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[AQ1] Examining the interaction between vertical and horizontal dimensions of state transformation

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Two dimensions of state transformation often analysed separately can be identified as vertical authority shifts between different levels of government and horizontal authority transfers between state and non-state domains. This article firstly reviews three existing approaches that highlight links between vertical and horizontal state transformation: multi-level governance, policy networks and sections of the rescaling literature. However, these approaches do not yet provide a framework sufficient to enable a more thorough and detailed examination of the relationship between these two dimensions. The article thus proceeds to develop a multifaceted framework in order to facilitate further research into this relationship, a necessity if we are to understand more fully whether vertical and horizontal authority shifts complement or contradict one another within the transformation of the state's role in governing society and economy.

Keywords: governance, multi-level governance, policy networks, rescaling, state
JEL Codes: H11, H75, I38

Introduction

A consensus exists within literature regarding state transformation that the form and function of the national welfare state established in Western Europe after the Second World War has been subjected to pressure and is undergoing considerable change since the first major post-war economic crises during the 1970s. The transformation of the state can be interpreted to be an outcome of political processes occurring in a context of economic and technological developments, political de-regulation of global markets and shifting dominant discourses regarding the state's responsibilities and organization.

Two key dimensions, vertical and horizontal shifts of state authority, can be identified within the study of state transformation. Vertical transfers of state power may be upward or downward between differing levels of government, comprising global, supranational, national, sub-national and local levels. Horizontal transformations of the state occur if political authority is transferred between the state and non-state sector, the latter of which comprises the private and voluntary sectors. A significant proportion of literature concerned with state transformation focuses solely upon one of these dimensions. For example, work regarding devolution, European integration, federalism, intergovernmental relationships and state rescaling centres upon the transformation of the vertical dimension of the state (e.g. Brenner, 1999a; De Vries, 2000; Jessop, 2002; Wiener and Diez, 2004; Treisman, 2007), while literature relating to the transition from government to governance, new public management, privatization, out-sourcing and public–private partnerships concentrates upon the horizontal dimension of state transformation (e.g. Osborne,

2000; Pierre and Peters, 2000; Pollitt and Bouckaert, 2004; Rhodes, 1996).

However, this paper argues that it is crucial to understand not only each of these phenomena separately but also the 'relationship' between the two. A more comprehensive understanding of their connection is required since if both vertical and horizontal shifts of authority are key elements of state transformation, their interaction and combined effect upon the emerging character of the state and its role in governing society and economy must be examined. In other words, it must be established whether the two dimensions of state transformation complement or contradict one another in their effects upon the state's future role and strength.

Three approaches emphasizing the links between vertical and horizontal state transformation can be identified as multi-level governance, policy networks and aspects of rescaling literature, particularly the writings of Bob Jessop (e.g. Jessop, 2002, 2008). This article will briefly present these approaches and discuss the way in which the connection between vertical and horizontal state transformation is conceptualized.

This review will demonstrate that these perspectives thus far fail to provide a sufficient framework with which to analyse the interaction between the two dimensions of state transformation as well as their combined effect on the state's future role.

A proposal for such a framework will subsequently be developed. It will be argued that four steps are required in order to analyse the combined effect of vertical and horizontal state transformation. The proposed framework thus consists of four 'building blocks', each representing one step of this process.

Criteria are firstly required to 'map' state transformation. This refers to identifying the 'location' and character of the transformation of individual policies or policy areas in order to attain a fuller picture of state transformation. This is significant since change can occur in policy making, delivery or both areas simultaneously and can focus upon vertical or horizontal transformation or both in combination (see Table 1). This 'mapping' exercise is a necessary first step towards analysing the relationship between vertical and horizontal state transformation as it facilitates the identification and comparison of the character of transformation related to different policy areas or states. Such an exercise will also demonstrate that in some areas, vertical and horizontal transformations are part of the same policy package and examinations concentrating solely upon one of these dimensions are incomplete. For example, an examination of labour market policy transformation in the UK (Büchs and Lopéz-Santana, 2008) demonstrated that territorial rescaling is closely interlinked with horizontal shifts of authority, such as within local consortia between public, private and voluntary sector organizations through the Cities Strategy (Crighton et al., 2008). This is also evident in the Open Method of [AQ2] Coordination at the European Union (EU) level, as it comprises elements of both vertical rescaling and new methods of state and non-state actor interaction at several territorial levels (Zeitlin, 2005). This mapping of state transformation assists in grasping the degree and character of change caused through the introduction of the Open Method of Coordination more fully.

While it is crucial to locate the transformation of the state within a field of vertical and horizontal transformation, it is also important to proceed to analyse the character of these changes in greater detail. The second step therefore defines the criteria necessary to categorize different types of vertical and horizontal authority shifts.

The third stage facilitates a more in-depth analysis of the interaction between vertical and horizontal state transformations. Two examples demonstrate how these two dimensions may interact and questions are identified that require addressing in subsequent examinations of these phenomena.

