



La Follette Policy Report

ROBERT M. LA FOLLETTE SCHOOL OF PUBLIC AFFAIRS

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DIRECTOR'S PERSPECTIVE

You are what you eat.

In academe, you are who you hire—and we are completing a successful year in recruiting faculty. The debates over whom to hire were stimulating, raising fundamental questions of who we are.

The most interesting debate over whom to hire concerned science policy, and in particular, stem cell policy. The debate made me realize how many of the great policy questions of the twenty-first century will be issues of science.

Will we clone humans? Will we change or choose their genetic structures?

Should governments fund research that destroys embryonic stem cells? Should genes be patented? Indeed, can new forms of life be created, and if so, should they be patented? These questions are an order of magnitude greater than those involving the morality of research in nuclear physics that arose in post-World War II societies, when it was recognized that

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Living in a Technological World

by Clark Miller

The author is Assistant Professor of Public Affairs at the University of Wisconsin–Madison. Trained in electrical engineering, atmospheric physics, and science policy, Miller has worked across disciplines to deepen our understanding of the relationships between science, technology, and public affairs. This article is an abbreviated version of his chapter in Exploring the Dynamics of Global Change, edited by Viraj P. Thacker.

Our world today is deeply technological. Technological systems now span the planet, connecting us into a global community. Electronic markets move money from Bangkok to Berlin in a matter of seconds. Air transportation networks enable goods and people to travel from London to Sydney and from Washington, D.C., to Bombay in a matter of hours. CNN and the BBC distribute pictures and stories instantaneously from Tel Aviv or Dublin to Peoria and Beijing. Yet despite their seeming omnipresence, we take the technologies of modern life for granted. Somehow, we seem not to recognize that these technologies are not simply neutral instruments, there for us to use (or not) in pursuing our goals as individuals, nations, and humankind. They are defining characteristics of life in the twenty-first century.

My contention is that to grapple effectively with the pressing issues that face us today, from globalization and terrorism to climate change and new epidemics, we need to understand better the technological underpinnings of global society and the global economy—and particularly how our technological choices shape social and economic outcomes. We need to understand that, although globalization is typically under-

stood in economic terms, as the expansion of markets, markets can expand only in tandem with a technological infrastructure of production, transportation, communication, and consumption. We also need to recognize that technologies of economic globalization do more than just facilitate the flow of information, people, goods, and services. Technologies shape people's ideas of world order and of their own and others' places in it. They acquire meaning and symbolism, and they confer status, identity, and satisfaction.

And perhaps most important, we need to acknowledge that American power is built on technological mastery. Americans have committed themselves to superpower status through technological superiority, from the battlefield to the cinema to the Internet. Americans' technologies, as much or more than our wealth, per se, intervene in other cultures and societies, often without the possibility of recourse or accountability. American satellites survey the landscape of other societies, American companies sell products and services, American money buys American arms to support or oppose wars in far-away places—all enabled by, yes, wealth, but also by technologies of remote sensing, communication, distribution, death, and destruction. And Amer-

icans give their technologies to their “friends” to help them acquire and hold power. If there is an “Empire” out there, as Michael Hardt and Antonio Negri suggest in their book of that title, it is a technological one built to order the world as those who deploy the technology like it. Is it any wonder that other inhabitants of the globe are resentful?

Technological Forms of Life

The idea that technology is part of the fabric of an emerging global society is an important one. Commonly, of course, people view technologies as mere tools. They turn on the air conditioner to cool the house in the summer. They hop in the car or on the train to travel to work. They ride the elevator to the twelfth floor. Technology is a means to an end. Smart bomb technologies are used to minimize collateral damage in military campaigns. The FBI uses technology to collect and filter e-mail traffic for conversations among terrorists. Bomb-sniffing equipment works in airport security systems to monitor passengers’ bags. We all watch the TV news to hear updates on the latest world crisis.

Yet, as we witnessed with horror during the events on and immediately following September 11, 2001, technologies are more deeply implicated in our lives than can be captured by the metaphor of a tool. The events of those days were defined by the characteristics of the world’s technological infrastructure: the concrete and steel of the World Trade Center and the Pentagon, X-ray detectors and airplanes, the mail sorting and handling system, television imagery, the instruments and labora-

tories of the Centers for Disease Control, weapons, surveillance cameras, and so much more. We learned in those days that technologies have become mundane but intimate parts of how people live and work on a day-to-day

basis—and that we are vulnerable as a result, in ways we often weren’t even aware.

In his book *The Whale and the Actor*, Langdon Winner argues that technologies have become forms of life:

The very act of using the kinds of machines, techniques, and systems available to us generates patterns of activities and expectations that soon become “second nature.” We do indeed “use” telephones, automobiles, electric lights, and computers in the conventional sense of picking them up and putting them down. But our world soon becomes one in which telephony, automobility, electric lighting, and computing are forms of life in the most powerful sense: life would scarcely be thinkable without them.

Technologies, in this sense, are not mere instruments. The automobile, for example, allows us to drive to work, but it is also a status symbol, a projection of self-identity, a key factor in urban planning, sometimes even a weapon. To the people who lived and worked in the World Trade Center, the building was just a structure that housed their office—but because of that it had become part of their daily routine. They went to work on September 11, 2001, just like every other day. But that structure was also the upshot of a highly advanced building technology, a well-known feature of the Manhattan skyline, and a symbol of American preeminence in global affairs. It had meanings that extended far beyond America and the concrete and steel of its construction. That it was both a mundane part of daily routine and a highly charged icon of American capitalism signifies the power of technology in modern social order.

And yet we must be careful in how we understand technology. The power of technology is not independent of human agency but a part of it. People give meaning to technologies, and they make them a part of their lives. As consumers, workers, scientists, managers, and citizens, we make choices that shape technological trajectories. It is a mistake to treat technology as a force of history or as a determinant of outcomes. Detailed his-

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torical investigations illustrate that throughout processes of technological invention, innovation, and construction, people make choices about how to design technological systems and how to integrate those technologies into conceptual, institutional, and cultural frameworks. Technologies are forms of life that are intimately intertwined with other forms of social and economic life. Machines don't make history; people do—but they often do so using machines.

The Construction of Global Technologies

As we strive to cope with the demands of globalization, we must pay careful attention to the technological forms of life that populate this new world and to their connections to broader dislocations of world order. Sheila Jasanoff observes in *Science at the Bar*, her study of science, technology, and the law:

Advances in the realm that is conventionally labeled “technological” inevitably require the readjustment of human behaviors, institutions, and relationships. They enable new modes of conduct—and sometimes foreclose old ones—thereby calling into question notions of fundamental significance to the law, such as agency, causality, rights, responsibility, and blame.

Today, we are witnessing a similar technological challenge to such notions of fundamental significance as freedom, democracy, sovereignty, and national identity. How we choose to implement and use new technologies of surveillance, war, and communication will have substantial implications for the future of the globe, for our notions of vulnerability and freedom, war and peace, identity and community. Let me give three illustrations, drawn from recent events, of what I mean.

Vulnerability and freedom

The intertwining of our lives with technological systems has brought with it new vulnerabilities. At first blush, this may seem counterintuitive. We are used to thinking of technologies as instruments for reducing or eliminating vulnerability. Dams, for example, store water during rainy seasons and release it during the dry season, reducing the impacts of both floods and drought. And yet they encourage us to build our cities in former floodplains and expand agriculture into arid regions. When extreme droughts and floods occur, overwhelming the capacity of the dam, the damage is magnified dramatically. Dams reclaim spaces that have other uses and other meanings for people. And dams are vulnerable to terrorism. The water they hold back, just like a fully fueled jet airliner, can be turned into a weapon.

Likewise, we do not give much thought to how much we depend on the continual flow of electricity until the power fails. Coming to depend on our new technologies, we quickly lose survival skills for living in a non-technological world. We pay little attention to the extensive support networks and institutions necessary to maintain the continued operation of technological systems, often relegating such jobs to the lowest socioeconomic tier of workers, at least until the systems quit working for one reason or another. We develop blind spots, in other words, to the elaborate social and mechanical systems that make our lives and livelihoods possible.

The hidden vulnerabilities embedded in technological systems help explain why terrorists were able to cause the amount of damage they did on September 11. Some observers remarked on the “low tech” nature of their actions (box cutters and knives), yet they were able to kill more than 3,000 individuals because of architectural, communication, and transportation technology. Their weapons were not box cutters but some of the world's tallest skyscrapers and most advanced airliners. The terrorists used our own high-tech systems against us. They communicated via e-mail and cell phones. They flew on jet planes into the country and they drove automobiles to the airports.

