A Tale of Two Federations: Policy Reform in Canada and Germany

Burkard Eberlein
Schulich School of Business
York University
4700 Keele Street
Toronto, ON M3J 1P3
Canada
beberlein@schulich.yorku.ca

Steffen G. Schneider
TranState Research Centre
University of Bremen
P.B. 33 04 40
28335 Bremen
Germany
steffen.schneider@sfb597.uni-bremen.de

A Tale of Two Federations: Policy Reform in Canada and Germany

Burkard Eberlein **Steffen G. Schneider**

Abstract

This paper investigates the impact of internationalization pressures on institutional aspects of policy reform in two domains (labour market policy and electricity market regulation) in Canada and Germany, as two 'most different' systems, along both a public-private and a territorial axis (international/subnational). Canada's liberal market economy, interstate federalism, and asymmetrical bilateral relationship with the US under NAFTA contrasts with Germany's coordinated market economy, intrastate federalism, and highly institutionalized EU regional integration context. The paper engages with the neo-institutionalist literature on path dependency and change. It confirms that institutions do mediate the pressures of internationalization but finds that institutional dynamics are more complex than is suggested by path dependency and punctuated equilibria approaches. Policy reforms result in hybrid institutional arrangements that combine layers of legacy with layers of cumulative change, as hypothesized in more recent institutionalist thinking designed to overcome the juxtaposition of agency (rare, exogenously-driven change) and structure (deterministic institutional paths).

Key Words:

Neo-institutionalism, Institutional Change, Path Dependency, Punctuated Equilibria, Federalism labour market policy, energy policy

A Tale of Two Federations: Policy Reform in Canada and Germany

Introduction

The claim that globalization has fostered massive and convergent policy change across the OECD world continues to figure prominently in the literature. The globalization-induced demise of the Keynesian welfare state (Jessop, 2002) and the rise of a new architecture of politics (Cerny, 1989) are thought to entail major reforms and the reordering of institutional structures – the privatization of state functions, the transfer of responsibilities from the national to subnational tiers of government, and the emergence or strengthening of international governance arrangements – in a variety of policy domains.

Yet the expectation of radical and uniform globalization-induced change has been challenged by research in the neo-institutionalist mould, which provides ample documentation for the resilience of institutional structures, the role of policy legacies, and the broad range of actual reform outcomes in the advanced industrialized economies. According to this literature, the scope of reforms may be limited and is likely to differ between countries and policy fields. The concept of path dependency now dominates neo-institutionalist explanations of stability and nationally specific reform trajectories, while the punctuated-equilibrium model is frequently used to explain change. Yet the latest wave of research in the neo-institutionalist tradition has pointed to the shortcomings of these two concepts. Various authors have begun to probe the mechanisms of path dependency and the (re)production of institutional arrangements in more detail, thus laying ground for a more accurate understanding of institutional dynamics and policy change.

This paper explores the mediating role of institutional structures and the precise nature of institutional dynamics by comparing reform activities in two distinct national contexts and policy domains. Canada's liberal market economy and interstate federalism is contrasted with Germany's coordinated market economy and intrastate federalism (Hall and Soskice, 2001; Watts, 1999). Moreover, the EU represents a backdrop for national policy making that greatly differs from the NAFTA framework. Two policy domains are examined: active labour market policy and the regulation of electricity supply (electricity generation and distribution).

After some theoretical considerations (section 2), we summarize the four reform trajectories (section 3). Our comparative analysis of these trajectories yields three related findings, which are discussed in section 4: First, institutional contexts indeed mediate the impact of globalization and related socio-economic trends, and thus have discernible effects on the scope and nature of reforms in different national contexts and policy domains. Secondly, however, institutional dynamics turn out to be more complex and evolutionary than is suggested by the imagery of punctuated equilibria and path dependency. Consequently, the widespread assessment of Canada and Germany as instances of (relative) institutional flexibility and high reform capacity v. rigidity and gridlock has to be qualified.

Theoretical Framework

What constitutes major policy change? A variety of taxonomies may, in principle, be used to gauge the scope and nature of reforms – including, for instance, Peter Hall's (1993) well-established typology of first-, second-, and third-order change or Paul Sabatier's (Sabatier and Jenkins-Smith, 1999) distinction between shifts in the deep core, policy core, and secondary aspects of the (hegemonic) belief systems underlying policy fields. Yet here we are concerned with the *institutional arrangements* that structure policy domains, and hence arguably with an even more fundamental dimension of change. We will speak of paradigmatic change in the two examined policy fields and countries if we observe:

- shifts in the allocation of responsibilities between the state and the market, or the creation of mixed governance arrangements involving public and private actors;
- the transfer of responsibilities between national and subnational jurisdictions, or towards inter- and supranational regimes and organizations.

According to much of the extant literature, such twofold paradigmatic change beyond the incremental reforms that prevail during phases of 'normal' politics has indeed widely occurred in recent decades, and the related out-, down-, and upwards transfer of responsibilities tends to be described as all but ubiquitous whenever globalization is considered the key driving force behind institutional and policy reforms.[1] The basic structure of the underlying argument is well-known: Globalization has increased the exit options of capital and exacerbated international competition. These developments force national governments to pay more attention to efficiency and market-oriented policy goals and instruments, and less to the equity-oriented ones of the Keynesian welfare state, which have presumably become comparative disadvantages. In their attempt to build a *competitive* state, governments resort to the outright privatization of state functions, deregulation, or the use of market-like features in public service provision – i.e., a more or less pronounced shift from the state to the market. Alternatively, erstwhile state responsibilities may be transferred to households and families, interest groups and associations, or networks that bring some or all of these private actors together with a *cooperative* state. Moreover, both in the competitive and in the cooperative scenario, the national tier no longer appears to be the most appropriate territorial focus of policy making. Instead, a transfer of responsibilities to subnational jurisdictions, on the one hand, and international regimes or supranational organizations, on the other, seems to be the order of the day.

The two kinds of shifts have not the least been hypothesized for the policy domains examined here, even though the much-described hollowing-out or transformation of the welfare and nation state may be expected to take slightly different forms in active labour market policy and the domain of electricity supply (see below).

[1] The argument comes in a powerful normative and prescriptive variant, according to which reforms *should* move institutional arrangements in these two directions, as well. In an empirical perspective, the discursive prominence of these ideas may be considered as yet another important driving force behind change.

Yet the neo-institutionalist literature suggests, in contrast with the expectation of radical and uniform change, that the impact of exogenous (i.e., non-political) forces like globalization on reform outcomes is at the very least mediated – and perhaps even absorbed – by institutional factors and policy legacies (Clemens and Cook 1999; Greener, 2005; Hall and Taylor, 1996; Immergut, 1991). For policy development and change, in this perspective, is *path dependent*. In its soft version, the concept of path dependency refers to the rather uncontroversial notion that history matters, and hence that "what has happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time" (Sewell, 1996: 262-3). The stronger version, by contrast, implies "historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties" (Mahoney, 2000: 507). Thus the focus of this literature is on the "mechanisms that anchor and stabilize" policy trajectories and related institutional arrangements (Djelic and Quack 2005: 1), sometimes even making inefficient paths highly durable or irreversible. In explaining the rise and stability of these institutional equilibria, the political science literature has drawn on economic concepts – notions like positive feedback and increasing returns, lock-in, etc. – and adapted them to the political world, or it has developed pertinent explanations of its own, such as the veto-player argument (Pierson, 1993, 2000a, 2000b, 2004; Tsebelis, 1999).

The path imagery is usually supplemented by the punctuated-equilibrium model in this literature: Whereas policy development in phases of normal politics is largely *determined* by institutional arrangements and policy legacies, old paths are left and new ones emerge only at rare and "clearly identifiable single junctures within short windows of opportunity" (Djelic and Quack, 2005b: 8). These critical junctures – often moments of crisis – are triggered by *contingent* and 'anomalous' events or shocks, and it is only during these moments of rupture that agency, political conflicts, and power relations come back to the fore, and choice is unconstrained by the institutional environment. The rules of the game may thus change. As self-reinforcing processes and other mechanisms of path dependence are likely to set in quickly, there should be a considerable first-mover advantage, though.

In short, this perspective on globalization and policy change would lead us to expect considerable institutional resilience. It should take substantial exogenous shocks to radically change policy legacies and related institutional arrangements. And where the pressure of globalization indeed triggers reforms, the scope and nature of actual outcomes should differ between countries with, for instance, presidential and parliamentary (Weaver and Rockman, 1993) or unitary and federal systems (Wachendorfer-Schmidt, 2000), or between different (interstate v. intrastate) *types* of federal regimes, such as Canada and Germany (Klassen and Schneider, 2002; Obinger et al., 2005). A similar argument is made by the varieties of capitalism literature, according to which the many *complementarities* between the various features of liberal and coordinated market economies, like Canada and Germany, make any change that is not in line with their inherent logics rather unlikely (Crouch and Streeck, 1997; Hall and Soskice, 2001; Shalev, 2001).

Dissatisfaction with the imagery of path dependence and punctuated equilibria has recently grown, though, both outside and within the neo-institutionalist camp. It is not only the case that insufficient "attention has been paid to the sources and mechanisms of change" in the traditional perspective (Djelic and Quack, 2005b: 1). Instead, the very juxtaposition of rare and short critical junctures – where contingency, agency, and unconstrained choice reign supreme – with the inflexibility and deterministic properties of institutional paths appears increasingly unconvincing (Ebbinghaus, 2005: 6, 11; Bassanini and Dosi, 2001; Crouch and Farrell, 2004; Beyer, 2005). A more recent strand of the literature, therefore, argues that the creation of new paths or the transformation of old ones may not be quite as unlikely and difficult as it seems. Furthermore, "both path transformation and path generation [may not be] the result of clearly identifiable and unique ruptures" (Djelic and Quack, 2005b: 2), and policy or institutional change, in this view, tends to be gradual and cumulative rather than abrupt and radical (Djelic and Quack, 2005b; Streeck and Thelen, 2005). In short, the dynamics of institutional (re)production and change are considered to be more complex and evolutionary than the imagery of linear paths suggests, and phases of reproduction and change are not seen as radically different in their underlying logics (Djelic and Quack, 2005b: 4).