Finally, the article proposes that an analysis of whether vertical and horizontal authority shifts complement or contradict one another in their effect upon the state's impending role would benefit from a comparison of the aims and justifications of each type of change. It is here argued that state legitimacy and effectiveness are two key targets and validations for change and that whether vertical and horizontal transformations complement or

Table 1. *'Mapping' state transformation*

	Policy making	Policy delivery	Policy making and delivery
Vertical shift	Authority for policy making but not for delivery is shifted, for example upwards to the EU in the area of the coordination of social security systems for migrant workers	Policy delivery, but not policy making, is shifted to another level. For example, municipalities in Germany collaborate in the implementation of Hartz IV while policy making still takes place at the federal level. The Hartz IV law is part of a radical labour market policy reform package in Germany that merged previous social assistance and employment assistance schemes into one means tested welfare-to-work scheme	Policy making and delivery are shifted to another level. For example, devolution of economic regeneration and social inclusion policies to Scotland and Wales
Horizontal shift	Policy making but not delivery includes more non-state actors than previously. For example, the 15 members of the Hartz Commission that drafted the most significant law of labour market policy reform since the Second World War in Germany comprised industry and trade union representatives, consultants and academics while only two members came from the government	Policy delivery is shifted to non-state actors or public–private partnerships but remains at the same level. For example, out contracting the delivery of labour market policy programmes at the *Länder* level in Germany. The *Länder* are the constituent states within the German federation	Non-state actors become more closely involved in both policy making and delivery. For example, neo-corporatist arrangements and issue-specific local policy networks
Vertical and horizontal shifts	Policy making is affected by both horizontal and vertical shifts, but not (necessarily) policy delivery. For example, the social dialogue at the EU level where EU social partners adopt a guideline that needs to be implemented by national governments	Reforms in policy delivery are affected by both horizontal and vertical shifts. For example, the Cities Strategy in the UK where measures to tackle high unemployment in urban areas are delivered by localized networks of state and non-state actors	Both policy making and delivery are affected by vertical and horizontal transformations. For example, EU structural funds where policy making is formally shifted to the EU level while national and sub-national governments contribute. All three levels also collaborate in policy delivery through funding arrangements and administrative structures. Non-state actors take part in both policy making and delivery. This is also evident in the Open Method of Coordination where policy making and implementation (such as through the production of National Strategic Reports) is dispersed across different levels and comprises state and non-state actors. The Open Method of Coordination is a non-binding governance mechanism at the EU level to coordinate member states' social policies

contradict one another in achieving these must be established.

Literature regarding multidimensional state transformation

While vertical and horizontal dimensions of state transformation are usually examined separately, there is no contention that both have been key elements of state transformation during the past three to four decades. A range of authors and approaches have indeed emphasized that state transformation comprises shifts in both dimensions. This section will examine the way in which connections between vertical and horizontal state transformation have been discussed within state rescaling literature, particularly in the writings of Bob Jessop, who explicitly addresses the link between these dimensions, as well as the multi-level governance and policy network literatures.

State rescaling

The concept of rescaling, predominantly located within the disciplines of political and economic geography, builds upon the notion of 'scale'. This centres upon the conception that society and economy are structured and organized not only around place, space and territory but also around scale, representing the level and size of a geographical entity (Jessop et al., 2008). It is emphasized that scales are socially constructed rather than fixed entities (Marston, 2000) and that scale is a relational concept, constituted and defined through the relation to other scales (Howitt, 1998). The post-modern turn in geography led some authors (see Brenner for a summary 1999a: 61) to argue that place, territory and scale are de-constructed through processes such as globalization. The 'rescaling' literature, emerging during the 1990s, can be interpreted as a critical response to such post-modern geographical accounts. According to this approach, place, space and scale are not becoming entirely deconstructed, but merely reorganized (Brenner, 1999a, 62ff.). Globalization remains considered a primary driving force behind rescaling, leading to a simultaneous spatial reconfiguration of national economies and state structures whereby the role of the national scale is declining while the global, supra-, trans- and sub-national, as well as trans-regional, scales are becoming more significant (Brenner, 1999a, 52; Jessop, 2002, 172ff.). In addition, actors from global and local scales increasingly interact directly with one another, thus 'jumping' (the national) scale, a phenomenon that has also been referred to as 'glocalization' (Swyngedouw, 1997).

As the rescaling perspective is predominantly based upon neo-Marxism or regulation theory (Collinge, 1999; Jessop, 2002; Uitermark, 2002, 743), rescaling of the state is understood as inherently coupled to a rescaling economy. Empirically, the rescaling concept has been applied to examine regional development and urban governance (e.g. Brenner, 1999b, 2004), as well as welfare state retrenchment and workfare policies (Jessop, 1999; Peck, 2001, 2002).