Indeed, the terrorists exploited one of the most obvious but oft forgotten features of technological systems—the requirement that humans must behave in predictable ways, within the bounds of acceptable behavior, in order for technology to work. Postal customers must

We develop blind spots to the elaborate social and mechanical systems that make our lives and livelihoods possible.

refrain from putting bombs or viruses in the mail. Airline customers must refrain from skyjacking airplanes and flying them into buildings. More generally, airline customers must buy

tickets, show up at airports, park their cars, check their luggage, get on and off the plane, and so on, in order for the airlines to make enough money to make it economically worthwhile to offer such services and fly the planes. Airline employees have to check in passengers, refuel planes, load and unload food and baggage, and pilot and steward the planes, or else the air transportation network doesn't work—as was abundantly clear during the days and weeks after the attacks.

Generally, large-scale technological systems operate on the voluntary cooperation of managers, workers, customers, suppliers, and many others. People who fly find air transportation a useful service, so they agree voluntarily to behave in certain ways so that the system works smoothly. There is, admittedly, always a degree of negotiation over just how well people will agree to behave. And, of course, laws exist that stipulate inappropriate behaviors and make it possible to deal with uncooperative individuals. When that voluntary agreement breaks down on a larger scale, however, as it did when the terrorists took over (and failed to observe standard behav-

ior), technologies rapidly move from valuable tools to sources of vulnerability.

Moreover, once voluntary cooperation has broken down, and technologies have come to be perceived as vulnerable, restoring confidence can be difficult. Many people who regularly flew on airplanes because they trusted their fellow travelers to behave later refused to fly because they were no longer so trusting. In an effort to reestablish that trust, the federal government and the airlines have turned to coercive measures—demanding high-level security checks of every individual before boarding planes, deploying military units to patrol airports, and so on. Yet it is always much more difficult (and more costly, both to our pocketbooks and to our freedom) to ensure good behavior via coercion than to rely on voluntary adherence to the norms. We are not used to thinking of flying on an airplane as a political act, but it has become one. Our everyday, voluntary acts that align our behavior with that required to enable the continued operation of large-scale technological systems are a form of political commitment to the stability of modern society.

Yaron Ezrahi, in his book *The Descent of Icarus: Science and the Transformation of Contemporary Democracy*, described the dangers associated with this deepening relationship between technology and coercion in Western democracies. “The liberal democratic state,” he said, “has been constantly threatened by the anarchistic potential inherent in its commitment to freedom and, perhaps even more, by the periodic anti-democratic reactions, such as the impulse to centralize power, which the fear of anarchism has tended to provoke.”

Consider, for example, debates over the right of individuals to scream “fire” in a crowded theater. Without a theater, what’s the problem? Free speech generates anarchic potential only when combined with technological society. Backlash occurs in response to the fear of such anarchy disrupting the technological lifestyle. In the 2000 presidential election, the freedom of the Gore campaign to pursue a manual recount gave rise to centralizing tendencies that demanded that they give up their right to such a count and allow the machine count to stand. In seeking to avoid replacing “precision machinery” with what he described as “human error, individual subjectivity, and decisions to ‘determine the voters intent,’” Bush campaign spokesman James Baker warned, “There is no reasonable end to this process if it slips away.” In their concurring opinion in *Bush v. Gore*, Justices Scalia, Rehnquist, and Thomas argued that Americans who failed to follow the rules necessary for the vote tabulation machines to work correctly thereby forfeited the right to have their vote count. In the wake of recent terrorism, individuals’ ability to communicate freely on

the Web and to travel without intensive and extensive security provisions has been compromised in order to ensure proper functioning of society’s machines.

War and peace

During the 1990s, in the realm of international relations, we have seen a similar dynamic emerge linking advances in technology to changing notions of war and peace. On the one hand, the development of globe-spanning communication and transportation systems, coupled with the attacks of September 11, 2001, has fundamentally altered Americans’ sense of security in a technological world. At the same time, advances in munitions—the invention and deployment of so-called “smart bombs”—is now giving rise to new ideas and practices of international conflict in which it is possible to make war on specific targets in a particular country without making war on the country itself. Together, these events have globalized war while opening up the possibility that war among nations may become obsolete.

In the nineteenth and twentieth centuries, such a notion would have been impossible. Nations made war on one another. No other kind of war was possible. Beginning in the 1960s, however, the metaphor of war was translated (and domesticated)

into other public policy domains, with wars on poverty, cancer, and drugs. War was still something practiced by an entire society, but it no longer needed to be confined to conflicts among nation states. In the 1990s, Americans added to this list a war on terrorism, in Bosnia and Serbia, Somalia, and then Afghanistan.

In this new war, which is more like the war on cancer than the war on the Germans in World War II, conflict became global, neatly dividing “us” from “them.” The rhetoric of President George W. Bush immediately following September 11, 2001, adopted this form. You were with us or you were against us—but the “us” and “them” were not nations; they were civilized people and terrorists. Throughout the Afghan campaign (and the opening days of the campaign in Iraq), Bush maintained the same kind of distinction. America was at war with terrorists and despots, he argued, not with the people, or their country, or even their military. Iraqi military units have been given instructions on how to adopt non-aggressive postures that will allow the U.S. military to know friend from foe and so avoid attacking them. And Bush has made clear his willingness to pursue this logic elsewhere. American special operations forces are now trained for deployment against terrorists in diverse places around the globe.

This is a new kind of war, and part of what makes it possible is the logic and technology of precision-guided munitions or “smart bombs.” Beginning with the Gulf

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The terrorists exploited one of the most obvious but oft forgotten features of technological systems—the requirement that humans will behave in predictable ways.

State Government Fiscal Crises And the Effect on Local Governments and Schools

by Andrew Reschovsky

Andrew Reschovsky is Professor of Public Affairs and Applied Economics at the La Follette School of Public Affairs and in the Department of Agricultural and Applied Economics at the University of Wisconsin–Madison. He teaches and has published numerous studies on tax policy and on state and local government finance. This article is an abbreviated version of a paper presented at State Fiscal Crises: Causes, Consequences, and Solutions, a conference organized by the Tax Policy Center of the Urban Institute and the Brookings Institution.

Each passing day brings new reports of the worsening budgetary conditions of state governments. Over the past couple of years, most states have repeatedly had to revise their revenue forecasts downward. At the same time, state government expenditures, especially on Medicaid, have been growing at faster than projected rates. As a result, all but three state governments are reporting large budgetary shortfalls for the period between now and the end of fiscal year 2004. According to the most recent surveys of state fiscal conditions, the sum of reported state budget deficits for the 50 states exceeds \$100 billion, an amount equal to about 14 percent of current spending levels.

Unlike the federal government, states must balance their budgets on an annual or biennial basis. Although some states are planning to raise taxes or rely on one-time sources of funds, it appears that states are turning to cuts in spending as their dominant budget balancing strategy.

In this article, I explore what impacts state government fiscal crises are likely to have on local governments and schools. Will state governments try to protect municipal government services and public education relative to state government programs and services, such as corrections, higher education, human services, and environmental protection? Or will states choose to protect their own programs by making large cuts in state grants to local governments and school districts?

State Fiscal Assistance to Local Governments

State and local governments are bound together in a complex set of relationships. Most directly, state governments provide substantial amounts of direct financial assistance to local governments and school districts. In some states, grants to local governments and school districts account for over half of state governments' general fund budgets. It is thus not surprising that state grants are at risk when state governments face large budgetary shortfalls.

According to the U.S. Census Bureau, in 2000 nearly one-third of the total expenditures of state governments

were in the form of direct transfers to local governments, including schools. California, at 44 percent, devoted the largest share of state spending to intergovernmental grants.

These data generally understate the vulnerability of local governments to cuts in state fiscal assistance. In most states, significant amounts of state spending come from restricted or segregated funds. Intergovernmental spending is thus a much larger share of state general fund spending than of total state government spending. For example, census data indicate that nearly 36 percent of total state government spending in Wisconsin was devoted to intergovernmental spending in fiscal year 2000. In the same year, however, the state reported that 57 percent of general fund appropriations were spent on local government assistance. The important role that intergovernmental spending plays in state government finance, plus the aversion of many governors and state legislatures to raising state taxes, make it very likely that many state governments will enact fiscal year 2004 budgets that greatly reduce state funding for schools and local governments.

In a survey of state governments, the National Conference of State Legislatures reported that 15 states reduced or are planning to reduce aid to schools or local governments in fiscal year 2003. For example, cuts in state education aid are forcing most school districts in Oregon to cut short the current school year by at least three weeks. In order to balance their fiscal year 2003 budgets, Massachusetts reduced state aid to municipal governments by over \$114 million, and California reduced state aid to school districts by \$700 million.

Given the size of the projected state government deficits for fiscal year 2004, there is little doubt that reductions in state fiscal assistance to local governments will be substantially larger than they were in fiscal year 2003. An indication of the likely size of these aid reductions comes from the budgets that governors have already submitted to their legislatures. Table 1 lists the changes in nominal dollars of education and municipal government aid that have been proposed by governors in five states. Where the information is available, I indicate

All but three state governments are reporting large budgetary shortfalls.

the change in aid relative to spending in that category in the previous year.

