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Politics: experiments in collaborative governance in
France and Italy

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Abstract

When are decentralized public institutions most likely to succeed in promoting effective public good provision or the emergence of local cooperation? Two influential literatures in political science, those on ‘empowered participatory governance’ and on ‘market-preserving federalism’, both emphasize that getting the rules right is the decisive factor in determining the success of decentralized public institutions. Yet their emphasis on institutional rules obscures the fact that the predatory politicians and adversarial organizations that the two literatures design rules to contain also represent the two factors that are most likely to influence the success or failure of these institutions. Through an examination of recent French and Italian experiments in decentralized collaborative governance, this article argues that the social capacities of secondary associations and the ties between local and central politicians are in fact the principal determinants of how well decentralized governance institutions function.

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Political scientists are often accused of showing little interest in real politics, preferring heated debates about abstract models or the best method of error correction in panel data to discussions of real-world reforms that might actually influence ongoing policy debates. While this caricature certainly has some foundations in reality, two emerging literatures from very different analytical traditions would seem to refute it. The first is the ‘empowered participatory governance’ (EPG) literature most closely associated with the work of Archon Fung and Erik Olin Wright.¹ The EPG literature looks from school reform in Chicago to decentralized development planning in the Indian province of Kerala and sees a similar set of design principles focused on the devolution of formal decision-making power to institutions that foster sustained citizen participation and deliberation. The second literature, that on ‘market-preserving federalism’ (MPF), articulates design principles that allow for public spending to be decentralized so that it is responsive to local tastes while restrained by superordinate regulation and a hard budget constraint.² In its precepts we discover why Russian federalism promotes rent-seeking and sluggish growth, while Chinese federalist principles reconcile decentralized spending control with little rent-seeking and plentiful economic growth.³ Although the EPG and MPF authors come to different policy prescriptions and prioritize different normative concerns, both literatures are clearly engaged in systematic analysis of practical political problems, developing institutional designs that solve acknowledged shortcomings in the performance of public governance institutions.

However, in their enumeration of specific design principles that maximize a given quality (respectively, deliberative participation or free market functioning), the two literatures fail to acknowledge the tension that politics *necessarily* introduces into institutions that provide public goods. Institutions that provide public goods are institutions that can channel resources, and hereby enter the bogeymen of both the EPG and MPF authors: secondary associations and state actors. For the EPG authors, secondary associations carry with them the old, adversarial ways of doing things (lobbying Congress, rallying supporters), and they ‘would have to acquire entirely new kinds of organizational competencies in order to function effectively in collaborative governance arrangements’.⁴ State actors, meanwhile, carry their old advantages—professionalism and bureaucratic institutionalization—and stand at any moment ready to use them to sap the more widely participatory character of new institutions of EPG, drawing the deliberatively democratic life out of these institutions and replacing it with the bureaucratic ideal of command and control regulation. MPF authors worry especially about predatory state actors: without their being trammelled by an institutional design that constrains discretionary public spending, they will derive rents rather than contribute to public good provision and thus will impede the efficient functioning of the market.

In this article I do not argue that these risks do not exist. Indeed they do exist, and their consequences can be costly. What I will argue instead is that the flaws immanent in political actors and in secondary associations are not products that can be eliminated through clever institutional design, because they are the flip side of a set of capacities that are probably fundamental to effective public good provision. Strong secondary associations are indeed both likely to be antagonistic towards each other and to be potential rent seekers. Yet decentralized collaborative arrangements that are constructed without the pre-existing organizational capacity of secondary associations are likely to fail, because only such existing organizational capacity allows individual participants to overcome the

1 Archon Fung and Erik Olin Wright 2003. *Deepening Democracy: Institutional Innovations in Empowered Participatory Governance*. New York: Verso.

2 Gabriella Montinola, Yingyi Qian, and Barry Weingast 1996. ‘Federalism, Chinese Style: The Political Basis for Economic Success’, in *World Politics*, 48, no. 1: 50-81; Barry Weingast 1995. ‘The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development’, *Journal of Law, Economics, and Organization*, 11, no. 1: 1-31.

3 Rui de Figueiredo and Barry R. Weingast 2002. ‘Pathologies of Federalism, Russian Style: Political Institutions and Economic Transition’, (unpublished paper).

4 Fung and Wright, *Deepening Democracy*, p. 281.

(inevitable) cases of free-riding that they observe among other participants. State actors are likely to try to institutionalize experiments in decentralized collaborative governance in a way that allows them continued room to use bureaucratic expertise to substitute expert deliberation for broad-based discussion. Yet the interest of powerful political actors that can support collaborative initiatives in more conventional electoral arenas of politics is a precondition for these collaborative initiatives to have any chance to succeed. Their interest in expending political capital on these institutions is unlikely to be forthcoming without their wielding some influence over the nature of discussion in the existing institutions.

This article proceeds in the following way. In the next section I define decentralized collaborative governance and show why it unites the concerns of the literatures of both empowered participatory governance and market-preserving federalism. In the following two sections I then show why the two national examples studied, those of French regional training reforms and Italian territorial pacts, are important cases of the phenomenon of decentralized collaborative governance, and how these empirical lessons suggest that EPG and MPF both overemphasize institutional rules at the expense of political and social capacities. The final section considers the general lessons for the politics of devolution.

Collaborative Governance and Institutional Design

In this article I consider these issues empirically through an examination of two of the most significant innovations in collaborative governance arrangements in Europe in the 1990s. By collaborative governance I mean institutions that promote routine interaction in a given policy domain among governmental and non-governmental actors, and in which there is no monopoly by state actors of either problem definition or methods of implementation. As such, this is a category whose boundaries remain conceptually fluid, but one aimed at trying to capture new modalities of the decentralized sharing of policy-making authority among the private and public sectors. The first case is the 1993 French reform that created multi-partite institutions to develop proposals for regional education and training initiatives that aimed to spur private investment in human capital. The second is the institution of territorial pacts as the cornerstone of Italian development policy in the 1990s. The development pacts were to sponsor the participation of local secondary associations and politicians in proposing territorial development plans, with the goal of promoting ongoing cooperation among these actors at the territorial level.

