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# Policy-Making for the Long Run: How Actors' Considerations of Policy Feedback Influence Policy Formulation\*

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**Abstract**: The paper investigates how actors' strategic considerations of long-term policy effects influence the formulation of public policies. Neither the policy feedback nor the policy design literature investigate policymaking with a perspective that combines intentional *and* long-term policy design. Despite actors' limitations in correctly anticipating policy feedback, strategic considerations influence the formulation of public policies and are therefore to be studied. I conduct a case study of the 1976 Codetermination Act in German labor relations regulation in order to further develop and substantiate a theory of architectural policy design that suggests affinities between anticipated policy feedback and implemented policy design elements.

Keywords: Policy feedback, policy formulation, long-term policy design, strategic policymaking, Germany, industrial relations

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<sup>\*&</sup>lt;u>Note</u>: The paper is a very early sketch of the empirical chapter of my dissertation, which is to be handed in in the summer 2018. Due to an unexpected longer interruption of my PhD, the paper is not as advanced as planned. The first pages give a brief overall description of my PhD project, the latter part collects sections from the empirical analysis of the first case study (currently in progress).

PhD Project Description: Political Architecture - The Strategic Design of Policies and Policy Feedback

In my PhD project (Feb. 2015 – June 2018), I try to develop and apply a new theoretical framework for the systematic analysis of policy feedback. The framework focuses on the strategic action of political actors and their attempts to design, within given constraints, policy feedback. In particular, I want to investigate how political actors' strategic considerations of long-term effects of public policies influence how these actors formulate public policies.

The policy feedback literature<sup>1</sup> typically views these kinds of effects as unintended and unanticipated by political actors. The assumption is that effects of policies on, e.g., group formation and mobilization or on political norms and beliefs, unfold over time and that they can render policies path-dependent and "sticky", but that constraints such as information scarcity, time constraints, or the need to delegate, render it almost impossible for actors to anticipate or strategically design them. Since the idea of intentional design of such policy feedback is rejected, the literature fails to explore not just if and how political actors can strategically attempt to design such policy effects, but also how these attempts - be they successful or not in the long-term influence policy formulation in the present.

The literature on policy design<sup>2</sup>, on the other side, focuses on strategic policy formulation, but examines mainly how policy goals can be given effect through the knowledge-based selection of means and instruments to achieve desired substantive public policy outcomes. Hence, while this literature emphasizes intentional, deliberate forms of policy formulation, it does not focus

<sup>&</sup>lt;sup>1</sup> Cf. i.a. Pierson 1993, 2000a, b, c, Mettler 2002, Pierson 2003, 2004, 2005, 2006, Béland 2010, Jacobs and Weaver 2010, Campbell 2012, Jacobs and Weaver 2014, Jordan and Matt 2014

<sup>&</sup>lt;sup>2</sup> Cf. i.a. Goodin 1996, Howlett 2011, Howlett and Mukherjee 2014, Jordan and Matt 2014

on the above mentioned kinds of policy feedback and potential strategic, deliberate design attempts behind them.

In response to the two literatures, I argue that political actors strategically consider and try to anticipate or design – to the degree possible - long-term effects of public policies when formulating policies. Importantly, this effect is irrespective of whether actors can successfully anticipate or design long-term policy effects, since the mere consideration of long-term effects and attempts at designing them will have an actual influence on policy formulation. Literature on agency<sup>3</sup> supports this focus on long-term, future-oriented policy-making by suggesting that we can see strategic action as composed of three temporally differently oriented elements: an iterational element informed by the past, a practical-evaluative element oriented towards the present, and a projective element oriented towards the future, a future in which policy effects unfold.

I my project, I develop a novel theoretical framework for the systematic analysis of policy feedback that views policy reforms as acts of political architecture. Political architecture means the strategic design of policies by actors considering the implications and effects of a policy on future politics and, hence, policy development. In particular, I conceptualize – based on a variety of conceptual works and recent empirical studies from different policy fields - architectural policy design strategies that suggest affinities between three interrelated elements in policy-making: 1) contextual factors that shape and frame policy-making (e.g. veto barriers, institutional discretion); 2) policy instruments or tools actors can choose (e.g. compartmentalizing resource flows, enhancing/delimiting bureaucratic capacities); 3) intended, or anticipated, feedback effects (e.g. group formation mobilization).

<sup>&</sup>lt;sup>3</sup> Cf. i.a. Hay 1995, Emirbayer and Mische 1998, Hay and Wincott 1998, Araujo and Harrison 2002

Empirically, I plan to perform 2-3 in-depth case studies of policy formulation in Germany (due to language proficiency) prior to 1987 (due to archival access restrictions). The case studies are primarily based on an analysis of the documentation of parliamentary proceedings accessed in the German parliament archive. Additionally, I consider conducting interviews with political actors currently involved in policy making (e.g. MPs, party staff, high-level bureaucrats) on a recent case (as background/illustrative interviews for a triangulation of findings and temporal variation in the investigated cases).

For study 1 (currently in progress), I analyzed the parliamentary documentation of the legislative proceedings on the 1976 Codetermination Act (approx. 1500 pages), one of Germany's key reforms in labor relations regulation. In particular, I focused on committee debates and written motions of government and opposition in order to carve out which long-term expectations of policy feedback (e.g. group mobilization/fragmentation/solidarity, empowering third parties) actors link to specific policy elements/instruments (e.g. election procedures for supervisory boards, voting regulations, delegation of rights to specific groups) in their competing reform proposals. Typically, such links are not expressed in a straightforward way but need to be identified indirectly, e.g. by analyzing how actor A accuses actor B of having certain long-term intentions. The existence of reform proposals of both government and opposition eases twofold counterfactual reasoning in establishing the consequences/effects of the chosen policy design.

For study 2, I have not chosen a case yet. A closely related reform is the Works Constitution Act of 1972 (for which I have done a pre-study), which shows an overall similar pattern of involved actors and conflicting interests/intentions and, thus, could help affirm the insights gained in study 1, although in the same policy field. A reform from a different policy field would offer more potential for broadening the scope of my study, add a comparative perspective (across policy fields), and increase the potential reach of the conclusions I am able to draw. However, my general aim is not to confirm specific hypotheses (e.g. regarding links between policy instruments and intended policy feedback), but to develop/suggest a theory of architectural policy design and to produce theoretical implications for further studies on intentional policy design. A potential recent case for study 3 (interview-based) is the 2015 Minimum Wage Act in Germany.

