



# The Administrative Burden Reduction Policy Boom in Europe: Comparing mechanisms of policy diffusion

**Kai Wegrich**

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# **The Administrative Burden Reduction Policy Boom in Europe**

## **Comparing mechanisms of policy diffusion\***

**Kai Wegrich**

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### **Abstract**

Much has been written on the diffusion of public management and regulatory reform tools. Available evidence suggests that cross-national policy diffusion is an increasingly significant phenomenon, especially in the European context. While internationalisation of policy discourses and expert communities are regarded as key driving forces of policy diffusion, public management reforms are also said to be particularly vulnerable to mechanisms of ‘diffusion without convergence’. This paper analyses the case of policies aiming at reducing administrative burdens of regulations through the lens of the literature on policy diffusion. The diffusion of the so-called Standard Cost Model for measuring administrative burden between 2003 and 2007 is used as a case to explore the mechanisms facilitating policy diffusion in this domain. The analysis reveals patterns of rapid diffusion. This policy boom has been driven by a combination of different mechanisms of policy diffusion rather than by a single driving factor.

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## Introduction

In October 2005, the German Christian Democrats and Social Democrats were negotiating the coalition agreement that would finally lead to the election of Angela Merkel as the first female Chancellor of Germany and successor of Gerhard Schröder. Following an election outcome that left no clear winner (except for the incumbent Schröder's self-perception) and a painful long period of public debates, probing and finally negotiations, the German public was desperate for a new Chancellor and stable government again. Included among those issues that attracted less interest during the negotiations for the coalition agreement was the usual topic of 'de-bureaucratisation' – an unavoidable issue for more than 20 years. As candidate, Angela Merkel has always claimed that the reduction of bureaucracy was a key priority of a government under her leadership. However, should it be included in the coalition agreement as a sign of her commitment without providing more obstacles for an agreement with the Social Democrats? Following a belligerent election campaign, the latter had a long way to go before accepting to join a government as a junior party to their main competitors, the Christian-Democrats. The negotiators in the working group finally came up with a solution: the supposedly successful Dutch approach to administrative burden reduction with the so-called Standard Cost Model (SCM) of measuring administrative costs of regulations should be adopted as a key priority of de-bureaucratisation policy in Germany. Subsequently, this decision initiated a policy approach to de-bureaucratisation that is widely regarded as the most ambitious policy agenda of the Federal Government for two or more decades.

What seems to be a 'garbage can' type of policy development, shaped by highly contingent choices of political actors relying on the preferred solutions of some policy wonks, is, in terms of the selected policy approach, everything but a peculiar German or Dutch approach. Instead, the German choice is part of a European-wide process of policy diffusion initiated in the Netherlands. Between 2003 and 2007 the majority of EU-15 countries claim to have adopted the SCM approach to reducing administrative burden. This paper is about the obvious questions of why and why now. It thereby focuses on the pattern of rapid diffusion within a limited time, that of the policy boom (the term has been borrowed from Dunleavy 1986).

Administrative burden reduction is part of the so-called 'better regulation' agenda that has established itself at the top of the public sector reform agenda in central governments across Europe and the wider OECD world. While the proclamation of similar-sounding objectives, namely the reduction of the perceived growths in administrative burdens placed on business (and also citizens), has been a recurring phenomenon for a decade or so, the international diffusion of policy tools applied to achieve these objectives is of more recent origin. Processes of policy diffusion could first be observed in relation to so-called (regulatory) impact assessments. This article assesses the SCM policy boom against the background of the earlier case of diffusion of regulatory impact assessment, and following up on the diagnosis that the diffusion of regulatory impact assessment was not leading to substantial convergence. Is the SCM policy boom another case of 'diffusion without convergence' (Radaelli 2005)? In seeking to account for the SCM policy boom, the following section develops hypotheses

related to mechanisms of policy diffusion drawn from widely known approaches in this context. The subsequent sections discuss these hypotheses in the light of an analysis of the timing of diffusion and degree of convergence of the SCM approach across Europe.

### **International diffusion of better regulation policy**

International policy diffusion and emulation is all but new in the domain of public management and regulatory reform. From broad policy reversals such as those related to privatisation and (de-)regulation (Hood 1994) to the ‘contagious diffusion’ (Levi-Faur 2005) of public management tools or organisations (cf. Peters 1997), much has been written on the causes and mechanisms of policy diffusion and convergence. Public management is a domain that is said to be particularly prone to mechanisms of international diffusion and ‘policy learning’, because international benchmarking and learning are part of the standard rhetorical devices of politicians engaged in public management reform. Also, international organisations, such as the OECD, seem to promote international exchange and learning. Some have argued that such an international convergence of public management reforms is mainly a rhetorical one, since a wide range of divergent practices are accommodated under the label of ambiguous management catch phrases (Hood 1998: 176-77).

The recent international trend towards a so-called better regulation agenda seems to fit well with standard explanations of the policy diffusion literature, such as the facilitating role of international organisations and networks as ‘channels of diffusion’. Since the mid 1990s, the development of the better regulation agenda has been shaped by a high degree of internationalisation, both in terms of the crucial role of international organisations such as the OECD in setting the agenda (Lodge 2005) and the transnational exchange between national actors, such as high-level bureaucrats.

However, what seems to be distinct about the SCM policy boom is the speed of policy diffusion and the extent of reading across from the original Dutch model, especially when compared to other cases of policy diffusion in the context of the better regulation agenda. At the same time, the mechanisms that are said to facilitate international policy diffusion (i.e. transnational channels of communication) were put in place earlier, at the time when other better regulation policy tools populated the agenda such as regulatory impact assessment. But these tools have not spread as rapidly and widely as the SCM. Why is there an acceleration of policy diffusion in the context of the rather specific and ‘technical’ policy tool? The SCM policy boom is not only an inherently interesting case for those interested in the development of the European better regulation agenda but is a crucial case for exploring theoretical approaches accounting for policy diffusion or learning, and policy change more generally. If international exchange and learning has been part of the better regulation policy domain before the diffusion process concerning the SCM method took hold, then an analysis of this case should offer additional insights concerning key variables facilitating policy diffusion and change that have been effective here but not in earlier cases. Engaging with the policy diffusion literature is not just important in itself as it facilitates understanding of motivations and underlying social mechanisms that characterises the area of administrative burden reduction policy.