This growing focus on the *mechanisms* of reproduction and change in the neo-institutionalist perspective goes hand in hand with the rediscovery of endogenous factors (Deeg, 2005), agency, and micro-level (as opposed to system-level) processes and practices (Garud and Karnøe, 2001: 8). Thus interaction is "structured but not fully determined by the characteristics of the institutional settings" (Djelic and Quack, 2005b: 9). In other words, actors with their interests and (positional, relational, or discursive) power resources, strategic behaviour, and choice are 'brought back in'. Political entrepreneurs, for instance, may create the events and shocks that lead to path deviation or generation, or turn small events into big and consequential ones. It is, however, acknowledged that purposive action may have unintended consequences, that "different institutional settings provide societal actors variable access to different types of power resources" (Djelic and Quack, 2005b: 10), and hence that system-level factors *do* have an impact on micro-level processes (Ebbinghaus, 2005: 20).

Besides the formal rules of the games and the 'powering' behaviour associated with particular institutional arrangements, there is also renewed interest in 'puzzling,' cognitive maps and discourses, frames and ideas, or shared norms and understandings in this literature, and hence institutional paths appear as socially constructed (Djelic and Quack, 2005b: 9; Sydow et al., 2005: 22; Lieberman, 2002). There may or may not be a tight fit between these various dimensions, and each of them may be affected by pressure for change to a greater or lesser extent, but in any case, path deviation and generation are likely to be protracted, emergent processes – a sequence of events over long periods of time that involves more than exogenous shocks, on the one hand, and formal rules and institutional structures, on the other.

What, then, does all this mean for the hypothesis of globalization-induced change? Even if the thrust of the institutionalist argument is qualified along the lines suggested above, one would still expect institutional arrangements to play a mediating role and to provide a "restricting corridor" (Sydow et al., 2005: 17) for policy change. But the concepts of path dependence (in

its deterministic version) and punctuated equilibria are indeed unlikely to do justice to the long-term effects of globalization, or to the role of actors and ideas in the processes of change. Moreover, both globalization and political integration make the interaction or collision of (different national, or national and supranational) institutional paths ever more likely – and these collisions, too, may trigger a path deviation or generation (Djelic and Quack, 2005b: 2).

Empirical Cases

This section briefly sketches the background and outcomes of Canadian and German reform activities in labour market policy and the domain of electricity supply. Over the last couple of decades, and especially since the 1990s, both federations have experienced intense reform debates and a series of reform initiatives in the two policy fields. Given that the impetus for policy change has been broadly comparable, and that globalization has undoubtedly had a major impact on Canada's and Germany's open and export-oriented economies, one might hypothesize substantial and largely convergent reforms in each case.

Yet in line with the neo-institutionalist perspective, one might also expect "cross-national variation in the degree to which policy paradigms are embedded in institutional routines" (Hall, 1993: 291), and hence differences in the scope and nature of policy change, or – put differently – in the reform capacity of the two federations (Weaver and Rockman, 1993: 6). Canada's liberal market economy, and its combination of Westminster-style parliamentary government with a highly decentralized and competitive federal system, should make reforms easier to achieve than in Germany, 'selecting for' (Haddow and Klassen, 2006) greater shifts from the state to the market, and from Ottawa to the provinces. In other words, a market-oriented devolution (or denationalization) model seems complementary to interstate federalism and the Anglo-Saxon model of capitalism.

By contrast, Germany's coordinated market economy, together with its more consensus-oriented form of parliamentary government and centralized federal system, appears to entail a much higher number of veto positions, and hence to impede *any* reforms. This is the essence of the gridlock argument that prevails in the academic literature and media discourse on Germany (Wiesenthal, 2003). At the very least, however, Germany's institutional path should 'select for' comparatively modest reforms that privilege cooperative rather than market-like arrangements, and hence a 'network' model of devolution, which seems complementary to intrastate federalism and the continental European model of capitalism. Finally, the differences between the EU and NAFTA frameworks should have an impact on the pace and direction of reforms in the two countries.

Active Labour Market Policy

Unlike passive labour market policy (income-maintenance programs for the unemployed), active measures in the labour market field are designed to increase the employment opportunities of individuals or specific groups, and more generally, to match the supply of

and demand for (appropriately skilled) labour.[2] Drawing on Paul Peterson's (1995: 17, 204-5) distinction of policy types and instruments, the field may thus be characterized as *developmental* (growth-promoting as opposed to redistributive). However, even active labour market policy tended to have pronounced *redistributive* objectives and effects, and to privilege *fiscal* (as opposed to regulatory) instruments, in the heyday of the welfare state.

Since the economic perturbations of the 1970s, a much-described paradigm shift from a concern with unemployment to one with inflation, and from Keynesianism to monetarism and neoliberalism (Hall, 1993: 284), has taken place in the OECD world. It should have triggered reforms in the labour market field, too. The expected globalization-induced shift to the market and a workfare state may, however, take several forms, beginning with the retrenchment of passive measures and a strengthening of active ones that pursue clearly developmental goals. Together with the weakening of redistributive elements and the introduction of market-like features in their programs, governments may also give up on objectives like full employment and limit the scope of their intervention into the labour market altogether. By privatizing active labour market services, deregulating labour markets, or using regulatory instruments to enhance labour market flexibility, they force workers and employers to assume more responsibility in coping with the risk of unemployment and tackling labour market dysfunctions.

Still in line with Peterson, one may argue that subnational governments have a comparative advantage over national ones in developmental policy domains, and hence that responsibilities in the active labour market field will (and should) move to the subnational level, especially in federal systems. Proponents of a market-preserving or competitive federalism (Weingast, 1995) make a similar argument. Globalization is often linked with a more prominent role and greater vulnerability of regional economies, and hence should make the impetus for devolution in the active labour market field even stronger – a line of reasoning that has also made its way into the policy documents of the OECD (2000) and others. As for the redistributive elements of labour market policy, one might expect a shift from the national level – where these elements are under growing pressure – to international regimes and supranational organizations. The devolution argument, however, comes in at least two versions as far as change along the public-private axis is concerned. In the first perspective, devolution is interpreted as an efficiency-oriented attempt to stimulate *competition among jurisdictions* (and with it, policy experiments and innovation). In the second perspective, which stems from the literature on networks and industrial clusters (Piore and Sabel, 1984), it is the 'closeness' to localized problems and resources – the opportunity to tap into regional identities, to mobilize endogenous potentials, and to ensure the *cooperation of local actors*, including representatives of business and labour – that makes devolution an attractive reform option.

[2] Three groups of measures are usually subsumed under this label: (1) programs and services that facilitate the matching of supply and demand, e.c. information services for prospective employers and job-search assistance for (unemployed) workers; (2) initiatives geared towards enhancing the quality of labour supply, e.c. vocational (re)training programs; (3) measures that aim at the creation or stimulation of labour demand, e.c. public works projects or wage subsidies for private employers.

Germany:
Although core responsibilities in the economic and social policy fields are defined as areas of concurrent legislation in the Basic Law, the redistributive constitutional guarantee of equal living conditions throughout the country, a political culture that is intolerant of major regional disparities, and other factors have contributed to a strong centralization of legislative authority in these domains (Manow, 2005). The importance of adequate labour market performance for Germany's conservative welfare state and its coordinated production regime combined with the logic of intrastate federalism to make the labour market field a predominantly national responsibility after 1949. Like the provision of income-maintenance programs for the unemployed, active labour market policy – which is largely funded through social insurance contributions – is therefore strongly centralized today. The *Länder* (federal states) have no legislative or administrative responsibility for passive labour market policy, and only marginal responsibilities in the active labour market field. Unlike other legislative areas, much of the legislation that touches upon the labour market and industrial relations is not subject to *Länder* consent in the Bundesrat (the federal parliament's second chamber) either. *Länder* authority to formulate and implement genuinely regional labour market strategies is thus restricted to the few areas not covered by national legislation.

The administration of income-maintenance programs and the implementation of active measures have been delegated to a semi-autonomous public agency overseen by the Federal Minister of Labour, the Federal Employment Service (FES) with its regional and local subsidiaries. Its budgetary and operational autonomy was, however, rather narrowly circumscribed by federal legislation in the past. The postwar labour market regime 'culminated' with the full employment-oriented *Arbeitsförderungsgesetz* (AFG, Employment Promotion Act) of 1969 and was characterized by rather generous income-maintenance benefits with a social-insurance and a means-tested component, on the one hand, and a broad array of active measures, on the other.

Several key features of a CME provide the backdrop of labour market policy making in Germany. The organizational capacity of labour and business is traditionally high; the system of trade unions and employers' associations is strongly integrated. Coordinative arrangements among firms – and between labour, business, and the state – are important, especially in the labour market domain. Industrial relations have long been characterized by the mutual recognition and ideological moderation of powerful unions and employers' associations, and a predominantly consensual style of interest accommodation. The vocational (re)training system – including the famous dual apprenticeship system – represents the second key component of the German CME (Thelen, 2004). Finally, in keeping with the principle of social partnership, the administration of the FES – and labour market policy making in general – is characterized by tripartite corporatist involvement of business and labour in governance and decision making at all three tiers, and in the provision of active labour market services.

