The crucial actors in these cases are executives speaking and acting for governments. Even when these actors are engaged in policy processes spanning boundaries of levels and jurisdictions, they are committed to ‘domestic’ institutions, rules, procedures and decisions made in this context. In democratic states, their power to act must be legitimized in the election accountability circuit where representatives face party competition and public debates. In contrast, function-specific multilevel governance includes actors who are responsible for a certain policy and who derive their legitimacy either from their authority as experts or from elections by a particular community or association, but not from governments or representative democracy within a state or its sub-units. A typical example exists with multilevel governance arrangements in the science sector of Western countries, where universities and research institutes have established a kind of self-government to distribute research funds, to implement standards of good scientific practices and to implement these standards in peer-review evaluation on a national and transnational scale. Another example are various forms of private regulation in global markets determined to set standards for the production of goods and services, for financial trade or the internet communication (Cutler et al. 1999). International regimes can also be classified as a function-specific type of multilevel governance.

Yet regarding autonomy from governments, the difference between territorial and function-specific types of multilevel governance should not be overrated. Science depends to a considerable extent on financial resources from governments. Universities and research institutes work in specific local or regional contexts and interact with governments, private firms, associations and civil society. Private regulations of international markets are more and more integrated in international treaties and state law, while at the same time private actors and NGOs became acknowledged as participants in international politics (Stephen and Zürn 2019). Distinguishing territorial and sectoral types of multilevel governance is relevant in order to map and explain changes in structures, in particular in order to highlight the difference between the rise of regional governance within the state and the emergent multilevel governance beyond the state. In studies on policymaking in multilevel governance, the differences appear as gradual because governments play a role in most of the function-specific types and private actors participate in territorially organized forms, though to a varying degree. Therefore, I suggest that we conceive of this variety of multilevel governance as more or less strongly tied to democratic governments. Function-specific forms of multilevel governance tend to constitute loosely coupled systems of governance, whereas territorial forms often tightly couple democratic politics and intergovernmental coordination. However, the intensity of coupling depends on additional attributes.
As with patterns of multilevel policymaking and coordination, patterns of democracy differ between more competitive, majoritarian and more consensus-oriented varieties (Lijphart 1999), between governments where power is concentrated and those where power is divided (Bernauer and Vatter 2019; Gerring and Hacker 2008). In a majoritarian democracy, which has evolved with the Westminster Model in the UK, power is concentrated in the political executive (the Prime Minister and his cabinet) supported by a majority party or party coalition in parliament. In Canada, it is combined with federalism in a unique system of multilevel governance. Whenever heads of governments or ministers negotiate intergovernmental agreements, they act in the shadow of the supremacy of parliament. As long as they decide in accordance with the will of the majority party, agreements are legitimized. Certainly, party competition and the divergent party affiliations of governments influence negotiations which tend to proceed in the bargaining mode. In the likely case that opposing parties form a government at the central level and in the constituent units of a multilevel system, policymaking in multilevel governance can be burdened by confrontation, depending on the extent of the polarization of party politics.

The same interference of intergovernmental negotiations and party politics has been observed in parliamentary systems, where power concentration is moderated by proportional elections and parties in parliament have to form coalition governments. In this case, the hands of the executive in multilevel policymaking are tied by coalition treaties, which significantly constrains strategic interaction (Benz and Sonnicksen 2021). Polarization and confrontation of executives in multilevel governance is less likely, all the more so if party constellations in coalition governments overlap. While overlapping intergovernmental and party-political cleavages open opportunities for cross-cutting agreements in cooperation, joint-decision making including all participants is much more difficult under these conditions.