Reductions in nominal levels of state fiscal assistance give a partial picture of the impacts of state policy decisions on local governments and schools. As the costs of providing public education and local government services rise over time, state fiscal assistance must increase annually at a rate proportional to the increase in the costs of the state role to be maintained. For example, Wisconsin's governor has proposed an increase in state education aid of \$40 million—a less than 1 percent increase—for fiscal year 2004. Although state aid would rise in nominal terms, this increase in aid is only 20 percent to 25 percent of the amount needed if the state is going to maintain its previous share of education funding.

As state legislatures have yet to enact fiscal year 2004 budgets, it is too early to know how close the actual budgets will be to their governors' original proposals. History suggests, however, that at least in some states the final, enacted budgets will differ substantially from the budgets proposed by the governors. In the absence of firm predictions about the nature of fiscal year 2004 budgets, it may be possible to learn something about how states will respond to the current fiscal crisis by exploring how state governments filled their budget gaps in

Although the composition of intergovernmental expenditures varies from state to state, one way to explore the extent to which state governments reduced fiscal assistance to lower-level governments during a period of budgetary stress is to narrow our focus to a single type of intergovernmental grant. Figure 1 shows that grants to school districts as a percentage of total state government spending declined from 17.5 percent in fiscal year 1989 to 15.2 percent in fiscal year 1994, before rising to 17 percent in the period from 1998 through 2000. Education grants continued to grow in nominal dollar terms in the early 1990s, but the data in figure 1 suggest that, on average, state governments favored spending on state programs over providing fiscal assistance to school districts.

The aggregate data hide a great deal of variation among the states. Between 1990 and 1994, the share of state spending allocated by states to education declined in all but 12 states. In four states—California, New Hampshire, Pennsylvania, and South Carolina—the share declined by over 20 percent. In another 18 states, the share of state school aid declined by between 10 percent and 20 percent.

It appears that the budget crises facing state governments in 2003 are the most severe that many states have

faced since the Second World War. California, however, although it faces a current budget gap of \$35 billion, weathered a series of budget shortfalls in the early 1990s that were at least as large relative to state general fund spending as the current gap. Between fiscal year 1991 and 1994, California faced recurrent budgetary shortfalls that totaled \$37.1 billion. In fiscal year 1992, California faced a \$14.3 billion gap, an amount equal to one-third of total general fund spending.

California got through the first half of the 1990s by using a full array of policies includ-

ing spending cuts, increases in taxes and fees, government restructuring, including shifting of responsibility to lower level governments, and a number of one-time budgetary gimmicks. The state's efforts to balance its budget had a major impact on local governments. The single most important state action was a shift of property tax revenue from cities, counties, and special districts to school districts. This move allowed the state to reduce state education aids substantially without causing large cuts in education. Although municipal and county governments were given some new tax revenue, they suffered a substantial net loss of revenue. According

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TABLE 1
Governors' Budget Proposals
for FY 2004 in Five States

State	Proposed Changes in Aid to Local Governments	Proposed Changes in Aid to School Districts
California	-\$2.9 billion	-\$929 million (3.2 %)
Massachusetts	-\$232 million (5%)	No change in aid
New York	No change in general purpose aid	-\$1.24 billion (8.5%)
Minnesota	-\$624 million* (22%)	+\$166/student (2.2%)
Texas	Cannot be determined	-\$2.8 billion* (12%)

*Proposals are for the 2003–05 biennial budget

the early 1990s, the last time a substantial number of states faced large deficits.

Lessons from the Early 1990s

The 1990s started with a relatively mild recession that lasted from July 1990 to March 1991. Although the effects of the current economic slowdown have been felt in all parts of the country, the recession of the early 1990s was most severe on the two coasts.

In fiscal year 1990, intergovernmental expenditures totaled 30.6 percent of total state government expenditures. This percentage declined to a level of 28.8 percent in fiscal year 1993.

Social Policy and Governance Abroad: An Examination of the European Employment Strategy

by James S. Mosher and David M. Trubek

The research and a working draft of this paper was presented at a Policy Analysis Working Session at the La Follette School of Public Affairs in 2002. A full version of this study, including scholarly apparatus, was published in the Journal of Common Market Studies (Blackwell) in March 2003 (Vol. 41, no. 1). James Mosher was Jean Monnet Fellow at the European University Institute in Florence, Italy, from January to July 2001. He is Assistant Professor of Political Science at Ohio University. David Trubek was a visiting scholar at the European University Institute's Robert Schuman Centre in 2001. Professor Trubek is Voss-Bascom Professor of Law and Director of the Center for World Affairs and the Global Economy at the UW-Madison.

Actions by the European Union (EU) in the last ten years, especially in social policy and industrial relations, reveal an increased use of alternative approaches to governance, approaches that are more accepting of diversity and that encourage semi-voluntary forms of coordination. The move from top-down, uniform rules to more flexible and participatory approaches can best be seen in areas like the European Employment Strategy (EES), which departs radically from traditional regulatory approaches. The EES, also known as the “Luxembourg process,” consists of a framework for recommending, monitoring, and evaluating employment policies for Member States in the European Union.

The EU has endorsed the EES and similar new governance arrangements and dubbed them “the open method of coordination.” They combine broad participation in policymaking, coordination of multiple levels of government, use of information and benchmarking, recognition of the need for diversity, and structured but unsanctioned guidance from the Commission and Council. Because this new type of governance does not rely primarily on top-down command and control-type regulation backed by sanctions, its use has been described by some as a move from “hard law” to “soft law.”

The use of the open method of coordination to deal with social policy in general, and employment in particular, is controversial. Where some see a creative breakthrough that will solve problems heretofore considered intractable, others see another threat to Europe’s generous social policies. Optimists see the EES not only as a methodological breakthrough for the EU, but also an innovation with superior capacity to solve the many social problems Europe faces. Others, however, fear that by moving away from efforts to mandate uniform social and employment standards, the EU might contribute to the gradual erosion of social programs and policies. For the pessimists, the move to soft law is at best a waste of time and at worst a smokescreen behind which the welfare state might be dismantled.

This article examines the EES as an alternative form of governance in the EU. We ask why the EU adopted this novel approach, describe its operation, and assess its impact on national policymaking and its potential impact on the future of European social policy.

Origins: The Crisis in European Social Policy

The European Employment Strategy (EES) emerged from a crisis that came to a head in the mid-1990s. Welfare states were under acute strain, and joblessness had risen dramatically. Defenders of generous social policies in Europe knew that action was needed to preserve a commitment to expansive benefits, relative wage and income equality, and coordinated bargaining by organized interest groups. This three-fold commitment has been described as the “European Social Model.” Reformers recognized that something needed to be done to sustain and diffuse the “European Social Model” but faced two challenges. The first was the number and magnitude of the tasks they faced: existing unemployment strategies were inadequate, and significant changes in social policy would be needed in most member states. The second was the scope of the problem and the limits of existing governance methods: it was one thing to recognize unemployment as a common problem demanding a Europe-wide response; it was another to find an appropriate EU-level mechanism in the face of substantial resistance to “Europeanizing” employment policy.

The number and magnitude of the tasks

By the mid-1990s, many Member States faced high levels of unemployment and/or low levels of employment participation, as well as the need to restructure employment relations and welfare systems to take account of internal changes and external shocks. These challenges coincided with a shift in thinking about progressive social policies as Europeans began to realize that the welfare state itself could contribute in some cases to the unemployment problem and that increasing the employment rate was necessary in many places to sustain generous benefits. Two issues helped force this shift. First, in many countries, efforts to deal with unemployment by expanding income maintenance programs and early retirement had led to relatively low levels of workforce participation, thus weakening the fiscal base for the welfare state. Second, methods used to finance welfare state expansion had made it harder to create low wage jobs and make work pay. Flat rate social charges to pay for gener-

ous benefits deterred low-skill employment, and the interaction of benefit and tax systems created employment and poverty traps.

Policymakers began to move away from an exclusive focus on keeping unemployment rates low and started paying more attention to increasing the percentage of eligible workers actually employed. This drew attention to the low employment rates in many continental Member States where low labor force participation was part of a social equilibrium that kept unemployment rates lower, wage equality high, inactivity high, and women at home. However, these low employment rates became increasingly unacceptable as more women desired to work, the welfare without work strategy became discredited, and budget problems developed because of high social expenditures and lowered tax revenues.

Scope of the problem and limits of EU competence and capacity

Faced with tasks of this magnitude and recognizing the Europe-wide nature of the problem, many looked toward the EU as the best place from which to mount an attack on unemployment and a defense of Member State social policies. For some, the solution lay in a strong centralized regime. Throughout the late 1980s and early 1990s, there were efforts to move in this direction. The Delors administration led some of these initiatives in the EU, and showed some very modest successes.