Together with other adverse socio-economic and demographic trends, the fiscal impact of rising unemployment levels and insufficient employment creation has put this regime under

increasing pressure since the 1970s (Scharpf, 2001). First efforts to contain labour market expenditure growth and reorient active labour market policy followed. Eligibility criteria for various programs were tightened, and benefits reduced. Both the SPD-led Schmidt government after 1974 and the CDU-led Kohl government after 1982 privileged reducing the labour supply in their fight against unemployment. Engaging in decidedly neoliberal rhetoric, the Kohl government initially aimed at the deregulation of the labour market in the 1980s, but related legislation remained modest in scope. The first waves of reform activity in the labour market field, then, left the institutional arrangements of the German labour market regime – the federal distribution of powers, the organization of the FES, the involvement of business and labour, the funding scheme, etc. – remarkably intact. At the same time, however, and despite limited discretion, the *Länder*, especially the ones like North-Rhine Westphalia, where pronounced regional labour market dysfunctions and the requisite fiscal and institutional capacity met, have become more proactive in the labour market domain since the 1980s (Schmid and Blancke, 2001).

The momentous external shock of reunification brought the modest retrenchment efforts at the federal level to an abrupt end, though. The swift and comprehensive extension of West Germany's welfare state and labour market regime – including the FES and its programs – to the former German Democratic Republic, whose inhabitants had to cope with economic restructuring and soaring unemployment levels, had an important legitimizing function and temporarily prevented the pursuit of a neoliberal agenda. As part of a 'reluctant post-reunification Keynesianism' (Beyme, 1994), the Kohl government assumed a leadership role in the East German transition, ensuring a huge volume of federal transfers to the new *Länder* and continuing the long-standing centralization trend of German federalism. The government thus expanded active measures – including efforts to reduce the labour supply and new instruments like employment corporations and 'mega' job creation schemes that were de facto income-maintenance programs – and largely funded them through an increase in social insurance contribution rates.

As this policy threatened economic growth and job creation, and also collided with the fiscal objectives of the 1992 Maastricht Treaty and the European Monetary Union, the government soon terminated many of these measures and returned to austerity- and efficiency-oriented reforms, though. In the second half of the 1990s, the Kohl government, once again, tightened eligibility criteria, lowered benefits, and introduced workfare elements in various programs. It also aimed at further labour market deregulation with regard to dismissal protection and fixed-term contracts. In an attempt to encourage competition and innovation, the local employment offices were given more budgetary and operational autonomy in 1998, the full employment goal of the AFG was watered down, and a range of active measures – whose effectiveness was increasingly questioned – became retrenchment targets; this was hardly offset by new programs like the 1994 federal-*Länder* initiative for vocational training in East Germany (Heinelt and Weck, 1998). With the formulation of a European Employment Strategy during the 1990s and the co-funding of *Länder* active measures by the European Social Fund, labour market policy making has also gained a European dimension.

Both Kohl and the ensuing SPD-led Schröder government experimented with 'concerted-action style' employment alliances. Kohl's efforts, however, failed quickly when the unions pulled out of his Employment Alliance in 1996, barely a year after it had been established. Schröder, elected in 1998, first rescinded several of the cuts, deregulation measures, and workfare elements implemented by his predecessor. He also expanded active measures and attempted to stabilize the funding of labour market programs through measures aimed at discouraging the creation of precarious employment and self-employment.

In his second term, beginning in 2002, Schröder himself embarked on a highly unpopular retrenchment course, though. His Alliance for Employment quickly proved to be ineffective, "kept alive only for public consumption" (Streeck and Hassel, 2003: 118) after the summer of 2001. Both the unions and employers' associations increasingly shunned its tripartite logic, directly lobbying the government instead. The economic downturn at the beginning of the 2002 election year renewed the unemployment and fiscal challenges with a vengeance. Germany faced sanctions for infringing the EU Stability Pact. 'Modernizers' within the SPD and the governing coalition had already gained the upper hand, and the government parties had lost their *Bundesrat* majority, in 1999. Legislative changes in 2002 curtailed the role of the social partners in the FES and gave job placement greater weight among its services; private job placement was facilitated (with the introduction of vouchers), as were fixed-term contracts. Support for start-ups was expanded, and new instruments geared towards (re)integration into the regular labour market and the stimulation of a low-wage sector were introduced (Heinelt, 2003; Schneider, 2004).

The latest stage in the reform process, the so-called Hartz I-IV legislation enacted by the Schröder government with opposition consent between early 2003 and 2005, also began in 2002 with the establishment of a reform commission chaired by Volkswagen executive Peter Hartz. Unlike the Employment Alliance, terminated a year later, the commission marked a break away from the tripartite philosophy and prepared unilateral government action. Labour and business were only weakly represented; the SPD caucus and the Federal Ministry of Labour were bypassed altogether. When Hartz tabled his report, the debate on improved job placement and organizational changes widened to include the reform of passive and active measures, labour market deregulation, and job creation, notably in the low-wage sector. The legislation itself adjusted the role of its regional branches and reinvented the local ones as 'job centers.' It sought to improve placement services – for instance, through the creation of non-profit temporary work agencies –, but also reduced benefits and tightened obligations for job seekers. Various active measures were changed, and spending was cut further. Higher income thresholds for marginal employment with waived or reduced social insurance contributions were introduced. The most controversial proposal of Hartz passed both chambers of parliament in 2004: the replacement of social assistance for employable persons and unemployment assistance – an income-maintenance program for those who had exhausted their UI benefits – with a strictly means-tested and much less generous second tier of benefits. The grand coalition that has been in office since the fall of 2005 continued this retrenchment course, for the merger of social and unemployment assistance led to an unintended shift of cases (employable persons) and expenditures (for passive and active measures) from the

municipalities – which are responsible for social assistance – to the federal level (Schneider, 2006).

Canada:

Since the early years of the 20th century, both the federal and provincial governments have been involved in active labour market policy. The British North America Act is silent on the labour market field, which cuts across the federal division of powers. While the provinces have constitutional responsibility for social policy and education (Banting, 1987), most collective bargaining legislation, public training institutions like technical and vocational colleges, and social assistance programs (Dupré et al., 1973), the federal government has traditionally justified its role in the field by pointing to the responsibility it has for macro-economic policy, constitutional jurisdiction over the unemployment insurance program (since 1940), and the objective to address the needs of particular groups facing labour market barriers: recent immigrants, people of Aboriginal descent, visible minorities, people with disabilities, women, older workers, and youth. Since the 1950s, benefits for Canada's peripheral regions with their pronounced labour market dysfunctions have been an important element of UI, and the federal government has long supported provincial social assistance programs as well. However, Ottawa's use of the federal spending power, and the mixture of federal and provincial responsibilities, have led to chronic interjurisdictional conflict in the labour market domain, especially with Québec, and calls for devolution early on.

While the 1940 Unemployment Insurance Act already foresaw a role for labour and business in the UI Commission, as well as an UI Advisory Committee, the two bodies played a marginal role from the outset. In line with the LME model, the labour market domain has long been characterized by privileged access of business rather than social partnership along German lines; organized labour, too, viewed the notion of tripartite corporatist arrangements with suspicion and preferred informal lobbying. The 1977 changes to the UI Act further weakened these corporatist elements (Haddow, 2000; Johnson et al., 1994).

During the 1970s, the federal government reacted to deficits in the UI program with a first series of curtailments, but also launched a number of more elaborate job creation initiatives that were to have a significant local orientation. By the mid-1980s, when profound economic restructuring translated into rising unemployment levels, the federal government, through its Human Resources Development department (the successor of the CEIC), had a network of 500 field offices across the nation providing unemployment insurance benefits and employment-related services to UI clients and others. The services provided for those not in receipt of unemployment insurance were funded solely from general tax revenues, but delivered by the same field offices that served those eligible for UI benefits.

The 1980s marked the emergence of a new consensus in economic and labour market policy, though. While a parliamentary task force in 1981 still recommended a set of full employment-oriented reform initiatives, a Task Force on Labour Market Development that had reviewed Ottawa's active measures suggested a greater focus on skills shortages in the same year; its proposals were taken up in the 1982 National Training Act and coincided with the

abandonment of the full employment goal. Both the Royal Commission on the Economic Union and Development Prospects for Canada and the Commission of Inquiry on Unemployment Insurance had proposed cuts in the UI program and the use of savings for an expansion of active measures.

The Conservative government after 1984 shifted even further away from Keynesian-inspired economic and social policy than suggested by these task forces and commissions working in the final stretch of the Liberal reign (Bakvis, 1996, 2002; Haddow, 1995). In the neoliberal vein, the role of state intervention was reconsidered, and objectives like privatization, deregulation, and fiscal austerity came to the fore. In the labour market domain, this meant a shift from passive to active measures, and a more market-oriented focus for the latter. With the 1985 Canadian Jobs Strategy, Prime Minister Mulroney increased the role of employers in the allocation of funds. With the 1989 Labour Force Development Strategy, however, his government fashioned a corporatist body that included business and labour along with equity group representatives, the Canadian Labour Force Development Board (CMLPC, 1990). The board, formally created in 1990, was an advisory body on training issues modelled after similar arrangements in Germany and other European countries. Moreover, the federal government encouraged many provinces to establish similar boards to complement the national body. The boards sought to transfer some responsibility for active labour market policy from governments to business, labour, and other groups. They were designed to permit the labour market partners to develop active labour market policy jointly; in Ontario and Quebec, they could even direct the delivery of provincial programs. As the 1990s progressed it became apparent, however, that most boards were unsuccessful and indeed all but one of them were subsequently terminated (Sharpe and Haddow, 1997).