Both reforms shared a common set of objectives: to build institutions of public/private collaboration that could provide collective goods at a local level and to change the cooperative propensities of local actors. In other words, national policy-makers posited that failures of private cooperation were central causes of the problems of youth training policy in France and of economic development in disadvantaged regions of Italy.⁵ The cooperative problem at the heart of apprenticeship training is well-known but difficult to solve.⁶ Individual employers have no incentive to invest in the general skills of their own workers, when they could just as easily hire an apprentice trained at another company, thereby depriving the training company of its investment in the general skills of its apprentice. Thus, firms under-invest in general skills and then complain of skill shortages that impede their productivity.⁷ The cooperative problem here is convincing employers simultaneously to move from an equilibrium based on high-poaching, low skills, to one based on low-poaching, high

5 Comité de coordination, *Évaluation des politiques régionales de formation professionnelle*, (Government Report, Paris, 1996); Fabrizio Barca 2001 'New Trends and the Policy Shift in the Italian Mezzogiorno', *Daedalus*, 28: 93-113.

6 Daron Acemoglu and J.-S. Pischke 1998. 'Why Do Firms Train? Theory and Evidence', *The Quarterly Journal of Economics*, 113, no. 1: 79-119; David Soskice 1994. 'Reconciling Markets and Institutions: The German Apprenticeship System', in: Lisa Lynch (ed.), *Training and the Private Sector: International Comparisons*. Chicago: University of Chicago Press. Pp. 25-60.

7 Gary Becker 1964. *Human Capital: a theoretical and empirical analysis, with special reference to education*. New York: NBER, through Columbia University Press.

skills. In southern Italy (the so-called Mezzogiorno), small companies have shown a systematically lower propensity to develop institutions that provide collective goods, which is the comparative competitive strength of industrial districts in northern and central Italy.⁸ This failure is often attributed to the weak propensity of economic actors to trust each other in the Mezzogiorno.⁹ The explicit goal of the development pacts was to change the orientation of the economic actors so as to create the trust necessary to support collective good.¹⁰

In their goals and in their means, then, these policies aimed to use collaborative institutions at the sub-national level as the new instruments for local actors to devise solutions to overcome their past incapacities to cooperate with one another. These were not equivalent to sectoral neocorporatist policies practiced especially widely in northern Europe, both by virtue of the scope of private actors involved and of the delegation of policy autonomy to these actors.¹¹ In terms of scope, they attempted to involve a wide range of local stakeholders, rather than monopolistic employers and unions. And in terms of policy autonomy, these new instances were empowered not merely to implement policies decided at the centre, but to develop their own analyses of local problems and proposed responses to them. They were not merely bodies of decentralized implementation, but of decentralized policy design.

Why should we expect the literatures on empowered participatory governance (EPG) and market-preserving federalism (MPF) to apply to the collaborative governance experiments undertaken in France and Italy during the 1990s? In the case of EPG, the institutional fit is quite striking. Fung and Wright enumerate three design features of EPG institutions: devolution, centralized supervision and coordination, and state-centrism. In this first feature, the devolution of power, EPG institutions aim to bring local knowledge to answer public policy problems: this ‘entails the administrative and political devolution of power to local action units...charged with devising and implementing solutions and held accountable to performance criteria’.¹² The aforementioned performance criteria foreshadow the continuing role of the central state in observing performance and circulating information among these devolved actors. And the third characteristic is that these institutions ‘colonize state power and transform formal governance institutions,’ formalizing these deliberations rather than keeping them ad hoc.¹³ To be clear, neither Fung and Wright, nor any of their collaborators, hold that these conditions of institutional design are *sufficient* to promote the deliberative democratic practice that they espouse. Yet their tentative suggestion is that these features—which are also the core institutional features of the collaborative governance arrangements adopted in France and Italy—might be the backbone of EPG arrangements in a variety of settings.

What does market-preserving federalism have to do with institutional arrangements like these? Keeping in mind that it specifies governance of free markets as its limited goal, I array the five characteristics assigned to MPF by Montinola, Qian and Weingast according to the three features of EPG: devolution (D), supervision (S), and institutionalization (I).¹⁴

- F1. A *hierarchy* of governments with a *delineated scope of authority*...exists so that each government is autonomous with its own sphere of authority. (D)

8 Luigi F. Signorini (ed.) 2000. *Lo Sviluppo Locale: Un Indagine della Banca d'Italia sui distretti industriali*. Rome: Meridiana Libri; Barca, ‘New Trends’.

9 Most famously in Robert D. Putnam 1993. *Making Democracy Work*. Princeton: Princeton University Press.

10 Domenico Cersosimo 2000. ‘I patti territoriali’, in: Domenico Cersosimo and C. Donzelli (eds.) *Mezzogiorno: Realtà, rappresentazioni e tendenze del cambiamento meridionale*. Rome, Donzelli Editore. P. 288.

11 Cf. Gerhard Lehbruch 1984. ‘Concertation and the Structure of Corporatist Networks’, in: John Goldthorpe (ed.) *Order and Conflict in Contemporary Capitalism: Studies in the Political Economy of Western European Nations*. New York: Oxford University Press. Pp. 60-80.

12 Fung and Wright, *Deepening Democracy*, 20.

13 Fung and Wright, *Deepening Democracy*, 22.

14 Montinola *et al.*, ‘Federalism, Chinese Style’, 55.

- F2. The subnational governments have primary *authority over the economy* within their jurisdictions. (D)
- F3. The national government has the authority to police the *common market* and to ensure the mobility of goods and factors across subgovernment jurisdictions. (S)
- F4. Revenue sharing among governments is limited and borrowing by governments is constrained so that all governments face *hard budget constraints*. (S)
- F5. The allocation of authority and responsibility has an *institutionalized degree of durability* so that it cannot be altered by the national government either unilaterally or under the pressures from subnational governments. (I)

These characteristics perform the same roles as the EPG principles of devolution, supervision, and institutionalization. It is clear that F1 and F2 are nothing but a restatement of the principle of devolution within a given policy sphere (in this case, the economy). F3, likewise, is a clear extension of national supervision and common performance criteria to the delimited area of politics (setting and monitoring the rules of the common market). Why, though, do I arrogate F4—the hard budget constraint—to the EPG design feature of national supervision? The dysfunction feared by MPF’s proponents is that sub-national units prop up inefficient enterprises. This is nothing more than a pre-determined set of efficiency criteria paired with an automatic mechanism to prevent chronic abuse. The hard budget constraint serves the goals imputed to the national government under MPF, and so limits the autonomy of the devolved units in the name of an agreed performance criterion (budgetary balance).¹⁵ Finally, the specific institutionalization foreseen by MPF’s advocates aims to avoid time inconsistency problems by creating credible government commitments not to change the allocation of authority between national and sub-national units. The credible commitment justification for institutionalization is quite different from that of EPG authors, who favour institutionalization as a means to give permanent voice to actors often excluded from conventional state structures of policymaking. But as a design feature it is functionally equivalent: durable institutionalization that fundamentally changes the rules of the game in a way that is acknowledged by the relevant actors.