An EU-level solution, however, would not be easy, because the EU lacked the “competence,” or legal authority, for such a daunting task. Member States had always been reluctant to cede even limited competence to the EU for social policy and industrial relations. Moreover, the push for enhanced Europeanization in social policy came simultaneously with a growing anti-Brussels backlash in many countries and substantial resistance to expanding the EU’s authority in all areas.

But competence was not the only barrier. The nature of the problems to be faced, the great diversity of policies and practices within the EU, and the deep embeddedness of social policy in unique national institutions made it impossible to craft policies applicable to all of Europe. Added to that, the problems often cut across traditional governmental boundaries and required cooperation among local, regional, and national authorities. It is hard for national governments to cope with such thorny problems; it would be harder still for the EU, with its limited resources, distance from local government, and circumscribed competence, to tackle such issues on its own.

Emergence of a Strategy in the 1990s

Several interrelated factors contributed to the EES’s passage in 1997. First, by the late 1990s, the already long-standing employment crisis had worsened, and critics began to argue more forcefully that there was a link between European economic integration and layoffs. Second, deft lobbying and maneuvering by the Commission subtly put pressure on Member States to use the EU to respond to the crisis. Third, under German pressure, the Member States agreed to sign the Stability and Growth Pact, which required Member States to reduce their deficits to less than 3 percent of their GDP. Some leaders believed that this move could further alienate the public from the EU unless counterbalanced by action on the jobs front. This dovetailed with the need to respond to increasing criticism that the EU was not relevant to ordinary citizens. Finally, by the time of the Amsterdam conference, where the EES was passed, three new Member States more favorable to EU action on employment (Sweden, Austria, and Finland) had joined the EU, and center-left governments had come to power in several of the major Member States (Italy, the UK, and France). The new French Socialist Prime Minister, Lionel Jospin, was particularly vocal in demanding that the EU focus on employment creation to counterbalance the effects of the Economic and Monetary Union (EMU).

Yet while all these forces were moving the EU toward some action, many Member States continued to remain reluctant to transfer real policymaking competence to the EU level. Facing a political impasse, the Member States forged a careful political compromise. The solution was to adapt the multilateral surveillance process developed for the EMU to employment policymaking. This process was set up to monitor member state economic policies and ensure economic convergence in the run-up to monetary union. Member states were required to submit national plans for convergence. The Commission and the other Member States vetted these plans. Peer review and recommendations for corrective action provided an additional push to Member States to pursue the difficult and politically controversial policies that would be necessary.

By the time of the Amsterdam summit, this system was a proven success and offered a model that could be adapted to deal with employment policy. The EU had already begun to play a modest role in coordinating employment policy in the Essen process beginning in December 1994. At that time, the European Council recognized that macroeconomic policies and economic growth were insufficient to combat the EU’s unemployment problems. By using some of the methods devel-

Where some see a creative breakthrough that will solve problems heretofore considered intractable, others see another threat to Europe’s generous social policies.

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Board of Visitors Established for La Follette School of Public Affairs and the Department of Political Science

An impressive group of supporters of the Robert M. La Follette School of Public Affairs and the Department of Political Science has been formed. They constitute the Governance and Public Policy Advisory Board of Visitors. Twenty-four men and women with strong ties to UW-Madison volunteer their time and resources to support continued excellence for both programs. They met for the first time in March 2001 and continue to meet twice yearly in the spring and fall.

Finding new sources of support for departments and schools within the university is necessary as state funding erodes. The College of Letters and Science alone (of which La Follette and Political Science are part) has twelve boards of visitors, most of which were formed in the last decade. These boards assist in development efforts, serve as advocacy groups in the outside world, establish networks for students and faculty, and provide a sounding board for academic proposals.

The Governance and Public Policy Board of Visitors is divided into three committees. The Student Committee met informally with students during the last meeting to talk about the process of networking to help graduates find jobs, and committee members are now creating a comprehensive list of internship opportunities. They will continue to meet separately with groups of La Follette and political science students to foster the interests of each department.

The Committee on Support for Teaching and Research has opened a University of Wisconsin Foundation door that may provide funding for a department of political science proposal on establishing a Wisconsin Center for American Governance. The committee's opinion has also been sought on the level of public interest in possible new projects for the La Follette School, such as open source environmental programs, the new progressivism, emerging interdisciplinary studies, public health, and the tie-in of local and state agencies on homeland security with the federal agency.

The Development Committee is concentrating its efforts on working with the UW Foundation to host house parties or other small social gatherings in various locations. These occasions give potential La Follette and Political Science donors an opportunity to learn more about faculty members and their research.

In addition to committee work, the board members support fund-raising for small gifts through means such as direct mail. Small gifts are aggregated into a general fund that has been used, for example, to send students to conferences or to pay for their research expenses. We know that *Policy Report* readers support the teaching, research and outreach missions of the La Follette School and the Department of Political Science. We invite you to contribute using the form below. We are grateful for your support.



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to an analysis conducted in the mid-1990s, because Proposition 13 prevents property tax rate increases, these revenue losses resulted in widespread cuts in public services. The shifts in property tax revenues to school districts allowed school districts to avoid nominal cuts in spending per pupil. Between 1990 and 1994, however, education spending in constant dollars fell by over 10 percent.

Massachusetts was also hard hit by the recession in the early 1990s, but in its case, the economic and fiscal problems began a couple of years earlier than in California. By 1988 the Massachusetts economy was beginning to slow down. William Weld was elected governor in 1990 after a campaign in which he promised to downsize state government. It is thus not surprising that he responded to the continuing budgetary shortfalls with large cuts in state spending. State funding for elementary and secondary education and for fiscal assistance to general-purpose local governments dropped dramatically. Between fiscal years 1988 and 1994, education aid fell by 15.8 percent and general purpose local government aid by 20.3 percent. During this period, total aid fell from 24.6 percent to 15.2 percent of state government spending. Although local governments responded with increases in property taxes and user fees, reports indicate that public services suffered, especially public education.

Prospects for Fiscal Year 2004

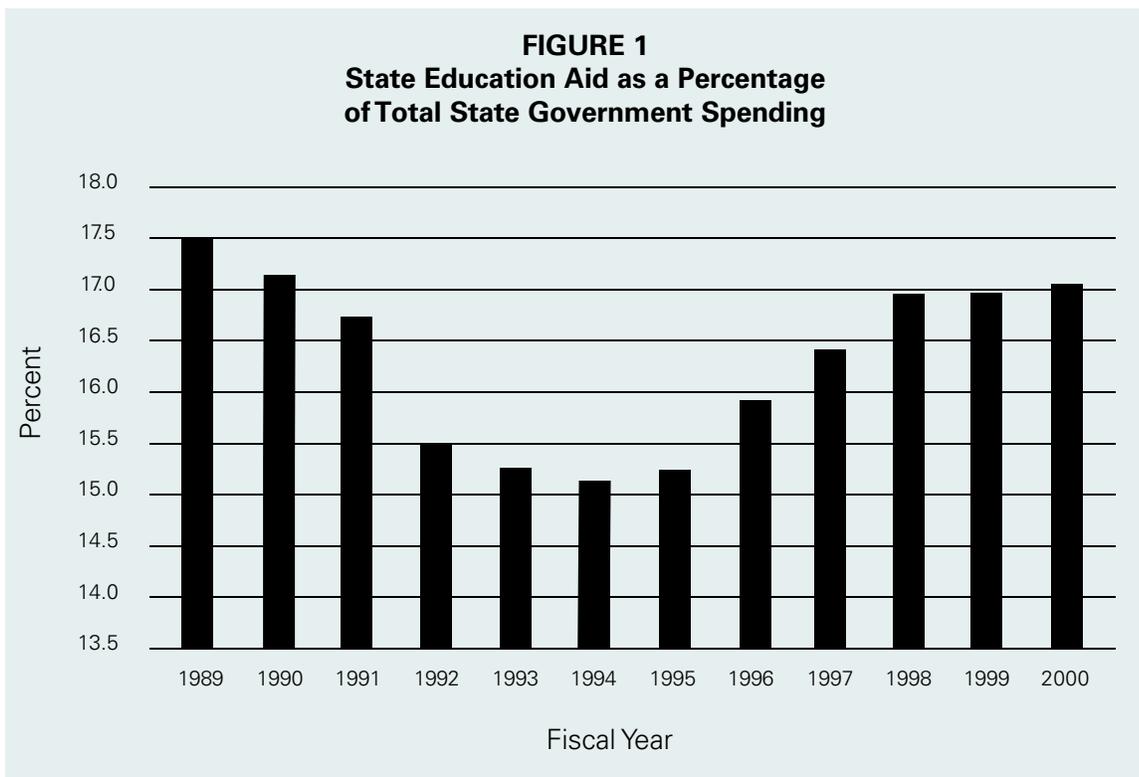
Fiscal history of both California and Massachusetts suggests that in states with large budget shortfalls, municipal and county governments and school districts face a substantial risk of large reductions in state funding. Reductions in local government assistance may be relatively greater over the next couple of years than they were, on average, in the early 1990s. This is true for three reasons.