In administrative policymaking, close cooperation between a department and specific interest groups, that is clientelist public–private networks in a policy field, has similar constraining effects on multilevel governance. The strength of ties in these networks can reinforce the power of specialists in intergovernmental relations in a policy field, although these ties can also undermine the effectiveness of interdepartmental coordination. Parliamentary scrutiny and party politics can thwart the operation of these patterns of administrative policymaking. The self-reinforcing dynamics of public–private networks and sectoral intergovernmental relations are more likely in democratic systems where executive and legislative powers are separated. Here, research has discovered a fragmentation of policymaking between sectors and a disassociation of an executive dominated multilevel policymaking from parliamentary scrutiny.
Governance in US federalism is a case in point. However, with the increasing nationalization and polarization of American party politics, the technocratic policy networks are increasingly drawn into the political contests along party lines (Conlan 2017). The reason for this development is the dualist nature of politics, which can be traced back to the fact that members in legislatures and heads of governments are determined in majority elections. While institutions diffusing power between the executive and legislature as well as between the federal, state and local governments should compel actors to find a consensus or compromise, party politics constrains governance no less than in parliamentary systems, where the interference of intergovernmental policy coordination and party competition in democratic government have been discussed for a long time (Benz 2015; Lehmbruch 2000; Sharman 1990).

Regardless of the varieties of democracy, the interplay of representative democracy and multilevel governance causes tensions in policymaking. Beyond the fact that democracy and multilevel policymaking relate to distinct arenas, they materialize in different processes. In democracy, competition for ideas, policy proposals and offices divide parties. A dualist competition dominates in majoritarian democracies with governments formed by one party, while others form the opposition. In the so-called consensus democracies, agreements among parties reveal compromises on the lowest common denominator or package deals linking different policy proposals in a coalition accord. In this way, the democratic process selects actors who execute power and enable political decisions which are presumed to conform to the will of the people. In multilevel policymaking, executives representing democratic governments have to coordinate the will of different peoples, those incorporated in local, regional or national jurisdictions. As there is no procedure to democratically legitimize a coordinated policy cutting across jurisdictions, executives can only justify outcomes of multilevel governance by claiming that they conform to the interest of all participating people. However, if politics is about distributive or redistributive issues, the presumed interest of all peoples concerned violates the interests of at least one community, to a greater or lesser extent. Certainly, outcomes of distribution or redistribution can be justified with good reasons and recognized norms of justice. However, in democratic processes within jurisdictions that are linked in a multilevel system, these reasons are regularly contested in debates among competing parties and organized interest groups. Whenever chief executives cannot prove that they have strongly defended the interests of their government and the people they represent against claims of other executives, be it in negotiations or in other patterns of multilevel governance, they risk public blame and loss of their position.

This dilemma between effective multilevel policymaking and democratic legitimacy of territorially organized governments, or ‘output legitimacy’
and ‘input legitimacy’, has been extensively described and discussed in the literature (e.g., Benz and Papadopoulos 2006; DeBardeleben and Hurrelmann 2009; Papadopoulos 2010; Scharpf 1999, 2009). In practice, it finds expression in tensions between inter- and intragovernmental politics and conflicts, if not confrontation among actors in multilevel governance. Certainly, multilevel governance neither fails on a regular basis nor does it suffer notoriously from a democratic deficit. However, rising conflicts and confrontation can significantly reduce the problem-solving capacity of governments and the effectiveness of multilevel governance under the condition of democracy.

There are two reasons why multilevel governance does not fail due to these tensions. On the one hand, executives can adjust policymaking to the diverse constraints they are subject to. On the other hand, they can exploit the potential to find ways to escape these constraints inherent in the diversity of arenas in multilevel governance. The first option constrains policy innovation whereas the second stimulates the creativity of actors.