It thereby supplements and extends the discussion of the broader advantages and weaknesses of better regulation policy more generally (i.e. Helm 2006; Radaelli and De Francesco 2007).

This paper seeks to test various key claims of the literature on policy diffusion, in particular concerning the driving forces and mechanisms of the diffusion process. In contrast to many other mechanisms of policy convergence, such as similar but independent responses of different countries or external imposition of policies (cf. Knill 2005; Holzinger and Knill 2005), the SCM policy boom presents a case of cross-national policy diffusion that is based on the voluntary emulation of a policy template (the Standard Cost Model) developed in one country (the Netherlands) by other countries, mainly in Europe.<sup>1</sup> The interest is in exploring core claims of the literature in order to identify those mechanisms accounting for this case of policy diffusion in order to understand the nature of policy diffusion in this increasingly important field of public sector reform. The rest of this section briefly outlines key claims of the literature on policy diffusion and develops related hypotheses that guide the subsequent empirical analysis of the SCM policy boom.

One of the central claims of the literature on innovation and diffusion is that patterns of diffusion of innovation are shaped by an already established order of ‘leader’ and ‘laggard’ countries. Jurisdictions (countries or US states, as in the early literature on innovation diffusion) benchmark themselves against a set of other jurisdictions, with some jurisdictions having a reputation as an innovator being more credible than others as a point of reference. This ‘keeping up with the Joneses’ mechanism leads to a widespread policy diffusion once a ‘critical mass’ of jurisdictions has adopted a policy and its adoption become a ‘batch of legitimacy and credibility’ (Black 2005: 27; Walker 1969).

A related claim, that has become the core argument of the more recent literature on policy diffusion, is that of the crucial role of transnational networks in the diffusion process. International organisations, think tanks, interest associations, but also networks of national officials are said to facilitate cross-national diffusion and emulation by acting as channels of diffusion. The significance of international communication networks in international policy diffusion is such that it has been argued that ‘transnational communication’ presents a distinctive mode of policy convergence that is distinguished from ‘imposition’ and ‘international harmonization’ (Holzinger and Knill 2005; cf Simmons, Dobbin and Garrett 2006).

Both mechanisms, the ‘leading countries/critical mass’ argument and the ‘transnational communication’ claim, are related to arguments of legitimacy under conditions of uncertainty, which stand at the core of the literature on ‘institutional isomorphism’ (DiMaggio and Powell 1983). While this literature distinguishes three mechanisms of

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<sup>1</sup> In line with most definitions, the term ‘diffusion’ will be used to denote the spread of a particular policy template across jurisdictions. ‘Policy transfer’ is used for referring to the process and content of adopting particular elements of the wider policy template. Policy diffusion studies are mainly interested in patterns and underlying driving forces of adoption of innovations across a number of jurisdictions or organisations.

isomorphism (coercive, professional, mimetic) it highlights the increasing significance of isomorphic mechanisms under conditions of goal ambiguity, and unclear cause and effect relations. What it suggests in the context of international policy diffusion is that international networks facilitate not only direct reading across from other countries but also the development of uniform norms and standards of administration. Policies are adopted on the basis of their legitimacy rather than as the result of an analysis of their effectiveness (mimetic isomorphism). The increasingly dense social networks of actors involved in the international better regulation policy community facilitates the development of similar worldviews and belief systems regarding policy tools (professional isomorphism). With the increasing legitimacy of a specific policy template that becomes dominant in professional circles the pressure on others to emulate the policy also increases (coercive isomorphism).

For the analysis of the SCM policy boom, these claims can be transferred into two hypotheses.

H<sub>1</sub> – The SCM policy boom has been initiated by countries that have a reputation as innovators in public sector reform policies.

H<sub>2</sub> – The SCM policy diffusion was facilitated by communication among policy experts in transnational channels of diffusion.

While these mechanisms could explain the interest of importing countries in learning from ‘leaders’, it could be argued that the pressures of regulatory competition impede open exchange of the ‘secrets of the trade’ concerning better regulation/administrative burden reduction in order to preserve a competitive advantage. Which factors are said to prevent regulatory competition from impeding open exchange of ideas and tools? Holzinger and Knill (2005) argue that the international diffusion of a particular policy approach minimises transaction costs of institutional adaptation for the early innovators. The argument is that when home-grown innovations are adopted abroad, the exporting countries avoid later transaction costs of institutional changes that come with the need to accommodate regulatory policies internationally (in particular in the European context).

In that sense, both the export and the import are part of bureaucratic politics within the national arena. Bureaucratic politics could have an inter-organisational dimension, in particular in terms of securing and extending ‘turf’ for better regulation policy units that have an inherently contested role since they have to intervene in the affairs of other departments. But bureaucratic politics could also have a micro-political or organisational dimension, i.e. by providing organisational ‘climbers’ (Downs 1967) an opportunity for fast-track career progression in the context of a newly developing administrative technique that is not part of the established set of competencies. The linking-up to international networks could be an element of such a ‘climber strategy’, but could also be interpreted in the context of bureau shaping strategies (Dunleavy 1991). This claim leads to the following hypothesis for the empirical analysis:



H<sub>3</sub> – Bureaucrats play a crucial role during the import and export of the SCM policy template.

A final core claim of the literature on policy diffusion and regulatory innovation relates to the character of the innovation itself. Frequently, the degree, direction and scope of policy diffusion are regarded as dimensions of assessing the process of diffusion in terms of a dependent variable (Holzinger and Knill 2005). At the same time, the character of the innovation is seen as a key factor making policy diffusion more or less likely. Innovations that allow its adoption without challenging established institutional structures, standard operating procedures or deeply rooted ‘belief systems’ will be easier to diffuse than those that depend on more substantial changes of the established institutional fabric. However, even far reaching changes are more likely to be taken up when they ‘fit’ into underlying normative or cultural structure of the affected system (Black 2005; Hall 1993). This claim draws on a range of different theoretical approaches, such as theories of organisational responses to environmental pressures that highlight the process of institutional filtering of externally imposed changes (Laughlin 1991). The following hypothesis relates to this claim:

H<sub>4</sub> – The adoption of the SCM method was subject to institutional filtering of those elements that would irritate established institutional patterns.

