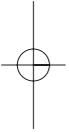
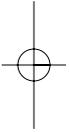
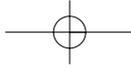


PART II

Comparative perspective on the politics of regulation





8. Comparative research designs in the study of regulation: how to increase the number of cases without compromising the strengths of case-oriented analysis

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Regulatory reforms have gained immense global popularity and are widely pervasive across regions, countries and sectors. Very few countries have kept aloof from this sweeping trend. Still, amidst the wave of reforms some puzzling variations in their advance are discernible. For one, variations are clearly visible in the timing of the reforms. It might be possible to identify pioneering countries (for example Britain), fence-sitters (for example Germany), and laggards (for example France). Similarly, it is possible to distinguish countries that moved towards reforms after severe economic crises and with the active encouragement of international institutions such as the World Bank and the IMF (for example a number of Latin American countries). At the same time, some countries took a pro-active approach and autonomously reformed their regimes in the hope of strengthening their competitiveness in global markets (for example New Zealand, The Netherlands). Finally, some countries adopted rapid reforms across many sectors (for example Bolivia) while others were more picky and opted for reform only in a small number of sectors (for example Japan). At the sectoral level, some sectors are prone to reforms (for example air transport), others much less so (for example water). Some regions of the world boast widespread regulatory reforms (for example Europe) while in others they are barely noticeable (for example the Arab world). Whereas some reforms have often been subject to international agreements (for example trade), others have been left to national discretion (for example occupational health and safety).

The general advance of regulatory reforms, and consequently the new capitalist order itself, is beset by temporal, spatial, sectoral, national and international-level variations. These variations present yet a further layer of complication for social scientists who are already plagued by complex

methodological and theoretical problems. Still, these variations are not merely a burden but are actually a blessing for comparativists, for two main reasons. First, while we generally seek regularities in human and social behaviour, variations are the most powerful engines of causal analysis. Without variations we cannot establish associations between variables, and without associations the causes, processes and outcomes of the reforms remain obscure. Second, variations are often the subject of research. Why is water, for example, less prone to regulatory reforms than air travel? Or why do regulatory reforms in the social sphere (social regulations) lag so markedly behind reforms in the economic sphere (economic regulation)? The aims of this chapter are to explore the role of variations and similarities in comparative research and to suggest a technique of compound designs that could maximize their explanatory power.

The context of this discussion is the search for research designs in the study of comparative politics that will enable researchers to deal systematically with political analysis in a shrinking world, where political action is conducted in various arenas simultaneously. At the same time, our discussion should be interpreted as part of the search for new techniques for finding a new balance between 'depth and breadth' in social science methodology (Ragin, 2000, 22). This is conducted through a careful process of increasing the number of observations while staying in the framework of case-oriented research (Ragin, 1987, 1994, 2000; King et al., 1994). Accordingly, the first part of this chapter identifies four popular approaches to case selection in comparative analysis: the national patterns approach (NPA), the policy sector approach (PSA), the international regime approach (IRA) and the temporal patterns approach (TPA).¹ The distinction between these approaches is based on theoretical preference in regard to the cases that need to be compared and the variations that they will display (see Table 8.1). The national patterns approach (NPA), which predicts that national variations will be the major determinants of reforms, advocates comparison of nations (for example Vogel, 1986; Waarden, 1995). The policy sector approach (PSA) predicts that sector-level variables will be the major determinant of reforms and advocates comparisons of sectors (for example Atkinson and Coleman, 1989; Hollingsworth et al., 1994). The international regime approach (IRA) suggests that the major determinants of the spread and depth of regulatory reforms are variations in the strength and scope of international regimes and it therefore focuses on the comparative analysis of regimes. Finally, the temporal patterns approach (TPA) suggests that the major variations in the reforms are shaped by past events, that is, by the particular situation of countries, sectors and international regimes at a particular time (for example the breakdown date of the old order) (for example Collier and Collier, 1991; Pierson, 1994, 2002).