As already mentioned, and revealed by research on multilevel governance (Chapter 2), actors responsible for policymaking try to avoid deadlocks, irrespective of the intensity of conflicts. As a rule, they engage in multilevel governance because there is a need for coordination, be it to prevent negative external effects, to profit from positive external effects, to provide public goods at a scale transcending existing jurisdictions, or to reduce unjust distribution of resources and economic or social disparities among territories. Within nation states, regional or local governments cannot ignore the negative consequence of their policy for others nor significant inequalities between jurisdictions because they risk the intervention of a central government. In international governance, unilateral action of one government provokes reactions from others, and an escalation of action and reaction can turn out disastrously or can come at a high price for all affected governments. When powers are shared, failing to solve these problems by not finding an agreement means that responsible policymakers appear unable to accomplish their tasks. Therefore, although representatives of governments – of democratic governments no less than autocratic ones – are expected to optimize the outcomes for their people, they participate in multilevel governance with mixed motives. Although they try to maximize their benefits, they prefer coordinated to uncoordinated policymaking. Conforming to both expectations, to solve problems resulting from interdependence and to pursue the distributive interests of their constituency, requires appropriate strategic action. Depending on the institutional conditions of multilevel policymaking and democratic politics in governments, different strategies are appropriate. In joint-decision making and intergovernmental cooperation, executives tend to compromises that they can achieve by avoiding the distributive consequences of policies; under the condition of self-rule, central governments can govern by standards or leave ample
room for decentralized policy implementation in regulation, while decentralized cooperation or mutual adjustment based on informal consultation provide ways to manage interdependence by averting the centralization of power. All these and similar strategies regularly reduce the chance for significant policy change. Incrementalist policy development is most likely as a result.

Often underestimated is the second reason why multilevel governance works despite the tensions between intergovernmental and domestic politics. Executive actors can transgress the double-bind situation of policymakers in multilevel governance under the condition of democracy by creative solutions. They require that they induce governments and private actors to reconsider their policy preferences, to change the cognitive and normative frames of their policies, and to ‘think outside the box’. For instance, a reframing of agricultural policy from supporting farmers against international competitors towards improving the environment and biodiversity significantly restructures conflicts. Such a revision in the policy frames, ideas and paradigms opens opportunities to overcome threatening deadlock of intergovernmental coordination and promises to avoid frustration in democracies due to unsatisfying compromises. However, changing prevailing perceptions of problems, ideas which are taken for granted, fixed definitions of interests, routinized procedures and established policy regimes (Hall 1993) seems a rather unrealistic claim. It implies that in order to significantly change policies in multilevel governance, actors should find ways for policy innovation. If this reasoning does not lead into a ‘contradictio in adiecto’, we have to answer the question of where innovation should come from and how significant policy change can become feasible in multilevel governance under the condition of democracy. We find an answer when we consider the diversity and dynamics of multilevel structures.

GOVERNANCE IN MULTIPLE ARENAS

As explained in the previous chapter, policy innovation should not be expected to result from external pressure or a crisis, as governments usually concentrate power in these situations and change policy in a reactive rather than a prospective and intended way. In multilevel governance, the challenge of policymaking is generally not to invent new solutions for existing tasks, since in a pluralist society and in complex governance arrangements these new solutions are usually available. They continuously emerge at different locations by creative actors. Inventions are stimulated by ongoing debates and deliberative communication. Not all inventions prove promising and many fail feasibility tests or are ignored in the mainstream of public opinion and political discussions. The real issue of policy innovation is to discover and select appropriate inventions and to implement them by significantly changing existing policies.
including power structures and patterns of interaction entrenched in policy regimes.

Rather than from pressure or shocks, the discovery, selection and implementation of inventions is likely to result from a combination of strategic and communicative interaction in a rather stable but diverse institutional environment. Communicative interaction serves to find new ideas and policy proposals which seem to be appropriate to cope with the problems at hand; strategic action and interaction can circumvent constraints caused by institutions, power structures or situations. If strategies aim at finding new ways to solve conflicts, and at challenging existing policy regimes by initiating a new direction of public policy, they have to foster communication, both in order to discover appropriate inventions and to endorse a selected invention by expertise and good reasoning. Under the condition of a stable environment, this is possible by shifting the policy process from one arena, where interaction is constrained by institutions, to another arena, where actors deliberate on alternative solutions to problems. In the further course of the policy process, a reverse shift to established institutions takes place, when ideas and inventions need to be transferred into political decisions and implemented in public policies. This occurs in arenas, where the power to make decisions is located and where decisions can be legitimized.

