

## Policy Diffusion and European Public Policy Research

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**Abstract** The vast and growing policy diffusion literature analyzes how policy-making in one jurisdiction—be it a country or a subnational unit—is influenced by prior policy decisions in other jurisdictions. Rather surprisingly, Europe remains an understudied area in the recent policy diffusion literature. This comes as a surprise because the European governance structure provides an ideal setting for applying the theories and methods of diffusion, given that policy-making in Europe is embedded in a vertically and horizontally integrated network of jurisdictions. This chapter explores the overlaps and distinctions between the scholarships on policy diffusion and European public policy and discusses how the advances of the more recent policy diffusion literature could stimulate further European public policy research. Particularly, the approach of diffusion scholars to study the mechanisms of interdependent policy-making with data on the connectedness between jurisdictions has great potential for improving our understanding of European public policy-making.

### 32.1 INTRODUCTION

Policy-making in Europe is embedded in a vertically and horizontally integrated network of jurisdictions. Decision-makers on the local, national, and supranational level cooperate, exchange information, learn from the successes

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(and failures) of others, compete for power, and scapegoat one another. Understanding the policy-making processes in this complex interdependent structure has become a core challenge of European public policy research. Particularly, the work on differentiated integration and multi-level governance studies the vertical and horizontal connections among European jurisdictions (Featherstone and Radaelli 2003; Leuffen et al. 2013).

Also, the policy diffusion literature puts the question of how interdependence among jurisdictions shapes policy-making front and center. The vastly growing policy diffusion literature analyzes how policy-making is conditioned by prior policy choices made in other jurisdictions through the broadly defined mechanisms of learning, competition, and emulation (Dobbin et al. 2007; Gilardi 2013). In the last decade, the research on interdependent policy-making has made substantial theoretical and methodological advances by studying international policy diffusion and the spread of policies in federal systems. Rather surprisingly, Europe remains, by and large, an understudied area in the policy diffusion literature. The advances of the policy diffusion research have not (yet) diffused to Europe, although several strands of the European public policy literature share an interest in understanding how interdependence shapes policy-making. Closing this research gap is promising because the European governance structure provides, in many respects, an ideal setting for applying the theories and methods of diffusion.

At the time of writing, the enactment of border controls in Europe to keep out refugees is a salient case of policy diffusion. To understand such a process, policy diffusion scholars investigate, for example, whether the diffusion of border controls is driven by policy-makers observing from other countries that the political (i.e. electoral and polling) consequences of restrictive policies have been beneficial (Gilardi 2010); or, as media reporting on Denmark and Sweden suggests, by countries 'competing with each other to shed their reputations as havens for asylum seekers' (*The Guardian*, 4 January 2016). Note that policy diffusion studies are not focusing on the spread of a policy itself, but on the analysis of the processes of interdependent policy-making by asking how policy decisions are influenced by prior decisions in other countries.

In addition to the conceptual turn to the study of mechanisms, research on diffusion has grown strongly because advanced quantitative methods provide new tools for analyzing learning, competition, and emulation dynamics empirically (Franzese and Hays 2007; Ward and Gleditsch 2008). Policy diffusion scholars investigate the hypothesized diffusion mechanisms using connectivity matrices that reflect the networks through which learning, competition, or emulation are expected to operate. Examples of such network structures include joint membership in IGOs, structural equivalence in trade, and cultural similarity. This theory-driven empirical approach has become standard in the policy diffusion literature and has significantly improved our knowledge of how policies spread among countries and within federal systems. Unfortunately, these conceptual and methodological advances have not (yet) been applied to the study of European public policy.