Suppose we accept the *prima facie* similarity between the institutions sketched by EPG and MPF, and the congruence of both with the sort of institutions developed to promote collaborative governance in France and Italy. What is to be gained analytically by applying these theoretical approaches to cases they do not claim to subsume? In fact, quite a bit. EPG and MPF are both formulae for improved governmental performance, whether or not their authors explicitly accept that normative goal.¹⁶ Neither literature vaunts effective public good creation or cooperation as its unique goal, but this is a logical extension of the spirit of their arguments. EPG marries a concern for greater participation with more effective governance, while market-preserving federalism is obviously most concerned with building and preserving efficiently functioning markets. However, both lay out an institutional architecture through which their proponents argue that governments can more effectively deliver public goods by avoiding the dysfunctional instincts of conventional bureaucracies or of secondary associations.

Reining in those instincts—whether through the informed participation of citizens (EPG) or the market competition of regions disciplined by a hard budget constraint (MPF)—is the key contribution these literatures have made to recent discussions on institutional design. Yet the focus that both literatures make on the *features of institutions* implies that a good set of rules makes for good democratic performance. Instead I will argue that the focus on institutions is a mistaken focus, because institutional architecture only works in the presence of the organizing capacity that secondary

15 This is an automatic sanction rather than a means of supervision, but it serves the same institutional design purpose of supervision—providing accountability to centrally agreed goals.

16 Most authors associated with EPG explicitly accept that their work is prescriptive; the goal of MPF authors is self-consciously explanatory, but its close association of an institutional means with economic goals (preserving the market) suggest clear prescriptions for policy.

associations and political elites can mobilize. That is, there are two conditions that are probably necessary for reforms based on collaborative governance to succeed in promoting cooperation at a local level:

1. They must build on existing organizational capacity in the political economy, rather than trying to dictate it from above.
2. They must be actively supported by elected political leaders.

The observed defects in these actors are inherent in these capacities; but without the capacities, these reform projects are empty shells. Thus, our analytical focus deserves to be at least as much on the *capacities themselves* as on the lofty set of rules that can restrain the potentially rent-seeking instincts of functional actors once they already exist.

Of these two necessary conditions, the first—existing organizational infrastructure—is the primary *functional* requisite of successful collaborative governance. Existing organizations with collective capacities bring together members (say, workers or managers) to pursue a socially preferred goal, even one that requires actors not to pursue opportunities for short-term gain at the expense of social optimality. Such organizations can credibly pay some of the start-up costs of a new cooperative endeavour.¹⁷ Even if these organizations do not have an effective sanctioning capacity to prevent free-riding by their members, their existing organizational infrastructure allows them to commit to pursue cooperative goals even in the face of occasional free-riding. No group, obviously, will continue to play the cooperative game for long if no one else is reciprocating a cooperative move. But in trying to persuade local actors to pursue new patterns of cooperation, organized groups can both pay some start-up costs and absorb some free-riding in the early period of a new cooperative initiative.¹⁸ Note that this is not a claim that social capital, as represented by local density of sports and civic clubs, is necessary for collaborative governance to succeed.¹⁹ Successful collaborative governance does not require lots of organizations that are important for their representation of generalized norms of reciprocity; success requires one or two capable organizations that provide what might be called organizational leadership in the early phases of experimental reform.²⁰ Rather than trying to build up organizations *de novo*, therefore, governments that want to support collaborative governance need to build their institutional architecture around existing organizational capacity in the political economy.

The second necessary condition for collaborative governance to succeed is political: namely, political leadership to protect fragile new governance arrangements from budgetary axes and to provide direct link to the arena of electoral politics and policymaking. Collaborative governance arrangements, like those associated with EPG, are often adopted to deal with hard problems that central states have conspicuously failed to solve. This was certainly the case of French training and Italian development policies. Given that new arrangements are being adopted to address difficult problems, it is reasonable to expect that some fine-tuning will be required. If these new arrangements are not merely to function as methods for central politicians to shift blame for problems they cannot solve, they will need to have electorally legitimated backers to allow for this fine-tuning of policy instruments to take place. This argument echoes the finding of Arun Agrawal and Elinor Ostrom that decentralization initiatives are often launched without strong local demands for them, but that the

17 Gerald Marwell and Pamela Oliver 1993. *The Critical Mass in Collective Action: A micro-social theory*. Cambridge: Cambridge University Press.

18 Pepper D. Culpepper 2003. *Creating Cooperation: How States Develop Human Capital in Europe*. Ithaca: Cornell University Press.

19 Cf. Putnam, *Making Democracy Work*.

20 Domenico Cersosimo and Guglielmo Wolleb 2001. 'Politiche pubbliche e contesti istituzionali. Una ricerca sui patti territoriali', *Stato e mercato*, 63: 369-411.

long-term effectiveness of these initiatives depends on the development of local pressures and lobbying to support them.²¹

As I show in the next two sections of this article, the presence or absence of these two features correlated with the fates of reform experiments in France and Italy.

Regional Governance Institutions in France

The French government in 1993 attempted to reinvigorate its stalled project of regionalization by reinforcing the regional architecture for consultation with private interest groups over issues of youth training. This law had both an institutional objective—reinforcing public-private collaborative governance at the regional level—and a policy objective: to overcome the cooperative dilemmas that had previously impeded companies from investing in youth training contracts.²² The decentralization laws of 1982-83 had first ceded power to regional governments over the area of youth training, but 1984 laws that created new contracts governed at the national level had limited the effect of the reform, as had the weak capacities of the regional governments. The 1993 Five-Year Law on Work, Employment, and Professional Training attempted to solve this problem by bringing together the various affected actors under the auspices of regional governments to work out the details of how to improve France's poor record of company investment in youth training contracts.

The immediate catalyst for the passage of the law, though, was the election of the centre-right RPR/UDF coalition government in 1993. This brought to power many partisans of reinforced decentralization, but none more important than Charles Millon, president of the parliamentary group of the UDF and also the president of the regional council in Rhône-Alpes.²³ As regional president, Millon had since 1988 made Rhône-Alpes the region that had most vigorously attempted to assume the governance power over youth training conferred by the 1982-83 decentralization laws. Millon had commissioned a non-partisan study to evaluate the progress of the regional reforms, and the reports had concluded that the reforms in Rhône-Alpes had failed in reaching their training goals because of the poor articulation between the region and private actors, underlining 'the fatal gap between the UFA program's central protagonists [regional government and employers' associations] and the micro-economic agents whose decisions underpin the effectiveness of the policy: especially the youth and the companies tied by a labour contract, but also the decentralized actors of the educational system'.²⁴ Thus, one of the major political architects of the Five-Year Law came to power with the goal of empowering the regions by developing governance institutions that enabled collaboration among government, employers, unions, and educational authorities.