The diversity of arenas in multilevel governance results from the twofold division of power between governments and within governments. The real complexity increases, as the division of power among levels is often reflected in structures of a democratic government, and the division of power within a government translates into a differentiation of intergovernmental arenas. Within a government, the multilevel character of a political system can find expression in the electoral system designed to guarantee a proper representation of the constituent units in a legislature, be it within a parliament or in a second chamber. In response to intergovernmental politics, parliaments have established special committees for dealing with matters of multilevel governance, and cabinets have instituted offices for external affairs or intergovernmental relations. Beyond the organization of legislative and executive institutions, the vertical organization of parties and party systems mirrors the division of power between the levels of governments, as has been observed in federal systems (Chhibber and Kollman 2004; Detterbeck 2012; Thorlakson 2009). More often than not, quasi-governmental organizations or private interest associations adjust their structure to the multilevel organization of politics (Detterbeck et al. 2016), as scholars have observed, for instance, in the course of European integration (Eising 2008). Likewise, the internal division of governments translates into patterns of multilevel policymaking, in particular by a separation of tasks between political executives and specialized administration. Parliaments of nation states or regions communicate on matters of
Continuity and change in multilevel governance

...multilevel governance, either in parliamentary assemblies of international organizations that include delegates from national parliaments (Rocabert et al. 2019), in continuous inter-parliamentary relations, in meetings of parliamentary committees, in contacts of individual members of national or regional parliaments, or in vertically integrated parties (Benz 2017).

Both within governments and in multilevel governance arrangements, experts or councils of experts are regularly invited to provide evidence-based information and evaluations. With their epistemic authority, experts can contribute to depoliticizing conflicts. In multilevel governance, bodies of experts can constitute an arena of deliberation, if participants are not directly involved in intergovernmental negotiations. They can, for instance, support a central government in elaborating appropriate standards of governance or in monitoring the decentralized implementation of regulations or standards. In addition, they can contribute to a fair process of competition and policy diffusion in decentralized processes of mutual adjustment. Thus, they are part of a complex structure combining multiple arenas.

Presumably, systems of multilevel governance evolve into a matrix-like structure characterized by a redundancy of diverse interconnected policy arenas, in which conflicts are framed and dealt with in different procedures and actor constellations. Diversity, connectedness, and redundancy are essential conditions for a system’s adaptiveness and resilience (Ansell 2017; Bednar and Page 2016; Landau 1969). Yet they also allow policymakers to evade constraints of institutions and policy regimes and to combine strategic and communicative interaction. Thus, they provide necessary conditions for experimentation, change and innovation.

While the potential for innovation in multilevel governance is based on the diversity of arenas, it is the opportunities of shifting policymaking among the different arenas which is decisive, as has been demonstrated in research on policy change. Frank Baumgartner and Bryan Jones, for example, emphasized the relevance of ‘venue shopping’ to change ‘policy images’ that shape agendas of governments (Baumgartner and Jones 1993: 25–8). Without focusing on multilevel governance, they describe ‘federalism as a system of policy venues’ (ibid.: 216), although having in mind the separation of powers among federal, state and local governments and not multilevel policy coordination in intergovernmental relations. In research on multilevel governance in the EU, this concept of venue shopping has been adopted to explain policy change (Princen 2013). From another perspective, Ellen Immergut points out the relevance of different arenas within democratic politics which result from the division of power. While she suggests regarding political systems as ‘sets of interconnected arenas’ (Immergut 1990: 396) and policymaking as a chain of decisions made in these arenas, she draws attention to the interface of arenas where she identified ‘veto points’. As the policy process has to pass through
interconnected arenas, pressure groups can exploit these crucial points to pursue their particular interests in public policy. Likewise, policymaking in multilevel governance passes through intergovernmental and intragovernmental arenas and strategic actors can address different veto points. However, rather than private interest groups it is executives which control the interface between arenas. Multilevel policymaking is also more complex than, for instance, legislation within a democratic state, as it often proceeds in diverse arenas at the same time and allows feedback loops. Nonetheless, ‘venue shopping’ or the shifting of a policy from one arena to another as such does not guarantee that policies can be significantly changed as intended. Policy dynamics generated in multilevel governance can be proactive or defensive (Kurdna 2013: 201). Policy innovation can only be expected if strategic actors not only use linkages of arenas to reduce or circumvent constraints but also include arenas that support communicative processes and protect them against the intervention of powerful actors. They have to combine processes in different arenas so that both communicative and strategic interaction have a meaningful impact on decision making, but do not override formal rules of legitimate politics or undermine institutions limiting political power. Without going into details, a few hints should substantiate this hypothesis:

- In the vertical dimension, the division of power between levels determines which government or political organization is responsible for final decisions and outcomes. Nonetheless, policymaking can be more centralized or more decentralized. These shifts of processes without a reallocation of power are possible due to overlapping competences or in the course of the policy cycle due to a functional division of power. While these flexibilities of multilevel structures can lead to ‘authority migration’ and can destabilize a balance of power, they also can support policy change by using diversity without risking the integration of a political order or impeding coordination of policies. Decentralized processes allow policies which are adjusted to various conditions, they facilitate ‘experimentalist governance’ (Sabel and Zeitlin 2008), encourage innovation by competition for best practices or stimulate innovation by mutual learning among governments. In order to avoid decentralized experimentation triggering uncontrolled processes of ineffective and controversial adjustments in a competitive process, a strategy of decentralization has to leave open the option of a reverse shift of policy to the central level or to intergovernmental negotiations, to prevent rising confrontation in competitive processes and to encourage innovation (see Daniell et al. 2014: 2432). Therefore, instead of a delegation of power, arena shifting across levels should be limited to what Renate Mayntz and others have labelled ‘downloading’ and ‘uploading’ of a policy (Mayntz 2015: 14), a shift of specific tasks and
functions in policymaking to an upper or lower level without changing the allocation of competences. Uploading is a common strategy in national and international multilevel governance, when governments responsible for a policy meet to consult on possible solutions and negotiate non-binding agreements in voluntary cooperation, which they introduce as policy proposals into their national agenda. Downloading occurs, for instance, when national or regional governments adopt policy proposals which have been elaborated in international bodies or in an agency of the upper-level government or when a central government encourages experimental policies in smaller jurisdictions by special arrangements. In the second case, decentralized policies which prove successful can be uploaded and thus stimulate bottom-up policy learning (Bednar 2011). Downloading can be pushed by incentives or the assignment of responsibility to governments, whereas uploading usually works on a voluntary basis. Both processes of policy shifting may be constrained, but less by a distribution of power than by political resistance within the governments concerned.

- In the horizontal dimension of a multilevel governance system, policy transfer between constituent units can be considered as a corresponding way to shift policies. It means that governments emulate decisions or policies that other governments successfully implemented. This process of ‘lesson-drawing’ (Rose 1993) usually only leaves its marks on the agenda of a government, or influences political discussion on the general direction of a policy, or extends the set of alternatives considered. By affecting ideas and perceptions of actors in a policy regime, it is likely to challenge defensive policy coalitions by promising alternatives and relaxes confrontation among parties when new options appear on the agenda. Hence transferring or ‘crossloading’ of policies does not mean imitation, it rather implies that actors take note of how other governments deal with problems at issue and that they use the diversity of multilevel governance as a source of policy options. By exploiting this source, by discovering inventive policies and by introducing them in the agenda of their own government, responsible executives or members of parliaments can evade deadlocks due to confrontation or compromises at the lowest common denominator resulting from bargaining processes. Instead, they enrich discussions on policies by opening a comparative perspective.