The following seeks to explore the SCM policy boom in the light of these claims. The next section provides the context for the analysis of the SCM policy boom by briefly summarising the diffusion of regulatory impact assessments in the context of the wider better regulation agenda, and then highlighting main stages in the development and key design components of the SCM policy template developed in the Netherlands. This is followed by an account of the pattern of diffusion that is structured around the three clusters of hypotheses outlined above.

### **The development of the better regulation agenda: regulatory impact assessment and SCM**

#### *Better regulation and regulatory impact assessment*

The Better Regulation agenda is a contemporary variation on a recurring theme. Since the 1970s, the negative side effects of regulations, such as compliance costs for business or their overall effect on competitiveness, have been on the agenda in many western countries. The central policy response was deregulation, e.g. the reduction of regulatory standards or the termination of regulations all together. This approach was not only frustrated by recurring demands for regulation in various policy domains, its underlying assumptions were also questioned given the advance of the ‘regulatory state’, e.g. the deliberate use of state regulation to secure the delivery of public goods by private (or privatised) enterprises in sectors such as network industries. Since the 1990s, the emphasis has shifted from deregulation to the overall quality of regulation. ‘Better regulation’ stresses the idea of continuing improvement of the quality of regulation through the introduction of various instruments and tools that should change the way regulations are developed. While deregulation was about dismantling existing

regulations (ex post), better regulation seeks to enhance the quality of regulation when those are developed (ex ante). Along with the formulation of broad 'principles of better regulation', the introduction of regulatory impact assessments is regarded as the core tool of the better regulation agenda (Baldwin 2005; Radaelli and De Francesco 2007).

Impact assessments seek to systematically assess (ex ante) the likely outcomes and unintended consequences of regulations. They are arguably part of the broader move towards evidence-based policy making and seek to embed the drafting of regulations (or more broadly, policies) in the gathering, collection and analysis of as much evidence as possible. Impact assessments are widely seen as crucial for achieving better regulation since they would allow for improving the quality of regulation through the use of evidence in the policy process. As a formalised process during policy development in ministerial departments impact assessments have been adopted by an increasing number of countries since the late 1980s. While the US has been a front runner in adopting regulatory impact analysis early in the 1980s and different sector-specific impact assessments have been carried out since the mid 1980s in various countries, the diffusion of impact assessment as a generic cross-government better regulation policy tool accelerated from the early 2000s with the majority of the EU-15 member states and several of the 2004 accession countries having adopted this tool (Radaelli 2005: 929)

Arguably, the design and practice of impact assessments substantially varies between countries (cf. Radaelli 2005). In the US these are confined to regulatory agencies' regulatory activities within the framework set by legislation, and in the EU impact assessments are supposed to provide evidence for all major legislative and policy proposals of the European Commission. Also in the UK, impact assessments are seen as a generic tool for evidence gathering and analysis as part of the early stage of policy development within government departments. While evaluations of the practice of impact assessments are rare, the available evidence suggests that formal procedures of impact assessment have only changed the way policies are developed to a minor extent (NAO 2006). Regarding patterns of policy diffusion, the discrepancy between fairly rapid diffusion on the one hand and the divergent practices of impact assessments across countries on the other hand is significant. This variation in practice suggests that programmes of impact assessment are adopted to conform to increasing isomorphism within the international (and particular European) better regulation domain while at the same time mechanisms of institutional filtering have been effective to the point that changes are most frequently minor or even only symbolic. While this is not surprising, the question emerges if a similar pattern of diffusion without convergence characterises the SCM policy boom as the latest policy fad of the better regulation agenda.

#### *The administrative burden reduction policy template*

The SCM policy template has been developed since the early 1990s in the Netherlands (cf. WIFO-CEPS 2006; World Bank 2006; OECD 2007a). In line with similar debates in other European countries, the perception of increasing regulatory burdens has been a recurring theme on the public sector reform agenda in the Netherlands (Larsen 2006; Toonen and van den Ham 2007). While the Netherlands has not been among the enthusiastic adopters of regulatory impact assessments, the issue of reducing the

compliance costs of regulations for business has been on the agenda of various government initiatives and commissions since the late 1980s. The idea of measuring and quantifying regulatory burdens has been part of this debate. However, earlier attempts to measure overall costs of regulation have been frustrated by the perceived complexity of such an approach, and also by the difficulties in accounting for benefits of regulations. Rather than developing increasingly complex solutions to these problems, the further policy development was guided by the idea of reducing complexity by focusing the measurement on a specific component of the regulatory costs, namely the administrative costs. Administrative costs are defined as those parts of the regulatory (or compliance) costs that are imposed by information obligations included in laws or secondary legislation. Administrative costs are distinguished from substantial compliance costs, e.g. those costs emerging from compliance with regulatory standards (such as emission standards). While the boundary between administrative and substantial costs is difficult to draw and those two types of regulatory costs are clearly related, the key idea is to quantify those costs that are easy to measure. This allows for the setting of quantitative targets for reducing administrative burdens. Following an initial estimate or measurement that suggested regulation cost €16.4bn in administrative terms (the equivalent of 3.6% of annual GDP), the Dutch government adopted a 25% reduction target though this was not linked to the measurement result, but a political demand that had been made several times previously. This target has been divided asymmetrically between ministries to account for both different demands for regulation and prior deregulation efforts.

The method of measuring administrative costs has been developed by research organisations and consultancies over a decade and was tested in various pilots. The SCM contrast with those approaches assessing administrative costs accumulating in companies by focusing on single regulations. The main idea of the SCM is to start from single information costs included in legislation, calculate the time (hence: costs) of work needed in a company to comply with this obligation, and then sum up the number of 'cases' (frequency of occurrence and number of companies affected by the information obligation). The total of the costs calculated for each single information obligations of a regulation is regarded as the quantification of the administrative costs of this regulation. Thus the sum of the administrative costs of all regulations is communicated as the overall administrative burden placed on business within a particular domain. While the calculation of the costs of complying with information obligations is based on information gathering activities, such as interviews or, in some cases, the actual time measurement (stopwatch approach), the tool is not meant to present an exact measurement or a representative sample of the actual costs of compliance for companies. Rather, the idea is to systematically assess what the costs would be in a 'standard' process of compliance with the information obligation. Experiences with the measurement exercise, the development of databases etc. and comparative 'benchmarking' are said to enhance the precision of the assessment, but the quantification remains a proxy of a cost measurement that is supposed to allow tracking change (as well as benchmarking across jurisdictions) over time and hence evaluate the effectiveness of reduction measures. The method does not account for different administrative implementation styles of regulations in terms of over- or under-enforcement by agencies. Another criticism is the exclusion of benefits of regulations as

well as substantial costs of regulation. The central counter argument against the latter point is that administrative burden reduction is about making regulation less burdensome without reducing regulatory standards (though this point can also be contested).<sup>2</sup>