While rescaling literature, with its disciplinary focus on the relationship between different territorial levels, 'concentrates' upon the vertical dimension of state transformation, phenomena of horizontal transformation such as privatization, outsourcing and public–private partnerships are also mentioned by various authors in their empirical studies (e.g. Brenner, 2004, 471; Peck, 2002, 332; Uitermark, 2002, 747). However, these works frequently fail to be systematically integrated into theoretical concepts of rescaling.

Bob Jessop's writings (e.g. Jessop, 1999, 2002, 2008) represent a significant exception as his work on state transformation combines both dimensions more systematically. Two cases can be mentioned to illustrate the significance of the connection of the dimensions in his work. Firstly, Jessop identified two ideal state types to analyse the characteristics of state transformation. Both the vertical and horizontal dimensions of state transformation are elements of distinguishing these two ideal types, the 'Keynesian Welfare National State' and the 'Schumpeterian Workfare Post-national Regime' (Jessop, 1999, 2002). The former is conceptualized as a form of political economy in which political power is concentrated at the 'national' level of the

'state', regulating relatively closed national economies and combining Keynesian macroeconomic steering with national welfare state arrangements (Jessop, 2002, 50ff.). In contrast, the latter emerges as a post-Fordist response to a crisis of capitalism in which 'regimes'—a term indicating close collaboration between state and non-state sectors in designing and delivering policies—seek to guarantee profitable capital accumulation of their economies in a globalized context by promoting diversified and globally competitive regions, focussing upon the supply side and welfare state retrenchment (Jessop, 2002, 250ff. [italics added]). The economy is no longer regulated primarily at the national level, but at a variety of interrelated scales and sites (ibid., see also Jessop, 1999).

Secondly, Jessop explicitly emphasizes that state transformation simultaneously comprises 'denationalization', referring to territorial and scalar shifts of state authority, and 'destatization', pointing to phenomena such as privatization, outsourcing and partnerships. According to Jessop, rescaling potentially multiplies the sites of public–private collaboration (Jessop, 2002, 199 [italics added]).

It can be concluded from this brief review that rescaling literature concentrates upon the scalar restructuration of the economy and state through which a complex system with interlinked scales emerges that relativizes the previously dominant national scale. Jessop, in particular, integrated vertical and horizontal dimensions in his work on state transformation and highlights that rescaling generates a multiplication of public–private actor networks across differing territorial levels.

Multi-level governance

Multi-level governance is another concept that holds potential for examining the relationship between vertical and horizontal dimensions of state transformation. It shares with the rescaling approach an interest in the parallel up- and downward vertical shifts of political authority rather than focussing upon merely one of these directions, such as decentralization or centralization. However, its theoretical background and empirical focus differ from the rescaling approach. The multi-level governance concept was initially developed to analyse EU structural fund policies and provide an alternative to neo-functionalist and intergovernmentalist accounts of European integration theory (Marks, 1993). To illustrate how the multi-level governance concept bears potential for analysing the relationship between vertical and horizontal state transformation, the concept of 'governance' must be explained in greater detail. I will subsequently argue that this concept focuses upon the horizontal relationship between state and non-state actors.

This case can be made despite numerous claims that the governance concept lacks clear definition (Kjær, 2004, 3ff.; Offe, 2008; Pierre, 2000, 3; Rhodes, 1996). The transformation from 'government to governance' indicates a move from forms of regulation in which the state is the most important player in designing, financing and delivering policies towards arrangements in which the state increasingly shares these functions with non-state actors. This shift is also frequently described as one from 'hierarchy', in other words state and bureaucracy dominated regulation, to 'heterarchy' or 'networks' governed by multiple actors and self-regulation.

This 'horizontal' shift from state to non-state actors and heterarchy is also often employed in definitions of governance, such as in the classical text by Rhodes (1996, 652):

> Governance refers to ''self-organizing, interorganizational networks'' and … these networks complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and co-ordination.

A further example can be taken from two other prominent authors within the governance literature, Peters and Pierre (e.g. Pierre, 2000; Pierre and Peters, 2000; Peters and Pierre, 2006). In their work, the term governance is employed in a more general sense to reflect the ways in which collective interests are pursued and society is steered and co-ordinated (Peters and Pierre, 2006, 209).[1] However, they distinguish between 'old' and 'new' governance, whereby 'old governance' considers 'how

and with what conceivable outcomes the state ''steers'' society' while 'new governance' refers to the 'co-ordination and various forms of formal or informal types of public–private interactions' (Pierre, 2000, 3). It is thus evident that the governance concept focuses upon the horizontal dimension of state transformation.

The combination of 'multi-level', referring to the vertical, territorial dimension of state transformation, with governance therefore appears to provide a promising starting point for examining the relationship between these two dimensions. However, a closer examination of the way in which the term 'multi-level governance' is usually defined and applied to empirical cases reveals that a tension has always existed between the 'label' and 'content' of this term.