- In the functional dimension, multilevel governance mirrors, at least in certain aspects, the differentiation of arenas of democratic politics, which are linked in the policy process. In joint-decision systems as well as in intergovernmental cooperation, negotiations among political executives are regularly prepared by meetings of civil servants from the departments of the involved governments. In addition, governments often invite independent experts to provide information and advice. In consequence, the
impact of party politics is reduced. Executives may even turn from confrontation or bargaining towards arguing, when they rely on the know-how of specialized civil servants, search for advice from scientists or include representatives from civil society associations. Organized private interests rarely participate in intergovernmental negotiations but they may be invited to submit statements. To what extent these options are used depends on the political executives. As Edgar Grande observed in EU policymaking (Grande 1996), they prefer the engagement in intergovernmental politics to avoid the pressure from private interest organizations. Others have pointed out that executives tend to commit themselves in multilevel governance in order to gain autonomy in relation to parliaments and parties (Wolf 1999). Nonetheless, norms and rules of democracy limit these strategies and executives have to cope with the tensions between domestic and multilevel politics. One way to do this is to shift negotiations to the administrative arena or expert bodies. In these contexts, controversial issues are dealt with by actors who are motivated to solve problems, and conflicts are managed in a professional rather than politicized manner. Therefore, multilevel administrative relations are essential. For the same reasons, intergovernmental coordination by mutual adjustments works when civil servants or experts provide information that they have gained in informal communication with their counterparts in other governments. This is the reason why competition for best practices (yardstick competition) proves effective if the focus is on particular policy sectors or specific public services provided by administrative bodies. In contrast, political executives and parties avoid these contests, and if they are initiated and carried out by independent agencies, participants in the political process regularly use the results as arguments in party competition, but not as justifications to change a policy.

Shifting a policy between arenas contributes to circumventing veto power in a multilevel system provided that this does not occur arbitrarily but rather follows a particular strategy. Appropriate selection or arenas and their linkage in a sequence of policymaking is crucial. One strategy would be to build coalitions against potential veto players at the first stage. Within a government, the usual procedure requires the executive to seek an agreement with members of parliaments or second chambers who are pivotal for supporting an envisaged policy. Such informal consultations are particularly relevant in federal systems, when the executive negotiates an intergovernmental accord which has to be implemented in legislation, or when a federal parliament passes a bill which requires the approval of representatives of constituent states, be it by a consent in a council of state governments or by a ratification by state parliaments. Another strategy would be to influence ‘veto points’ at the interface between the executive and the legislature. In line with Ellen Immergut’s
observation that pressure groups use ‘weak links’ in the representation chain of a democracy to gain de facto veto power (Immergut 1990: 396), we can also observe that executives negotiate deals with representatives of organized interest groups to mobilize support for a bill that they intend to initiate in legislation. This practice can contribute to managing societal conflicts, but it also risks predetermining the decisions of legislative bodies or policymaking and the accountability of the executive, and therefore undermines democratic legitimacy. In multilevel governance, different types of ‘negotiation democracy’ (Armingeon 2002; Czada 2003, 2015) can concur in overlapping arenas, which either include political executives and private interest associations in corporatist arrangements, competing political parties in a coalition or legislation under the condition of minority governments, or executives in intergovernmental relations. Each of these arenas shape politics and policymaking in a particular way. In combination, strategic political actors can arrange them to alter the process of policymaking and to evade the constraints of institutions and power structures (see the case of German energy policy, Chapter 5).

The diversity of multiple arenas in multilevel governance can not only open ‘escape routes’ (Héritier 1999: 8) from decision traps, they also provide opportunities to modify modes of interaction, enrich agendas and extend alternative courses of action. As regards policy innovation, arenas of negotiation and deliberation are particularly relevant as they can support an ‘argumentative turn’ (Czada 2015: 240) in a policy process. Consultative bodies included in multilevel governance can extend ideas, information and policy proposals and thus can become a source of policy innovation on their own. Likewise, they can also create legitimacy for a policy initiated by the executive as they can endorse a proposed policy by reasons which are acceptable as long as they are not contested by good arguments. Such bodies do not constitute a form of ‘deliberative democracy’, nor should they be condemned as governance by technocrats. As Roland Czada has observed in Germany, the strategy of an incumbent government to deal with conflicts by establishing expert commissions and consultation with representatives of private interests or civil society often serves the government ‘as instruments of political marketing and governance with a strong public relations impact’ (ibid.: 244). Nevertheless, it is exactly for this reason that policy innovation can prevail against the power of veto players interested in maintaining the status quo. The mobilization of epistemic authority in arenas of communicative interaction increases the chance for inventions and for advancing a progressive policy in multilevel governance, despite the constraining patterns of bargaining, confrontation and competition, and despite the power of veto players interested in maintaining the status quo.