Throughout the 1980s, the larger and more affluent provinces had already developed their own active measures for client groups and industrial sectors that were excluded from, or inadequately served by, federal programs, or that were viewed as strategic. In particular, they implemented apprenticeship and related programs, as well as services for youth, older workers, and other groups that were not eligible for UI benefits. By the mid-1980s, provinces began to enhance the active measures offered to individuals in receipt of longer-term income support to aid them into, or back into, the labour force. This policy direction was largely the result of significant increases in caseloads and decreases in provincial expenditures on income security (Klassen and Buchanan, 1997). The existence of parallel delivery systems and often somewhat overlapping programs gave impetus for some provinces to argue even more aggressively than in the past that active labour market policy could be made more efficient and effective, and duplication eliminated, if decision making was located closer to the regional level. However, although constitutional solutions to the demand by provinces for a greater role in active labour market policy were sought during the 1980s and early 1990s, there was no resolution.

In late 1995, in part as a response to a referendum on sovereignty-association held by the Quebec provincial government, Prime Minister Chrétien committed the federal government to withdraw from labour market training. The core of the federal proposal in mid-1996 to transfer responsibilities to the provinces was twofold. First, interested provinces could deliver

active measures for employment insurance clients, including employment benefits such as wage subsidies to employers, income supplements, support for self-employment, partnerships for job creation, and support for individuals to obtain training. Second, provinces could also acquire federal staff and resources in order to screen and provide employment counselling and placement to individual clients. Although the labour market development agreements signed with all provinces over the next decade were administrative in nature, rather than constitutional, they represented a fundamental reordering of federal-provincial responsibilities in this policy domain, which now resembles the traditional federalism arrangement in most policy fields in Canada: provincial delivery with the federal government making a financial contribution (Bakvis and Aucoin, 2000; Klassen, 2000).

At the same time, the imperative to decrease expenditures on active labour market measures has meant that both the federal and provincial governments have shifted programs towards 'employment' rather than 'employability' over the last 15 years. In other words, labour market interventions are to ensure a job – any job – with a minimum of public expenditures and in the shortest time. The reform of the active measures of the unemployment insurance program in 1995 was explicitly meant to ensure that active measures generate 'economic returns' by aiding clients to become employed as quickly as possible. In this regard, the new legislation underscored that the success of interventions was to be determined by two inter-related measures: first, by the number of persons receiving employment benefits and support who are successfully re-employed, and second, by the amount of savings to the employment insurance account. The objective remained unchanged, even as the provinces became responsible for the design and delivery of the programs.

At the provincial level, the high social assistance caseloads of the early 1990s meant that workfare policies began to be introduced in some provinces. Alberta and Ontario introduced explicit, albeit in Ontario largely rhetorical, workfare measures. In those and other provinces, the age at which single parents on social assistance are required to become 'active' was lowered, and other requirements were introduced (such as a two-year limit on the receipt of social assistance in British Columbia), to force recipients into the market. Although some provinces have marginally increased the availability of active labour market programs and rationalized the delivery system after 1995 by integrating the downloaded federal measures, the vast majority of social assistance recipients receive little, if any, job preparation services.

Electricity Supply

The pressure for change has also been considerable in the electricity industry. Until recently, the electricity (and gas) industry was perceived and organized as a typical public utility. Electricity supply depends on network infrastructures (transmission and distribution grids) that involve specific, capital-intensive assets and exhibit features of economies of scale and scope. Moreover, electricity is traditionally considered as an essential, non-substitutable service. The entire sector was regarded as a natural monopoly, requiring vertical system integration (of generation, transmission, and supply), the exclusion of competition, and

sustained government intervention. The electricity industry was therefore mostly held in public ownership, or heavily regulated as a private monopoly.

Yet the 1990s have brought about a worldwide transformation of the electric power sector in the broader context of neoliberal policy reforms. Great Britain – the first major OECD country to fully disintegrate and liberalize its electricity industry in 1990 – and the United States were pioneers and drivers of pro-market electricity restructuring. In Europe, the EU Single Market agenda was a powerful driver of liberalization. In many countries, governments no longer provide infrastructure services directly but regulate private sector provision – a shift that does not signal the full retreat of the state but nevertheless accords market forces a much larger role. At the same time, in the territorial dimension, the regulation of markets is usually not hypothesized to be delegated to subnational jurisdictions (as one might well expect in line with Peterson's functional theory of federalism) but to higher levels of government, as this transfer of responsibilities is thought to reduce transaction costs and to enhance policy credibility (Majone, 1996). As part of a larger shift from the (redistributive) *positive* to the (Pareto-optimal and developmental) *regulatory state* (Seidman and Gilmour, 1986; Majone, 1996), we should thus expect similar reform trajectories in Canada and Germany as well.

Germany:

In contrast to the centralized national monopolies of European countries like Britain and France, the German electricity system has traditionally been characterized by decentralization and fragmentation, in a context of strong local government. Prior to the reforms described below, there were over 900 electric utilities at three different territorial levels. The largest eight interconnected utilities (*Verbundwirtschaft*) formed the national grid and controlled about 80 per cent of the overall generation capacity. The three big players in the national market alone accounted for 65 per cent of electric power sales. There were about 80 regional companies and some 800 municipal utilities, which mainly worked as distributors and bought most of their power from the grid companies.

Through various capital links, there was a much higher degree of concentration than this apparent fragmentation suggests. Industry associations played an important coordinating role. Crucially, private producer interests were strongly intermingled with state and municipal bodies that played an active ownership or at least management role, notably as board members of many utilities. Both private and public players benefited from the monopolized nature of the industry. The national 'market' for electric power was divided into different regional and local monopolies (*Gebietsmonopole*), and the industry was exempted from general competition law. Local authorities received generous concessions fees for granting right-of-way to the wires of monopoly suppliers and were able to generate monopolistic incomes from their municipal plants (*Stadtwerke*). This privileged position was backed by the constitutional guarantee of municipal self-administration, which includes the right to manage infrastructure services.

The organization of regulatory authority reflected the federal character of German institutions. While the Federal Ministry of Economic Affairs was in charge of general policy formulation

in energy policy, the *Länder* ministries supervised the legal obligations of regional and local monopolists, such as the supply to final consumers, and regulated electricity tariffs charged to household consumers. For *Sondervertragskunden* (mainly large users), *Länder* cartel authorities and the Federal Cartel Office jointly policed the abuse of monopoly power. However, the intermeshing of public (ownership) and private (business) interests ensured that *Länder* regulatory oversight never constituted a threat to the flow of monopolistic profits. Against this background, the electric supply industry was often regarded as "an economic and political power cartel" (Mez, 1997: 231), reaping monopoly profits at the expense of consumers.

Yet the European Commission, which had 'uploaded' the British reforms as a policy template to the EU level, was pressing for electricity market opening and integration as part of the Single Market agenda (Eising and Jabko, 2001). The negotiation leading up to the 1996 Electricity Directive, the first step towards market liberalization in Europe, was a crucial driver for the 1998 reforms in Germany. Under the influence of EU initiatives for market reforms, the 1998 Energy Industry Act introduced a paradigm change from monopoly to competition, aided by the drive for greater competitiveness of German industry (*Standort Deutschland*). While the Act provided for the full and immediate liberalization of markets, it left most sector and regulatory institutions intact. Also, the (privately owned) industry was not restructured (no disintegration of vertically integrated incumbents). Crucially, the regulation of access to the monopoly network (controlled by the incumbents) was delegated to voluntary agreements between sector associations (*Verbändevereinbarung*), a traditional sector instrument. The distribution of regulatory powers between the *Länder* and the federal level, as well as the split between ministerial oversight (regarding electricity prices) and cartel oversight (regarding abuse of market power) remained untouched.

This self-regulatory arrangement in the shadow of fragmented regulatory oversight was consistent with corporatist traditions. But it was also heavily criticized for privileging incumbent utilities and undermining the successful entry of new market players. In fact, five years after market opening, German electricity and gas markets were highly concentrated, with few new entrants left in the market. Under the pressure of new EU legislation (the 2003 Electricity and Gas Directives), the federal government finally abandoned the self-regulatory path. In 2005, the new Energy Act assigned the task of network access regulation to the Federal Network Agency, which had previously monitored the telecommunications and postal markets. Yet a certain level of federal fragmentation of powers remains in place. The *Länder* authorities continue to be responsible for regulating the networks of supply companies with fewer than 100,000 costumers, and to monitor network access arrangements for those grids (distribution) that do not extend beyond *Länder* borders. A joint committee (*Länderausschuss*) was put in place to coordinate subnational regulations. Furthermore, the *Länder* authorities remain in charge of the regulation of end-user prices (as opposed to network access charges) in their jurisdictions. Finally, while the Federal Network Agency's range of tasks includes the monitoring of anti-competitive practices, it remains to be seen how the new agency will cooperate with the Federal Cartel Office and the *Länder* cartel offices.

The latter remain responsible for the monitoring of anti-competitive practices in all areas of the industry except for network access and unbundling.