The expected contribution of my projects lies in uncovering how political actors' strategic considerations of long-term policy effects influence the formulation of public policies in the 2-3 cases. Based on my empirical studies, I want substantiate and develop further my theoretical framework with its typology of architectural policy design strategies. On a more theoretical and conceptual level, my framework combines insights from literatures on public policy, historical institutionalism, policy change, and agency/strategic action in novel ways. Here, the contribution lies in advancing public policy scholars' theoretical and conceptual toolkit for identifying sources of policy feedback, conditions for its (successful or failed) unfolding, and in improving our understanding of gradual policy development.

Case Study 1: Policy-Making for the Long Run - How Actors' Considerations of Policy Feedback Influence Policy Formulation

**Note**: Below, you find the table of contents and a few sections (highlighted in the TOC) of the case study I am currently working on. I have included an extended introduction (Ch. 1), which gives an overview of the different elements of the empirical analysis and how they link together, and sections of the empirical analysis from chapters 3, 4 and 5, which will be better integrated at a later point of the case study.

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#### 1. Introduction

In the following, I present an empirical analysis of architectural public policy making in Germany. The case study investigates the politics around the Codetermination Act of 1976, a central piece of legislation in the regulation of labor relations in Germany often considered as formative for the development of the policy field. As outlined in my theoretical, I am particularly interested in investigating how considerations of long-term, indirect effects on the political dynamics in the policy field (i.e. policy feedback) influenced how policy makers formulated competing reform proposals and how these considerations eventually influenced the final formulation of the 1976 Codetermination Act.

In order to conduct the investigation, I systematically analyzed the extensive documentation of the legislative process collected in the archive of the German Bundestag. In selecting data sources and gathering and analyzing data, I followed the strategies developed in my methodological framework. My investigation focuses in particular on the competing reform concepts proposed by the Social-Liberal government coalition on one side and by the Christian Democratic opposition on the other side. At the center of the analysis are the deliberations in parliament, the political arena in which competing policy proposals are debated, revised and reformulated, and eventually passed or declined in a plenary vote. Additionally, I provide an investigation of the political context of the reform debate and of the political agendas of key players in the debate on codetermination. Both elements are necessary in order to be able to understand how considerations of policy feedback by political actors – who are policy and goal driven and who are situated in a particular political context – influenced the political process and the formulation of the 1976 Codetermination Act.

#### Overview

The remainder of this introduction gives an overview of the structure of the case study. The presentation of the empirical analysis loosely follows Popper's model of situational analysis as discussed in the theoretical framework. To briefly reiterate,

a situational analysis according to Popper, proceeds by first making an analytical model of the social situation to be analyzed – what Popper calls 'a typical situational model' (Popper 1994: 168). This situational model consists of elements representing the actors' decision-making environments as well as their aims and beliefs. The situational analysis consists in working out what sorts of actions are implicit in the social situation. That is to say, concrete actions are explained by analyzing how hypothetical actors would act in a situation like the one described in the situational model.<sup>4</sup>

The logic of situations can then be investigated by focusing on five elements: first, the description of a situation in which an actor has a defined range of action alternatives; second, the description of the actor's interest/the goal he aims to achieve; third, the description of the actor's beliefs in that a certain action alternative is the best way to attain his goals; fourth, the rationality principle, meaning actors act rationally in choosing the course of action they believe is most likely to bring about the intended goal; and, fifth, the explanandum, meaning the actor did something<sup>5</sup>.

In Chapter 2, I start the analysis by outlining the political context around the Codetermination Act of 1976. I investigate how the political context framed the reform debate and how a window of opportunity opened up in the 1970s and allowed for substantive reforms in the policy field. Two elements are particularly relevant in this regard: In section 2.1, I focus on the politicalinstitutional context of the reform and show how it shaped the decision-making environments of key actors. In particular, I look at the contextual dimensions identified in the theoretical framework above: the level of veto possibilities actors face when pursuing policy change, and

<sup>&</sup>lt;sup>4</sup> Hedström, et al. 1998: 348-49

<sup>&</sup>lt;sup>5</sup> Hedström, et al. 1998: 357

the extent of institutional discretion within which they can navigate when formulating a policy. After this more focused investigation of the political-institutional context, I provide a coarse characterization of the broader social, intellectual, cultural and political environment within which the codetermination reform of 1976 took place in section 2.2. This characterization of the zeitgeist of the 1970s, an era of social transformation and domestic reforms in post-war Germany, is important not least for having a broader understanding of how the societal and political climate influenced the political agendas of government and opposition and how these agendas could be translated into concrete reform proposals.

In Chapter 3, I then focus on the political agendas and goals of key actors<sup>6</sup> in the reform debate. In section 3.1, I present an analytical frame that helps to reconstruct the decision-making environment in which actors found themselves in the debate on the codetermination reform<sup>7</sup>. This analytical frame pays particular attention to two dimensions: first, it establishes the political-ideological roots of party's codetermination policies; second, it identifies factors that influence the strategic behavior of parties<sup>8</sup>, such as issue salience and party coherence, and the policy goals they pursued in the debate on codetermination. In section 3.2, I start with the Social-Liberal coalition who first entered government in 1969 under Chancellor Brandt under the slogan of "Daring more democracy". In section 3.3, I move on to the Christian Democratic people's party CDU, who for the first time in post-war Germany found itself on the opposition benches in parliament. In section 3.4, I include the most important non-parliamentary actors in the discussion. While the focus of my analysis in lies on government and parliamentary opposition as key

<sup>6</sup> I use the term actor to refer to both collective actors (government, opposition, parties, etc.) as well as, later on, individual parliamentarians that were involved in the formulation of the Codetermination Act of 1976.

<sup>&</sup>lt;sup>7</sup> Link to Popper / situational analysis

<sup>&</sup>lt;sup>8</sup> For reasons if simplicity, I only refer to parties in the discussion of these influencing factors. The arguments apply in a similar manner to interest organizations.

actors in policy formulation, I also include a discussion of the political agendas and goals of the labor movement, in particular the trade union federation DGB, and the employer federations, in particular the BDA, in order to demarcate the endpoints of the spectrum of opinions on codetermination.