The SCM method presents the core of a policy approach towards administrative burden reduction developed in the Netherlands that includes the earlier mentioned reduction targets and the integration of the measurement in the process of policy development and legislative drafting. In order to account for overall changes in administrative burden, the reductions resulting from various simplification measures have to be discounted against the burden created by new legislation. Since the ministerial departments have an interest in ‘successful’ regulations and hence an incentive to downplay the administrative burden of a proposed regulation, various oversight mechanisms have been established to secure proper application of the SCM method. The most important one is the set up of ACTAL, an advisory body that is not directly accountable or subordinated to any governmental or political institution. ACTAL is responsible for checking the departmental SCM measurements of new draft regulations and has the power to comment directly to the Cabinet on the issue of the measurement and its result. Another important element of the emerging administrative burden reduction policy template is the interdepartmental steering group (IPAL), with its core in the finance ministry and ‘satellite’ units in ministerial departments. IPAL is in responsible for the political governance of the reduction programme and the development and coordination of simplification measures. The key elements of the policy template for administrative burden reduction are summarised in Table 1 below. The following section explores the subsequent diffusion of this policy template between 2003 and early 2007 by looking at those dimensions and aspects highlighted in the core claims of the policy diffusion literature. Drawing on internet sources, government documents and semi-structured interviews,<sup>3</sup> the analysis looks at broad patterns of diffusion across European countries but also zooms into the processes of selected countries to gain additional insights on mechanisms and driving forces of the diffusion process.

## **Diffusion of the SCM policy template in Europe**

### *Scope and pattern of diffusion*

In exploring the patterns and mechanisms of diffusion, the following assesses the scope of diffusion (number of countries adopting the policy) since 2003 and to what degree the original model or an adaptation was emulated. The analysis is confined to European countries and includes the 25 EU member states after the 2004 enlargement plus the four EFTA states.<sup>4</sup>

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<sup>2</sup> This article is not seeking to evaluate the effectiveness of this approach to administrative burden reduction or on how the adoption of the policy template changes (or not) the politics of regulation.

<sup>3</sup> A total of 10 interviews were conducted with middle and higher ranking officials from Denmark, Germany, Ireland and the Netherlands, and one consultant. An email survey covering all SCM network member countries was carried out as well.

<sup>4</sup> The new member states of the 2007 enlargement are not included for various reasons, in particular the different policy priorities of such transition countries and the lack of integration into those institutions

**Table 1: Elements of the Administrative Burden Reduction Policy Template**

Focus and objectives	<ul style="list-style-type: none"> <li>• Focus on administrative costs rather than overall compliance costs</li> <li>• Administrative costs are those parts of all compliance costs that emerge from information obligations of laws and regulations</li> <li>• Reduction of administrative burdens placed on business</li> <li>• Quantification of administrative costs only, no measurement or</li> <li>• assessment of wider compliance costs or benefits of regulations</li> </ul>
Technique and process	<ul style="list-style-type: none"> <li>• ‘Standard Cost Model’ as a method for measuring the administrative costs imposed on companies (or citizens and voluntary organisations)</li> <li>• Separate ‘measurement’ of administrative costs (information obligations) of single regulations</li> <li>• Results of the ‘baseline measurement’ (assessment of all laws at a particular point in time) as the starting point and baseline for quantitative target-setting</li> <li>• Measurement of all new regulations with SCM method allows comparison of stock and flow in order to control the achievement of reduction target</li> </ul>
Organisational infrastructure	<ul style="list-style-type: none"> <li>• Interdepartmental steering group</li> <li>• ‘Watchdog’ exercising oversight of measurement</li> </ul>

Turning to the scope and timing of diffusion first, the starting point of the process is 2003 when the Netherlands carried out the SCM baseline measurement in 2003 (accounting for all regulations as by end of 2002). The 25% reduction was scheduled to be implemented until 2007. In the subsequent years, the policy template developed in the Netherlands was adopted by an increasing number of European countries. While in the year 2004, only two other countries were engaged in any activity of administrative costs measurement and reduction, by the end of 2007, 15 out of 29 EU-25/EFTA member states had developed such programmes (with two further countries having expressed the general plan to engage in SCM measurement exercises). We find almost all EU-15 member states among the adopters. Furthermore, the policy diffusion process includes some new member states as well as the two larger EFTA countries (Norway and Switzerland). Nevertheless, the largest share of non-adopters is occupied by smaller EU-15 member states, most of the new member states of the 2004 enlargement and the two small EFTA countries. The scope of diffusion in western Europe is striking – all larger western European countries are involved in some kind of emulation of the SCM policy template. Within three years, the SCM method

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and networks supposed to facilitate international policy diffusion. Interestingly (but beyond the scope here), South Africa was the first non-European country to adopt the SCM approach. Today, other non-European countries (Australia, Canada, US, Australia, New Zealand) are involved in the OECD’s project related to the SCM method (Red Tape Scoreboard, see below).

developed from an obscure method of quantification of regulatory costs only familiar to a few experts outside the Netherlands to a widely adopted better regulation policy tool in most western European countries.

The diffusion process can be divided into three main waves with each of it characterised by an increasing number of countries ‘importing’ the SCM policy template (or parts of it). The first two countries emulating the model were Denmark and Sweden which started measurement exercises in 2004. Arguably, the Czech Republic and the UK can also be regarded as part of the first wave of early adopters with their measurements starting in 2005. Estonia is an odd case in that it started in 2005, but with much less enthusiasm (carrying out measurements in selected areas only). The second wave involved western European EU member states such as Germany, Italy and Austria, and including Poland as a second new MEE member state and Norway as a non-member state. While drawing the line between the second and the third wave of policy diffusion becomes more difficult, it can be said that the third wave has been detectable since late 2006 when some smaller and southern EU member states implemented at least parts of the original policy template developed in the Netherlands. It is, however, too early to assess if the third wave marks the fading of the policy boom or the expansion of the diffusion process to ‘laggard’ countries.