Early definitions of this concept focussed upon the vertical dimension of state transformation. According to Marks' initial classification, multi-level governance is 'a system of continuous negotiation among nested governments at several 'territorial' tiers—supranational, national, regional, and local' (Marks, 1993, 392 [italics added]).

A later definition of multi-level governance employed by Marks and Hooghe (2001) still emphasizes the vertical dimension: 'Multi-level governance, the topic of this book, describes the dispersion of authoritative decision-making across multiple territorial levels' (Hooghe and Marks, 2001, xi [italics added]).

Despite this conceptual focus upon the territorial dimension, the horizontal dimension also features in their work. In an early publication, Marks mentions the closer cooperation between state and non-state actors in relation to EU structural fund policy (Marks, 1992, 192). Later, they integrate the horizontal dimension into their concept of 'type II multi-level governance', comprising of task-specific jurisdictions with intersecting memberships of both state and non-state actors at various interlinked levels (Hooghe and Marks, 2003). However, it seems fair to argue that the focus on the vertical dimension of state transformation always maintained dominance in both their conceptualization of multi-level governance and empirical studies, as they were concentrating upon the question of whether the state will become 'outflanked on the one side by the transfer of authority to the EC and on the other by incentives for newly assertive and politically meaningful regional bodies' (Marks, 1992, 212). This focus upon the vertical dimension has been criticized by authors such as Smith, who states that there was a 'major problem with current approaches to the study of multi-level governance: its paradoxical focus on *government* rather than governance' (Smith, 1997). This critique has been repeated more recently by Peters and Pierre (2004, 77).

More recent definitions of multi-level governance respond to this criticism and emphasize that the term itself actually promises something greater. For instance, Bache and Flinders (2004b) emphasize that the 'multi-level governance concept … contained both vertical and horizontal dimensions. ''Multi-level'' referred to the increased interdependence of government operating at different territorial levels, whilst ''governance'' signalled the growing interdependence between governments and non-governmental actors at various territorial levels' (Bache and Flinders, 2004a, 3; see also Jessop, 2008, 203).

Overall, the multi-level governance approach appears to offer a promising starting point for analysing the relationship between the two dimensions, with signifiers for both constituting the term itself. However, the original multi-level governance literature has conceptually and empirically concentrated upon the vertical dimension of state transformation. While this has not remained unnoticed within the literature itself, the relationship between the two dimensions has thus far not been developed further.

Policy networks

The policy networks approach presents a third, although perhaps less distinct, potential starting point for examining the relationship between vertical and horizontal state transformation. It offers less clarity than concepts such as rescaling or multi-level governance, as a broad range of definitions and typologies of 'policy networks' exist (see for an overview: Marsh, 1998; Rhodes, 1997). In addition,

the policy networks approach was initially employed primarily to focus upon horizontal authority shifts through closer networks between state and non-state actors and, more generally, as an approach with which to analyse different types of relationships between state and society. For instance, in an overview chapter, Peters defines networks as 'means of conceptualizing the relationship between state and society' (Peters, 1998, 21). Rhodes stresses that policy network analysis focuses upon 'the relations between interest groups and government departments' (Rhodes, 1997, 29). This understanding of policy networks as horizontal relationships between state and non-state actors can still be found in more recent empirical applications. For instance, comparative analysis of Kriesi et al. (2006, 341) of policy networks in Western Europe regards the term policy network 'as a generic label that embraces different forms of relations between state actors and private actors'.

However, the policy network approach is also open to an integration of state transformations' vertical and horizontal dimensions. Authors such as Ansell (2000) and Castells (2000) explicitly utilize the network approach to refer to vertically and horizontally disaggregated polities. Ansell applied the concept of the 'networked polity' in analysing regional development policies in Western Europe, maintaining that a networked polity consists of 'a web of vertical and horizontal networks linking the nodes of the differentiated polity (many-to-many relations)' (Ansell, 2000, 322). Castells employs the term 'network state' to point to the various directions in which state power is transferred; sideways to other states through inter- and supranational cooperation, downwards through the devolution of power to sub-national authorities and again horizontally to non-state actors (Castells, 2000, 14). Castells concludes that:

> overall the new state is not any longer a nation state. The state in the information age is a network state, a state made out of a complex web of power-sharing, and negotiated decision-making between international, multinational, national, regional, local, and non-governmental political institutions (ibid).

Furthermore, the policy network approach has been applied to analysing 'European' governance (see for an overview and further literature: Börzel, 1997, 7f.; Eising and Kohler-Koch, 1999; Kohler-Koch, 1999, 25f.). If applied to the EU, the network model emphasizes the 'multiplicity of linkages and interactions connecting a large number and a wide variety of actors from all levels of government or society' (Börzel, 1997, 7). According to Börzel, the network approach was also explicitly used to criticize the 'government centredness' of the multi-level governance approach:

> The emerging interest in policy networks in the literature on European governance can be also understood as reaction to the critique of multi-level governance for predominantly focusing on the 'multi-level' aspect (…) thereby neglecting the 'governance' component (relations between the public and private spheres) (Börzel, 1997, 8).