With the political agendas and policy goals on codetermination laid out, I investigate how these goals were translated into competing policy designs in Chapter 4. Again, the reform proposals advocated by government and opposition are the main focus of the investigation. However, I also include proposals made by DGB and BDA, as well as early drafts of proposals developed within the government coalition, by its constituent parties SPD and FDP, or by the Christian Democratic opposition. The chapter is divided into two parts, where the first section 4.1 outlines the core characteristics of the different proposals and the second section 4.2 focuses on five particularly contested issues in the reform of codetermination.

The rather technical discussion of the competing policy designs lays the foundation for Chapter 5, in which I analyze how the involved actors link specific elements of the competing policy designs to specific, anticipated or alleged feedback effects. The chapter forms the core of the empirical analysis and investigates how and to which degree political actors engage in architectural public policy making, that is, to which degree they try to reach and secure their political goals by consciously considering policy feedback. In presenting the analysis of the extensive empirical material on the legislative deliberations, the chapter in structured into five subsections that address the five particularly contested issues in the codetermination reform and a sixth subsection that summarizes the insights and the end of the chapter.

In the subsequent Chapter 6, I then investigate what role architectural public policy making played in bringing about the final Codetermination Act of 1976, that is, the outcome of the

legislative process and the parliamentary deliberations. In doing so, I draw on methods of counterfactual reasoning in order to discuss how the final act would likely have been designed if political actors had not considered anticipated or alleged feedback effects of specific policy designs.

Chapter 7 ends the analysis by carving out and highlighting the contribution of the political architecture framework for the study of public policy making. In section 7.1, I lay the focus on the analysis' contribution to a better understand of the case and discuss how previous literature has failed to incorporate long-term, strategic policy making into its explanatory accounts. In section 7.2, I zoom out from the case level and highlight the contribution of the framework to public policy studies as a discipline.

#### 2. The Political Context around the 1976 Codetermination Act

2.1 A Window of Opportunity for the Extension of Employee Participation: The Political-Institutional Context around the Codetermination Reform

#### 2.1.1 The Regulation of Employee Participation in Post-War Germany before 1976

Table 1: Important Legislation on Labor Relations from 1950 to 1975

Year	Act	Content
1951	Coal and Steel Code- termination Act	<ul> <li>Prescribes "full parity" on supervisory boards</li> <li>limited to companies in mining and steel industry with more than 1000 employees</li> </ul>
1952	Works Constitution Act	<ul> <li>Covers all sectors of the economy (1951 Act stays in force for mining and steel industry) and companies with more than 4 employees</li> <li>Regulations focused on employee participation on the firm level</li> <li>Prescribes one-third-parity on supervisory boards</li> </ul>
1956	Codetermination Amendment Act	- Extends regulations of the 1951 Act to parent companies whose objectives are defined by those companies covered by the 1951 Act
1970	Report by Expert Commission on Co- determination	<ul> <li>Tasked with the evaluation of previous experiences with codetermination</li> <li>Recommends extension of codetermination beyond the 1952 Works Constitution Act, but not full parity as in the act of 1951</li> </ul>

1972	Works Constitution Act	<ul> <li>Extends workers participation on the firm level</li> <li>Covers all sectors of the economy and companies with more than 4 employees</li> <li>Regulation of codetermination on the corporate level left to subse-</li> </ul>
		quent reform

2.1.2 The Institutional Context of the Codetermination Reform: Veto Possibilities and Institutional Discretion in Policy Making

The Level of Institutional Discretion

The Level of Veto Possibilities

Policy Design under High Levels of Discretion and Low Veto Possibilities

2.2 Social Transformations and the Politics of Domestic Reforms: The Zeitgeist of the 1970s and the Reform of Codetermination

# 3. The Political Agendas and Positions of Key Actors in the Codetermination Debate

3.1 Parties and Interest Organizations as Key Actors in Architectural Public Policy Making

#### 3.1.1 Analytical Frame for Reconstructing Actors' Decision Making Environment

#### Table 2: Factors Influencing Strategic Party Behavior

Factor	Possible Values
Issue Salience	principled - pragmatic
Issue Position	outlier - centrist
Party Coherence	fragmented - unified
Party Motivation	policy - office - votes

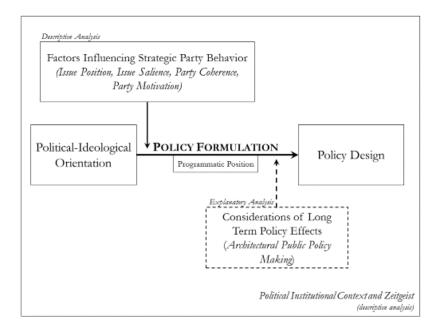


Figure 1: Analytical Frame for Reconstructing Parties' Decision Making Environment During Policy Formulation

- 3.2 "Daring More Democracy:" The Political Agenda of the Social-Liberal Government Coalition
- 3.2.1 "Success, Stability, Reform:" The Social Democratic Party in Government Responsibility
- 3.2.2 "Priority for Reason:" The Liberals as Junior Partner with Leverage
- 3.3 "Progress on the Basis of Stability:" The Political Agenda of the Christian Democratic Opposition

It is easy to assume that the CDU, the Christian Democratic Party, would play its role as the only opposition party in parliament and reject or even obstruct the government's codetermination reform while potentially proposing its own political solution for the issue of codetermination. However, the opposition's political agenda and the internal debates and struggles the Christian Democrats fought out were much more complex than a simple rejection of the government's position. In this section, I first give a brief overview of the party's historical development up to the 1970s and its position in the political-ideological spectrum of the German party system. Second, in doing so, I highlight how the party was internally organized and which programmatic

and organizational reforms it underwent in the 1970s, and I discuss which role different party wings played within the CDU. These subgroupings, namely the employee wing and the employer wing, and the balance of power between them, played a crucial role in shaping the Christian Democrat's political stance on codetermination during the 1960s and 1970s. Third, and finally, I show how the Christian Democrat's position on codetermination was reflected in important party platforms and election programs in the 1960s and 1970s, and which stance the party eventually took on the issue.