This development is clearly in line with innovation diffusion studies highlighting the role of innovators and early adopters in such a process. The core group of early adopters, including Denmark, Sweden and UK, share the reputation as leading countries in public sector reform issues. It might have been an important aspect that the policy template was developed by a country with a welfare state tradition and first adopted in Scandinavian countries with an even stronger welfare state tradition – the dismissal of the approach as an Anglo-Saxon neo-liberal policy fad was not credible. Nevertheless, the adoption of the SCM approach to administrative burden reduction in the UK arguably played a key role for the further diffusion of the policy template to the point of a ‘critical mass’, given the reputation of the UK as a better regulation ‘champion’ (OECD 2002). As the pattern in Table 2 shows, the group of states unengaged in any SCM related activities include some south European states and smaller West European and 2004 accession countries – a pattern that strongly supports  $H_1$ .

**Table 2: Administrative Burden Reduction in Europe**

Country	SCM method	Baseline measurement	Reduction target	SCM network member country
Austria	Y	Full	Y	Y
Belgium	Y	Partial	N	Y
Cyprus	N	No	N	Y
Czech Republic	Y	Full	Y	Y
Denmark	Y	Full	Y	Y
Estonia	Y	Limited	Y	Y
Finland	N	Partial	N	Y
France	Y	Partial	Y	Y
Germany	Y	Full	Y	Y
Greece	N	No	Y	N
Hungary	Y	Limited	N	Y
Iceland	N	No	N	N
Ireland	N	No	N	Y
Italy	Y	Limited	Y	Y
Latvia	N	Partial	N	Y
Lithuania	N	Partial	N	N
Luxembourg	Pilot	No	N	Y
Malta	N	No	N	N
Netherlands	Y	Full	Y	Y
Norway	Y	Full	N	Y
Poland	Y	Partial	P	Y
Portugal	N	Partial	N	Y
Slovakia	N	No	Y	N
Slovenia	Pilot	Partial	Partial	Y
Spain	P	No	Y	Y
Sweden	Y	Full	Y	Y
Switzerland	Y	No	N	N
United Kingdom	Y	Full	Y	Y

Countries (in grey): adoption of the full administrative burden reduction policy template

Baseline measurement:

Full: Full baseline measurement across all sectors

Limited: Full baseline measurement in selected sectors

Partial: Partial baseline measurement in selected sectors

Sources: progress reports of the SCM network (SCM network 2007, 2008), Commission (2008), internet presentation of individual countries, email communication with national officials

In terms of the degree of policy transfer – how many of the original template’s elements have been adopted – the picture emerging from the analysis is more complex. Looking at two core elements of the policy template identified above (the baseline measurement and the quantitative reduction target), we can identify a cluster of seven countries adopting these elements plus one country that is committed to such plans. Two other countries are carrying out intensive measurement exercises, but have deliberately decided against adopting a fixed quantitative target (Belgium and Norway). In five additional countries, official governmental decisions to use the SCM method have been adopted, but substantial elements have not yet been implemented.

When turning to the organisational dimension of the SCM policy template, a different image emerges. While some kind of interdepartmental steering unit can be found in all the 7 cases fully embracing the SCM model (and many of the other countries that adopted some but not all elements of the SCM policy template), only a small minority of the SCM adopters have established a semi-external watchdog organisation along the lines of ACTAL in the Netherlands. The German *Nationaler Normenkontrollrat* (National Council for the Auditing of Norms) comes closest to the ACTAL model. Sweden decided to establish an external watchdog in 2009. A more widespread organisational solution is the attachment of the watchdog function to an existing agency or ministerial unit. It is beyond the scope of this article to assess how the SCM model performs without the external watchdog organisation, but in terms of the diffusion pattern  $H_4$  is at least partially supported since the organisational dimension of the SCM policy template is object to substantial and widely spread institutional filtering. At the same time, two core elements of the SCM policy template – the baseline measurement and reduction target – are widely regarded as core aspects of the administrative burden reduction policy<sup>5</sup> and hence adopted in most of the countries committed to the SCM method. It is difficult to assess if this presents a ‘low disturbance’ policy choice since the measurement and reduction of administrative costs does affect the policy-making turf of the ministerial departments. It is, however, telling that the SCM model is always presented as an apolitical approach to reducing regulatory burdens, because the tool is only measuring the administrative transaction costs without questioning the underlying policy objectives and targets. This argument can be regarded as a tactical in trying to ‘sell’ the SCM approach as one without the risk of interfering with departmental policy preferences and processes. Overall, in contrast to the diffusion trajectory in the case of regulatory impact assessments, the SCM policy boom has brought about a substantial convergence in administrative burden reduction policies. However, the limited adoption of the external watchdog organisation as part of the adoption package does suggest that institutional filtering did take place.

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<sup>5</sup> There is, however, some variation concerning the way the measurement is carried out. While external consultants are involved in most cases, the degree of reliance on these consultants varies substantially (with the UK commissioning more than 300 consultants to carry out the measurement within a few months, and other countries following a more step-by-step approach and involving fewer external forces).



## **International organisations and transnational networks: channels of diffusion?**

Turning to a more extensive discussion of hypotheses H<sub>2</sub> (transnational channels of diffusion), the literature on policy diffusion highlights the role of international organisations and cross-national networks as policy brokers facilitating international exchange and learning. The case of administrative burden reduction seems to underline this facilitating role of international organisations and networks in providing forums for the exchange of ideas. Both the European Commission and the OECD have established forums devoted to better regulation policies. The OECD's programme on regulatory governance has arguably played a substantial role in the international diffusion of objectives and policy tools of better regulation since its establishment in the mid 1990s (cf. Lodge 2005). Regulatory impact assessment was promoted as the core instrument of any better regulation policy. Furthermore, administrative burden was a recurring theme on the OECD's regulatory governance agenda since the mid 1990s. A range of activities and publications was devoted to the promotion of 'smart tape' rather than 'red tape' and reform measures to simplify regulations in order to reduce administrative burdens placed on businesses. In summer 2005, the OECD started the so-called Red Tape Scoreboard (OECD 2007b), which explored the SCM method to cross-nationally 'benchmark' administrative costs in a selected regulatory domain. Hence, the OECD should have played a crucial role in facilitating the SCM diffusion.