Several strands of the European public policy literature are related to policy diffusion research. For example, the work on Europeanization and EU conditionality explicitly shares a basic interest in understanding how interdependence shapes policy-making by making arguments that are similar to the research on policy diffusion mechanisms (Schimmelfennig and Sedelmeier 2004; Börzel and Risse 2012a). However, this literature studies interdependence with conceptual and empirical approaches that are in important respects quite distinct from diffusion studies. European public policy research usually focuses on the vertical link between the EU and domestic politics as the main explanatory factor of policy change, largely ignoring that (horizontal) interdependence and interconnectedness between countries may account for variation in public policy too, which is the core point of the more recent policy diffusion literature. This chapter discusses in detail the overlaps and distinctions between the scholarships on policy diffusion and European public policy before exploring how integrating the more recent advances of the policy diffusion literature may stimulate further European public policy research.

The remainder of this chapter is structured as follows: Sect. 32.2 discusses the policy diffusion research and Sect. 32.3 the European public policy literature related to diffusion; Sect. 32.4 explores how the advances of the policy diffusion literature may stimulate further European public policy research; and Sect. 32.5 draws conclusions.

## 32.2 POLICY DIFFUSION RESEARCH: THE STATE OF THE ART

Most of the recent policy diffusion literature builds on the definition proposed by Simmons et al. (2006, 787) that ‘policy diffusion occurs when government policy decisions in a given country are systematically conditioned by prior policy choices made in other countries.’ To encompass the broader literature—including the research on federal systems in particular—the unit of analysis should be extended from countries to the broader notion of jurisdictions because a large part of the literature investigates policy diffusion on the subnational or local level. Accordingly, we define policy diffusion as the analysis of how policy decisions are systematically conditioned by prior policy choices made in other jurisdictions. Common to most of the recent policy diffusion studies is the horizontal perspective, where subnational units, countries, or even international organizations influence one another in decision-making. Studies on vertical policy diffusion (that is, from the subnational or supranational to the country level or vice versa) are in important respects distinct from the dominant horizontal perspective. We will return to this later.

A key advancement of the recent policy diffusion literature—compared to the classic diffusion literature on American federalism (see Gray 1973; Berry and Berry 1990)—is the conceptualization of diffusion as a process of interdependent policy-making. This shifts the focus from the analysis of policy outcomes, also typical for studies of policy convergence (Bennett 1991), to the analysis of the mechanisms of interdependent policy-making. To highlight

this point, scholars of the new generation of diffusion research emphasize that ‘diffusion is *not* equivalent to convergence’ [emphasis in original] because ‘diffusion is the process that leads to the pattern of adoption, not the fact that at the end of the period all (or many) countries have adopted the policy’ (Gilardi 2013, 454). In other words, the more recent policy diffusion literature does not study merely the spread of policies. Rather, its ambition is to analyze the processes of interdependent decision-making that may or may not result in increased policy similarity across jurisdictions. Some of the more recent policy convergence research has made a similar turn to the study of mechanisms (Holzinger et al. 2008).

Conceptually, policy transfer studies, again another strand of the literature, is motivated by the very same fundamental question, as it also seeks to understand the process of how reforms of policies or institutional arrangements are influenced by the examples of other political systems (Dolowitz and Marsh 2000). The main difference between the policy diffusion and policy transfer literature is methodological. Diffusion studies use predominantly quantitative methods, while policy transfer studies rely on qualitative approaches. However, despite some differences in their conceptual and methodological orientations, policy diffusion, policy transfer, and policy convergence scholars share a common interest in going beyond asking whether policies spread or become more alike. The focus is on the analysis of ‘why’ and ‘how’ politicians make decisions interdependently (Dobbin et al. 2007; Holzinger et al. 2007; Wasserfallen 2013; Gilardi 2014). Most of the arguments that the literature puts forward to answer these questions can be subsumed into one of the following three broad classes of mechanisms (Simmons et al. 2008; Gilardi 2013):

*Learning* refers to the idea that decision-makers analyze the consequences of policies in other jurisdictions and adopt (or adapt) policies according to the information gathered from that analysis. Policy transfer studies largely fall into this category, as they investigate, in the tradition of Rose (1991), how policy-makers learn from others’ experiences in reforming policies or institutional arrangements (Dolowitz and Marsh 2000).