French labour unions and employers' associations objected to the attempt of lawmakers to regionalize training policy. For neither unions nor employers in France is the region a constituent level of organization.²⁵ Most of the associations have territorial organizations with a strong central organization in Paris. Indeed, both French employers' associations and unions have weak

21 Elinor Ostrom and Arun Agrawal 2001. 'Collective Action, Property Rights, and Decentralization in Resource Use in India and Nepal', *Politics & Society*, 29, no. 4 : 485-514, 505.

22 Some of the data in this section come from the author's research on the reform of human capital policy in France. See Culpepper, *Creating Cooperation*.

23 Politicians in France can hold numerous offices at once, thus allowing Millon simultaneously to be a member of the national assembly and the president of a regional council.

24 D. Brochier, L. Causse, A. Richard, and E. Verdier (eds.) 1995. *Les Unités de formation par alternance (UFA): Une coopération Éducation nationale-professions dans la région Rhône-Alpes (1988-1993)*. Marseille: CEREP Documents 102, 115.

25 The only exception to this rule is the CFDT, one of five officially recognized unions, which has a stronger regional capacity than its competitor unions and thus saw the 1993 law as an opportunity to improve its competitive position vis-à-vis those other unions.

organizational capacity at the grassroots.²⁶ Their major orientation therefore is sectoral and national, not regional and inter-sectoral. Yet the new collaborative governance institutions developed by the Five-Year Law *were* regional and inter-sectoral: the COREFs.²⁷ The five-year law, which had excluded secondary associations from its design phase, thus attempted to build collaborative governance institutions at the regional level, where French economic associations have the weakest collective capacities.

The law foresaw the COREF as a regional centre for consideration of projects by the representatives of employers' associations, labour unions, chambers, teachers' unions, and parents. The regional governments, in consultation with the private actors brought together in the COREFs, were then to develop regional plans for how best to respond to the needs of employers and of youth within the area of the region. This would allow policy to be elaborated by regional councillors in close consultation with all the relevant social actors with little oversight from Paris, and as such represented a radical departure from past patterns of policy-making in France.

Too radical, as it turns out. The attempt by national politicians to establish functioning institutions of regional collaborative governance was subverted by the weak capacities of interest groups and by their inability to work together. Employers and unions, not typically close allies in France, worked together in most regions to marginalize the COREFs and to empower an alternative body (the COPIREs²⁸) where only they were represented—thus cutting out the other representatives of civil society included in the COREFs. Yet even in consultations with the COPIREs, regional administrators discovered that unions and employers at the regional level lacked the organizational capacity to be useful interlocutors over policy-making: 'The COPIRE wants to involve itself strongly, and we [the region] submit to the COPIRE for the orientation contract. [But] it seems to me that they need to demonstrate their capacities; if they want to be involved, for example, in the qualification contract, they must play a much more important role [than they have up to now]'.²⁹

Across France, the inability of regional associations to deliver useful information about the private economy to regional governments subverted this experiment in collaborative governance. The prime ministerial report that evaluated the reforms in 1996 noted that 'the dispersal of representative professional organizations, the internal conflicts which cut across them, and their unequal expertise at the regional level are perceived as a great difficulty'.³⁰ The whole experiment of the Five-Year Law was premised on the idea that actors within society had local information that could inform policy, if that policy was sufficiently decentralized and allowed a strong enough role for private actors. Yet the attempt to construct such institutions on the very weak organizational capacity of the French social partners was unsuccessful, and the law foresaw no particular way to build capacity.³¹

What was the impact of this institutional failure on the policy objective of increasing company investment in youth training contracts? In short, French regional policies have failed in convincing companies to invest in youth training contracts. One good metric of firm training investment is the

26 Chris Howell 1992. *Regulating Labor: The State and Industrial Relations in Post-War France*. Princeton: Princeton University Press; Jean Bunel 1995. *La Transformation de la représentation patronale en France: CNPF et CGPME*. Paris: Commissariat Général du Plan.

27 Comité régional de la formation professionnelle, de la promotion sociale, et de l'emploi.

28 Commission paritaire interprofessionnelle régionale de l'emploi.

29 Interview with the author, Regional Director for Education and Professional Training, Regional Council of Alsace.

30 Comité de coordination, *Évaluation*, 117.

31 Note however that the behavior of French unions and employers' associations is also consistent with the EPG hypothesis of Fung and Wright that groups used to working through top-down adversarial modes of governance are not well suited to a move to collaborative and participatory governance. The French case alone does not provide sufficient variation to discriminate between a hypothesis that social capacity is necessary for collaborative reforms to foment cooperation and one that adversarial organizations are ill-suited to work through collaborative institutions. The Italian case discussed below sheds additional light on this question.

retention of employees in regular work contracts after their training period. Those companies that have invested heavily in general skills training should be loath to lose that investment by not hiring the trainee.³² There were two major youth training contracts in France in the 1990s: the apprenticeship and qualification contracts. In the mid-1990s, only 10 percent of apprentices and 29 percent of youths in qualification contracts were hired into regular work contracts after their training by the firm that trained them, which suggests that very few companies were heavily investing in the training of their young workers.³³ In aggregate, then, French firms are clearly using the subsidies associated with the training reforms to lower their labour costs, rather than to invest in developing the skills of their future workers.

The broad lessons of the failed French experiment in collaborative governance are clear: states are very likely to fail when they devise a collaborative governance scheme that does not take into account the organizational structure of society. In the case of French training, this would have been the territorial employer's association.³⁴ Yet the political force behind decentralizing governance was a political party (UDF) that wanted to strengthen the regions, despite the fact that regions were not the level most likely to succeed in facilitating the resolution of collective training problems through collaborative governance. Thus, the political impetus that imposed a sweeping model of collaborative governance on the French regions was not strongly supportive of the policy or institutional goals. Those goals were secondary to the political objective of increasing the power of the regions vis-à-vis the French state. As long as the problem was how to support regional power through the expansion of collaborative governance, regional political entrepreneurs like Charles Millon in Rhône-Alpes were willing to invest their political capital in the regional project.³⁵ However, as the failure of regional associations became manifest, there was no political incentive for these leaders to solve the problem by changing the level of associational governance to correspond better to the capacities of French secondary associations.