Canada:

In contrast to the intertwined and entangled nature of German cooperative federalism in the domain of electricity supply, there has traditionally been a rather clear separation of powers and regulatory activities between the federal government and the provinces in Canada: "Compared with other Western federal countries, Canada probably has the most divided and decentralized jurisdictional arrangement for making energy policy" (Doern and Gattiner, 2003: 23). The Canadian federation allocates jurisdiction over natural resources (including energy) and ensuing industries and markets to the individual provinces. This means that the provinces and territories have jurisdiction over the generation, transmission, and distribution of electricity within their boundaries including restructuring initiatives such as pro-market reforms and electricity prices. Electricity regulation in the provinces usually followed a vertically integrated monopoly model, quite similar to European monopolies as found in Britain or France. In most provinces, electric utilities were provincially owned Crown corporations that served as instruments for economic and regional development. Alberta had a somewhat different regulated monopoly model in that there was municipal and investor ownership and operation of electricity generation. Federal jurisdiction in the energy sector includes inter-provincial and international trade (and offshore and northern resources, as well as nuclear safety and – indirectly – environmental protection). On paper, this would seem to give the federal government powers similar in nature to those of the EU level, to build the equivalent of a Single Canadian Market.

However, since the resounding failure of the 1980 National Energy Policy under Pierre Trudeau, which significantly contributed to western alienation and tensions in the federation, the federal level has meticulously avoided any course of action that might be perceived as an intrusion into provincial energy affairs. Therefore electricity market reforms in Canada were initiated and implemented at the provincial rather than the federal level. Yet the dynamics of market reforms have, to a considerable extent, been continental and driven by US-Canadian trade relations. For unlike Germany, Canada is a resource-rich country and an increasingly important electricity exporter in the North American context. Canada exports about eight percent of its electricity generation capacity to the US. This national figure conceals the much higher subnational value of trade relations between four major exporting provinces (Quebec, Manitoba, British Columbia, and New Brunswick) and neighbouring states.

The 1980s and 1990s saw the ascendance of a more market-based view of energy governance. The key idea was to facilitate the export of Canadian electricity to the US by aligning rules and practices with the US system in a larger continental market. The pro-market and pro-continental integration stance of the federal government converged with the desire of exporting provinces to secure access to the US market. In this context, the actual exercise of federal powers over inter-provincial and international trade, under the responsibility of the National Energy Board (NEB), was further diminished by the voluntary integration of Canada's electricity generation into trade relations with the US: "In recent years, the NEB's

close monitoring of exports, which in the past included public hearings on each application for an export permit, has been replaced by blanket export permits that last up to ten years" (Griffin and Cohen, 2005: 11).

The neoliberal deregulation agenda in the United States and US regulatory institutions like, in particular, the Federal Energy Regulatory Commission (FERC) were major drivers of energy market reforms in Canada. While the NAFTA framework does not impose EU-style legal constraints on domestic policy making in Canada, the asymmetric nature of trilateral, regional integration in North America provided for strong US influence on policy reforms north of the country's border. The export orientation of some Canadian provinces in the energy sector (electricity, but also natural gas and oil) led them to embrace the thrust of US deregulation initiatives, and to subscribe to some elements of the US regulatory framework, in order to safeguard their access to the American market.

For Canadian provincial utilities to obtain access to the restructured US market, they need to comply with the reciprocity requirements of FERC orders for access to wholesale markets. This basically means that they need to unbundle or separate the different business functions of their utilities, so that non-discriminatory access to the (natural monopoly) transmission and distribution network for different suppliers is guaranteed. This functional unbundling does not require ownership separation or divestiture, but unbundling is considered the first step of competitive restructuring in the industry. More recently, FERC has promoted the formation of cross-border Regional Transmission Organizations (RTOs) as mechanism to achieve wholesale access. This would effectively take control of transmission lines and capacities away from the provincial utilities and put them under FERC regulations. It is important to note that NAFTA does not compel Canadian provinces to comply with reciprocity requirements (only to provide 'national treatment') in order to be able to export to the US: "[P]rovincial decisions to acquiesce to FERC demands are voluntary, at least under NAFTA legal requirements" (CEC, 1999). As the latest NEB (2005: 3) report notes: "While FERC has no jurisdiction in Canada, its policies have an impact on Canadian entities that trade with the U.S."

While restructuring and market reforms in the provinces are thus to some degree driven by Canadian-US trade relations, the continental context has neither led to a comprehensive and deep nor to a uniform approach to market reform at the provincial level, and this holds true among the exporting provinces as well. While all four major exporting provinces have unbundled their utilities in compliance with the FERC orders, they have not pursued any 'deeper' steps towards liberalization or privatization. Across Canada, we find a variety of regulatory models. Alberta and Ontario (both not major exporters of electricity) have moved furthest in restructuring their markets, with the unbundling of vertically integrated utilities and full wholesale and retail access. Nova Scotia, Prince Edward Island and Saskatchewan, by contrast, have retained a more traditional regulatory structure. Quebec is an interesting case in that it has adopted the FERC reciprocity requirements for wholesale access but maintained a traditional, public service-driven system of industry governance. This picture suggests that compliance has been rather 'minimalist,' and that restructuring has other sources.

Discussion

What, then, does our comparison of active labour market and electricity supply policy in Canada and Germany tell us about the scope and nature of institutional and policy change? As suggested above, the hypothesis of globalization-induced change would, in each case, lead us to expect substantial and broadly convergent reforms in the two examined dimensions. A traditional neo-institutionalist perspective would, by contrast, highlight forces of stability, mechanisms of path dependence, and institutional complementarities; the capacity for substantial reforms should be greater where institutional arrangements are more flexible and have fewer built-in veto positions (as in Canada) than where the opposite is the case (Germany).

Considering the pace and direction of reform activities in the two examined policy fields and countries, we may, first, conclude that globalization and continental market integration – together with related socio-economic, fiscal, and ideational trends – has indeed exerted considerable pressure for change, and at least some convergence in our two dimensions, especially on the public-private axis. Thus broadly speaking, there has been a shift from the state to the market and public-private governance arrangements in both policy fields and countries, or at the very least reform initiatives that pointed in this direction. Similarly, there have been transfers of power and responsibilities upwards and downwards from the national level (or, in the case of Canada, growing 'horizontal' influence of the United States).

But we also found a fair amount of evidence for institutional resilience and the role of policy legacies. Reforms that deviated from such legacies and related institutional arrangements have not been undertaken or if they have been undertaken they frequently failed. Thus institutional arrangements have indeed mediated the impact of globalization, and they have had discernible effects on the scope and nature of reforms in different national contexts and policy fields. In other words, the theoretical core of the neo-institutional perspective seems to be amply confirmed. Yet our empirical material also demonstrates that institutional dynamics are indeed more complex and evolutionary – and the outcomes of policy reforms more ambivalent and hybrid – than suggested by the imagery of punctuated equilibria and path dependency. The more differentiated understanding that, in our view, is needed to account for the outcomes described above also leads us to qualify the claim of institutional flexibility (in Canada) v. rigidity (in Germany).

As suggested above in the theoretical section, recent qualifications of the path dependency and punctuated-equilibrium models have stressed the gradual nature of policy and institutional change, endogenous and micro-level factors, and the role of agency and ideas. Authors like Crouch and Farrell (2004), Thelen (2003, 2004), and Ebbinghaus (2005) have described a number of mechanisms that are germane here. Thus Crouch and Farrell point to institutional redundancies, "the fact that a multiplicity of institutional repertoires, including contradictory ones, can coexist in a particular institutional space" (Djelic and Quack, 2005b: 7). These redundancies and "dormant logics" (Djelic and Quack, 2005b: 9), it would seem, facilitate the mechanisms of institutional conversion (existing institutions are redirected to new purposes) and layering (new institutions are layered upon existing ones) highlighted by Thelen.

Ebbinghaus (2005: 23) suggests that different mechanisms of stability and reproduction are sensitive to different pressures for change. A loss of efficiency may thus undermine increasing returns, the emergence of new actors and changed power relations should impact policy feedback, and the rise of new ideas or paradigms may challenge and delegitimize shared norms and understandings.

Distinguishing path stabilization (with only marginal adaptations to a changing environment) from path departures (with limited redirections) and path cessation or switching, Ebbinghaus further suggests that institutional and policy inertia might even prevent marginal adaptations and thus ultimately trigger path departures or cessations (17). In a similar vein, Hall has argued that an accumulation of 'anomalies' may, in the long run, trigger major and paradigmatic change, as ad hoc adaptations are no longer sufficient, the existing paradigm becomes incoherent, and "supporters of a new paradigm secure positions of authority" long before a new paradigm comes into place (1993: 280-1). If this is true, then a focus on critical junctures is likely to miss out on highly consequential but graduate processes of change that might occur during phases of would-be stability.

We believe that our material contains quite a few examples of the mechanisms and institutional dynamics suggested by these authors, as well as examples of path interaction and path collisions – phenomena that should become more frequent and consequential with globalization and European integration, and that are notably highlighted by Quack and Djelic. The two authors, for instance, argue that "a configuration where perceived internal crisis, disruptions or dysfunctions combine with external pressure is conducive to the emergence of this type of [gradual] institutional change," and that "institutional systems […] will be more likely to change when pressures and solutions external to the system are being hooked up to local actors and their traditions" in what they call a "pincer movement" (2005b: 29).

Beginning with the field of active labour market policy, we have thus been able to identify the relevance of path dependence, institutional complementarities, and policy legacies. For instance, Canadian experiments with corporatist advisory bodies, which proved 'alien' to the country's LME production regime, largely failed. The devolution of responsibilities, on the other hand, very much followed the institutional trajectory of an interstate federal regime with a long-standing decentralization trend; in other words, devolution brought the labour market domain in line with the arrangements in many other policy fields. Overall, reforms were quite substantial and mostly in the direction that one might have hypothesized in the neo-institutionalist vein. In short, the liberal market economy and decentralized, competitive federal arrangements may be said to 'select for' globalization-induced and market-oriented reform and devolution strategies. And the chain of events that triggered the latest round of reforms – the constitutional crisis of the 1990s and the Québec referendum – fit the imagery of an institutional or policy equilibrium punctuated by a major exogenous shock rather well. On the other hand, however, the mere fact that corporatist arrangements have, despite their marginality, long coexisted with the Canadian LME, and that this "dormant logic" was revived by an avowedly neoliberal Conservative government in the 1980s, is certainly not in line with a 'strong' path dependence or institutional complementarities hypothesis. And the

devolution of active labour market policy has not been entrenched in the constitution but merely in administrative agreements; in the long run, it may thus prove less consequential and more easily reversible than first meets the eye.