First, the budget gaps faced by most state governments are substantially larger now than they were in the

early 1990s, so the impacts on local governments will be greater. Second, it appears that many state governments are much less willing to use tax increases as a means of closing budget gaps than they were during the early 1990s. In 1991 state governments enacted tax increases equal to 3.5 percent of tax collections. This was followed by legislated tax increases of 4.8 percent in 1992 and 0.4 percent in 1993.

During the economic boom that occurred in the second half of the 1990s, state governments consistently collected more revenue than they expected. In many states, legislatures responded to these revenue windfalls by enacting large tax cuts. This pattern of revenue reductions was reversed in 2002, when in response to growing budget deficits a number of state governments enacted tax changes that increased revenues.

FIGURE 1
State Education Aid as a Percentage of Total State Government Spending



Surveys conducted by the Rockefeller Institute of Government at the State University of New York in Albany indicate that during the first three quarters of 2002, legislative changes resulted in an increase of tax revenue of \$4.4 billion. Even under the assumption that legislated tax increases during the fourth quarter of 2002 would generate an additional \$4 billion of revenue, total legislative tax increases for 2002 would result in a modest 1.5 percent increase in state tax revenues. Although a number of states are considering tax increases to fill a portion of their fiscal year 2004 budget gaps, a substantial number of other states face strong resistance to using tax increases as part of a solution to their current budgetary problems.

Although predicting the actions of 50 state legislatures is nearly impossible, I believe that it is reasonable

to assume that spending reductions will play a more important role in filling budget gaps over the next year or two than they did in the early 1990s.

Third, reductions in spending on public education are somewhat more likely than they were in the 1990s because, on average, revenue from state governments is a larger share of the total revenue of school districts than it was in 1989, just prior to the 1990–91 recession. In fiscal year 1989, state revenue made up 47.8 percent of the total revenue of school districts. This share fell to 45.2 percent in 1994, but rose to 49.6 percent in 2000, just prior to the current economic slowdown. These averages hide a great deal of variation across states in the relative importance of state aid. It appears that education spending is most at risk in states that face big budget shortfalls and that finance through state government fiscal assistance an above-average share of spending on education.

Unfunded Mandates

Although cutting state grants to local governments is the most direct way for state governments to impose part of the solution to their fiscal problems on local governments, an equally effective way for state governments to close their budget gaps is to shift the responsibility for providing some public services to lower-level governments without providing those governments with adequate additional funding to carry out their new responsibilities. Municipal and county governments throughout the country have complained for years about the growth of these unfunded mandates.

In some states (New York, for example), the governor's fiscal year 2004 budget proposal contains explicit mandate relief. In other states, however, budget proposals call for expanding the use of unfunded mandates. In Wisconsin, for example, the governor's budget would shift responsibility for assessing manufacturing property from the state's Department of Revenue to local municipal assessors; and a legislative task force proposes the elimination of the state police with their functions to be filled by county sheriffs. In neither case would the local governments be provided with additional funds. In fact, the budget proposal calls for a cut in state aid to municipal and county governments.

In what is undoubtedly the nation's largest proposed shift in responsibilities, California Governor Davis's proposed budget calls for counties to take over a large set of services related to mental health, substance abuse, child welfare, foster care, long-term care, health care, and security for trial courts—services on which the state is currently spending \$8.3 billion. To finance

these new responsibilities, the governor has proposed raising sales tax, individual income tax, and cigarette excise tax rates. Although these proposed revenue increases should be adequate to fund the shifted functions during the next fiscal year, it is unclear whether they will generate sufficient revenues in future years for county governments to meet the costs of their new responsibilities.

Implicit Cost Shifting to Local Governments

In attempting to balance their budgets, many states are cutting or planning to cut spending in a wide range of state programs for the poor and needy. California, for example, is considering cuts in subsidized child care and in housing programs, restricting Medicaid eligibility, reducing welfare benefits, and eliminating a wide range of services currently provided by Medicaid, including optometry and dental services.

Although municipal governments play no formal role in the funding of these programs, reductions at the federal and state level may have direct fiscal implications for local governments, especially in cities with heavy concentrations of poor families. Local governments have always played the role of service provider of last resort. Reductions in state-funded human services not only create hardships for individuals, but often have direct and indirect fiscal implications for the communities in which the individuals live. Thus, cuts in state spending may well result in an implicit shifting of costs from the state to local governments.

This cost shifting might be quite direct. For example, if a reduction in state Medicaid funding leads to an increase in the number of uninsured families, some of the newly uninsured will probably seek care at city health clinics or in

emergency rooms of public hospitals. Also, reductions in state-funded housing programs or cuts in welfare benefits may directly increase the demand for places in city-run homeless shelters.

Reduced funding for state-financed social programs can also have indirect fiscal impacts on local governments. For example, several econometric analyses have shown that concentrated poverty is associated with higher costs of achieving any given level of public safety. Not only is the incidence of crime higher in areas of concentrated poverty, but community attributes associated with poverty, such as high density and poor housing conditions, increase the amount of resources required to provide public safety in these neighborhoods. Increased poverty caused by high unemployment and exacerbated by cuts in cash and in-kind assistance are likely to increase the amount of money city governments will need to maintain current levels of public services.

The impact of state cuts in fiscal assistance on the ability of local governments and schools to deliver public services depends to a significant degree on exactly how states choose to implement their aid reductions.

How Will Local Governments Respond?

Although state governments rely heavily on the individual and corporate income tax and the sales tax, local governments rely primarily on the property tax—a tax whose revenue is much less likely to decline during recessions, particularly this one. Per capita state tax revenue (after adjusting for inflation and legislated changes) has declined by more than 8 percent since early 2001, but property tax revenue has continued to grow throughout this period. Census data show that property tax collections nationwide for the quarter ending September 2002 are 9.6 percent higher than in the previous year.

The increases in property tax collections are due in part to rapid increases in property values in many parts of the country. In general, the ability of local governments to benefit from extra property tax revenues without raising property tax rates will make it easier for some governments to compensate for the loss of state government fiscal assistance. That being said, some states limit the revenue flowing from increases in property values. For example, in California, Proposition 13 limits annual increases in the assessed value of property to 2 percent unless properties are sold. And Proposition 2½ in Massachusetts limits annual increases in property tax levies to 2½ percent per year.

Although many local governments, especially school districts, get nearly all their tax revenue from the property tax, it is important to emphasize that in some states, local governments also rely on income and sales taxes. For these governments, cyclical reductions in local tax revenue will exacerbate the fiscal problems caused by cuts in state aid. New York City, for example, is facing an enormous budget deficit in part because it relies quite heavily on revenue from both a city income and a city sales tax.

Drawing general conclusions about how local governments will respond to cuts in state aid is hard. Some studies suggest that state and local governments act symmetrically to increases and decreases in grants. This implies that cuts in aid will result in declines in spending. Other studies, however, suggest that state and local governments respond to cuts in grants by raising taxes sufficiently to make up for most of the lost grant funding. It is also not clear to what extent empirical results about responses to cuts in federal grants will hold for cuts in state grants.

In some local jurisdictions, constitutions or legislation limit the extent to which local governments can increase local revenues to make up for losses in state aid. In those cases, cuts in spending will be the only alternative. It is at least possible that some state legislatures will

take actions to enforce cuts in local spending. For example, in Wisconsin, some members of the legislature are discussing the possibility of linking cuts in state aid to policies that will prevent property tax increases, thereby forcing local governments to cut spending.

In many states, school districts are finding themselves in a particularly difficult position. The new federal education law, the No Child Left Behind Act of 2001, mandates annual testing of all students in grades three through eight and requires that schools make annual progress toward student performance goals. The legislation rewards schools that succeed in meeting state-imposed achievement goals and sanctions schools

Reductions in state-funded human services not only create hardships for individuals, but often have direct and indirect fiscal implications for the communities in which they live.

that fail. A growing body of research suggests that in order to meet these new performance standards, school districts will need to increase spending, especially in

schools with heavy concentrations of disadvantaged children.

The loss of state aid will put great pressure on school districts to raise property taxes in an attempt to maintain or increase current levels of per-pupil spending and meet the new federal performance standards. In states where reductions in state funding for education are combined with limitations on local school districts' ability to make up for lost revenues, one can expect to see a significant rise in the number of "failing" schools and students receiving inadequate educations.