Consider in this light the proposition of EPG theorists that a central state needs to set effective performance criteria and circulate information about what works and what does not in collaborative governance. Such a design element was fundamental to the design of the Five-Year Law in France; an independent evaluative committee (the Comité de coordination) was administratively attached directly to the prime minister's office to assess progress in the reforms and circulate information about regional reforms to the regional actors and to parliament. The weakness of associations and the consequent hobbling of the collaborative institutional architecture is apparent in the reports of this evaluative committee.³⁶ Yet this diagnosis of problems had no political advocate who has a vested interest in making collaborative governance work, if it is not going to work at the regional level. Without such a voice from electoral politics to initiate change in the French reform, the supervision from the centre proposed by EPG's advocates is likely to have little real effect in improving the structures of collaborative governance.

32 Soskice, 'Reconciling Markets'.

33 C. Charpail and S. Zilberman 1998. 'Diplôme et insertion professionnelle après un contrat de qualification', in: *Bilan de la Politique de L'Emploi 1998*. Paris: Direction de l'animation de la Recherche, des Etudes et des Statistiques, 50; Annick Violla, 'Apprentissage: ruptures, enchaînements de contrats et accès à l'emploi', Note d'Information, Ministère de l'Education Nationale 97, no. 22 (1997): 1-4.

34 However, even at this level, that of its strongest constituent unit, French employers are on the whole still poorly organized; cf. Bunel, La Transformation and Culpepper, Creating Cooperation.

35 Eric Verdier 1995. 'L'accord fondateur d'une politique régionale: une ambiguïté créatrice?', in: A. Larceneux and E. Kabantchenko (eds.) *La stratégie des acteurs locaux dans les politiques de formation*. Marseille: CEREQ Documents 111, 96-110.

36 Comité de Coordination, Évaluation, 1996 and 1999.

Territorial Pacts in Italy

The institutional innovation of the Italian territorial pacts emerged from the convergence of several dramatic developments in Italian politics in the early 1990s. First, 1992 marked the end of the ‘extraordinary interventions’ of cash expenditure for the under-developed south of Italy. The extraordinary interventions had been extraordinarily ineffective in promoting the catch-up of the south with the more developed north, but they had been costly, transferring large amounts of money from Rome to governments in the south with little apparent effectiveness in promoting economic growth.³⁷ The Tangetopoli (Bribesville) scandal of the early 1990s, which decimated the old political class in Italy, involved many corruption scandals linked to southern development money. The signature of the Maastricht treaty and its substantial budgetary demands in the run-up to the introduction of the Euro put fiscal pressure on a process seen as ineffective and frequently corrupt. Such a program based on high investments with low returns was an easy target for post-Maastricht budgetary rigour.

The character of the development policy that was to succeed extraordinary interventions—the territorial pacts—was however adopted for some clear political reasons.³⁸ The extraordinary aid had been a helpful benefit for central politicians to strengthen their machines and their supporters in the south. One of the electoral beneficiaries of this crisis was Umberto Bossi’s Lega Nord, which decried the redistribution of money from the prosperous north to the underdeveloped south.³⁹ Thus, as in France, the ambition to build new institutions of public-private collaborative governance was born partly of a federalizing push to empower the regional governments. However, regions have not historically been the most important level of sub-national government in Italy. That distinction belongs to communal governments.⁴⁰ The forces of decentralization thus had consequences for both communal government and regional government. The large change for communal governments came first, in the form of law 81/1993, which provided for the direct election of local mayors. This change led to a wholesale turnover of the local political class, as a new political leaders from outside the old system were able to win office in local elections.⁴¹ Italian decentralization was not developed as a uniquely regional phenomenon.

Moreover, the territorial pacts were not invented as a *regional* measure. They were not regional pacts, but territorial ones, aimed at incorporating actors from a local area (whose ambit was undefined) rather than from the political-administrative unit of the region. The pacts that emerged varied in scale, but most were larger than a single local labour market and smaller than a province (a sub-regional administrative unit in Italy).⁴² The choice of the territory as the unit of the pact responded to the recognition by Italian policy-makers that the most successful organizational units of the Italian political economy were local: the industrial districts of the centre-north.⁴³ In contrast with the French policy discussed previously, the Italian policy was designed take advantage of the existing organizational infrastructure of secondary associations.

The confluence of these three factors—failure of the extraordinary methods, collapse of traditional national political parties, and growing political recognition of the local base of the Italian economy—were the context within which the territorial pacts emerged in the mid-1990s as a tool for development.

37 Carlo Trigilia 1992. *Sviluppo senza autonomia. Effetti perversi delle politiche nel Mezzogiorno*. Bologna: Il Mulino.

38 The pacts were not the only measure that replaced the old model of development aid. There were also a set of financial incentives for individual companies that ran as a concurrent policy to the pacts (Law 488/92).

39 Cersosimo, ‘I Patti territoriali’, 210.

40 Bruno Dente 1997. ‘Sub-National Governments in the Long Italian Transition’, *West European Politics*, 20, no. 1: 176-193, 182-3.

41 Dente, ‘Sub-national governments’, 184.

42 DPS, ‘La Lezione dei Patti Territoriali: Sintesi e Conclusioni’, Rome, Department for Development and Cohesion Policies (DPS), Italian Ministry of Economics and Finance, 44-5.

43 Carlo Trigilia 2001. ‘Patti per lo sviluppo locale: un esperimento da valutare con cura’, *Stato e mercato*, 63: 359-367.

Once the government recognized the pacts in 1995, the possibility of state funding increased the number of applications, challenging the previously ‘bottom-up’ character of the pacts. In order to formalize the legal stature of the pacts and to distinguish them from other forms of negotiated policies in Italy (‘programmazione negoziata’), the government CIPE (inter-ministerial economic planning committee) clarified the juridical conditions of official pact recognition in March, 1997.⁴⁴

Pacts are agreements signed by local actors that define development objectives, apportion expenditures toward meeting those objectives among state and private actors, and suggest regulatory changes in the legal development or industrial relations provisions that could stimulate local economic growth. In practice, four types of actors are central to these agreements across Italy: the provincial administration, the communal leaders, industrial employers’ associations, and the unions.⁴⁵ Other societal and governmental actors—such as chambers of commerce, banks, and regional governments—are involved in some pacts but not in others.⁴⁶

Although signed by these local actors, the Territorial Pacts are, equally importantly, a form of agreement between territories and the central government; when approved, they open the way for money to flow from central coffers to the periphery.⁴⁷ Thus, rather than a central state devising the disbursement of development money, territories compete with each other to put forward their own ‘endogenously grown’ development plans. They compete with other territories for funding, which putatively incentivises them to put forward the best possible plan. Certainly this is a logic close to the heart of MPF, which foresees competition among federal units that adopt a public goods mix best suited to local tastes.