*Competition* research builds on the argument that jurisdictions seek to attract investment and taxable resources with business-friendly policies such as low taxes. Accordingly, policy-makers monitor the economic, financial, and tax policies of jurisdictions they consider to be competitors, and they anticipate or react to policy changes that may deteriorate the competitive position of their jurisdiction.

*Emulation*, largely inspired by sociological research, conceptualizes diffusion as a process whereby policies spread because they become socially accepted. Constructed ideas and norms about the appropriateness of a policy foster its spread. Typically, the adoption of a policy by a leading country and/or the advocacy of policy experts provides the critical impetus for the construction of a policy’s social acceptance.

In addition to the conceptual turn to mechanisms, the diffusion literature has grown strongly in the last decade because advanced quantitative methods

provide new tools to study learning, competition, and emulation dynamics empirically. Spatial econometric modeling has become the method of choice in the literature (Franzese and Hays 2007; Ward and Gleditsch 2008). In spatial econometric models, the main explanatory variable is the spatial lag, which is the product of the outcome variable ( $y$ ) and a row-standardized connectivity matrix ( $W$ ). Accordingly, the spatial lag is the weighted average of the outcome variable in other units, whereas the connectivity matrix ( $W$ ) specifies the weights. The estimates of the spatial lag, then, gauge whether policy-makers anticipate or react to the policy changes of other units (as defined by the connectivity matrix). An advantage of this modeling approach is its flexibility. For example, in diffusion studies on learning, the spatial lag is typically the product of some measure of success (e.g., a policy performance index) with a row-standardized connectivity matrix ( $W$ ) that assigns greater weights to nearby jurisdictions (Lee and Strang 2006; Ward and John 2013). In that case, researchers empirically evaluate whether better policy performance in a nearby jurisdiction is a strong predictor of policy change.

Maybe the most appealing advantage of spatial econometric analysis is its link to the conceptual turn in the literature (that is, the study of diffusion mechanisms). Scholars applying spatial econometric methods use nuanced connectivity measures that go beyond geography and reflect network assumptions derived from the theorized diffusion mechanism. In the case of emulation, for example, joint membership in IGOs or cultural similarity among jurisdictions are often-used measures for operationalizing the networks in which the acceptance and normative properties of a policy may be socially constructed (Simmons and Elkins 2004; Greenhill 2015).

Also, assigning greater weights to countries that are considered to be very credible in respect to certain policies is a way of investigating whether policy-makers systematically follow the decisions of norm-leading countries. As far as the competition mechanism is concerned, scholars rely, for example, on structural equivalence measures in export markets, trade proximity, and similarity in infrastructural resources to measure competitive relations between jurisdictions (Elkins et al. 2006; Cao 2010). In the case of the competition mechanism, the estimates of the empirical investigation reveal whether policy-makers systematically react to the policy changes of jurisdictions that either have a similar trade network (in terms of goods and destinations) or provide a comparable infrastructure.

In sum, the bulk of the recent (and growing) policy diffusion literature first theorizes through which mechanism(s) policies are expected to diffuse and, second, specifies empirically the network structure that provides the channel through which the mechanism operates. Spatial econometric findings then provide empirical evidence for or against the theorized policy diffusion argument. This approach puts the interdependence between jurisdictions front and center and elaborates, with connectivity matrices, (more or less) complex horizontal networks of connectedness among cities, subnational units, or countries.

Additionally, it should be mentioned that some policy diffusion review articles list a fourth mechanism of policy diffusion, namely *coercion*, which deviates in important respects from the other three mechanisms discussed above, as it shifts the diffusion concept from interdependence to dependence, focusing on vertical power structures instead of horizontal networks. Coercion refers to the argument that powerful countries, the EU, or international organizations force countries to adopt a policy through conditionality or other forms of enforcement. Prominent examples are the transfer of EU rules to accession countries or IMF requirements for financial support (e.g., Meyer-Sahling 2009).