3.3.1 The Christian Democratic Party as "Natural Government Party" in Post-War Germany <sup>9</sup> In early post-war Germany, the Christian Democrats quickly became the dominant party in government. From the first federal election in 1949 until 1969, the CDU headed different government coalitions (with a brief interregnum of single party governance), most of which included the Liberals. The 20 years of continuous Christian Democratic government responsibility let many view the CDU as the "natural government party"<sup>10</sup>, a perception many of its higher representatives still shared even after having been voted out of government in 1969. But already in the 1960s, the Social Democrats experienced a continuous rise in voter popularity reflected in improved election results, while the Christian Democrats' decline slowly set in. Only in the mid-1970s, after having lost another federal election in 1972, would the party establishment start to acknowledge that the Christian Democrats had lost touch with societal developments during the 1960s, and that the party had failed to adapt to changed realities and modern political trends<sup>11</sup>.

<sup>&</sup>lt;sup>9</sup> Cf. on the Christian Democratic Party's origins, ideological roots, historical development, and political goals: i.a. Pridham 1977, Haungs 1990, Kleinmann 1993, Kohl, et al. 1993, Hintze 1995, Bösch 2002, Zolleis 2008, Walter, et al. 2014. The following discussion is primarily based on Pridham 1977, Haungs 1990, Kleinmann 1993, Zolleis 2008

<sup>&</sup>lt;sup>10</sup> Cf. i.a. Beyme 1997: 263

<sup>&</sup>lt;sup>11</sup> Pridham 1977: 207

Towards the end of their two decades in government, and after the coalition of CDU/CSU and FDP broke in 1966, the Christian Democrats already had to accept the formation of Germany's first so-called grand coalition with the Social Democrats.

With the formation of the grand coalition, the Christian Democrats also had to acknowledge that the Social Democrats had successfully established themselves as second *Volkspartei* alongside the CDU, the "proto-typical catch-all party"<sup>12</sup> in the German party system. When the multiparty system was reestablished after the war, the Christian Democrats united socially conservative Catholics with liberal-conservative Protestants, thereby bridging the former denominational divide and establishing a powerful center-right party that became the dominant political force in the early post-war decades<sup>13</sup>. Christian Democrats prided themselves in being responsible for the successful rebuilding of Germany, a revived and even thriving economy, and the integration into Europe and the Western Alliance. This founding myth of the CDU underpinned its electoral success and was accompanied by a population averse to political experiments and big reforms<sup>14</sup>. The CDU developed into a *Kanzlerpartei*<sup>15</sup> with a strong orientation towards and reliance on the chancellery and the government while the internal structure and organization of the party and its membership base were rather week<sup>16</sup>.

The history and self-perception of the CDU as *the* government party in Germany increased the challenges it faced when voted out of government in 1969. Both organizationally and psychologically, Christian Democrats "needed" a second electoral defeat in 1972 to acknowledge the need for a programmatic and organizational reform of the party. In their earlier opposition

<sup>&</sup>lt;sup>12</sup> Haungs 1990

<sup>&</sup>lt;sup>13</sup> Haungs 1990: 158

<sup>&</sup>lt;sup>14</sup> Walter, et al. 2014: 15-16

<sup>&</sup>lt;sup>15</sup> Zolleis 2008: 143

<sup>&</sup>lt;sup>16</sup> Walter et al. note, however, that the CDU was not a partriarchal, top-down led party without contradictions that was easy to steer from the chancellery Walter, et al. 2014: 33ff.

years until 1972, the CDU's parliamentary group developed into the power center of the party, viewing and acting as a government in reserve. On the other side, the CDU as an independent party organization - regardless of its role in government, chancellery and parliament - only gained in importance when reformists around the later Chancellor Kohl became more influential in the wake of the 1972 election defeat<sup>17</sup>. Kohl, who became CDU chairman in 1973, pushed both organizational and programmatic reforms and turned the CDU into a modern *Volkspartei* that some observers characterized as fundamentally different from the "early" CDU<sup>18</sup>.

#### 3.3.2 The Modernization of the Party Organization and the Increasing Conflict between the "Employer Wing" and "Employee Wing" on Codetermination

The reform of the party organization in the 1970s came with a change in the mode of decision making within the party. The loss of the chancellery and ministries as power base and political steering houses in 1969 challenged the CDU, which was not used to internal, potentially conflictual programmatic debates, but used to rely upon political compromises that considered the interests of the various groups within the party and that united them behind their shared government. But with the growing importance of the CDU as an independent party organization and the drastic increase in membership numbers, the mode of decision making shifted from "negotiating decision making" towards a "majoritarian decision making"<sup>19</sup>. More often were political debates now openly carried out on party conventions as "party parliaments"<sup>20</sup> and resolutions passed by majority votes of the delegates. Hence, the political direction of Christian Democracy and programmatic resolutions increasingly relied upon the strength of different sub-groupings in terms of the number of delegates they could consider in their camp.

<sup>&</sup>lt;sup>17</sup> Haungs 1990:158, Zolleis 2008: ch. 6

<sup>&</sup>lt;sup>18</sup> Cf. Haungs 1990: 158

<sup>&</sup>lt;sup>19</sup> Zolleis 2008: 154

<sup>20</sup> Zolleis 2008: 144

Traditional divides between different wings of the party were reinforced by the debate on codetermination. As a classical conflict between capital and labor, the issue of codetermination debate caused intense debates and conflicts not just in German society in general, but also within the CDU itself as a broad people's party<sup>21</sup>. Substantial differences in opinion were apparent between the employee wing formally organized in the CDA, and the employers' wing, formally organized in particular in the association of mid-sized businesses, MIT. Throughout the debate on codetermination, the conflict intensified and the two wings took more and more irreconcilable stances until the party leadership eventually stepped in and pushed through a compromise solution in order to get the debate off the table, so to speak<sup>22</sup>.

Initially, the CDU had supported the introduction of codetermination in the coal and mining industry after the end of the war. But later on, the party favored more plant-based employee participation through work councils rather than corporate-level participation on supervisory boards, and, hence, took a more critical stance towards codetermination. Throughout the 1950s and 1960s, however, the employee wing remained strongly in favor of codetermination and supported a solution similar to the suggestions of the big union federation DGB<sup>23</sup>. In doing so, the CDA even positioned itself as more pro-codetermination than the Social-Liberal government. But during the 1960s, liberal conservatives and the MIT became increasingly influential at the expense of the social-catholic voices, and the CDU was more and more perceived as *Unternehmerpartei*, a party of and for business<sup>24</sup>. Therefore, the CDA, even though it was backed by other reformist groups like the Young Union, JU, never gained enough strength and experienced

<sup>&</sup>lt;sup>21</sup> Zolleis 2008: 129

<sup>&</sup>lt;sup>22</sup> Zolleis 2008: 177-79

<sup>&</sup>lt;sup>23</sup> Zolleis 2008: 152

<sup>&</sup>lt;sup>24</sup> Pridham 1977: 223, Zolleis 2008: 167

repeated defeats on party conventions where it was not able to convince the majority of the party of its position on codetermination.