Besides devising a more efficient way to distribute money from the centre to disadvantaged regions, the territorial pacts also aim to promote two changes in the character of interaction among territorial actors.⁴⁸ First, to promote a sense of common identity and purpose among local collective actors; and second, to reverse destructive patterns of weak inter-actor cooperation, particularly in the Mezzogiorno.⁴⁹ Through a new instrument, then, the government hoped to allocate development resources more efficiently while promoting the development of cooperation whose absence was seen in the past to have retarded common collective action, and perhaps economic development.⁵⁰

What has been the experience, so far, of the territorial pact experiment? Of the so-called first- and second-generation pacts (signed between 1997 and 1999), there were 51 Territorial Pacts, plus a further ten financed under different rules by the European Union. It is obviously too early to draw a comprehensive balance sheet of the pacts—the more modest goal in this article is to try to understand what regularities have been observed across pacts, relatively early in the experiment. Looking over the

44 In this article I discuss only the territorial pacts, leaving aside other elements of ‘programmazione negoziata’ in Italy: the area contracts (contratti di area), the institutionalized program agreement (intesa istituzionale di programma), the program contracts (contratti di programma), and the neighborhood contracts (contratti di quartiere). The increase in these programs has been substantial, and they suppose different models of private-public interaction. Among observers of the different development interests, the territorial pact has been identified as the ‘instrument of programmazione negoziata that applies most clearly the principle of social partnership’. See CNEL, *Laboratori Territoriali: Rapporto sulla concertazione locale* (Rome, Consiglio nazionale dell’economia e del lavoro, 1999), 53. As such, it has also been the subject of the most attention by researchers. For details of the various instruments, see CNEL, *Laboratori*, 39-83.

45 Cersosimo, ‘I Patti territoriali’, 232.

46 The absence of regional governments from most pacts is notable in light of recent discussions of Italian regionalism. In a sub-sample of 18 pacts, a department of the treasury study found that only 4 (22 percent) had regional signatories. See Cersosimo, ‘I Patti territoriali’, 232.

47 Trigilia, ‘Patti per lo sviluppo locale’.

48 DPS, ‘La Lezione’, 14-15.

49 Cersosimo and Wolleb, ‘Politiche pubbliche’, 383-5.

50 See Putnam, *Making Democracy Work*. Development pacts, and the aid that accompanied them, were made available to disadvantaged regions throughout Italy, whether under-developed or de-industrializing. They have not been limited to the Mezzogiorno.

51 nationally-subsidized pacts, one study suggests the typical pact comprises roughly 40 separate new initiatives, with financing split between public and private sources, mobilizing roughly 700 million Euros in new investments and creating about 530 additional jobs.⁵¹ If these estimates are close to correct, then the direct job-creation effect of the pacts is modest at best. Indeed, a government evaluation of the national and European pacts shows very little difference in the public cost per job created of the pacts in comparison with the costs of the policy of direct incentives to companies (Law 488/92).⁵²

Which pacts succeed in promoting public-private cooperation and why? Existing research points to two ‘moments’ that are crucial in determining success or failure in changing the cognitive orientations of local actors.⁵³ The first critical moment comprises the early period of creating confidence in the process of negotiated policymaking, while the second moment moves from the initial project phase to the institutionalization phase.⁵⁴ Success in the first moment—that is, successful transformation of the cognitive orientations of local actors toward a higher propensity to trust former antagonists—is invariably correlated with ‘*institutional leadership*’ that is credible and reliable, from actors who by experience or specific competences are able to aggregate, organize, and lead local coalitions made up of people who had scarcely communicated with each other in the past...⁵⁵ Two types of actors, each endowed with the institutional resources to play this local leadership role, were involved in all the pacts studied by Cersosimo: political actors (from provincial or municipal administrations) and social partners (the industrial employers’ association and the major unions).⁵⁶ In pacts characterized by positive concertation processes, it seems that either an entrepreneurial local political figure (as in the pact of Appenino Centrale) or an entrepreneurial association (as the CGIL union leadership in the pact of Locride) paid the start-up costs and provided the leadership to create local level concertation.⁵⁷ While Appenino Centrale is located in the heart of the third Italy celebrated by Putnam, Locride is deep in southern Italy. As suggested by other case study research, social capital measured as pure associational density is neither a necessary nor a sufficient condition for successful concertation to

51 Cersosimo, ‘I Patti territoriali’, 215-7.

52 See DPS, ‘La Lezione’, 11-13. ‘At the level of mere financial outlays, the pact do not provide specific advantages [compared to past development policies]: its true comparative advantage is to act simultaneously on the double lever of direct incentives and amelioration of the firm’s external context, on the financing of investment and the reduction of ambient diseconomies.’ See Cersosimo and Wolleb, ‘Le politiche pubbliche’, 387.

53 The results on performance of the pacts are drawn from three main studies of the first and second generation pacts and ten European pacts for employment (those signed between March 1997 and April 1999): the evaluative report of the department of development and cohesion policies of the Italian treasury (DPS, ‘La Lezione’); a study of 18 pacts conducted by Domenico Cersosimo and his collaborators (Cersosimo, ‘I Patti territoriali’, and Cersosimo and Wolleb, ‘Le politiche pubbliche’); and a study of 46 pacts commissioned by the DPS through Sviluppo Italia (Sviluppo Italia, ‘Caratteristiche e potenzialità dei patti territoriali’, Report Commissioned by DPS, 2000). This information is supplemented by comparative case studies conducted by Filippo Barbera and Anna Carola Freschi. See Barbera 2001. ‘Le politiche della fiducia. Incentivi e risorse sociali nei patti territoriali’, *Stato e Mercato*, 63: 413-449, and Freschi 2001. ‘Capitale sociale, politica, e sviluppo locale. L’esperienza dei patti in Toscana’, *Stato e Mercato*, 63 (2001): 451-485. Thanks to Fabrizio Barca of the DPS for providing me access to the governmental reports.

54 DPS, ‘La Lezione’, 50-51.

55 Cersosimo and Wolleb, ‘Le politiche pubbliche’, 395. In pacts characterized by collusive behavior and little behavioral change, by contrast, ‘concertation is an ‘empty, virtual’ process that does not change the game of traditional system of relations, but only a pretense necessary to apply for public money. Frequently these are inclusive coalitions, which means agreements formally signed by a multiplicity of local actors, institutional and not, which have nothing in common, nor do any want to share, but who are together with the lone goal of intercepting, for the use of their own organization or its members, financial or non-material resources tied to the pact’; see Cersosimo, ‘I Patti territoriali’, 223.