Similar arguments could be made concerning the European Commission. The EC has adopted the policy theme of better regulation later than the OECD – the development of the EC's agenda can be traced to the 2001 White Paper on European Governance and the preparatory work done by the so-called *Mandelkern Group* of member states' officials (there is also a link to the intergovernmental policy agenda, in particular the Lisbon agenda on economic competitiveness adopted in 2000 as well as to recurring criticism of regulatory burdens associated with EU legislation). The first substantial activities of the EC in the better regulation context were the redesigning of its system of impact assessment and an initiative to simplify existing legislation. The role the EC as a catalyst of international exchange and the development of an international better regulation policy community is manifested in 2006 with the establishment of a 'Group of high-level national regulatory experts' that should advise the EC on better regulation issues in general (EC 2006). The EC is providing organisational support and appoints the members of the high-level group on the basis of suggestions from the member states. While the group's role is mainly to advise the EC on issues in this domain, its establishment has arguably further strengthened international ties between mid-ranking and top-level bureaucrats from member countries and hence further facilitated the development of something like a European better regulation policy community. The establishment of the 'high level group' is linked to earlier networks of such like; in particular the Directors for Better Regulation (DBR) network. The DBR was established as an informal network by some EU member countries seeking to advance the better regulation agenda in the EU context (UK, Netherlands, Ireland, Austria, Belgium) but was later co-opted into the formal EU polity, with all member states being represented.

These activities of both the OECD and the European Commission broadly support the image of international organisations and networks providing channels for exchange between national experts (that is, higher level bureaucrats) in the field. While this might be the case for the wider better regulation agenda and issues like regulatory impact assessment, the timing of the diffusion of the SCM policy template however suggests that these channels of diffusion have played a minor role in the context of the first two waves of diffusion. The EC and the OECD's activities specifically targeted at the SCM and the issue of measuring administrative burdens more generally developed as the process of diffusion was already ongoing. It could even be argued that these activities were a reaction to the unexpected policy boom of this 'model' that presented a risk to the central role of these organisations as channels of diffusion, in particular for the OECD, for which this role is a defining element of the organisation's legitimacy (cf. Lodge 2005). For the EC, the results of the national measurement exercises presented a major risk, since the EU level was held accountable for 30 to 50% of all administrative burdens – and national actors from the Netherlands, Denmark and the UK used this result of the measurement exercise to demand an administrative burden reduction initiative at the EU-level. The endorsement of the SCM method and development of an own EU SCM project (see EC 2005, 2006, 2007, 2008) can therefore be regarded as a response to unfavourable blame allocation for the 'production' of administrative burdens. The EU Commission's role in the diffusion process therefore changed from a sceptical bystander to a facilitator and also regulator of the process. This was manifested in the 2007 spring council that adopted a 25% reduction target for all member states as an official target, thereby following a proposal by the EC from late 2006.

In that context, it is important to note that national bureaucrats have developed their own network organisation to facilitate international exchange with the establishment of the international 'Standard Cost Model (SCM) Network'. In late 2003, the network was founded by a core group of countries already applying or being interested in the SCM method, in particular the Netherlands and Denmark. The nucleus of the network was based on lateral contacts between top bureaucrats from the Netherlands, Sweden and Denmark that have developed in the context of the early DBR. Since then, this loose organisation involving the participating national better regulation units, engages all European countries using the SCM method. A few years after its establishment, the SCM network has acquired an important role as an international exchange channel and is closely working together with the OECD and EC. The SCM network is an access point for those countries becoming interested in the method and a forum for the exchange of ideas concerning the measurement method and wider issues of administrative burden reduction policy. It is driven by its core members – the six most advanced countries in the process – and used as a forum for discussing methodological issues, the further advancement of the SCM agenda as well as the positioning towards the EC in the emerging European SCM process. At the same time, it became a source of legitimacy for bureaucrats of countries who are interested in adopting the method but lack support on home ground. Representatives from the advanced countries are then invited to engage in 'marketing' activities within these countries to convince policy makers. While the start of the diffusion process cannot be related to the existence of the network, since the diffusion process started in late 2003, the SCM

network has played a considerable role in creating an international forum for the promotion and exchange not of better regulation policies in general, but of the SCM policy approach in particular.

Overall, international organisations and transnational network organisation were both not decisive during the early stages (rejecting H<sub>2</sub> to some extent) of the diffusion process. However, the later waves of diffusion were heavily influenced by these channels of diffusion, but in interaction with the mechanisms associated with institutional isomorphism. The SCM has since 2005 been on top of the agenda in the international better regulation policy community and also features in media coverage on cutting red tape or deregulation. National governments, non-governmental organisations, such as the Bertelsmann Foundation in Germany and international organisations regarded the SCM method as a new tool promising a long awaited breakthrough in reducing regulatory burden. Additional political appeal of the SCM comes with the low political costs of the policy approach during its early stages of adoption (since it claims not to challenge departmental policy priorities but only to ‘cut’ unnecessary administrative burden). With a growing number of consultancies that offer off the shelf tools for the application of the SCM models and other ‘model mercenaries’ (Braithwaite and Drahos 2000) such as think tanks promoting the model, the SCM dominated the discourse on better regulation policy in Europe. With the involvement of the EU, it became difficult to ignore the SCM as the policy tool in the better regulation domain with the highest credibility and legitimacy. From 2007 (with the adoption of the 25% reduction target as an official EU-wide policy objective) elements of coercive isomorphism supplemented the mimetic mechanisms in shaping the diffusion process (note that Table 2 includes policy choices made until end of 2007 only).

Countries that are involved in these international communication networks find it hard to refuse at least some engagement with the SCM approach. One such example is Ireland. It has shown considerable commitment towards a wider better regulation agenda since the early 2000s (based on the assumption that after the rapid economic growth during the early ‘Celtic Tiger’ years, the economy needed to be supported by better regulation). Indeed, Ireland was a founding member of the DBR network – and is a member of the SCM network. However, so far, it has not fully adopted this model. Instead, the Irish government chose to emulate the EU Commission’s ‘prioritised model’; the measurement focuses on a selection of laws that are supposed to include the main cost drivers. This choice was justified by the resource intensity that a full baseline measurement would require – as experience in other countries shows that only few laws create 90% of administrative burdens. More emphasis has been given to developing and improving regulatory design through impact assessments.