The impact of state cuts in fiscal assistance on the ability of local governments and schools to deliver public services depends to a significant degree on exactly how states choose to implement their aid reductions. States generally distribute fiscal assistance to local governments in an equalizing manner. This implies that grants per capita or per student are larger in local jurisdictions in weaker fiscal condition, which in most states means jurisdictions with smaller property tax bases. As a result, financial assistance from the state covers a larger portion of local spending in some jurisdictions than in others.

If a state government chooses to reduce aid by an equal percentage amount in each local jurisdiction, the result will be very large reductions of aid relative to local spending in the municipalities or school districts in the weakest fiscal conditions. Equal per capita or per student reductions, although they may result in the complete elimination of state aid to some rich communities, would have a much less deleterious impact on the ability of local governments to continue to provide public services. While aid reductions targeted to the local governments and school districts in the strongest fiscal conditions would do the most to protect local public service provision, implementing this type of targeted aid reduction is politically extremely difficult. ■

oped for EMU to shape employment policy at EU level, it seemed possible to accommodate pressures for increased action at the EU level with contradictory pressure against expanding EU competence. The result was the Employment Chapter of the Amsterdam Treaty that formally created the EES.

EU leaders did not wait for ratification of the Amsterdam Treaty to implement the Employment Chapter. In November 1997, the European Council, meeting in Luxembourg and acting by consensus, launched the process envisioned by the Employment Chapter.

In Luxembourg, a heated debate ensued on the scope of the guidelines. The Commission proposed a set of guidelines that was more comprehensive and detailed than most Member States were willing to accept. The Council used its power to reject or modify many elements in the guidelines. In the end, the European Council approved nineteen guidelines organized into four pillars: *Employability*—policies to make unemployment systems more active and increase the skills of workers; *Entrepreneurship and Job Creation*—policies to encourage new, smaller, and more innovative businesses and make tax systems more employment friendly; *Adaptability*—policies to increase the flexibility of workers and work organization arrangements; and *Equal Opportunity*—policies to promote gender equality. Each pillar contained three to seven guidelines. More recently, *Horizontal Objectives* have been added to promote a coherent overall strategy.

An Iterative Multi-level, Multi-actor process

The implementation of the EES involves several steps. In discussions with the Council of Ministers, Member States, the relevant social actors (such as unions and employer organizations), and academics, the Commission develops general ideas about the best employment strategy for EU Member States to pursue. These are detailed in annual guidelines proposed by the Commission and modified and approved by the Council of Ministers. Each year Member States draw up National Action Plans with their responses to the guidelines and progress made. Then the Commission and Council review Member State actions, make recommendations, and plan for a new set of guidelines. An Employment Committee, consisting of two members appointed by each Member State and two by the Commission, contributes comments on the guidelines, the Joint Employment Report, and the recommendations. The Employment Committee also monitors Member State progress.

The EES is considered “soft law” because there are no “hard” sanctions to ensure adherence. Compliance rests on the assurances made by the Member States that

they will follow the guidelines. Following the guidelines is made possible by the ability of Member States to oversee each other’s activities jointly and reciprocally; by using “naming and shaming” mechanisms, if necessary; by the iterative nature of the process, which allows updates and adjustments; and by the capacity of the compliance process to shape the discourse of debate. In theory, the process can shape the discourse by defining the nature of the debate, providing a focal point for views to converge on, shaping the factual knowledge base used in the debate, and managing how information is disseminated.

Some think that the “softness” of the mechanism makes it more likely that Member States will make commitments to the strategy and submit to EU-level coordination in these sensitive policy areas. Also, some observers suggest that soft law is a superior

way to coordinate diverse domestic systems that cannot be steered with overly rigid instruments.

The process, if fully implemented, would have several positive aspects. Because it is iterative and conducted annually, progress can be closely monitored, new ideas introduced, and goals gradually ratcheted up. It should engage many levels of government and involve both public and private sector participants. Many levels and units of government should cooperate to produce the National Action Plans, and the social partners (e.g., employers and unions) should have opportunities to participate. The annual review process involves discussion between Member State and Commission officials and creates contacts among officials and social partners from different Member States, thus fostering a transnational policy network.

A Partial Strategy and a Political Compromise

The EES does not cover all policies that affect employment. Important areas such as monetary, fiscal, and wage policy that critically affect growth and job creation in the EU are outside the scope of the process. Nonetheless, the strategy does touch on a much larger number of areas than ever has been addressed at the EU level through traditional social policy regulation. It could be said that the EES gives up the legal force of traditional regulations in order to allow the EU to deal with some core areas of social policy that were hitherto solely reserved to the Member States.

The goal of the strategy is to maintain generous European welfare states by reforming them. The Commission wrote in the preparatory documents for the extraordinary Luxembourg Employment Summit that “meeting the challenge of insufficient growth and intolerable unemployment requires a profound modernization of Europe’s economy and its social system for the 21st century without giving away the basic principles of solidarity which should remain the trademark of Europe” (emphasis added).

The overall goal of the strategy is to maintain generous European welfare states by reforming them.

To do that, the guidelines seek to accomplish the following:

- **Higher Employment Participation.** Because of the aging of its population and the threat to pension systems, Europe needs to have a higher proportion of its working-age population employed.
- **More Active Unemployment Systems.** Passive unemployment systems allow skills to deteriorate, fail to encourage workers to seek work actively, and don't supply the skills the workers need to find work.
- **More Skills.** The increase in technological change means that workers need more skills at the outset and need to be able to develop new skills throughout life.
- **More Employment-Intensive Growth.** Europe lags behind in the provision of services, which provide employment-intensive growth.
- **Fewer Obstacles to Low-skill Work.** Tax systems, especially high, flat-rate social charges discourage low-skill workers from working and impede the hiring of low-skill workers.
- **Flexibility with Security.** The model of a male worker working full time on a normal work week for one company his entire life must be replaced by a model that allows companies more flexibility in terms of working time, envisions greater heterogeneity in the types of workers (men, women, full-time, part-time), and supports workers who will shift companies and careers much more often. This new flexibility must be fostered while using new mechanisms to provide security to workers.
- **Smaller Companies and Entrepreneurship.** The most dynamic areas of the economy are small and medium-sized enterprises, and innovation will be driven by entrepreneurial companies.
- **Gender Equality.** In order to increase employment participation by women and provide equal opportunity, the disadvantages that women face in the labor market must be addressed.

In addition to the individual strategy elements contained in specific guidelines, the more recent "horizontal objectives" specify a set of overarching goals that include: (1) specific overall employment rate targets and separate ones for women and older workers in 2005 and 2010; (2) promotion of quality of work; (3) promotion of lifelong learning; (4) further incorporation of the social partners into the process; (5) translation of the guide-

lines into action by the Member States in a balanced and integrated manner; and (6) development of better common indicators to gauge progress.

The Impact of the EES on Member State Policy

Although the EES is an EU-level policy, its goal is to reduce unemployment by affecting policies and programs at the national level. To assess its effectiveness, one must ask two questions: (1) Has the EES played a role in changing national policies? and (2) Have the changed policies reduced unemployment and raised the employment rate? Neither question is easy to answer. Where changes in policy can be found, multiple factors are always at work, including domestic forces and other external influences. And tracing the effect of any policy on macro-variables like employment and unemployment is a tricky business.

Data to answer these questions is hard to come by, but an important resource for evaluating the EES's impact is the five-year review of the EES process completed in 2002 that includes "national impact evaluation studies" carried out by the Member States and an "aggregate assessment of labor market performance at EU level" written by the Commission.

Although the Commission report was generally encouraging, it included some reservations. What is clear, however, is that the impact of the EES on Member State policy choice varies significantly across countries. Some countries made few changes either because that was all that was required based on their advanced starting point or because many of the changes required were deemed inappropriate in their context. Other countries made many more changes. The extent of impact also varies significantly across policy areas covered by the guidelines. We see much more change under the guidelines that require a shift to a preventative unemployment policy and an increase in the use of active unemployment policies than we do in those that call for taxation systems to be more employment-friendly. The explanation lies both in the structure of the guidelines and the politics of policy change.

The guidelines on preventative employment policies and activation are specific, they include quantitative indicators, and there is less political opposition to these reforms. On the other hand, the tax reform guidelines are much more general, and it is easier to make it appear as if some change has occurred even if it is not motivated by the EES. Mandates for tax changes by the EU often generate sharp political resistance by Member States. A general conclusion is that an uneven impact on Member State policymaking across countries and policy areas seems to be a key characteristic of the EES process.

The most difficult question of all is whether, to the extent the EES is followed, it has helped lower the unemployment rate and increase levels of employment par-

icipation. The Commission's five-year review suggests that progress has been made, noting that economic growth in the EU has been far more employment-intensive in the 1990s than it was in the 1970s and 1980s. But these effects cannot yet be directly traced to the EES. In addition, there is controversy about the direct impact of specific aspects of the strategy, such as its emphasis on activation (e.g., retraining), which may turn out to be less effective than proponents had hoped.