56 Cersosimo, ‘I Patti territoriali’, 232. By contrast, representatives of regions have rarely been serious actors in the pacts that have emerged.

57 Freschi, ‘Capitale Sociale’, 465; Cersosimo and Wolleb, ‘Le politiche pubbliche’, 397.

emerge.⁵⁸ What is necessary in the first phase is some actor with the institutional wherewithal to pay many of the start-up costs of cooperation itself.⁵⁹

The transition to the second stage represents the move from initial overtures of cooperation to *institutionalization*. As foreseen by the literatures on EPG and MPF, the institutionalization stage is the prerequisite to a durable change in standard operating procedures of private and public actors involved in the project of development. Yet this moment is inherently fraught with risks for the cooperative actors, because institutionalization always involves the channelling of resources among organizations.

That is, organizations that may have begun to cooperate, in view of the possibilities of achieving new development policies, are almost certain to battle with each other over the resources that institutionalization makes possible. Politicians like to control resources, and organizations need resources to survive and continue to attract members. The fact that they may have been willing to bear the start-up costs of local cooperation does not mean that they will forswear the future material benefits to be acquired through such a new system. As summarized by Cersosimo and Wolleb, ‘the problem of transition and linkage between the concertation phase and the management phase is very present in local discussions, indeed in certain cases it is the ground on which tensions and rifts between actors are created, to the point of compromising the positive concertative climate of the first phase’.⁶⁰

What does this mean in practice? Many of the most ardent advocates of the ‘bottom-up’ development strategies have been disappointed by the process of institutionalization as inimical to the local process they originally advocated. They assert that the project has been undercut by (re-)introducing politics and bureaucracy into the local development policies.⁶¹ This is an observation shared by many local participants, who frequently demand a streamlining of the bureaucratic procedures in releasing money once the local actors have met their benchmarks.⁶² In the second stage, that of institutionalization, what proved crucial to maintaining the tentative confidence of local actors in the process was the presence of local political actors with either personal or political links to higher levels of power—notably, the treasury in Rome.⁶³ Where these actors were absent, or where they were divorced from the earlier concertation process, the transition from ‘exceptional concertation’ to ‘routine management’ was more difficult to achieve. Thus, as for example in the case of the pact in Brindisi, early gains in achieving local concertation were squandered, to the point where the various parties wound up taking each other to court.⁶⁴ If the risks of bureaucratic institutionalization are great, the alternative appears to be worse for maintaining local development strategies.

To what extent can central state supervision and monitoring, of the sort posited either by EPG or MPF proponents, distinguish a priori which pacts are likely to succeed and which likely to fail? Do central authorities, armed with either accountability benchmarks (EPG) or rules of fair competition (MPF), show any ability to identify and eliminate either poor performance or rent-seeking? Observers of the Italian pacts are sceptical of the ability of central states to play this role. They assert that a major weakness of the new development policies is the absence of criteria for selecting a priori between the

58 Barbera, ‘Le politiche della fiducia.’

59 The recent comprehensive governmental evaluation of the experience of early pacts suggests that the relatively better performance of first generation pacts than of second generation pacts may result from the greater local leadership provided in the first case than in the second. Among the second generation pacts, the tendency was to copy earlier pacts rather than to identify the needs of local participants; see DPS, ‘La Lezione’, 40-41. Note that the first generation pacts were all located in (social capital poor) southern Italy, while many of the second generation pacts were also located in northern and central Italy.

60 Cersosimo and Wolleb, ‘Le politiche pubbliche’, 403.

61 Giuseppe De Rita and Aldo Bonomi 1998. *Manifesto per lo sviluppo locale. Dall’azione di comunità ai Patti territoriali*. Torino: Bollati Boringhieri, P. 11.

62 DPS, ‘La Lezione’, and Sviluppo Italia, ‘Caratteristiche’.

63 Freschi, ‘Capitale sociale’, 465-6.

64 Cersosimo, ‘I Patti territoriali’, 241.

conditions of good pacts and of bad pacts.⁶⁵ The pacts are based on competition among different territories, with the idea being that the inter-territorial competition will limit the tendencies of private organizations to use their increased role in governance institutions to derive special rents. The problem with this approach is that it only works in hindsight, once governments have seen how different proposed institutional designs work in practice.

Here then is the crux of the dilemma facing states that promote collaborative governance: they want to subsidize only the forms of governance that minimize rent-seeking. Yet, as both EPG and MPF acknowledge, these governments lack the local information necessary to design policies in detail. Thus, they have no way to know beforehand what those most efficient arrangements are for minimizing rent-seeking. The best way for them to acquire information about the performance of different institutions is to subsidize a wide array of experiments, in order to observe in practice which ones work best to promote public ends while minimizing the skimming of private rents. This (probably necessary) subsidy program has two potentially negative consequences: first, to the extent that organizations are able to use public money for their own ends, this will undermine the confidence of other private groups in the merits of the system. Second, we have seen that local success depends on local institutions lobbying political actors to continue to provide support. Those organizations that procure the highest rents from the system will have the most incentive to promote criteria that continue their subsidization through the state. Those organizations that support a more socially efficient system will have relatively fewer resources to devote to lobbying policymakers to promote their preferred policy criteria.

Concluding Observations

The findings in this article do not falsify a broad set of hypotheses generated by either the EPG or MPF literatures. Many of the dysfunctions these literatures predict are on vivid display in the cases of collaborative governance discussed above. The only hypothesis that is explicitly rejected is the claim by Fung and Wright that ‘participatory collaboration requires organizations with very different skills, sources of support, and bases of solidarity’ than do adversarial interest organizations.⁶⁶ In fact, the Franco-Italian comparison presented here suggests that organizational resources are fungible. Where organizations are weak and adversarial—as in French industrial relations—they prove unable to carry out the roles devolved to them through collaborative governance. They fall back on adversarial practices. However, with the strong and adversarial organizations of Italian industrial relations, groups that had not previously cooperated were able to engage productively in collaborative governance institutions. This was particularly difficult in the moment of institutionalization, when their tenuous cooperation sometimes broke apart given conflict over the distribution of resources. However, as noted in the study by Cersosimo, new organizations seldom had the organizational wherewithal to participate widely in the new institutions of collaborative governance.⁶⁷ Some unions and employers’ associations were able to change their functioning from adversarial to cooperative—and back again—relatively easily. Organizations with the most developed collective capacities are likely to be strong in both adversarial and collaborative fora.