Conversely, German intrastate federalism – together with the complementarities of and the incentives built into the country's CME – may account for the remarkable stability of key institutional features in the domain of active labour market policy. Both federal and corporatist arrangements seem to have provided reform opponents – risk-averse parties and other members of the 'social-protectionist coalition' (Kitschelt, 2003) with multiple veto points, and hence most observers agree that Germany has so far not moved very far along the public-private axis (from a coordinated to a liberal production regime), or in the territorial dimension (from a centralized and cooperative to a decentralized and competitive federalism).

Despite recent changes, the traditional institutional arrangements in the labour market field have survived to a large extent, including the corporatist representation of business and labour in governance and service delivery, as well as a highly centralized legislative and administrative framework. Tripartite arrangements continue to exist in the FES, at the *Länder* and regional level, even though the roles of the social partners have been weakened since 2002. No genuine devolution of legislative responsibilities or fiscal resources to the *Länder* has taken place, neither in the active nor in the passive labour market field. The regionalization of unemployment insurance and active labour market policy, suggested by Bavaria and other wealthy *Länder* during the 1990s, remains a non-issue. To the extent that there has been a devolution of powers and responsibilities, it has been within the FES, and to local employment offices. This continuity is all the more remarkable as the problem pressure – high unemployment levels and other labour market dysfunctions, related fiscal challenges, etc. – has constantly grown over the last decades, and there is a strong reform discourse advocating various changes, including changes to institutional structures and not the least in the two dimensions examined here (Scharpf, 2001). Moreover, even the momentous shock of reunification, at first, seemed to cement rather than jeopardize this stability.

This is not to say, though, that there has not been a considerable amount of policy change. To be sure, such change has taken place below the level of formal institutional arrangements. Eligibility criteria have been tightened and benefits reduced many times, programs and services have been adjusted or terminated, the array and availability of programs (for instance, retraining and job creation measures) has been reduced, and these reforms were consequential in that they forced many people from the social insurance system into less generous means-tested programs, or back into the labour market. The workfare elements, market-like features, and efficiency-oriented goals of active labour market policy have been strengthened.

Moreover, relative stability on the surface of institutional arrangements has arguably been linked with institutional layering and conversion in industrial relations, the German welfare regime, and the labour market domain properly in recent years (Schneider 2006). Many reforms that, at first glance, look like piecemeal consolidation or recalibration measures, driven by expenditure containment goals, may thus turn out to be quite consequential. Examples include

the rewriting and narrowing of policy goals (the AFG had mentioned an extensive list of them and given the full employment objective – which was dropped in the late 1990s – a prominent place), mostly in line with the 'activation' and 'flexibilization' discourse that dominates the reform strategies advocated by the EU, the OECD, and business. A similar development has begun with regard to policy instruments, and the introduction of market-like features and private competition in service delivery (job placement, temporary work agencies, etc.) may seem unspectacular but could foster and indicate major path departures.
By the same token, one may have to conclude with the benefit of hindsight that reunification *was* a critical juncture after all. And yet, the mode of change that it arguably set in motion has been gradual rather than abrupt, and hence is not well captured by the imagery of punctuated equilibria. Compared to reunification, the event that actually triggered major reforms – the so-called job placement 'scandal' of the FES in early 2002 – appears minor indeed. What the continuity after 1990 and the impact of the 2002 events show is that agency plays a considerable role both in the reproduction of institutional arrangements – their defence against major exogenous shocks like reunification – and in the initiation of path departures. Chancellor Schröder arguably seized the moment, and hence assumed the role of policy entrepreneur, precisely to work around institutional arrangements that were under attack for being inflexible and ineffective; the availability of new, legitimizing policy ideas facilitated the marginalization of the social partners, and especially the unions, in the reform process. The whole Hartz commission and legislation episode, then, opened the door for 'experimentalism' (Jacoby and Behrens, 2001) on a major scale and introduced elements that may contribute to substantial change in the labour market domain in the long run. Thus the reform gridlock imagery that dominates both academic and media discourses on policy making in Germany hardly does justice to the actual institutional and policy dynamics.

A similarly differentiated picture emerges when the domain of electricity supply is considered. While a paradigmatic and comprehensive shift from monopoly to markets has, at first glance, taken place in Germany, true competition did not result due to a weak regulatory framework that protected the incumbents. The tight links between industry associations, large energy companies, and the Federal Ministry of Economic Affairs, the neocorporatist core of energy market management, had survived 'deregulation.' Recent reforms under EU pressure have put these neocorporatist arrangements (some would speak of regulatory capture) under stress; the new Federal Network Agency seeks to impose a pro-competitive regulatory approach that is to eliminate the unfair advantages of incumbents (the network owners). However, this new structure is layered on existing structure, and hence does not do away with institutional legacies. The Federal Ministry, the Federal Cartel Office, and the *Länder* ministries for the regional regulation of tariffs all continue to coexist with the new Federal Agency that needs to carve out its place in a crowded institutional field. Also, it enters the game very late: The market has already reconcentrated, new entrants have been pushed out, and hence it might be too late to reinvigorate a heavily oligopolized market. For instance, the *Eon-Ruhrgas* merger was cleared by a ministerial permission against the advice of the Federal Cartel Office and the Monopoly Commission. Even under the new EU market conditions, the federal government protects big companies and seeks to create a national champion.

Many of the material rules developed under the voluntary associational arrangements were incorporated into the latest energy legislation, an example of policy legacies. Overall, the system is still in flux. One could say that there has been a substantial shift to the market in a formal sense, but quite some resilience of the corporatist (capture) elements of the old system, an ongoing layering process of old and new elements (Federal Agency, EU influence). As of now, it is difficult to see if the tipping point in favour of a new system logic has been passed with the new law and agency, or if it is too late for that.
In territorial terms, there has been a certain shift to the federal level and a significant delegation of powers to the EU as part of a single market, although the *Länder*, too, have retained competences. Once again, though, this is not a complete shift because implementation remains with national authorities, which have some discretion. In this area, more generally, concerns beyond market efficiency have recently become more important (energy security, Russia, etc.). It is not clear if this facilitates EU powers or rather national champion policies (as exemplified by Schröder's *Gasprom* deal). Secondly, within the constraints of the German federal system, there has been a limited shift of responsibilities for energy market regulation from the *Länder* to the federal level, with the creation of a new federal agency. It remains to be seen if *Länder* regulatory policies will in fact converge on jointly set standards, or on standards at the federal level, promoted by the Federal Network Agency and the Federal Cartel Office. This could be the first stage of a stronger centralization of regulatory authority at the federal level, a development that is promoted by EU-level harmonization.

In Canada, the scope and depth of electricity market reforms in the provinces has been quite limited. What explains this outcome? There are two factors: First, the degree of dissatisfaction with the traditional monopoly system: In Ontario, for example, the Crown corporation model was associated with cost-overruns, high prices, and lack of accountability, whereas inexpensive hydro-electric power in Quebec sustained the public monopoly model. Second, and most importantly, provincial elites differed in the extent to which they subscribed to the neoliberal paradigm of deregulation that promised higher efficiency, lower consumer prices, and new private investment. The global market movement was embraced, for example, by the Conservative governments in Ontario and Alberta.

Has there been a marked shift towards market governance, at least in the two provinces (Alberta and Ontario) that have experimented with radical market reforms? In both cases, the experience of high and volatile consumer prices and supply shortages in a 'deregulated' market has led provincial governments to reintroduce some elements of traditional regulation, notably in order to protect smaller, residential consumers from volatile market prices. In Ontario, for example, the provincial government responded to the public outcry over price spikes by imposing a cap on residential electricity prices, which effectively ended retail competition and derailed the entire deregulation process. Alberta has also established mechanisms to compensate consumers for higher prices, but it has maintained retail competition. Under more recent adjustments, the Ontario government has become involved in generation by establishing an agency (Ontario Power Authority) to address generation adequacy concerns and to handle long-term planning, which runs counter to the self-

regulatory logic of competitive markets. As a result, we find hybrid regulatory systems that combine traditional regulatory patterns (long-term planning, price caps for small consumers) with new market mechanisms (wholesale market competition). Alberta is the only province that has pursued a relatively consistent, market-driven governance strategy.

In sum, the move from monopoly to markets in Canadian electricity policy and industry restructuring have so far been much more *limited* than in the German case both in scope and depth. For a variety of reasons, the two major deregulatory initiatives so far have been much less successful than anticipated, and in the Ontario case, the electricity policy pendulum has actually swung back to a rather heavily regulated, hybrid system. There has been no shift on the federal-provincial axis. If anything, the federal regulatory role has been reduced, and the provinces continue to make independent decisions on the design and regulation of their electricity markets. With the progression of continental energy market integration, however, both levels of government have ceded some effective control over resource management to US regulatory institutions.