The main point, for our purpose, is that policy diffusion through coercion shifts the focus of the research from horizontal interdependence to vertical dependence. The theoretical and empirical implication of this shift is that coercion studies usually investigate how countries react differently to external shocks. Similarly, the abundant research on Europeanization, EU conditionality, and multi-level governance analyzes theoretically and empirically how countries react to EU interventions (Schimmelfennig and Sedelmeier 2004; Falkner et al. 2005; Börzel 2005). In my reading of the European literature, the study of how the supranational and domestic level interact in policy-making is well developed and provides important insights, while research following the core approach of policy diffusion—namely, the analysis of how horizontal networks shape policy-making—is understudied. The next section summarizes the European public policy literature that is related to diffusion.

### 32.3 EUROPEAN INTEGRATION THEORY, INTERDEPENDENCE, AND EUROPEANIZATION

Much of the research on European integration studies, like policy diffusion research, the forces of interdependence. Already the two grand theories of integration, neo-functionalism and (liberal) intergovernmentalism, have argued that policy competencies shifted to the supranational level because interdependence across European countries makes common solutions beneficial for all countries—(of course, the two theories differ widely in respect to the channels through which demands for supranational governance are articulated and addressed). The theoretical frameworks that focus on interdependence—like the grand integration theories and policy diffusion—stand in stark contrast to the conventional approach in comparative research, where scholars treat countries as independent units of analysis and explain variation in policy choices with differences in domestic institutions and politics.

Whereas the grand theories of integration explain how competencies are shifted from the national to the supranational level, the abundant europeanization research investigates, in the tradition of Gourevitch's (1978) second image reversed, how the EU affects national policies, institutions, and politics (Featherstone and Radaelli 2003; Börzel 2005). Among the main arguments of this literature are that the resources of national administrations and the

misfit between EU and national policies account for variation in how the EU influences the policies of member states. Setting the differences in the various nuances of the explanatory accounts aside, the Europeanization research consistently documents considerable heterogeneity in how member states react to EU impacts. Building on this observation, the literature has devised classifications of different ‘worlds’ of Europeanization and compliance that resemble the varieties of capitalism perspective, which groups countries into distinct models (Falkner et al. 2005; Menz 2005).

All of this follows the classic comparative politics approach of explaining variation across countries with heterogeneity in domestic institutions and politics. Thus, although the impetus for policy change appears very similar to the policy diffusion approach, as there is a vertical link from the EU to member states, the explanatory framework of Europeanization largely ignores the possibility that interdependence and interconnectedness among countries (on the horizontal level) may account for variation in public policy and institutional arrangements, which is the core point of the more recent policy diffusion literature. In that sense, Europeanization research is quite distinct from the state of the art of policy diffusion analysis.

Similarly, the work on EU conditionality is related to diffusion, particularly to the mechanism of coercion, as the broader theme of these studies is how conditionality (or other forms of external enforcement) leads to policy change. However, as discussed in the previous section, this question deviates in important respects from the standard diffusion literature, which focuses on interdependence between the units of analysis as main explanatory factor driving diffusion. Of course, the vertical perspective is of great conceptual value for analyzing questions of EU conditionality and multi-level governance in general (Hooghe and Marks 2001). Thus, the point is not that we should prioritize the horizontal over the vertical concept of diffusion. That depends on the research question at hand. However, the European public policy scholarship is abundant as far as the study of vertical diffusion is concerned, but underdeveloped in the analysis of how horizontal connections among European countries shape public policy-making. This research gap is of particular importance because most of the advances in the theoretical and empirical literature on diffusion have been precisely in the analysis of how horizontal interconnectedness among jurisdictions influences policy-making through learning, competition, or emulation.