The more general finding of importance for these two literatures is to underline the lack of balance in their recipes for successful devolution of central governmental power to decentralized collaborative institutions. Their implication—in the case of MPF, the implication is very much more assertive than in EPG—is that getting the rules right is the decisive factor in determining the effective success of devolved institutions. But such an implication flies in the face of what we know about politics. Controlling rent-seeking, both by avaricious politicians and by strong interest groups, is correctly viewed as vital to positive outcomes, whether those outcomes be more participative politics (EPG) or economic

65 Cersosimo and Wolleb, ‘Le politiche pubbliche’, 410.

66 Fung and Wright, *Deepening Democracy*, 266.

67 Cersosimo, ‘I Patti territoriali’.

growth (MPF). Yet the content of politics—whether interest groups have the capacities to carry out the roles assigned to them and whether politicians have the incentive to defend local institutions in higher level political fora—is likely to be of relatively greater weight in determining success or failure than is a spare set of rules. The substance of politics—e.g., whether local leaders are connected to national leaders through the link of partisanship—is absent from MPF.⁶⁸

Regional institutions, in order to be effective and stable over the longer run, need political protection and social capacity. While MPF recognizes the first, it ignores the second. In neither case studied here was this protection provided by a constitutional grant of power—the authority transferred was given by the central government, and it could be taken away by the central government. In France the effectiveness of the institutions was undermined by social actors (employers and unions) who opposed the COREF reforms and systematically and successfully set out to subvert them. At the same time, those social actors that were involved in collaborative policy-making did not have strong capacity at the grassroots level. Since part of the political opposition to the reform was generated by interest groups that wanted to retain discretion over these policies at the national level—where their organizational structures were strongest—there was no actor with an incentive to lobby politicians in favour of strengthening the observed weaknesses of collaborative institutions.

The national politicians of the UDF who pushed the reform wanted to empower regions, and the interest groups that opposed them wanted to keep this power at the national level. Policy-makers at the regional level had few political allies to combat the weaknesses they encountered in dealing with the social partners, so they instead opted out of trying to create societal cooperation. Instead, they focused their attention on trying to develop their own governmental capacities, rather than the capacities of those social partners that they needed in order for the reform to succeed. While there is common agreement in France on the reasons regions have not been successful in taking control of this policy area, there is no strong political actor with an incentive to promote the building of social capacity that will be necessary if the reforms of the Five Year Law are ever to work as originally planned.

The change in Italian development policy was, like the French initiative, stimulated by a changing national political landscape. But, unlike the French initiative, the Italian territorial pacts had two attributes likely to increase both their resilience and their effectiveness. First, the development pacts built essentially on a territorial logic, responding to the existing organization of the social partners. This reflected the bottom-up (rather than top-down) nature of their development. Rome did not invent the territorial pacts and bring them to the less developed territories—actors in those territories fashioned them themselves and then pushed for the politicians in Rome to use them as the central instrument of development policies. Second, the territorial pacts were invigorated by the 1993 law that had allowed for the direct election of mayors. As reported in the previous section, local leadership was the critical variable distinguishing successful pacts from failed pacts. The development of new institutional leaders at the local level not only provided this leadership, but it also simultaneously provided a set of actors that was active in promoting (and protecting) the tool of the territorial pact to national politicians.⁶⁹

As MPF overemphasizes the ability of a regionalism built on rules and the resulting incentive alignment to bring economic growth, EPG fails to recognize that extensive devolution is often incompatible with effective supervision from the centre. In other words, the first design principle of

68 For example, in a recent article Jonathan Rodden and Erik Wibbels provide persuasive econometric evidence in support of their argument that one of the most important predictors of the success of federations in economic performance is the extent of co-partisanship between regional and national governments. That is, when governments of the same party rule at both levels, they are more likely to maintain budgetary control and benefit from lower inflation; see Rodden and Wibbels, 'Beyond the Fiction of Federalism: Macroeconomic Management in Multitiered Systems', *World Politics*, 54, no. 4, 494-531: 523-524.

69 As demonstrated in the French region of Rhône-Alpes, this strong local leadership with links to the centre represents a necessary condition, not a sufficient condition, for successful collaborative governance.

EPG is in constant tension with the second. Fung and Wright correctly argue that the ability to solve public problems more effectively, due to their direct access to local knowledge, is one of the most impressive feats of EPG institutions.⁷⁰ However, the superiority of local knowledge creates a resource for rent-seeking and an active local forum for how best to elude the monitors at the centre. As the case of the Italian development pacts proved too well, state actors are poorly placed to judge the benefits of plans whose efficacy derives from the particular response to particular problems. They can of course be evaluated in hindsight, and agreed-upon indexes of performance can always be defined and assessed. In some sense, these criteria will always be fighting the last war, and they will be least well-suited to that which EPG claims they can do best: identifying innovative new programs and diffusing information about them.

All is not lost, however, because the real world arrangements that approximate to EPG are probably less dependent on these core institutional features than EPG's proponents think. Old-style, sometimes adversarial virtues—such as organizational infrastructure and local politicians with links to central politicians—can be put in the service of these new, devolved institutions that devise innovative solutions to public problems. The fact that organizational infrastructure was absent in the French regional reforms doomed those reforms to failure. And the lack of politicians with an invested interest in determining the solutions to the French reform, once it was apparent that solution would not be regional, prevented the emergence of the feedback loop of social learning that underpins the argumentation of EPG. In Italy, the development pacts succeeded where local politicians and local employers associations and unions were willing to bear the costs of initial free-riding in order to support local cooperative overtures. Where these were absent, or where the institutionalization phase triggered too much conflict over potential rents, the pacts failed to change the cognitive orientations of local actors. It was these old-style political and organizational capacities, rather than institutional features themselves, that most influenced the likely success or failure of the pacts, at least in the first five years of their history.

The model of the territorial pact is one that has moved to the centre of the development policies of the European Union, and as such it is a model that is being exported across Europe. Yet this article has raised reasons for scepticism about the potential for institutional designs that are diffused as recipes for success. Institutions of collaborative governance offer some potentially innovative ways of solving policy problems that statist regulation has not solved well. Yet states make policy inefficiently because they lack detailed information about society, and that same lack of information puts them at a disadvantage when trying to set the appropriate criteria for government support of public/private governance institutions. This will be true *a fortiori* for the European Union, which has all the lack of local knowledge characteristic of states without the same networks linking local politicians to central politicians.

When social scientists try to draw lessons from these policy experiments, my analysis suggests that they need to look at social capacities as much as at institutional rules when drawing lessons about the correlates of good governance. It is likely that building on social capacities will, even where it creates net improvements for public good provision, also create the possibility for private rent-seeking. Yet there may be a baby worth saving in that dirty political bathwater.

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70 Fung and Wright, *Deepening Democracy*, 25.