However, nor is deliberation among experts alone sufficient to make policy innovation feasible, nor does the various ways to develop a policy in different
arenas per se increase the chance of changing a policy. The strategic interaction of creative actors with the power to shape processes has to be combined with the communicative action of actors searching for new solutions for problems, and both modes of interaction have to lead to decisions by office holders within institutions and procedures destined to guarantee democratic legitimacy. When diverse arenas which enable these different modes of interaction, are linked, it is essential that neither should arbitrarily dominate. Power mobilized and exerted in the different arenas needs to be justified by particular functions and should not determine processes in other arenas. This balance of power cannot be guaranteed but it can be enabled if arenas are loosely linked to a polycentric structure where different processes can mutually influence each other. This way, the diversity, redundancy and connectedness of multilevel governance can contribute to innovative, effective and legitimate policymaking.

CONCLUSION: COMPLEXITY AND INNOVATION

There is never a guarantee that these approaches of governing in multiple arenas will succeed under all circumstances. However, they certainly increase the probability of policy innovation in political systems, which in general constrains the power to significantly revise policies in place. Theories of complex adaptive systems support the conclusion that complexity is not the problem of multilevel governance, rather it bears the potential for solutions. This theory highlights dynamics which are inherent in variously differentiated organizations, actor constellations or political systems (Bednar and Page 2016; Burnes 2005; Page 2011; Schneider 2012) but explains system maintenance rather than policymaking. Hence it emphasizes the adaptability of complex systems to external challenges due to its internal elasticity. This adaptability results from the interplay of multiple mechanisms which can control aberrations from stability. Whereas this theory explains gradual change of a system, it nevertheless provides reasons to assume that managing internal tensions and the adaptation of structures to external challenges by elastic structures increases the potential for policy innovation or institutional reform.

The theoretical framework outlined in this chapter is not meant to reject theories of policy change. On the one hand, it is based on these theories in so far as it takes into account the different mechanisms driving change. Moreover, rich empirical evidence provided by policy studies reveals that many conditions enable or obstruct policy change and innovation. On the other hand, when applying policy theories to multilevel governance we find that neither a mobilization of advocacy coalitions, policy entrepreneurs or political leaders nor the dissolution of policy regimes and the relaxation of formal rules in times of crisis or in a critical juncture constitutes necessary conditions for significant change or innovation. What certainly is a necessary condition within these
complex structures is the possibility to move policymaking processes among
the diverse arenas. This flexibility is essential in order to avoid threatening
confrontation and deadlocks when politics in multilevel structures interferes
with politics in democratic government. Strategic policy entrepreneurs or
political leaders can contribute by exploiting these possibilities. As far as they
include arenas of communicative interaction, there is a realistic chance for
policy innovation.

In the context of multilevel governance involving democratic governments,
two assumptions can be derived from the above considerations: (1) Policy
shifts among arenas of a democratic government – from the plenary of a par-
liament to committees; from the political executive to administration; from
government to public–private consultation or committees of experts, etc.
– can help to overcome or avoid deadlock in multilevel coordination though
joint-decision making and cooperation, and they can open room for manoeuvre
in allowing governments to mutually adjust policies or engage in yardstick
competition and policy transfer. However, the internal dynamics of democratic
governments are necessarily constrained by constitutions and institutions and
therefore allow compromises and adjustment, but do not favour policy inno-
vation. (2) Therefore, the dynamics of multilevel governance are essential.
Policy shifts between levels – that is uploading, downloading or crossloading
of a policy – open additional escape routes from traps of decision making and
often induce policy innovation. As in democratic government, these options
are inherent in modes of governance implying sufficient flexibility of struc-
tures and processes.