Since the positions of both party wings had become increasingly irreconcilable and bore the danger of damaging the whole party's image, the new party leadership around Kohl eventually stepped in. After the election defeat in 1972, Kohl's aim as new party chairman was to solve this long-standing conflict within the party and the party leadership therefore supported a compromise model in the form of "codetermination with limitations". This model was passed by a party convention in 1973<sup>25</sup>, and even though the CDA remained sceptic due to the new party leaderships lack of fervor in regards to codetermination and the suspicion that it merely wanted to get the debate off the agenda, the compromise stood the test of time and was not challenged by subsequent party conventions. As the analysis in Chapters 4 and 5 will show, this compromise between the competing wings within the CDU also strongly influenced the policy design of the final Codetermination Act of 1976.

# 3.3.3 The Christian Democrats' Party Platforms and Election Programs on Codetermination The codetermination debate coincided with a period of increased programmatic activity in the

CDU. During the late 1960s and early 1970s, the party produced a number of action programs, party platforms, and election programs that reflected the programmatic debate on codetermination and the strength of the employee and employers wing within the party.

In its Berlin program of 1968, the CDU expressed a reluctant approval of a reform of codetermination. For a last time, the party was able to reach a compromise between the conflicting party wings by postponing a substantial decision on the issue until the expert commission on

<sup>&</sup>lt;sup>25</sup> Zolleis 2008: 177-79

codetermination instituted by the Grand Coalition delivered its report<sup>26</sup>. In the program, the CDU expressed its position on codetermination as follows:

Economic matters are to be shaped in partnership. The Works Constitution Act [of 1952] must be used to its full capacity and further extended. The future form of codetermination must be carefully evaluated based on the report that the expert commission instituted by the government is to deliver. In the re-organization of corporate law, a monopoly of influence across companies by organized interests must not be allowed and the economic performance of companies in international competition must not be harmed. Due to these goals, a schematic transfer of the coal and steel codetermination model cannot be supported. Those representing employees' interests in companies must be reliant on the trust

of the workforce. [...].<sup>27</sup>

While the party acknowledged the general need for a reform of codetermination, the program also reflected its rejection of an increased influence of unions in worker participation and of an extension of codetermination in the form of full parity as stipulated by the Coal and Steel Codetermination Act of 1951. Instead, the CDU advocated for an extension of existing instruments like the Works Constitution Act of 1952 and emphasized the direct influence of the workforce in codetermination arrangements. However, as the further development of the political debate within the CDU confirmed, this compromise satisfied neither the CDA nor the MIT, but merely postponed the substantial conflict between the two party wings for a few years.

Briefly after the adoption of the Berlin program in 1968 and the election defeat in 1969, the CDU instituted a new party commission that was to revise and adapt the program to a changed landscape of opinions. The party leadership, however, emphasized that the program was merely to be updated, and that the CDU was not in need of a fundamental programmatic reorientation<sup>28</sup>. As seen in the discussion above, it took the CDU until the mid-1970s to acknowledge its new opposition role and the need for reform. With the narrow limitation to only develop the Berlin

<sup>26</sup> Zolleis 2008: 159

<sup>&</sup>lt;sup>27</sup> CDU 1968

<sup>28</sup> Zolleis 2008: 144

program further, and with the increasing role of the MIT within the party, the CDU took a clearer position on codetermination in the updated Berlin program. In the updated program, passed by a party convention in 1971, the Christian Democrats pledged to propose joint works council and codetermination legislation that extended the rights and responsibilities of employees and the efficiency and competitiveness of companies. Regarding employee participation on supervisory boards, the party translated its opposition against full parity more clearly and translated it into a precise policy position. According to the program, supervisory were to composed in a 7-5-mode, meaning employee representatives were to receive five seats and shareholder representatives 7 seats on said boards. The influence of unions was limited to be allowed to propose one to two employee representatives that were, however, to be elected and confirmed by the workforce<sup>29</sup>. The adoption of the updated Berlin program of 1971 with its rejection of full parity marked a clear defeat for the CDA and a victory for the MIT<sup>30</sup>.

In its subsequent government program for the general election of 1972, the CDU only said a few, yet clear words on codetermination<sup>31</sup>. While the party supported worker participation based on partnership, it emphasized that such participation had to be functional in the context of Germany's model of social market economy, signaling that there were limits to how far shareholders' decision making can be co-determined. More clearly, the CDU translated its own opposition against full parity codetermination into a clear denunciation of the Social Democrats proposal for codetermination. While the CDU aimed for codetermination based on partnership, the Social Democrats wanted, so the CDU program argued, heteronomy, that is, union rule in

 <sup>&</sup>lt;sup>29</sup> CDU 1971b: 44-45; cf. CDU 1971a
 <sup>30</sup> Zolleis 2008: 169ff

<sup>&</sup>lt;sup>31</sup> CDU 1972

companies<sup>32</sup>. Overall, the Christian Democrats' election campaign of 1972 was in hindsight criticized for its nostalgic tone that, under the slogan of "We build progress on the basis of stability", aimed to combine the traditional Christian Democratic theme of security with the population's increased demand for change<sup>33</sup>.