Overall, the network approach can therefore provide a useful starting point for exploring both the vertical and horizontal dimensions of state transformation, as the concept of a network does not necessarily prioritize any dimension over another. However, the network concept is often applied loosely and the particularities of relationships between the vertical and horizontal dimension still require further exploration.

In the first part of this paper, it became apparent that authors from a variety of analytical backgrounds such as rescaling, multi-level governance and policy networks have emphasized that horizontal and vertical shifts of political power are occurring in parallel and are aspects of a more general process of state transformation responding to changing economic and social conditions. However, some of the approaches presented here are not representative of these bodies of literature and thus merely demonstrate that the concepts of rescaling, multi-level governance and policy networks provide useful starting points for a more systematic

analysis of the interaction between vertical and horizontal state transformation. As explained in the Introduction, such an analysis is required to facilitate an understanding of the increasingly complex phenomena of state transformation, with a more in-depth comparison of different policy initiatives, policy fields and countries, accompanied by evaluations of this 'dual' state transformation's role in achieving effectiveness and legitimacy.

The following section develops a framework comprising of four building blocks required to develop a better understanding of the combined effect of vertical and horizontal authority shifts on the emerging role of the state. These four stages have been briefly outlined in the introduction and comprise of mapping shifts in state authority, characterizing vertical and horizontal shifts, analysing the interaction between vertical and horizontal state transformation and comparing the aims of vertical and horizontal transformations regarding state legitimacy and effectiveness.

Four steps towards examining the combined effect of vertical and horizontal state transformation

Mapping shifts in state authority

The initial stage of the proposed framework consists of locating the occurrence of state transformation along two dimensions. The first dimension comprises policy making, policy delivery or a combination of the two, while the second considers whether shifts occur through vertical or horizontal transformations or both (see Table 1). The recommendations proposed in the following paragraphs can be applied to 'locate' individual policy measures along these two dimensions of policy making and delivery, as well as horizontal and vertical shifts. They can then be employed to summarize and characterize changes within broader policy areas and compare changes in different policy fields or across countries.

Policy making and delivery.

A distinction of whether state authority is transformed in the areas of policy making, policy delivery or both in conjunction is required as very different phenomena are present in each of these areas, raising specific issues regarding state effectiveness and legitimacy. Horizontal shifts in policy making, for instance, usually focus upon opening up policy-making processes, which are formally dominated by government and parliament, to non-state actors, such as through consultation mechanisms, neo-corporatist arrangements, open and issue-specific policy-making networks or transfers of rule-setting authorities to para-statal agencies. Within horizontal shifts in policy delivery, examples comprise phenomena such as privatization, out-sourcing and various other forms of public–private partnerships. In each of these areas, the roles and responsibilities of, as well as relationships between, state and non-state actors will greatly differ.

Within the vertical dimension of state transformation, outcomes will also vary depending on whether a shift in authority affects policy making, delivery or both. If the shift occurs in only one of these dimensions, policy making and delivery are likely to be dispersed across different levels, potentially leading to additional costs of coordination between levels of government.

These differences between shifts in policy making and delivery are relevant in evaluating transformations' impacts upon legitimacy and effectiveness. Issues of representativeness, transparency and legitimacy are usually more relevant within the area of policy making, whereas issues of efficiency (measurable through aspects such as transaction costs arising from coordination), effectiveness and accountability have more significance to policy delivery.

Horizontal versus vertical shifts.

This article is based on the assumption that state transformation generally comprises both vertical and horizontal authority shifts. However, state transformation can be conceptualized as the product of a range of institutional, procedural or substantial changes that are introduced by a vast number of individual policies. Individual policy measures can promote vertical or horizontal shifts, as well as a combination of the two. In addition, entire policy

areas may be affected more greatly by one of these aspects of change than the other. When undertaking comparisons between policy fields, as well as between countries, it would therefore prove useful to locate authority shifts along these dimensions.

As Table 1 demonstrates, the two criteria of policy making versus delivery and horizontal versus vertical authority shifts can be combined to provide a grid for mapping individual policy measures. Each field presents an example of each of the possible combinations. This illustrates the value of this mapping exercise for comparing the character of state transformation related to different policy initiatives and fields.

The character of vertical and horizontal shifts

In analysing state transformation and the relationship between vertical and horizontal authority shifts, it is useful not only to map these shifts, as explained in the previous section, but also to identify the character of shifts within vertical and horizontal transformations. The following section briefly summarizes some of the criteria that may prove useful in categorizing different forms of state transformation in each of these dimensions.

Different types and degrees of 'nestedness' between territorial levels.