A special issue published in *West European Politics* illustrates the dominant European public policy perspective on the broader topic of diffusion. The special issue’s main conceptual contribution is the integration of Europeanization arguments into the diffusion literature with the emphasis on the insight that policies are not simply copied, but adapted in different ways, and that variations in domestic or regional institutions explain the heterogeneity in adoption (Börzel and Risse 2012a). Again, the main question here is how an external impact is domestically adapted in different ways—not how the interconnectedness between the units of analysis drives diffusion.

Accordingly, the special issue's theoretical concept, taken from the Europeanization literature, provides arguments explaining how variation in domestic institutions explains the heterogeneous outcomes of these transformations. The editors of the special issue conclude that 'the targets [of diffusion] are not passive recipients, but active shapers of institutional change. This is what the diffusion literature can learn from scholarship on Europeanisation' (Börzel and Risse 2012b, 204).

This is certainly an important contribution, as indeed the bulk of the diffusion literature ignores the context conditionality of adoption (Wasserfallen 2014). However, what seems also evident is that important theoretical and empirical advances in the more recent policy diffusion literature have not yet diffused to the scholarship on European public policy. Based on this assessment of the literature, the next section elaborates on what the research on European public policy can learn from the diffusion literature.

### 32.4 BUILDING ON THE ADVANCES OF THE POLICY DIFFUSION LITERATURE

As discussed above, the more recent policy diffusion literature analyzes whether interdependence among jurisdictions explains policy-making and if so, how. The diffusion mechanisms—learning, competition, and emulation—are broadly defined and conceptually encompass the main dynamics of interdependence that we would also expect to find in Europe. Learning and competition in particular are analyzed extensively in the European public policy literature (Radaelli 2009; Genschel et al. 2011). Thus, the theoretical frameworks of diffusion are well represented and integrated in the research on European public policy.

The situation is different where the diffusion literature's methodological and conceptual advances are concerned. The state of the art in the investigation of how interdependence among jurisdictions drives diffusion has not yet been integrated into the scholarship on European public policy. Recent policy diffusion research uses data on the network connections, operationalized in connectivity matrices, through which the diffusion mechanisms operate. Many different options have been proposed, such as joint membership in IGOs, structural equivalence in trade, and cultural similarity. The key is that the measures of connectedness empirically reflect the hypothesized mechanisms. This research approach has become standard in the diffusion literature and has significantly advanced our knowledge of how policies spread among countries and within federal systems (Simmons and Elkins 2004; Zhukov and Stewart 2013; Greenhill 2015).

Unfortunately, this has largely been ignored by the scholarship on European public policy. Policy diffusion research not only offers an interesting new method, but, more importantly, a different conceptual perspective on interdependence. In contrast to the European public policy studies showing that

countries segregate into different types (as in the case of the worlds of compliance with EU legislation), (dis)similarities between countries or convergence are not the explanandum of the research for policy diffusion scholars. Rather, policy diffusion studies analyze the underlying institutional similarities of countries as network structures that may provide good measures of connectedness through which certain policies diffuse. This shifts the question of whether countries converge or segregate into ideal types to the question of how the institutional, political, social, and economic ties among countries influence policy-making.

A specific example may illustrate that difference in perspective. An often-posed diffusion question is whether a policy is more likely to be adopted because policy-makers learn from norm leaders or countries participating in the same intergovernmental organizations. In this case, diffusion scholars conceptualize institutionalized forms of information exchange on policy successes (or failures), the similarities in policy challenges and institutional design and the policy credibility of norm leaders as potential network structures through which policy-makers learn. Accordingly, the empirical ambition is to construct a connectivity matrix that assigns relative weights of influence that the countries exert on one another depending on the countries' intensity of information exchange, similarities in policy challenges and institutional design and policy credibility. The spatial econometric findings then show whether these network structures account for variation in the probability of policy adoption, which provides empirical evidence for (or against) the hypothesized mechanism.