Despite the party's rejection of a far-reaching codetermination reform in 1971, the CDA and its reformist allies within the party continued to question the CDU's position on codetermination and kept the political debate on the agenda. Strengthened by the election defeat in 1972 and the rising awareness of a need for programmatic and organizational reform of the CDU, the CDA introduced its model on codetermination again at a party convention in Hamburg in 1973. In coalition with the JU, the CDA hoped to win over the majority of the delegates at the party convention and therefore did not seek a compromise with the employer wing beforehand, but was instead willing to openly confront its inner-party rivals at the convention<sup>34</sup>. However, as discussed above, the MIT had gained more and more importance within the party during the 1960, was in a structurally stronger position that the CDA. The MIT was therefore not willing to compromise either and a showdown at the party convention in Hamburg seemed inevitable. While the conflict between CDA and MIT intensified, the new party leadership around Kohl had strategically reevaluated its stance on codetermination. It no longer viewed a codetermination reform as a central political topic for internal party debates, but as an issue that should be taken off the agenda as soon as possible since no political gain could be achieved and the party image suffered under the confrontation between CDA and MIT. At the party convention, the new leadership under Kohl therefore successfully introduced a compromise model that was

<sup>&</sup>lt;sup>32</sup> CDU 1972: 9, 40

<sup>&</sup>lt;sup>33</sup> Pridham 1977: 344-345

<sup>&</sup>lt;sup>34</sup> Zolleis 2008: 166

meant to satisfy the different party wings and at the same time portray an image of the CDU as a reform-friendly party. The compromise model planned to formally institute full parity on supervisory boards (a concession towards the CDA), but at the same time insured that shareholders would have the final vote in cases of impasse (a concession towards the MIT). Furthermore, the influence of unions was to be limited to proposing potential employee representatives that were to be elected in direct elections by the workforce<sup>35</sup>.

## 3.3.4 Summary: The Christian Democrats' Proxy Struggle for a Compromise on Codetermination

The compromise model that the Christian Democrats eventually agreed upon at their 1973 convention ended a year long struggle between different wings of the party. In many ways, the Christian Democrats' internal debates can be seen as a kind of proxy struggle for the general political conflict on codetermination. As the above discussion of the party's history has shown, the traditional societal conflict between labor and capital was reflected within the CDU as a broad people's party that reached across denominational divides and aimed to address all societal classes. The competing party wings brought the extremes of political positions on codetermination into the party itself, with the CDA supporting full parity as advocated by the labor movement, and the MIT fiercely opposing far-reaching reforms and aiming to limit employee's participation as much as possible. Despite repeated efforts, however, the CDA never succeeded in bringing the whole party on a pro-codetermination course since it was in a structurally weaker position than the employer friendly wing of the party. Hence, throughout the years of the codetermination debate, the CDU remained a codetermination-critical political force that acknowledged the need for reform, but opposed a fundamental rearrangement of legislation on employee

<sup>&</sup>lt;sup>35</sup> CDU 1975; cf. CDU 1973a, b

participation. Rather, the party aimed for a moderate expansion of codetermination that would fall short of reaching full parity between employees and shareholders. As the analysis of different policy designs in Chapters 4 and 5 will show, the compromise solution reached within the CDU also heavily influenced the Social-Liberal government's final reform proposal introduced into parliament in 1976.

- 3.4 From "Codetermination Now: And No Half-Measures" to "Dangers for the Basic Societal and Economic Structures of Germany": The Endpoints of the Political Spectrum in the Debate on Codetermination
- 3.5 Summary

 Table 3: Party Positions on Codetermination: Determinants of Party Behavior and Political-Ideological

 Roots of the Party's Codetermination Policy

		Parties		
	C	Liberals	Christian Democrats	Social Democrats
Determinants of Party Behavior	Issue Salience	medium to low	high to medium (until 1972); low (1973 onwards)	high
	Issue Position	extreme	centrist, compromise-seek- ing	extreme
Deter Darty	Party Coherence	weakly polarized	strongly polarized	unified (?)
L I	Party Motivation	office ?	office ?	office ?
Political-Ideological Roots of Codetermination Policies	Political-Ideologi- cal Orientation	self-responsibility and self- determination of the indi- vidual	social Catholicism liberal conservativism catch-all center right	democratic socialism freedom, equity, solidarity catch-all center-left
	Programmatic Po- sition	emphasis on profitability and competitiveness of corporations	moderate support for labor rights while conserving shareholder dominance	strong support for labor union full parity
	Policy Design	introduction of "factor disposition" (more rights and better representation for managerial employees) opposition to (external) union representatives	parity on supervisory boards double voting weight for chairman external union representa- tives direct elections	

#### 4. The Policy Designs of Competing Reform Proposals in Comparison

- 4.1 The Core Characteristics of Reform Proposals by Government, Opposition, and Interest Organizations
- 4.2 Five Particularly Contested Issues in Comparison
- 4.2.1 The Role of Managerial Employees
- 4.2.2 The Election Procedure

Government and opposition also disagreed regarding the election procedure. The opposition proposal sets out a rather simple election procedure according to which members of supervisory boards are elected directly by the whole workforce. The government proposal, in comparison, installs an electoral committee as intermediate step in the election. First, the workforce elects a committee of electors in which all blue-collar, white-collar and managerial employees are to be represented proportionally. Second, the electoral committee elects supervisory board members by a majority vote. Candidates representing the different categories of employees for both the electoral committee and the supervisory boards are proposed separately by white-collar, bluecollar, and managerial employees, but elected in a joint vote by all three groups. In the earlier, internal government draft, both the election and candidate proposals were made jointly.

Election Procedure		
GOVERNMENT	<u>OPPOSITION</u>	
Electoral Committee:	Supervisory Board:	
- elected by employees, collective election, proportional representation	- direct election by work-	
- different employee groups to be represented proportionally	force with proportional	
- candidate proposals: by categories of employees; jointly <sup>3</sup>	representation	
- quotas: high	- external employee repre-	
Supervisory Board:	sentatives: proposed by	
- election of employee representatives by majority vote	unions (or work council <sup>5</sup> ),	
- candidate proposals: separately by categories of employees; jointly <sup>3</sup>	dependent on confirma-	
- external employee representatives: proposed by unions, dependent on	tion by employees4,5	
confirmation by employees	- quotas: low	
- quotas: high		

#### 4.2.3 The Composition of Supervisory Boards

#### 4.2.4 Impasse Resolution on Supervisory Boards

#### 4.2.5 Summary

The comparison of the competing reform proposals advocated by government and opposition shows that the policy designs do not differ fundamentally in the sense that they propose substantially different solutions to the similar problem or issue. Both parties aim for a stronger representation of employees on committee supervisory boards through democratically elected employee representatives, and both aim for unions to play a role in the structure of codetermination. However, the comparison also shows that the policy designs differ substantially in regards to how such broad claims are actually translated into a policy design that sets out specific stipulations for, e.g., election procedures, the composition of supervisory boards, or voting procedures and impasse resolution in such boards. Such differences, which only come to one's attention when studying legislative material in detail, typically fly under the radar of empirical investigations of public policy making. However, these differences on the "micro-level of policy making" are of great importance if we want to understand the repercussions and implications that public policies can create, repercussions that are not seldomly rooted in exactly this microlevel of policy making. In the following section, I therefore investigate in more detail how policy makers struggled for certain stipulations, and which feedback effects and implications they ascribed to different policy designs.