Does the EES Promote Policy Learning?

One of the strongest claims made for the EES, in contrast to more traditional forms of governance, is that it will promote policy learning. If the EES were a better way to generate new ideas for how to deal with the employment problem and diffuse those ideas from one part of Europe to another, it would clearly be an important addition to the EU's tool kit. Governance systems that promote learning can be preferable to traditional regulatory approaches, especially if the EES's soft law approach facilitates learning that might not otherwise occur. Policy learning would constitute a strong argument both for continuing this system and for employing its methods in other policy domains.

The EES contains many features that could promote policy learning, including mechanisms that challenge existing understandings; bring together people with diverse viewpoints in settings that require sustained deliberation about problem-solving; facilitate erosion of boundaries between both policy domains and stakeholders; reconfigure policy networks; encourage decentralized experimentation; produce information on innovation; require sharing of good practice and experimental results; encourage actors to compare results with those of the best performers in any area; and oblige actors collectively to redefine objectives and policies.

The EES contains all these elements to one degree or another. The guidelines and the underlying strategy they reflect do, to varying degrees, challenge national policies in many countries and thus should destabilize prior understandings. Moreover, the EES process is iterative, and iteration fosters deliberation. The guidelines can be and are changed from time to time so that new information and ideas can be incorporated. Because changes in the guidelines involve discussions with Member States and Social Partners, it sets in motion deliberations that may themselves bring forth new ideas and information.

The existence of such learning-promoting mechanisms suggests that the EES has real potential. But the learning will not occur unless these mechanisms are used and used effectively. A preliminary glance suggests that the EES has yet to realize the full potential of the learning mechanisms it has embraced.

A second way to measure learning is to observe changes in policy over time and see if these changes can be attributed to new understandings brought about by learning-promoting mechanisms. Comprehensive information, however, about learning induced by the EES at these levels is not available. The Commission did not make an examination of EES-promoted learning an explicit part of the five-year national evaluation studies—a clear sign that Commission does not always place learning at the center of its thinking about the EES even if this may be its most important feature.

It seems clear that the EES includes significant learning-promoting mechanisms; these mechanisms are working to some degree, and the learning that results is affecting policy development at the EU level and at least to a modest degree at the national level. But there are obstacles to the EES developing into an effective learning instrument. The number of domestic policymakers involved in the EES process is limited in many Member States. Some Member States treat the National Action Plans as a bureaucratic reporting task, not an opportunity for policy reflection. The process does produce a large amount of information allowing for cross-national comparison, but it is not clear how often this information is being used.

Although a modest level of policy learning has occurred so far, it may be that the EES is only now reaching the stage of "learning take-off." For instance, the national evaluation studies and the EU-level transversal studies that were completed in 2002 represent a discussion about a diverse set of options and conclusions about both the structure of the process and the contents of the strategy. This might lead to important future policy learning and policy change, especially if the Commission were to pay more attention to this aspect of the EES.

Conclusion

The establishment of the European Employment Strategy with its novel governance arrangements may represent the beginning of a substantial shift in both European social policymaking and in EU governance. It has been touted as a "third way" in EU governance to be used when harmonization is unworkable but mutual recognition and the resulting regulatory competition may have unwelcome consequences. At the 2000 Lisbon Summit the European Council recognized the EES as an important governance innovation and indicated that in the future similar open methods of coordination would be used in several domains of social policy and other areas as well. The EU's new "White Paper on Governance" recognizes the importance of the open method, albeit with some reservations.

EES was chosen as a pragmatic accommodation to limited competence, regulatory impasse, and a lack of workable uniform solutions.

While the open method of coordination remains controversial and is still not fully understood, it seems clear that the EU will continue to employ this tool for the governance of social policy. Our study of the EES, which is the oldest and most developed of the open methods of coordination now in operation, suggests that it has potential in certain areas of policymaking but that its potential has not yet been fully realized. Further work is needed to determine the conditions most appropriate for open coordination, the reforms needed to make the method most effective, and the relative importance of such “soft” methods and more traditional, “harder” forms of EU-level regulation.

Open coordination is an appropriate tool to use in situations when common problems exist across Europe but conditions make uniform policies impossible and there is great uncertainty concerning the best way to deal with problems. In such situations, a system that engages multiple levels, promotes dialogue, cuts across traditional boundaries, and fosters local experimentation could produce better results than directives or other binding and more or less uniform solutions. We have seen that the EES has some of these features. But for the EES to perform fully in this way, it will be necessary to improve its learning-producing capacities, increase effective participation, and ensure more real buy-in by all Member States.

A final question is the relationship between soft law processes like EES and any future “hard law” initiatives

in social policy at the EU level. Some believe that to preserve the European Social Model it is necessary to have specific standards for social protection enshrined in EU law. Others think that it would be better to create broad but mandatory principles at EU level but give the Member States discretion in how they satisfy these principles. In the first case the open method of coordination would seem a doubtful route to take; in the second it would have to be combined with hard law mechanisms like framework directives or even enforceable social rights. Either way, it would be important to delimit the scope of soft law mechanisms so they do not preclude hard legislation when that is needed.

To assess this set of issues, one would need a more robust theory of this relationship than we have today. The EES was not adopted after a careful study of all alternative paths; it was chosen as a pragmatic accommodation to limited competence, regulatory impasse, and a lack of workable uniform solutions. While we understand the concerns of those who fear that “soft” law might drive out hard law, our study suggests that the process may have positive features that could make it a superior approach in many cases. Therefore, until we develop a more comprehensive theory of governance that embraces both hard and soft options, see if the flaws in the EES process can be ironed out, know more about the nature of the employment problem, and better understand the effects of the EES, it would be premature to draw bright lines around this promising experiment. ■

DIRECTOR'S PERSPECTIVE *continued from page 1*

advances in nuclear physics would lead to nuclear weapons. The depth of feelings in the modern debate hearkens back to the debate over Galileo's research.

Will schools of public policy be the place where the great questions of science policy are engaged in the twenty-first century? If not in public policy schools, then where?

Public policy schools have emerged as a first responder to government's quest for immediate answers to real world problems that underlie issues of governance and budgets. Traditional academic disciplines ignore the immediacy of many of these issues.

La Follette's faculty recognize that science policy is an area that demands scrutiny from the perspective of the policy discipline. Policy analysis starts with a problem and finds a solution by working back to its roots. The principles of public policy analysis ultimately rest on a society's culture. All of the links between the culture and government budgets are on the public policy analyst's plate.

La Follette is prepared to grow in the field of science policy. The outstanding strength of the Madison campus in biology, and in stem cells in particular, gives us a competitive advantage in the field of science policy. We have recently hired a junior faculty member who will work here on issues of science. We are prepared to hire more.

Donald A. Nichols

A Note from the Editor

With this, my valedictory issue as editor and publisher, I want to say thank you—to the faculty, staff, and students with whom I have spent many, many hours in the past twenty years, and to you, our readers. Your feedback has been gratifying.

Never having wanted to be a specialist, I have appreciated being able to work in the many and diverse policy areas that we cover—and to know a little bit about a lot of things. In retirement, I will miss the daily hallway discussions on such topics as education finance, environmental regulation in Great Britain, or school choice. I will also miss the daily editorial challenges—how to handle “Web site,” when to allow “whom” to fall from use, and which new words to embrace—or at least allow (take “de-amalgamate,” for example). Miss Thistlebottoms I'm not; our language is dynamic.

I'm grateful for having been your editor and publisher. Other activities and adventures now beckon, so I'm looking forward rather than back. I have every hope that as the next generation administers and analyzes public policies, they will communicate their findings and recommendations clearly and persuasively both within and outside of the world of government.

It has been a great run. Thanks.

—ajh

Miller continued from page 4

War, military officials represented these weapons as able to carry destruction to specified targets while minimizing, if not eliminating entirely, collateral damage. They argued that such weapons allowed minimal explosives to be used because the weapon could go exactly where military units intended. These are victimless weapons, reporters were told. Only targets are killed or destroyed, not bystanders.

The problem with such rhetoric, of course, has become all too appallingly clear. Penetrating questions have been raised about the U.S. cruise missile attack on a pharmaceutical plant in Somalia, about an attack on what turned out to be the Chinese embassy in Yugoslavia, and about the destruction of local villages in Afghanistan. “Smart bombs” turn out to be only as accurate as military intelligence. With them, military forces may be able to hit any spot on earth incredibly accurately, but knowing whether or not a given spot is the right spot to target is no easy task. Users of the technology face not only uncertainty in available data and information—but also the very real possibility of deliberate misinformation. “Accidents” happen, bystanders are told, but without accountability it becomes impossible to investigate their circumstances, causes, and, perhaps, remedies.