The shift towards the market as steering mechanism (supported by the deregulation movement in the US and basically in sync with the more liberal market economy of Canada) has not dislocated a deeply entrenched perception of electricity supply as a public service; market experiments have resulted in higher prices that turned out to be politically unacceptable, so governments reintroduced components of the traditional 'hydro' system without, however, shutting the market principle out again. And a new policy goal or activity has been layered on top of that market-hydro hybrid under international pressure (Kyoto) – the struggle for sustainability. While it would make much more sense, from a transaction cost perspective, to zoom up the management of natural resources and its environmental implications, here as well the political costs of a vertical shift are too high, decision making remains at the provincial level, with no clear energy or environmental policy at the federal level. As a matter of fact, there is more of a consistent EU policy in this area than there is a federal policy in Canada (if Germany were a Canadian province, the traditional power cartel between big companies and governments would not have been disrupted at all). So in functional terms, we see a trend from state to hybrid systems with a strong (and, under environmental pressure, once again increasing) state. In territorial terms, there has been no delegation to the federal level but some de facto and voluntary submission to US standards of unbundling for those provinces that trade with the US (just like NAFTA, more of a market-driven, continental integration rather than a vertical shift of formal responsibilities).

Conclusion

The literature on globalization and policy making has recently attempted to steer between the Scylla of a socio-economic and the Charybdis of an institutional determinism. As illustrated by our empirical material from two policy fields and countries, this course is indeed likely to be more in line with the complex and diverse reality of policy making in the OECD world than its two more one-sided alternatives. Developments in Canada and Germany have been characterized by a mixture of stability and change, often resulting in hybrid new

arrangements. These outcomes are not only difficult to reconcile with the hypothesis of globalization-induced policy convergence or a deterministic version of the path dependence model, but also illustrate the relevance of institutional dynamics and mechanisms recently highlighted and examined by authors like Thelen and others.

Yet two caveats for this kind of research remain. First, the 'measurement' of change is a challenge, and very much premised on the operationalization of major change as opposed to marginal adjustment. Secondly, the latest theoretical developments in the neo-institutionalist camp also entail the obvious danger of diluting its core message. After all, many of the concepts and factors, especially agency, that tended to be sidelined in the early versions of neo-institutionalism are now being 'brought back in.' As a result, analytical frameworks and causal hypotheses in the latest round of neo-institutionalist work have a tendency of becoming anything but parsimonious, and it is less and less clear which policy outcomes would not be 'covered' by the institutionalist perspective. This suggests the need for more theoretical reflection.

About the Authors

Burkard Eberlein is a Professor at the Schulich School of Business at York University in Toronto. He received his Ph.D in Political Science at the University of Konstanz in Germany. Over the last years, Eberlein has contributed to third-party funded research projects on regional politics and on utility regulation in the EU. He has just recently launched a new EU-funded project on energy market regulation in Canada and the EU.

Steffen G. Schneider, Dr. phil., is a political scientist at the TranState Research Centre, University of Bremen, Germany. His research interests are primarily in the fields of comparative government and policy analysis. Current work explores the rise and fall of dominant party regimes, the political economy of labour market policy reforms, and the legitimation of Western democracies. Recent publications include a volume on the topic of legitimacy (co-edited with Achim Hurrelmann and Jens Steffek), *Legitimacy in an Age of Global Politics*, Houndmills, Basingstoke: Palgrave Macmillan; an analysis of national and subnational labour market policy developments in Germany, "A Perspective from Abroad: Coordinative Institutions and Labour Market Reform in Germany," has appeared in Rodney Haddow/Thomas Klassen, *Partisanship, Globalization, and Canadian Labour Market Policy*, Toronto: University of Toronto Press.

Sources

Aoki, M. 2001. *Toward a Comparative Institutional Analysis*, Cambridge, MA: MIT Press.

Atkinson, M.M., ed. 1993. *Governing Canada: Institutions and Public Policy*, Toronto: Harcourt Brace Jovanovich.

Bakvis, H. 1996. *Federalism, New Public Management, and Labour-Market Development*, in: D. Brown/P. Fafard, eds., *Canada: The State of the Federation 1996*, Kingston: Institute of Intergovernmental Relations.

Bakvis, H. 2002. *Checkerboard Federalism? Labour Market Development Policy in Canada*, in: H. Bakvis/G. Skogstad, eds., *Canadian Federalism: Performance, Effectiveness, and Legitimacy*, Oxford: Oxford University Press.

Bakvis, H. and P. Aucoin, P. 2000. *Negotiating Labour Market Development Agreements*, Ottawa: Canadian Centre for Management Development.

Bakvis, H. and Grace Skogstad eds. 2002. *Canadian Federalism: Performance, Effectiveness, and Legitimacy*, Oxford: Oxford University Press.

Banting, K. [2]1987. *The Welfare State and Canadian Federalism*, Montreal/Kingston: McGill Queen's University Press.

Banting, K. et al., eds. 1997. *Degrees of Freedom: Canada and the United States in a Changing World*, Montreal/Kingston: McGill-Queen's University Press.

Bassanini, A.P. and G. Dosi. 2001. *When and How Chance and Human Will Can Twist the Arms of Clio: An Essay on Path Dependence in a World of Irreversibilities*, in: R. Garud et al., eds. *Path Dependence and Creation*, Mahwah, NJ: Erlbaum.

Benz, A. 2002. *Themen, Probleme und Perspektiven der vergleichenden Föderalismusforschung*, in: A. Benz/G. Lehmbruch, eds., *Föderalismus: Analysen in entwicklungsgeschichtlicher und vergleichender Perspektive* (PVS special issue 32/2001), Wiesbaden: Westdeutscher Verlag.

Benz, A. and G. Lehmbruch eds.2002. *Föderalismus. Analysen in entwicklungsgeschichtlicher und vergleichender Perspektive* (PVS special issue 32/2001), Wiesbaden: Westdeutscher Verlag.

Beyer, J. 2005. Pfadabhängigkeit ist nicht gleich Pfadabhängigkeit! Wider den impliziten Konservatismus eines gängigen Konzepts, *Zeitschrift für Soziologie* 34(1): 5-21.

Beyme, K. von 1994. *Verfehlte Vereinigung – verpasste Reformen? Zur Problematik der Evaluation der Vereinigungspolitik* in Deutschland seit 1989, *Journal für Sozialforschung* 34 (3): 249-70.

Brooks, Stephen [2]1993. *Public Policy in Canada. An Introduction*, Toronto: McClelland & Stewart.

Canadian Labour Market Productivity Centre. 1990. *Report of the Canadian Labour Market Productivity Centre Task Force on the Labour Force Development Strategy*, Ottawa: Canadian Labour Market Productivity Centre.

CEC. 1999. *Electricity in North America. Some Environmental Implications of the North American Free Trade Agreement (NAFTA),* Montreal: Commission for Environmental Cooperation.

Cerny, P.G. 1989. *The Changing Architecture of Politics: Structure, Agency, and the Future of the State*, London: Sage.

Clemens, E.S. and J.M. Cook. 1999. *Politics and Institutionalism. Explaining Durability and Change*, *American Review of Sociology* 25: 441-66.

Crouch, C. and H. Farrell. 2004. *Breaking the Path of Institutional Development? Alternatives to the New Determinism*, *Rationality and Society* 16(1): 5-43.

Crouch, C. and W. Streeck eds. 1997. *Political Economy of Modern Capitalism: Mapping Convergence and Diversity*, London: Sage.

Deeg, R. 2005. *Change from Within: German and Italian Finance in the 1990s*, in: K. Thelen and W. Streeck, eds., *Beyond Continuity: Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.

Djelic, M.-L. and S. Quack. 2003. *Globalization and Institutions: Redefining the Rules of the Economic Game*, Cheltenham: Edward Elgar.

Djelic, M.-L. and S. Quack. 2005a. *Rethinking Path Dependency: The Crooked Path of Institutional Change in Post-War Germany*, in: G. Morgan et al., eds., *Changing Capitalism? Internationalization, Institutional Change, and Systems of Economic Organization*, Oxford: Oxford University Press.

Djelic, M.-L. and S. Quack. 2005b. *Roads with Many Junctions. What Happens to Path Dependencies in Open Systems?* Berlin: Free University of Berlin (paper for the 21st EGOS Colloquium).

Doern, G.B. and M. Gattiner. 2003. *Power Switch: Energy Regulatory Governance in the 21st Century*, Toronto: University of Toronto Press.

Dupré, S. et al. 1973. *Federalism and Policy Development*, Toronto: University of Toronto Press.

Ebbinghaus, B. 2005. Can Path Dependence Explain Institutional Change? Two Approaches Applied to Welfare Reform, Cologne: Max Planck Institute for the Study of Societies (MPIfG Discussion Paper 2/05).

Eising, R. and N. Jabko. 2001. *Moving Targets: National Interests and Electricity Liberalization in the European Union*, Comparative Political Studies, 34(7): 742-67.

Esping-Andersen, G. 1996. *Welfare States without Work. The Impasse of Labour Shedding and Familialism in Continental European Social Policy*, in: G. Esping-Andersen, ed., *Welfare States in Transition: National Adaptations in Global Economies*, London: Sage.

Garud, R. and P. Karnøe. 2001. *Path Creation as a Process of Mindful Deviation*, in: R. Garud/P. Karnøe, eds., *Path Dependence and Creation*, Mahwah, NJ: Earlbaum.

Greener, I. 2005. *State of the Art – The Potential of Path Dependence in Political Studies*, *Politics* 25(1): 62-72.

Griffin Cohen, M. 2005. *Continental Energy Policy. Internationalization and Restructuring of Electricity in Canada*, Toronto: York University (draft conference presentation, Transatlantic Energy Conference, September 9/10, 2005).

Haddow, R. 1995. *Federalism and Training Policy in Canada: Institutional Barriers to Economic Adjustment*, in: F. Rocher/M. Smith, eds., *New Trends in Canadian Federalism*, Peterborough: Broadview Press.