Government Proposal of 1974 <sup>2</sup>	Re		Proposal of 1971 and ernment Proposal of 1974	
Mana	Managerial Employees			
- acknowledged as employees		tegory of emplo ation in supervis	yees with semi-mandatory sory boards	
E	lection Proc	edure		
<ul> <li><i>Electoral Committee:</i></li> <li>elected by employees, collective election, p</li> <li>different employee groups to be represented</li> <li>candidate proposals: by categories of employee</li> <li>quotas: high</li> <li><i>Supervisory Board:</i></li> <li>election of employee representatives by ma</li> <li>candidate proposals: separately by categoried</li> <li>external employee representatives: proposed confirmation by employees</li> <li>quotas: high</li> </ul>	d proportion oyees; jointly jority vote es of employ	nally 3 ees; jointly <sup>3</sup>	<ul> <li>Supervisory Board:</li> <li>direct election by work- force with proportional representation</li> <li>external employee repre- sentatives: proposed by un- ions (or work council<sup>5</sup>), de- pendent on confirmation by employees<sup>4,5</sup></li> <li>quotas: low</li> </ul>	
Composit	ion of Supe	rvisory Boards		
<ul> <li>Shareholder/ employee ratio: equal</li> <li>Employee seats: 7 out 10 for internal candidates, 3 for union representatives</li> <li>Internal employee seats: different employee categories to be represented proportionally</li> <li>Chairman &amp; Vice: elected by 2/3 majority, not both from shareholders or employee representatives; if no 2/3 majority, election by simple majority and alternation between chairman and vice-chairman every two years</li> </ul>	<ul> <li>Shareholder/ employee ratio: 1 seat majority for shareholders in companies with more than 2000 employees, 2/3 majority in companies with less than 2000 employees; equal<sup>5</sup></li> <li><i>Employee seats</i>: max. 2 seats for external candidates elected by employees; external union representatives allowed, but in competition with internal candidates<sup>4</sup></li> <li><i>Internal employee seats</i>: mandatory representative for white-collar employees or managerial employees n - Chairman &amp; Vice: chair elected by shareholders, vice by</li> </ul>			
Impasse Reso	lution on S	upervisory Boa	urds	
<ul> <li>double voting weight for head only when approved by majority of both sharehold- ers and employees</li> <li>proxy vote in case of no-show possible</li> </ul>	sory boar - double vo - deputy vo - managing	ds with sharehol ting weight for h te in case of no-	lder majority) nead <sup>4</sup>	

#### Table 4: Central Issues of the Competing Reform Proposals in Comparison

**Notes**: 2. Draft introduced into parliament on April 29, 1974; 3. Stipulations deviating from the official government draft of April 29, 1974, as laid out in the earlier internal government draft from January 28, 1974; 4. Reactions to Government Proposal; 5. Hamburger Modell

## 5. The Competing Policy Designs and Their Anticipated or Alleged Implications: Political Actors' Engagement in Architectural Public Policy Making

Following the above scheme, I now focus particularly on the feedback effects and implications policy makers ascribed to different policy designs regarding the five contested issues in the codetermination reform. The analysis is primarily based on transcripts of plenary and committee proceedings for more than 30 meetings in both houses of parliament, as well as on additional publications on the topic of codetermination from parties and interest organizations.

5.1 The Role of Managerial Employees

#### 5.2 The Election Procedure

The competing regulations on the election procedure were intensely debated during the legislative process. What emerges from the study of the extensive empirical material as a recurring theme of these debates are the different policy designs' potential effects on the mobilization and strengthening of particular groups of employees. Of significance is that the involved actors were well aware of the importance of the stipulations on the election procedure. For example, one of the leading Social Democratic parliamentarians stated that "whether employee representatives in supervisory boards are elected directly or through an electoral committee *cannot be decided without considering the implications*"<sup>36</sup>. And, in fact, the involved actors did consider the implications of different policy designs, as the following analysis shows.

In particular, government and opposition alleged each other of intending to, either, enable and empower marginal splinter groups of employees, or, the other way around, to ignore the rights of minorities and favor a concentration of power and influence in the hands of few big unions, particularly the Confederation of German Trade Unions, DGB. The latter argument was

<sup>36 (</sup>BT 2, 15999, emphasis added), cf. FAZ

recurringly made by Christian Democratic parliamentarians and interest groups representing smaller numbers of employees. One of the leading parliamentarians of the Christian Democrats, for example, went as far as calling the Social Democratic proposal to institute an electoral committee an "instrument of manipulation in order to disenfranchise the workforce"<sup>37</sup>. The Christian Democrats criticized that high quota for candidate lists and majority votes for members of the supervisory board, as the government proposed, did not provide appropriate protection and representation for minorities, and that the electoral committee would harm the direct influence of employees on their representatives on supervisory boards<sup>38</sup>. The government allegedly followed a "nebulous ideology of solidarity"<sup>39</sup> and did not recognize the plurality and diversity of interests within the workforce<sup>40</sup>, a view supported for example by the Union for Salaried Employees, the DAG<sup>41</sup>, and the United Leaders Association, ULA, a representative body for managerial employees<sup>42</sup>. A representative of the latter organization criticized that the election procedure as proposed by the government would "privilege the unions [of white- and blue-collar workers, as opposed to the ULA as an association of managerial employees; PP]" and cause an "effective shift of power" that would be irreversible in the long run<sup>43</sup>.

The government, on the other side, criticized the Christian Democrats' proposal of direct elections, claiming candidates would not be able to present themselves to a workforce that is spread over multiple work places in the country<sup>44</sup>. On the contrary, the electoral committee was seen to be a necessary precondition for transparent elections of supervisory board members<sup>45</sup>.