Nevertheless, the interplay of a dense (and increasingly thickening) professional community with intensified activities by the EU and the OECD exerts the kind of pressures associated both with professional and coercive isomorphism. A key example for mimetic isomorphism is the selection of the 25% reduction target by almost all countries of the second and third wave of diffusion. In this case, an arbitrary but

politically attractive target is chosen on the basis of the perceived success in a 'reform leader' country, namely the Netherlands.

While the role of these international channels of exchange do support the hypothesis that international policy learning and diffusion is facilitated by these networks (H<sub>2</sub>), two aspects remain puzzling. The first is the timing of the diffusion. The key international organisations have only engaged themselves in these debates when the SCM diffusion process was already on its way and became an important factor of the international diffusion process at the later stages of this process. While there have been informal links between national actors and the OECD and those links did help to move the SCM method on the OECD's agenda (Larsen 2006: 65), the OECD like the EU played only a minor role as a diffusion channel of the policy template at the earlier stages of the process between 2003 and 2005.

As was confirmed in interviews with Dutch and Danish officials who initiated the SCM network, it did not play a major role during the early stages of the diffusion process since it was only in the process of being established in 2003 and 2004. This network was established by national bureaucrats without the engagement of international organisations or top-level politicians during the initial two or three years of its organisation. It presents the second puzzling element in the context of international channels of diffusion. The SCM network to some extent challenged the established international organisations in this domain and hence contributed to increasingly intense activities of the EC and the OECD in this context. In that sense, there was a competitive element concerning the role of international networks. At the same time both timing and bottom-up network building, suggest that the role of international channels and exchange can only be understood in the context of bureaucratic politics in the national domain.

### **Bureaucratic politics**

Turning to the domestic side of the policy diffusion process, and therefore to hypotheses H<sub>3</sub> (role of bureaucrats) and H<sub>4</sub> (character of the innovation), the most noticeable pattern is the active role of the innovators/early adopters in promoting the SCM model on the international stage. As Larsen (2006) notes, both Dutch and Danish top bureaucrats spend considerable time and energy in travelling across Europe to convince governments of the virtues of the model. The establishment of the SCM network was the continuation of those promotional activities of the early innovators. In both countries, the problem of administrative burden was a long-standing concern and the international promotion activities are based on the belief in the effectiveness of the instrument. At the same time, this behaviour can be interpreted as efforts to reduce the uncertainty of future transaction costs in the emerging better regulation community, that is, the development of the SCM method and its adoption involved the investment of substantial political commitment and administrative resources. Insulated (national) SCM exercises would pose the risk of further transaction costs in the future, if accommodation to different regulatory policies becomes necessary.

Another incentive to actively support this SCM policy template is related to the belief in international benchmarking. The promise of international comparison of administrative costs that would allow for far reaching innovations through benchmarking could only be a credible strategy if measurements are carried out in other countries on the basis of the SCM methodology. That point has been a key argument in legitimising initially high transaction costs. Finally, the ‘promotion tour’ clearly had an impact on the reputation of the organisational units and the individuals involved. Turf expansion and individual career progression can therefore be regarded as playing an important role in the promotion activities.

With countries at the importing end of the diffusion process, the examples of UK and Germany suggest similar mechanisms of bureaucratic politics that can be effective in different domestic contexts. As in the Netherlands and Denmark, regulatory burdens and compliance costs have populated the policy agenda since the early 1980s in both countries. In *British* administrative burden reduction is one policy tool on the already rather crowded better regulation agenda, which is populated by issues such as risk-based regulation, principles of good regulation, regulatory impact assessment and transposition of EU laws. This better regulation agenda has been developed within an already established organisational set-up in central government (i.e. Cabinet Office), which however witnessed a substantial reshuffling in 2006, with the establishment of the Better Regulation Executive (BRE) replacing the Regulatory Impact Unit, and the Better Regulation Commission replacing the Better Regulation Task Force. Both units have been established under new leadership and, in the case of the BRE, witnessed a substantial influx of new personnel (mainly from outside the core executive system), only to be first shifted to the new Department for Business, Enterprise and Regulatory Reform (June 2007) and finally been abolished by end of 2007.<sup>6</sup>

The UK government’s approach to SCM is shaped by the reputation of being a ‘world leader’ in this domain. This certificate has been ‘officially’ awarded to the UK government by the OECD’s regulatory review published in 2002, kindly (on the UK government’s request) excluding the Railways as a domain covered in the review. Regulatory compliance costs have long played a prominent role in this context, and the first compliance cost assessments go back to the mid 1980s. Seeking to introduce a ‘labour flavour’ to the ‘deregulation’ agenda the Blair government introduced ‘better regulation’ as the key theme and broadened the scope of regulatory assessments towards a general assessment of cost and benefits as well as effects and unintended consequences in general. This could be the background for the initially lukewarm interest of the UK government in the SCM model. But after the SCM method received increasing media attention as a successful model for reducing regulatory burdens, the UK government fully embraced the concept and initiated a fully-fledged adoption of the model. Based on the recommendations of the so-called Hampton review,<sup>7</sup> a full

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<sup>6</sup> Instead, a Risk and Regulation Advisory Council was set up under the leadership of the former head of the Better Regulation Task Force, Rick Haythornthwaite. This council advises the Department for Business Enterprise and Regulatory Reform (BERR) on regulating risks issue – from food safety to obesity – in a balanced, not too burdensome way.

<sup>7</sup> The Hampton review was a report from HM Treasury that analysed the burden placed on business by regulators through inspections and other regulatory activities. The Better Regulation Task Force’s report

baseline measurement was initiated and carried out in a few months, the reduction target was set (25%) and an interdepartmental process of monitoring progress in reducing administrative burdens established. The adoption of the SCM method in the UK arguably related to the country's reputation as a better regulation leader that was at risk. The process was mainly driven by political decisions to preserve the status of a leading innovator plus an organisational set-up with a similar mission in the governmental context. The role of individual 'climbers' is less evident in the British than in other cases, where the adoption of the policy template is more an element in the (unsuccessful) survival strategy of the better regulation unit.