The following case studies should illustrate how these mechanisms and con-
ditions materialize in reality. However, they can give only a limited impression
of the varieties of multilevel governance, those which limit policy change
to gradual steps and those which are conducive to significant change and
innovation. In the context of two policy fields, energy and climate policy and
fiscal equalization, they analyse processes that aim at substantial policy change
or transformation in order to cope with complex problems and, accordingly,
include governments and other actors at different levels.

Efforts to reduce greenhouse gases in order to mitigate climate change
appeared on the agendas of international and national politics in the 1980s.
Meanwhile global warming turned into one of the most pressing challenges
for contemporary societies. Reducing emissions and the adaptation of public
and private actors to climate change requires the transformation of the
carbon-based generation of energy and the introduction of new ways to
manage the consequences of rising temperatures or damaging weather events.
The complexity of the challenge is obvious, as are the redistributive impacts
of both a continuation of old policies and the transformation of an established
policy regime. As will be explained in Chapter 5, policy innovation in specific
sectors of the broad and complex policy field and in countries leading the way essentially contributed to initiating a transformative development, despite serious backlashes.

The second issue concerns the redistribution of wealth within societies and fiscal resources among governments in order to moderate the negative effects of economic disparities. These are not new problems, but they have to be dealt with in the turbulent context of globalized markets and intensified economic competition among nation states. The case studies presented in Chapter 6 focus on a specific dimension of distributive justice, namely fiscal equalization among territories in federations. They discount the whole field of social policy, while highlighting an aspect that many would consider to be marginal in this context. However, in research on multilevel governance, redistribution between territories constitutes a fundamental problem. On the one hand, the globalization of the economy has increased disparities among regions and local governments with the consequence that the territorial dimension of distributive justice appeared on the political agenda in many federations. On the other hand, political decisions on fiscal equalization have to be coordinated between governments or require joint decisions among them. Fiscal equalization also has a strong emphasis on institutional and constitutional change. Hence both the type of the policy and the institutional conditions make innovative solutions unlikely. Fiscal equalization is particularly interesting as it is the least likely case for policy innovation. That it is not impossible will be illustrated in selected case studies.

NOTES

1. In order to emphasize the aspect of structures and interactions, I prefer the term ‘arena’ to the term ‘venues’, which is also used in literature on policy change and multilevel governance. In theories of agenda setting, a venue is defined by ‘its own language, set of participants, and limitations, leading to evolving sets of strategies among those who would try to affect the agenda-setting process’ (True et al. 2007: 162). Yet an arena is also a setting, in which power is concentrated to turn an agenda into an effective political decision.

2. As this book focuses on multilevel governance in politics, on processes of policy coordination within or between democratic states, the terms intra- and intergovernmental are appropriate. Although multilevel governance can and often does include private or non-state actors, structures are mainly defined by institutions of governments. In research on organizations, scholars distinguish accordingly between inter-and intraorganizational structures and processes. If an association determined to pursue private interests participates in policymaking, it is confronted with the same problem of harmonizing relations with political actors and the collective interests of members defined in internal debates and negotiations. It has to cope with a conflict between the ‘logic of membership’ and the ‘logic of influence’ (Schmitter and Streeck 1999), depending on the properties of the participating organization (see also Mundlak 2020).
3. In the discussion on democratic legitimacy of the EU, scholars have suggested reorganizing or reconceptualizing the EU as a functionally differentiated multilevel political order. Bruno Frey and Reiner Eichenberger proposed a model of ‘functional competing overlapping jurisdictions’, in which popular referenda should legitimize power (Frey and Eichenberger 1999). Philippe Schmitter made the case for governance arrangements for particular policy fields with power being legitimized by the participation of ‘stakeholders’ (Schmitter 2006). Both concepts prove the need to solve the democratic deficit of function-specific governance arrangements. Whether this is a realistic option can be disputed.