If authority is transferred to different territorial levels, this can lead to either a system in which competencies are separated or increasingly shared between levels, with the different levels being highly interlinked in the latter. However, this distinction is very ideal–typical as even if competencies are divided between different levels, such as within certain types of federations, a certain degree of coordination is nonetheless required. In fact, both multi-level governance (Hooghe and Marks, 2001, 2003) and rescaling literatures (Brenner, 1999a, 1999b; Jessop, 2002) assume that links between different territorial levels of government become increasingly complex. Therefore, the emerging task within analysing different types of multi-level multi-actor networks is to identify and distinguish different degrees and types of nestedness between different territorial levels. For instance, relationships between territorial levels can vary with regards to the ways in which they are regulated, for example legally binding regulations versus informal relationships. Equally, the roles and responsibilities of state institutions will differ at each level. Furthermore, methods of communication, bargaining and financial relations between territorial levels of government will vary in different countries or polities of regional cooperation such as the EU or NAFTA. These criteria can be employed to build typologies of different types of relations between territorial levels.

[AQ3]

Forms of collaboration between state and non-state actors.

If authority travels between the public and private spheres, different levels of collaboration can emerge between state and non-state actors. Within the sphere of policy making, literatures regarding (neo-)corporatism and policy networks have identified different types of state and non-state actor interaction. The literature on (neo-)corporatism essentially distinguishes between pluralist and (neo-) corporatist arrangements (Lehmbruch and Schmitter, 1982; Streeck and Schmitter, 1985). Within pluralist arrangements, a variety of non-state actors interact with the state during policy making in numerous formal and informal ways. On the contrary, (neo-)corporatism is characterized by a restricted range of non-state actors, usually business organizations and trade unions, engaging in formal, organized and relatively stable settings with the state in the design of policies. Through the demise of Keynsianism and the related, more organized forms of collaboration between business, labour and the state, the neo-corporatism approach became increasingly replaced by policy network analysis. Within the latter body of literature, contrasting classifications of networks have been developed regarding the number, types and roles of non-state actors within networks, as well as the networks' functions and durability. For instance, a typology consisting of a continuum between 'policy communities' and 'issue networks' is employed, the former of which

are closely integrated stable networks whereas the latter are loose, issue specific and fluid (Rhodes, 1997, 9).

Within the domain of policy implementation or delivery, numerous criteria can be utilized to distinguish different forms of public–private interaction. Key features that may be used to distinguish such forms include the extent of privatization or service out sourcing, as well as degree and forms of regulation (such as 'constitution' of the non-state organization, regulation by law vs. soft law, financial and accountability arrangements) of non-state actors delivering services (Hodge and Greve, 2007; Osborne, 2000).

Identifying different types of transformation within the vertical and horizontal dimensions is not only valuable for gaining a better understanding of each of these dimensions individually but becomes even more crucial in typologizing and comparing forms of state transformation in which both dimensions are closely interlinked. While more research is required to develop such 'combined' typologies, the following section presents two examples of phenomena in which vertical and horizontal state transformation are interconnected.

Interaction between vertical and horizontal state transformation

Vertical and horizontal state transformation can interact in various ways. This section provides two examples of this interaction and identifies related research issues. The first comprises an analysis of how vertical state transformation influences state and non-state actor interaction through a multiplication of scales at which such interaction may occur. The second focuses upon the 'diagonal' links between public institutions at one territorial level to state and non-state actor networks at another (see Figure 1).

Multi-actor networks at different territorial levels.

One area of investigation of the interaction between vertical and horizontal state transformation consists of an examination of the differences between multi-actor networks at different territorial levels. Here, the underlying assumption is that state rescaling or multi-level governance lead to a multiplication of state and non-state actor collaboration across a variety of territorial levels. However, it is likely that the forms of multi-actor networks differ across different territorial levels and that state and non-state actors occupy different roles and responsibilities within each of these networks.

One should also consider the way in which networks at different levels are related to one another, for example by examining which actors are members of networks at different levels and the roles they play at each. A relevant example is evident