In short, policy diffusion researchers specify the diffusion mechanism that may explain the spread of a policy and empirically investigate the hypothesized mechanism with connectivity matrices that reflect the networks through which the mechanism is expected to operate. Only very recently, policy diffusion scholars have also started with the investigation of how country-specific institutional, political, or economic factors mediate the extent to which policy-makers react to the decisions of other governments (Neumayer and Plümper 2012; Cao and Prakash 2012; Wasserfallen 2014). This turn is of particular importance for our purpose, as it combines the systematic study of interdependence with the prominent argument in the Europeanization literature that countries react differently to external influences. Analyzing theoretically and empirically how countries react differently to prior policy decisions in other countries would be an interesting topic for further research whereby the European public policy scholarship could make a substantial contribution to the policy diffusion research.

Overall, given the many overlaps and clear distinctions between policy diffusion and European public policy research, the potential for integrating the policy diffusion approach more systematically in the analysis of European public policy seems very promising. Three lines of reasoning support that conclusion:

- The abundant theoretical and empirical literature on interdependence in the EU documents the importance of studying interdependent dynamics for explaining policy-making in Europe.
- As measures of interdependence, scholars can exploit interesting data on the interconnectedness and similarities of European countries—for example, the data on differentiated integration, the different worlds of Europeanization and compliance, or the many institutionalized forms of cooperation in Europe, such as the open method of coordination.
- The European public policy scholarship is particularly well positioned to combine the study of interdependence with the analysis of the context conditionality of policy-makers' responsiveness to prior policy decisions in other jurisdictions.

Thus, integrating the conceptual and methodological state of the art of the policy diffusion literature could make a substantial contribution to our knowledge of policy-making in Europe. At the same time, the knowledge of the European public policy scholarship on how external impacts are domestically mediated could further advance the diffusion literature in respect to the study of the context conditionality of policy diffusion.

## 32.5 CONCLUSION

This chapter began by summarizing the more recent policy diffusion research, analyzing how policy-making is conditioned by prior choices made in other jurisdictions. The policy diffusion literature has focused on learning, competition, and emulation as the main mechanisms of interdependent policy-making and has elaborated advanced methods that study empirically whether policies diffuse through specific networks that connect countries or subnational units with one another. The conceptual and methodological advances of the state-of-the-art literature have substantially increased our knowledge on interdependent policy-making. Unfortunately, some of these advances have been largely ignored by the European public policy literature, although a large strand of European public policy research shares an interest in understanding how interdependence shapes policy-making. Indeed, the study of how external influences shape policy-making is prominent in the European public policy literature—but with a conceptual approach that is distinct from that of the more recent policy diffusion research. European public policy research typically studies how the EU affects national policies, politics, and polities (vertically), while policy diffusion scholars analyze how (horizontal) interconnectedness among countries explains policy-making. This distinction has important theoretical and methodological implications. In a nutshell, the European public policy literature analyzes interdependence as a source of external impacts that provoke different domestic reactions, while policy diffusion scholars aim to understand how policy-makers react to prior policy

decisions in other countries through social, political, economic, and institutional networks that connect countries with one another.

Taken together, the shared interest in interdependence and the distinct research perspectives of European public policy and policy diffusion research provide a good basis for cross-fertilization. The potential of integrating the advances of the policy diffusion research in the analysis of European public policy seems particularly promising, as the European public policy scholarship is interested in the diffusion mechanisms of learning and competition, and abundant data are available on how European countries are socially, politically, economically, and institutionally connected with one another. Besides its academic attractiveness, policy diffusion research in Europe may also be of practical relevance. In an increasingly fragmented system of differentiated integration, policy-making in EU countries is becoming ever more interdependent. Thus, elaborating more systematic knowledge about how institutionalized forms of cooperation among European countries foster learning or competition is of growing importance in order to address pertinent policy challenges and to explore new models of institutional design.

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