In the *German* case, the adoption of the policy is characterised by the direct reading across from the Dutch role model, which is based on direct interaction between politicians, high level bureaucrats and 'model mercenaries' of both countries (including field trips of German actors to the Netherlands). The emulation of the Dutch ACTAL in the German *Normenkontrollrat* and the adoption of the 25% reduction target are examples of the need to gain legitimacy for this policy in the context of generally high resistance to public management reforms and a lack of successful policy inheritance in the field of better regulation. What is distinct about the German approach is the minor role of external consultants in the measurement exercise (both the baseline measurement and the ex ante assessment of new laws). High expenditures for consultancies would have put the legitimacy of the SCM policy approach under risk. The efforts to learn from the Dutch model initiated by the Bertelsmann Foundation and individual politicians have facilitated the integration of German higher-level bureaucrats into international networks. However, in the process of adopting the SCM model, bureaucrats played a limited role in the German context.

Collectively, the SCM policy boom has brought together a range of middle and top level bureaucrats that were already partly integrated in cross- and transnational networks, but partly moved into the club of the international better regulation experts. It is beyond the scope here to conduct a network analysis of membership in the different networks and organisations; however, examples from Denmark, Netherlands, Germany and the UK suggest that there is considerable overlap of membership between these organisations, that indeed these channels of international exchange have contributed to the development of an international bureaucratic policy community in the context of administrative burden reduction. In terms of facilitating the diffusion process, bureaucrats in exporting countries played a more decisive role as SCM advocates than their counterparts in the importing countries.

## **Conclusion**

The analysis of the SCM policy boom supports some of the key claims of the literature on policy diffusion but challenges others. Firstly and in contrast to other examples of policy diffusion in the context of this domain, the SCM policy boom is a case of rapid diffusion with substantial convergence, at least concerning most of the core elements

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'Less is more' (2005) takes up these recommendations and formulates the pillars of an administrative burden reduction programme in the UK. See also Better Regulation Executive (2006).

of the original policy template. Seven countries have adopted the main elements of the SCM policy template (excluding the organisational dimension) and two more countries have not adopted a 25% reduction target but otherwise implemented the measurement exercise with similar rigour then as the seven core countries. While a range of differences exists in details of the measurement process as well as in the governance of the whole project (providing limited support for H<sub>4</sub>), these seven (plus two) countries constitute a group displaying convergence that goes beyond the degree of convergence in the area of impact assessment (as the other main pillar of better regulation policy in Europe).

Secondly, the hypothesis that is most strongly supported (H<sub>1</sub>) is related to the long-standing claim of policy diffusion being driven by the order of leaders and laggards and the ‘keeping up with the Joneses’ mechanisms of peer pressure. At the same time, this constellation is not specific to the case of administrative burden reduction policy, but has been broadly present in relation to the impact assessment case. One might therefore expect from the literature that international exchange facilitated by international institutions or transnational organisations and networks would play a crucial role in facilitating the diffusion (H<sub>2</sub>). However, both types of channels of diffusion played only a minor role during the initial phase of the diffusion process up to 2005. Only after the diffusion process gained momentum and some active advocacy of the frontrunners, did the EU Commission engage in the process, but then played a crucial role in later stages of the diffusion process by prescribing the 25% reduction target for all member states.

A central difference to earlier cases of policy diffusion in the field of better regulation was the active strategy of internationalisation pursued by the frontrunner countries, with domestic higher level bureaucrats playing a crucial role (supporting H<sub>3</sub> to some extent). The available evidence suggests that administrative and political transaction costs and the desire to expand ‘turf’ were important drivers of the promotional strategy of the early innovators. The degree of internationalisation and transnational network building that subsequently developed into a ‘bureaucratic expert network’ presents a force of its own today in the further development of this policy approach. While the EU/EC today plays an important role in sustaining international exchange, the process has mainly been driven by national bureaucrats and various policy brokers (or model mercenaries) such as think tanks and consultancies.

The purpose of adopting the lens of the policy diffusion literature to analyse the spread of the administrative burden reduction policy template was to better understand underlying motivations and social mechanisms for the adoption of this regulatory innovation in a range of European countries. Focusing on the mechanisms of diffusion allows us to gain a better appreciation of the motivations that have facilitated the administrative reduction policy boom. It allows us to ask questions such as whether this policy boom is nothing else but a fad (in the sense that another generation of career bureaucrats will look for the next best policy template to promote their careers and leave the administrative burden reduction policy behind) or whether administrative burden reduction policy is likely to make a serious inroad into the standard operating procedures of ministerial bureaucracies.

While it is too early to assess the viability of the SCM policy template as the dominating approach on the expanding better regulation agenda, two alternative interpretations can be offered. The first suggests that the SCM policy boom has resulted in the emergence of a European policy community that has institutionalised a specific interpretation of better regulation as a project dealing with regulatory quantity rather than the broader regulatory quality agenda associated with the improvement of the evidence base of regulatory decisions, accountability structures and transparency. In that sense the SCM has crowded out quality oriented better regulation reform related to impact assessment, consultation, etc. Empirical testing of this interpretation could further explore the core beliefs and professional background of the emerging administrative burden reduction policy community, i.e. regarding the distribution of (conflicting) values relating to better regulation. Another route of investigation would be national case studies looking in more detail at the interaction of quality and quantity related reforms and better regulation tools to test the crowding-out claim.

Such a method would allow for testing a second interpretation, and that is the ‘symbolic politics’ reading of the current reform agenda. To some extent this interpretation is in line with some of the analyses related to the practice of impact assessment in a variety of countries briefly reviewed in the second section of the paper. It regards better regulation reforms mainly as window dressing activities reacting to the increasing public and political pressure against over-regulation and bureaucracy. It is also in line with recent evaluations in the Netherlands and the UK showing the limited recognition of the reduction measures by business (NAO 2007). However, an assessment purely based on the outcome of the burden reduction exercise is insufficient to test the viability of this approach. Falling short of achieving self-set goals – substantial reduction of administrative burden, facilitating economic growth – will of course ignite challenges of the policy approach and its advocates. But it is the reaction to these challenges that will allow assessing the robustness and embeddedness of this approach in the ministerial bureaucracies. Such an assessment should include both the approach and how it is further developed as well as the actors and units that have supported and adopted the approach during the SCM policy boom.



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