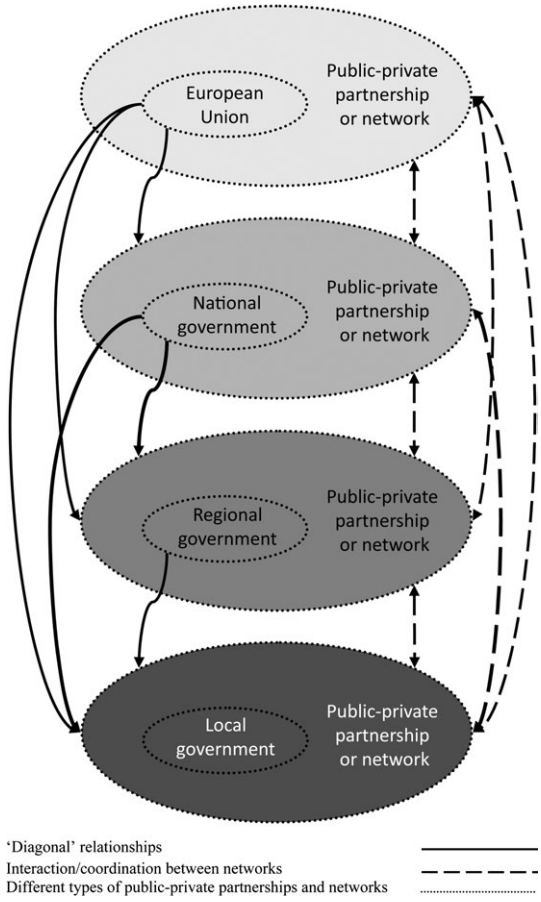

Figure 1. *Interaction between vertical and horizontal state transformation.*

in the European Employment Strategy (EES) introduced in 1997. The EES promotes multi-actor policy-making networks at different territorial levels. [AQ4] At the EU level, non-state actors such as European interest groups and non-governmental organizations (NGOs) such as the European Trade Union Confederation, the umbrella employers' organization Businesseurope (previously UNICE), as well as EU NGOs such as the European Anti-Poverty Network, participate in discussions regarding the non-binding EES guidelines and indicators in the Employment Committee. Simultaneously, the EES promotes horizontal authority shifts as it requires national governments to consult national social partners and NGOs, as well as sub-national authorities, in the development of 'National Reform Programmes'. The EES also encourages sub-national authorities to develop Local Action Plans to implement the guidelines, again under collaboration with local non-state actors (Commission of the European Communities, 2001).

In addition to differing at each level of government with regards to the type and range of participating actors, these state and non-state actor networks also vary in the forms and forums by which they are regulated and the respective responsibilities of their members. Furthermore, the networks at these differing levels are interconnected in various ways and require coordination. For example, they are coordinated through rules established at the EU level and actors participating in networks at different levels, who can be referred to as 'cross-level travellers'. These may include national government representatives who negotiate the EES at the EU level and participate in organizing the production of a national report or national trade union representatives with strong links to the European Trade Union Congress participating in EES negotiations at these two levels.

Public–private actor relationships across different territorial levels.

Simultaneous vertical and horizontal state transformation increasingly results in diagonal links of public institutions at one territorial level regulating non-state actors or multi-actor networks at another level (see Figure 1). These diagonal links potentially transform the relationships between public institutions at one territorial level and non-state actors at another. One example of such diagonal public–private relationships is once again evident in the EES, where the European Commission establishes guidelines and other non-binding rules that seek to steer public–private partnerships implementing the EES at lower territorial levels. It is also visible in the UK's Cities Strategy, with the UK government effectively regulating multi-actor networks at the local level (Crighton et al., 2008).

Phenomena therefore emerge in which state and non-state actor networks are regulated not only by the public sector of the level at which they are operating but simultaneously by public sectors at other territorial levels. This creates new challenges in terms of coordination between levels and state and non-state actors as well as related issues of transparency, accountability, efficiency and effectiveness.

Evaluating state transformation

An examination of the interaction between vertical and horizontal state transformation should culminate in an evaluation of whether changes in one dimension complement or conflict with the other. Such an assessment should begin with an analysis of the way in which these transformations are justified, since validations for reforms simultaneously formulate promises and raise expectations of their effects. These promises can subsequently be compared with actual outcomes. For both justifications and outcomes of vertical and horizontal state transformation, criteria of legitimacy and effectiveness are crucial. These are the two aspects predominantly applied within literature[2] evaluating polities or individual policies as both are required for a sustained functioning of polities such as states or the EU. A crucial question regards how these two criteria are related and whether effectiveness and legitimacy can be achieved simultaneously. The remainder of this section analyses potential conflicts within justifications of state transformation.

The political discourses and justifications for state transformation presented to citizens are very complex. The suggestions provided here are

necessarily simplifications and serve to identify key issues and potential problems.

As Table 2 indicates, both legitimacy and effectiveness/efficiency are prevalent in justifying different elements within vertical and horizontal state transformation. Within vertical state transformation, legitimacy arguments are frequently employed to justify decentralization (quadrant (1)) (De Vries, 2000, 198f.). The primary argument here is that political decentralization brings decision making closer to the people and offers more opportunities for citizens to participate in decision making 'on the ground'. In addition, decentralization is perceived to facilitate the solving of problems caused by regional or ethnic cleavages within a country.

On the contrary, effectiveness arguments are employed for both centralization and decentralization (quadrant (2)). On one hand, it is argued that central levels of government are better suited to solve problems that are common across a polity, with examples evident in addressing income inequalities, providing equal rights and access to social security and tackling climate change. (De Vries, 2000, 199f.). On the other hand, it is claimed that policy decentralization increases the effectiveness of policies as they are more flexible and directly tailored to local circumstances (Cohen and Sabel, 1997; Osborne and Gaebler, 1992).