<sup>37 (</sup>BT 1., 7470), cf. 10BR-R114

<sup>38 (</sup>e.g. BT 2, 16021,24-25; 33BTÖ34-35;

<sup>39 (</sup>BT 2, 16026D) 40 (BT 2 16026D, 27A)

<sup>41 (31</sup> BTÖ, 7)

<sup>42 (31</sup> BTÖ 7) 43 30BTÖ8, cf. 33BTÖ32,33,36,46

<sup>44 (31</sup>BTÖ 31)

<sup>45 (</sup>BT 2 16022,23,24)

Furthermore, low quota for candidate lists would lead to a fragmentation of the interests of employees and harm their democratic representation in the electoral committee and on supervisory boards<sup>46</sup>. But the general function of the electoral procedure, as one of the Social Democratic parliamentarian stated, was also "to prevent the danger of a fragmentation of interests"<sup>47</sup>. The "actual political goals and purposes" the Christian Democrats tried to achieve, he went on, was to allow marginal, ineffective splinter groups to gain seats in the electoral committee or supervisory boards<sup>48</sup>. But with this fragmentation, the Social Democratic labor minister said, rises the danger of extreme groups and opinions that can endanger democratic representation<sup>49</sup>. Particularly the DGB sided with the government in criticizing the Christian Democrats' proposal. Their experience with direct elections, a DGB spokesperson said, would show that these elections led to conflicts within the workforce which "affect the cohesive representation of employees on supervisory boards negatively"<sup>50,51</sup>.

All in all, the analysis shows that the involved actors saw the competing policy designs as supporting two distinct forms of group mobilization. On one side, the government proposal with, e.g., an electoral committee, high quotas for candidate lists, and majority votes for supervisory board members, was seen to contribute to stronger cohesion of the workforce. While the opposition perceived this as a misguided expression of an ideological of solidarity and a neglect of minority rights, the government saw it as a necessary precondition for transparent, democratic employee representation that ensures strong interest representation for employees. The opposition's suggestions, in comparison, were perceived to lead to a fragmentation of the workforce.

- 47(BT 2, 16025)
- 48 (BT 2, 16025) 49 10BR-R112
- 50 33BTÖ43:
- 50 55D 1045;

<sup>46 10</sup>BR-R112

<sup>51</sup> The DGB also voiced criticism against the government proposal, ...

While the government viewed this as an attempt to weaken worker's representation overall, the opposition saw it as a protection of minority rights and as appropriate representation of the plurality of the workforce. Hence, the analysis of the parliamentary debates show that policy makers linked distinct designs of the electoral procedure to distinct effects on mobilization patterns (see table).

	Policy Design Element	Anticipated or Alleged Policy Effect
Election Procedure	· · · ·	mobilization effects (Privileging big uni- ons, "Einheitsgewerkschaften") interpretive effects (unifying workers)
	election procedure (direct election; low quotas for candidate pro- posals)	mobilization effects (fragmentation of workforce) interpretive effects (erosion of solidarity)

- 5.3 The Composition of Supervisory Boards
- 5.4 Impasse Resolution on Supervisory Boards
- 5.5 Summary

Contested Issue	Policy Design Element	Anticipated or Alleged Policy Feedback Effect
Managerial Employees	<u>group demarcation</u> Gov.: inclusion in general employee pool Opp.: treatment as distinct category of employees	<u>mobilization effects</u> Gov.: privileging big unions, "Einheitsge- werkschaften" Opp.: fragmentation of workforce
Election System	<u>election procedure</u> Gov.: electoral committee; high quotas for candidate proposals Opp.: direct election; low quotas for candidate pro- posals	<u>mobilization effects</u> Gov.: Privileging big unions, "Einheitsge- werkschaften" Opp.: fragmentation of workforce <u>interpretive effects</u> Gov.: unifying workers Opp.: erosion of solidarity
Composition of Supervisory Boards	<u>group demarcation</u> <i>Gov.: obligatory seats for external employee repre-</i> <i>sentative; alteration between head and vice-head</i> <i>Opp.: possible seats for external employee represent-</i> <i>atives</i> <u>delegation of rights</u> <i>Gov.: right to nominate external employee repre-</i> <i>sentative for unions</i> <i>Opp.: right to propose external employee representa-</i> <i>tive, but dependent on confirmation by employees</i>	mobilization effect/empowering third parties Gov.: external control through big unions Opp.: fragmentation of workforce interpretive effects Gov.: privileging of big unions Opp.: erosion of solidarity, support for company egoism

	election procedure: Gov.: head elected with 2/3 majority Opp.: head elected by shareholders, vice-head by em- ployees	
Impasse Resolution	voting procedure Gov.: double voting weight for head only when ap- proved by majority of both shareholders and employ- ees; proxy vote in case of no-show Opp.: double voting weight for head; deputy vote in case of no-show	<u>empowering third parties</u> Gov.: strengthening of unions through forced agreements Opp.: final decision through shareholders
Labor Director	<u>transfer of established concepts</u> Gon.: introduction of "Arbeitsdirektor" Opp.:	<u>interpretive effect</u> Gov.: word creates fact Opp.:

# 6. The Final Design of the Codetermination Act and the Role of Architectural Public Policy Making

- 6.1 The Role of Managerial Employees
- 6.2 The Election Procedure
- 6.3 The Composition of Supervisory Boards
- 6.4 Impasse Resolution on Supervisory Boards
- 6.5 Summary

#### 7. The Contribution of the Architectural Perspective on Public Policy Making

- 7.1 Political Architecture and the Codetermination Act: The Framework's Contribution to a Better Understanding of the Case
- 7.2 Political Architecture and Public Policy: The Framework's Contributions to the Discipline

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#### Appendix

Confederation of German Employers Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände)
Confederation of German Industry (Bundesverband der Deutschen Industrie)
Christian Democratic Employee's Association (Christlich-Demokratische Arbeit-
nehmerschaft), political faction within the CDU
Christian Democratic Union of Germany (Christlich Demokratische Union Deutsch-
lands)
Christian Social Union of Bavaria (Christlich-Soziale Union in Bayern)
German Salaried Employees Union (Deutsche Angestelltengewerkschaft)
Confederation of German Trade Unions (Deutscher Gewerkschaftsbund)
Free Democratic Party (Freie Demokratische Partei)
Young Union (Junge Union), youth organization of CDU and CSU
Association for Middle-Sized Enterprises and Economy in the CDU/CSU (Mit-
telstands- und Wirtschaftsvereinigung der CDU/CSU)
Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands)
United Leaders Association (Union der Leitenden Angestellten)

<sup>&</sup>lt;sup>52</sup> CDU and CSU share a common parliamentary group in the German Bundestag and are frequently referred to as "CDU/CSU", "Union" (Union) or "Union parties" (Unionsparteien).