Here, then, we see why recent debates over the status of UN peacekeepers in the international criminal court have touched off so much controversy. As U.S. practices and discourses have globalized warfare, it has become less easy to assert the old rule of warfare, that the winner makes the rules. As military deployments become less like war between nations, they become more like the actions of police. Just as societies have rules governing police behavior, demand is growing for rules governing military units acting like police officers—pursuing criminals within society rather than fighting among societies.

I was initially skeptical of Bush’s continued use of the rhetoric of “war.” How long could he continue to maintain the façade of war in what looked increasingly like a policing job? It took far too long for me to apply the metaphor of a “war on cancer” instead of a nation-against-nation war. Even so, the metaphor of a war on terrorism demands a continued eliding of the differences between the two kinds of warfare, to justify the death and destruction brought on by technological systems. After all, in a war on cancer, cancer cells die, but innocent bystanders aren’t supposed to.

Identity and community

In his classic study of nationalism, *Imagined Communities*, Benedict Anderson postulates the existence of

a deep tie between technologies of communication and notions of political community and identity. Anderson points to the daily practice of newspaper reading as a central feature of the welding of nascent national identity. As a literary form, the newspaper is, he argues, an “extreme form” of the novel, a “one-day bestseller,” in which readers imagine relations among the events described, in terms of their occurrence on the same day in a steadily marching progress of secular time. Anderson says:

What connects [these events] together? Not sheer caprice. Yet obviously most of them happen independently, without the actors being aware of each other or of what the others are up to. ... The date at the top of the newspaper, the single most important emblem on it, provides the essential connection—the steady onward clocking of homogenous, empty time. Within that time, “the world” ambles sturdily ahead. The sign for this: if Mali disappears from the pages of the *New York Times* after two days of famine reportage, for months on end, readers do not for a moment imagine that Mali has disappeared or that famine has wiped out all its citizens. The novelistic format of the newspaper assures them that somewhere out there the “character” Mali moves along quietly, awaiting its next reappearance in the plot.

The daily ritual of reading the newspaper allows readers to imagine themselves as part of a community of readers, in part as they see others reading and talking about the same events, and in part through the content

and form of the stories themselves. At the same time, the bounds of community are created in part through the technology of language—stories are printed in fixed languages—and in part through the technology of distribution—newspapers have limited territories of distribution. In Anderson’s account, we can see, therefore, how the

varying components of the newspaper technology—printing and transport, literary form, language—intersect with readers to help shape the emergent imagined community of the nation.

In the latter half of the twentieth century, the technology of radio and then television news, again delimited by language, literary form, and distribution, all but displaced the newspaper as the primary instrument of nationalist identities, at least in the West. Franklin D. Roosevelt’s “fireside chats” during World War II and Walter Cronkite’s reporting of events like Vietnam, the Apollo space program, and Watergate came to define America and its relation to the rest of the world for most Americans, although newspapers like the *New York*

“Smart bombs” turn out to be only as accurate as military intelligence. With them, military forces may be able to hit any spot on earth incredibly accurately, but knowing whether or not a given spot is the right spot to target is no easy task.

Times and the *Washington Post* also remained important.

As we shift today to thinking about nascent global communication technologies used by CNN, the BBC, and the Internet, however, we begin to see important differences from the social dynamics of these earlier technologies. One way to think about these differences is to introduce notions of public and private communication. I was struck, for example, when visiting Boston in October 2001, at the difference between the public and private responses to the trouncing of the New York Yankees by the Arizona Diamondbacks in the World Series. TV sports anchors covering the story remained bound by the ongoing aftermath of September 11. They expressed sympathy for the residents of New

York and spoke of how symbolically appropriate it would have been for the Yankees to win the series. In the bars and taxicabs of East Boston, however, the sobering effects of the terrorist attacks had begun to wane, and many Beantown residents expressed muted delight that the hated Yankees had finally been beaten.

How does this distinction between public and private communication work with our global media? The Internet is a form of private communication. Although those of us who increasingly live on it experience a common ritualistic framework of logging in, reading our e-mail, and surfing the Web, the content we read differs markedly from individual to individual. Obviously, the Internet provides a sometimes invaluable tool for finding out information about events in far-off places, but that information remains private, either to a few individuals or to small, self-defined communities. As a medium for generating publicly shared understandings of world events among large populations, however, the Internet cannot substitute for other forms of communication.

By contrast, CNN and the BBC offer avenues of public communication similar to the newspapers and evening news of earlier eras. Yet, in the wake of September 11, I was disturbed by the limitations of these technologies in an era of globalization. Late one afternoon that September, I had the TV on in the background while I did some work. The networks had all returned to 24-hour news coverage in response to the invasion of Afghanistan, but the media blackout meant that little news was actually available. I was surprised when, in the middle of the afternoon, ABC played a 10-minute speech by Tony Blair to the British House of Commons, and soon after, a 20-minute segment from a tape broadcast by Osama bin Laden.

I could not recall ever having seen extended coverage of a speech by a foreign public figure to foreign audiences on American television, and here it had happened twice in one afternoon. Indeed, the only lengthy political

speeches usually carried on American TV are presidential addresses, typically once a year for the State of the Union address, and an occasional presidential debate during an election campaign. This was, I realized, part of what held American identity in place, but it was also extremely limiting. American television news, which is the only source of news for the vast majority of Americans, offers little or no opportunity for hearing people in other countries talk about how they view the world. How do other inhabitants of the planet frame important problems? What do they care about? How do they interpret

events happening in the world? None of this gets more than a few sound bites here or there, at best. Indeed, even if the leader of another country wanted to communicate with the American people, it is hard to imagine how he or she

would accomplish it. There is, of course, nothing inherent in the technology that prevents such communication. It's all in people's choices. How long can a global world afford to go on tolerating the choices currently being made?

Conclusion

The faith in technology that undergirds modernity is built on a fairly simple premise: that tomorrow will be better than today. People want to know that changes will leave them better, not worse off. At loose in the world today are the seeds of fear that tomorrow's technologies will be instruments of oppression and destruction rather than of freedom and prosperity. And that fear constitutes a formidable threat to the security and well-being of all the earth's inhabitants.

What can we do to calm these fears and to reduce this threat to our security and well-being? I believe we must begin to ask harder questions about the technological forms of life we live. Advances in technology are part of a creative process of social construction and change that should prompt skeptical inquiry. How do new technologies, and the new behaviors they enable, relate to existing values and institutions? Can existing regulatory frameworks accommodate technological innovation? Does such change demand rethinking basic assumptions about how society does and should work?

In asking such questions, we must go well beyond current debates that focus on a yes or no choice. The challenge is far greater than whether to ban a select few technologies. The challenge is to create technological lifestyles that people are comfortable with and that provide security and well-being, individually and communally. To accomplish that, the United States and the world need new approaches and new institutions for managing global-scale processes of techno-social change. We need new techniques and methods for knowing and investigat-

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ing our technological lives more deeply, for debating them, for learning about them, for guiding them, and for assessing changes in them. And we need ways of doing this together, as a global community, as well as in our scattered communities around the globe.

Unfortunately, the United States, which occupies an important place in the global technological order, is all but moving backwards on this issue. The U.S. Congress disbanded its Office of Technology Assessment in the mid-1990s, and there is much less public debate today about the technological infrastructure of modern society than there was in the 1970s. Worse, we have become dismissive of the efforts of other publics in other countries to wrestle intellectually and politically with the magnitude and scope of technological change in such areas as bioengineered food crops and new technologies of war. Those who choose to oppose American technologies are painted as backwards, “old Europe,” anti-modern, Luddite. The result is growing unrest and lack of trust in American visions of technological progress.

Underlying the absence of institutional capacity for managing global technological change and securing global trust in new technologies is a profound educational failure. Despite pioneering work by many outstanding scholars, science and technology remain today the only powerful social institutions to which universities do not devote the attention and resources of a major social science discipline.

A few universities have established programs in the humanistic and social study of science and technology. However, even the most extensive of these programs, at schools like Cornell, MIT, and UC San Diego, garner far fewer resources than departments of economics, sociology, and political science. The consequences of this omission are clear. While most liberal arts undergraduates can be expected to take at least a course or two in how the economy and the government work, and maybe even learn a little science, they get no introduction to how technology works as a social institution. Nor do most engineers, who build such systems, get even an introduction to their social dimensions either—let alone a systematic education in how the technologies they build intersect with society.

C. P. Snow’s “two cultures” divide the academy more than ever at the beginning of the twenty-first century. Globalization requires a new awareness on the part of all citizens of our planet of the importance of being able to acquire knowledge about, interpret, and intervene in the design and management of new technologies. It requires as well a deeper awareness among scientists and engineers that their inventions are also interventions in social order. Universities must play a critical role in raising that awareness by bringing together those who make science and technology with those who are in a position to understand how it intersects with human meaning, behavior, and interaction. ■



La Follette Policy Report

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