Within horizontal state transformation, a distinction can be drawn between policy making and policy delivery. With regards to policy making (quadrant (3)), a wider participation of non-state actors is often justified on the basis of legitimacy arguments. Wider participation is regarded as a means of opening up policy-making processes, providing greater opportunities for interest groups and citizens (via NGOs) to influence policy making (Hirst, 1997). Furthermore, this can indirectly lead to more effective policy implementation as the adopted policies are more closely related to the interests of the actors responsible for implementation. While this might often be the 'hidden agenda' behind non-state actor participation, the democracy-related argument is often foregrounded in policy discourses. Finally, horizontal state transformation in the area of policy delivery (quadrant (4)) is frequently justified by increased efficiency and, as a result, greater effectiveness of measures. An argument commonly applied here is that the delivery of policies becomes more cost-efficient if private actors compete for government contracts within quasi-markets or if a service is privatized altogether (Osborne and Gaebler, 1992; Walsh, 1995).

Table 2. *Legitimatory discourses of state transformation*

	Legitimacy	Effectiveness (and efficiency)
Vertical state transformation	(i) Decentralization	(ii) Centralization and decentralization
Horizontal state transformation	(iii) Policy making: wide participation by non-state actors	(iv) Policy delivery: privatization, out sourcing, etc.

This overview demonstrates that numerous, potentially conflicting, justifications regarding different elements of state transformation are prevalent. Key issues arising from this overview therefore regard whether these promises can be delivered simultaneously and how these compounded changes transform the role of the state.

Conclusions

This paper developed a framework to facilitate a more detailed understanding of the interaction between vertical and horizontal state transformation and their combined effect, whether complementary or contradictory, upon the emerging character and role of the state. This framework provided tools for examining and comparing the different possible combinations of the two dimensions of state transformation as well as their character in different policy areas or countries. In addition, it demonstrated that new multi-level and multi-actor networks are emerging through compounded vertical and horizontal shifts of authority creating new relationships and spheres of influence, for example between public actors from one level of government to a public–private partnership at another level of government. These new forms of governance raise questions regarding effectiveness and democratic quality.

Finally, the framework demonstrated that vertical and horizontal state transformation is attached to different, often internally incoherent, justifications and promises. One of the main questions arising from that is whether these internal incoherencies necessarily diminish the role and strength of the state. Although the question of state transformation's impact on state strength has already been widely discussed within literature, albeit inconclusively, the framework developed in this paper hopefully provides a fresh perspective from which to respond.

For example, much seems to depend upon definitions of the 'role of the state' and 'state strength'. If state strength is defined by state expenditure and the amount of regulation, it is unlikely to be regarded as significantly shrinking as a considerable degree of regulation and coordination is required to synchronize different levels of government as well as state and non-state actor interactions. The arguments presented within this paper's framework might lead to the simple assumption that the requirements for coordination and regulation are steadily increasing as public and private actors from different levels of governments are interacting in ever more complex ways. This corresponds to a conclusion frequently drawn within state transformation literature that the state's role is changing but not necessarily diminishing as it takes on new functions of 'meta-governance' (e.g. Jessop, 2002, 210f.).

However, if state strength under capitalism is defined by its capacity to correct markets and minimize negative external effects of market economies such as global poverty, inequality and climate change, the impact of compounded vertical and horizontal state transformation may contribute to diminished state strength as both dimensions appear to complement one another in this regard. Both dimensions of state transformation are complementary in establishing states more concerned with 'market making' and the provision of favourable conditions for profitable business in a globalized economy than with 'market correction' and tackling negative externalities such as global poverty, inequality or climate change.[3] For example, rescaling consists of European integration, which is predominantly oriented at market making through the establishment of a single market and a strict regime of competition law, as well as simultaneous decentralization within various policy areas. Decentralization and the emphasis on subsidiarity within European integration increase the number of veto players and range of interests that need to be considered in EU policy making, rendering the adoption of market-correcting policies at the EU level less likely as a consensus cannot be reached (Scharpf, 2006). Simultaneously, an increasing opening up of policy making to non-state actors at all territorial levels, particularly business interests, and limitation of parliaments' roles in policy making render governments at all levels more susceptible to these powerful interests and more likely to adopt business-friendly policies. This might in turn generate increasing legitimacy problems if citizens expect more transparent policy-making processes within which parliamentary democracy still makes a significant difference or if they support a state more proactive in tackling market economies' negative externalities.

While these remain theoretical assumptions regarding the ways in which vertical and horizontal state transformation complement one another in changing state capacities to regulate capitalism's negative externalities, the framework proposed in this paper will hopefully contribute to further empirical research and provide evidence with which to evaluate this hypothesis.

Endnotes

[1] Such a broad understanding of governance has rightly been criticized for blurring the boundaries between 'government' and 'governance' and it has been proposed that the term 'governance' be preserved for forms of steering in which the state considerably shares functions of policy design, funding and delivery with the private and voluntary sector (Offe, 2008).

[2] Scharpf's (1999) study of EU governance serves as an important example.

[3] See Scharpf (1999, 2006) for the distinction between market making and market correction.

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