Haddow, R. 2000. *The Political and Institutional Landscape of Canada Labour Market PolicyMaking*, in: T. McIntosh, ed., *Federalism, Democracy and Labour Market Policy in Canada*, Montreal/Kingston: McGill-Queen's University Press.

Haddow, R. and T.R. Klassen. 2006. *Partisanship, Globalization, and Canadian Labour Market Policy*, Toronto: University of Toronto Press.

Hall, P.A. 1993. *Policy Paradigms, Social Learning and the State*. The Case of Economic Policymaking in Britain, *Comparative Politics* 25(3): 275-96.

Hall, P.A. and D. Soskice. eds. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press.

Hall, P.A. and R.C.R. Taylor. 1996. Political Science and the Three Institutionalisms, *Political Studies* 44: 936-57.

Heinelt, H. 2003. *Arbeitsmarktpolitik – von "versorgenden" wohlfahrtsstaatlichen Interventionen zur "aktivierenden" Beschäftigungsförderung*, in: A. Gohr/M. Seeleib-Kaiser, eds., *Sozial- und Wirtschaftspolitik unter Rot-Grün*, Wiesbaden: Westdeutscher Verlag.

Heinelt, H. and M. Weck. 1998. *Arbeitsmarktpolitik. Vom Vereinigungskonsens zur Standortdebatte*, Opladen: Leske + Budrich.

Immergut, E.M. 1991. The Theoretical Core of the New Institutionalism, *Politics and Society* 26: 5-34.

Jacoby, W. and M. Behrens. 2001. *Experimentalism as a Tool of Economic Innovation in Germany*, *German Politics and Society* 16: 1-33.

Jessop, B. 2002. *The Future of the Capitalist State*, Cambridge: Polity Press.

Johnson, A.F. et al. 1994. *Continuities and Discontinuities: The Political Economy of Social Welfare and Labour Market Policy in Canada*, Toronto: University of Toronto Press.
Kitschelt, H. 2003. *Political-Economic Context and Partisan Strategies in the German Federal Elections*, 1990-2002, *West European Politics* 26(4): 125-52.

Klassen, T.R. 2000. *The Federal-Provincial Labour Market Agreements: Brave New World of Collaboration?* In: T. McIntosh, ed., *Federalism, Democracy and Labour Market Policy in Canada*, Montreal/Kingston: McGill-Queen's University Press.

Klassen, T.R. and D. Buchanan. 1997. *Getting it Backward: Economy and Welfare from 1985-95*, *Canadian Public Policy* 23(3): 333-8.

Klassen, T.R. and S. Schneider. 2002. *Similar Challenges, Different Solutions. Reforming Labour Market Policies in Germany and Canada during the 1990s*, *Canadian Public Policy* 28(1): 51-69.

Lepsius, M.R. 1990. *Interessen, Ideen und Institutionen*, Opladen: Westdeutscher Verlag.

Lieberman, R.C. 2002. Ideas, Institutions, and Political Order. Explaining Political Change, *American Political Science Review* 96(4): 697-712.

Mahoney, J. 2000. *Path Dependence in Historical Sociology*, *Theory and Society* 29(4): 507-48.

Majone, G. 1996. *Regulating Europe*, London/New York: Routledge.

Manow, P. 2005. *Germany – Cooperative Federalism and the Overgrazing of the Fiscal Commons*, in: S. Leibfried et al., eds., *Federalism and the Welfare State: European and New World Experiences*, Cambridge: Cambridge University Press.

Mez, L. 1997. *The German Electricity Reform Attempts. Reforming Co-optive Networks*, in: A.Midttun, ed., *European Electricity Systems in Transition: A Comparative Analysis of Policy and Regulation in Western Europe*, Oxford: Elsevier.

National Energy Board. 2005. *Outlook for Electricity Markets 2005-2006: An Energy Market Assessment*, Ottawa: NEB.

Obinger, H. et al., eds. 2005. *Federalism and the Welfare State: New World and European Experiences*, Cambridge: Cambridge University Press.

OECD. 2000. *Decentralizing Employment Policy: New Trends and Challenges*, Paris: OECD.

Peterson, P.E. 1995. *The Price of Federalism*, Washington, DC: Brookings Institution.

Pierson, P. 1993. When Effect Becomes Cause: Policy Feedback and Political Change, *World Politics* 45: 595-628.

Pierson, P. 2000a. Increasing Returns, Path Dependence, and the Study of Politics, *American Political Science Review* 94(2): 251-68.

Pierson, P. 2000b. Not Just What, but When. Timing and Sequence in Political Processes, *Studies of American Political Development* 14: 72-92.

Pierson, P. 2004. *Politics in Time. History, Institutions, and Social Analysis*, Princeton: Princeton University Press.

Quack, S. 2005. *Zum Werden und Vergehen von Institutionen – Vorschläge für eine dynamische Governanceanalyse*, in: G.F. Schuppert, ed., *Governance-Forschung: Vergewisserung über Stand und Entwicklungslinien*, Baden-Baden: Nomos.

Quack, S. and M.L. Djelic. 2005. *Adaptation, Recombination, and Reinforcement. The Story of Antitrust and Competition Law in Germany and Europe*, in: W. Streeck and K. Thelen, eds., *Beyond Continuity: Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.

Sabatier, P.A. and H.C. Jenkins-Smith. 1999. *The Advocacy Coalition Framework. An*

Assessment, in: P.A. Sabatier, ed., *Theories of the Policy Process*, Boulder: Westview Press.

Piore, M. and C.F. Sabel. 1984. *The Second Industrial Divide: Possibilities for Prosperity,* New York: Basic Books.

Scharpf, F.W. 2001. *Employment and the Welfare State. A Continental Dilemma*, in: B. Ebbinghaus/P. Manow, eds., *Comparing Welfare Capitalism: Social Policy and Political Economy in Europe, Japan and the USA*, London: Routledge.

Schmid, J. and S. Blancke. 2001. *Arbeitsmarktpolitik der Bundesländer: Chancen und Restriktionen einer aktiven Arbeitsmarkt- und Strukturpolitik*, Berlin: edition sigma.

Schneider, S.G. 2004. *Labour Market Policy and the Unemployment Crisis in the Federal Republic of Germany: Institutional Sclerosis or Corporatist Renewal?* In: A. Noël, ed., *Federalism and Labour Market Policy: Comparing Different Governance and Employment Strategies*, Montreal/Kingston: McGill-Queen's University Press.

Schneider, S.G. 2006. *A Perspective from Abroad: Coordinative Institutions and Labour Market Reform in Germany*, in: R. Haddow/T.R. Klassen, *Partisanship, Globalization, and Canadian Labour Market Policy*, Toronto: University of Toronto Press.

Seidman, H. and R. Gilmour[4]1986. *Politics, Position, Power: From the Positive to the Regulatory State*, Oxford: Oxford University Press.

Sewell, W.H. 1996. *Three Temporalities: Toward an Eventful Sociology*, in: T.J. McDonald, ed., *The Historic Turn in the Human Sciences*, Ann Arbor: University of Michigan Press.

Shalev, M. 2001. *The Politics of Elective Affinities: A Commentary*, in: B. Ebbinghaus and P. Manow, eds., *Comparing Welfare Capitalism: Social Policy and Political Economy in Europe, Japan and the USA*, London: Routledge.

Sharpe, A. and R. Haddow. 1997. *Social Partnerships for Training: Canada's Experiment with Labour Force Development Boards*, Ottawa: Centre for the Study of Living Standards.

Streeck, W. and A. Hassel. 2003. *The Crumbling Pillars of Social Partnership*, *West European Politics* 26(4): 101-24.

Streeck, W. and K. Thelen, eds. 2005. *Beyond Continuity: Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.

Sydow, J. et al. 2005. *Organizational Paths: Path Dependency and Beyond*, Berlin: Free University of Berlin (paper for the 21st EGOS Colloquium).

Thelen, K. 1999. *Historical Institutionalism and Comparative Politics*, *Annual Review of Political Science* 2: 369-404.

Thelen, K. 2002. *The Explanatory Power of Historical Institutionalism*, in: R. Mayntz, ed., *Akteure – Mechanismen – Modelle: Zur Theoriefähigkeit makro-sozialer Analysen*, Frankfurt/M.: Campus.

Thelen, K. 2003. *How Institutions Evolve: Insights from Comparative Historical Analysis*, in: J. Mahoney and D. Rueschemeyer (eds.), *Comparative Historical Analysis in the Social Sciences*, Cambridge, MA.

Thelen, K. 2004. *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan*, Cambridge: Cambridge University Press.

Tsebelis, G. 1999. *Veto Players and Law Production in Parliamentary Democracies. An Empirical Analysis*, *American Political Science Review* 93, 3, 591-608.

Tuohy, C.J. 1992. *Canada. Institutionalized Ambivalence*, Philadelphia: Temple University Press.

Wachendorfer-Schmidt, U., ed. 2000. *Federalism and Political Performance*, London/New York: Routledge.

Watts, R. [2]1999. *Comparative Federal Systems in the 1990s*, Kingston, ON: Queen's University, Institute of Intergovernmental Relations.

Weaver, R.K. and B.A. Rockman, eds. 1993. *Do Institutions Matter? Government Capabilities in the United States and Abroad*, Washington, DC: Brookings Institution.

Weingast, B. 1995. The Economic Role of Political Institutions. Market-Preserving Federalism and Economic Development, *Journal of Law, Economics, and Organization* 11: 1-31.

Wiesenthal, H. 2003. German Unification and "Model Germany": An Adventure in Institutional Conservatism, *West European Politics* 26(4): 37-58.