Table 8.1 Four common approaches to comparative analysis

| Approach | Cases to be compared | Predictions as to variations | Predictions as to similarities |
|-------------------------------------|---------------------------------------|------------------------------|--|
| National patterns approach (NPA) | Nations | Across nations | Across sectors, time and international regimes |
| Policy sector approach (PSA) | Sectors | Across sectors | Across nations, time and international regimes |
| International regime approach (IRA) | International regimes | Across international regimes | Across sectors, time, and nations |
| Temporal patterns approach (TPA) | Politics before and after major event | Across time | Across sectors, nations, and international regimes |

The second part of this chapter focuses on the particular comparative design in Steven K. Vogel's *Freer Market, More Rules* (1996). This is a most remarkable study in its effort to employ some combinations of these approaches and thus selectively and systematically to increase the number of cases. Vogel's study is especially suitable to illustrate a technique for increasing the number of cases while retaining the benefits of case-oriented research (most notably, in-depth knowledge of one's cases). Most research in the study of regulation is confined to case studies (most often one country–one sector) or to statistical–quantitative analyses. The important terrain of medium-*N* research (more than two and less than circa 100 cases) is *terra incognita* for many.² This is an unfortunate state of affairs as medium-*N* designs might serve as shared space where quantitative and qualitative researchers can debate theory and evidence much more freely than in their own (often) exclusive domains. It is also the terrain where consensus can emerge about the value of generalizations on the one hand and about the importance of in-depth knowledge of one's case on the other. Medium-*N* research designs strive to preserve most of the valuable assets of the case-oriented approach while maximizing the explanatory power of the relevant theory through a careful selection of additional cases.

While there might be various useful strategies for increasing one's cases within the terrain of medium-*N* design, we suggest here a particular technique

that we label ‘compound research design’.³ It is based on systematic combinations of any two out of the four common comparative approaches employed in the study of regulation (and public policy in general) in a way that at least doubles the original number of cases. Indeed, it is often possible to identify some combinations of some of the four research approaches isolated here. Yet only rarely are combinations of cases selected meticulously. A more formal and structured process of case-selection in comparative research designs may well support the goal of increasing the number of cases in one’s research while maintaining most of the advantages of case-oriented analysis.

1. FOUR APPROACHES TO THE STUDY OF REGULATION IN A GLOBAL WORLD

As already presented (see Table 8.1), there are at least four popular approaches to case selection in comparative research designs. Let us explore each of them.

The National Patterns Approach

The national patterns approach (NPA) suggests that national-level characteristics exert a major impact on policy, politics, economics and society. Cross-national comparative designs are expected therefore to show significant diversity across the countries studied and to explain major variations in the policy process and outcomes, and the factors that shape them. The NPA has strong roots in the discipline of politics, as some of its major works employ a cross-national design. Alexis de Tocqueville’s *Democracy in America* (1840 [1835, 1840]), Barrington Moore’s study of *The Social Origins of Dictatorship and Democracy* (1966), and Theda Skocpol’s *States and Social Revolutions* (1979) are some of these remarkable studies that explicitly draw on the comparative method and specifically on cross-national analysis. When applied to the study of regulation, the NPA suggests that political processes and outcomes are shaped by a country’s unique national and historically determined characteristics embedded in specific state traditions.

The pioneering work of Andrew Shonfield (1965) on the different approaches and capacities of the British and French states to economic planning is one of the main departure points for students of comparative public policy and comparative political economy when they embark on the study of ‘varieties of capitalism’. Typical for this research approach is the suggestion that policy making is determined at a specific national centre and predominantly by national institutions. These institutions are products of historical circumstances and cultural characteristics that create specific ‘national institutional Gestalts’ (Waarden, 1992, 158; see also Castles, 1993).



Some of the critical cross-national variations especially emphasized by cross-national comparativists include the national form of intermediation between state and society (pluralism versus étatism versus corporatism); preferences for action (active versus reactive policies); the policies' extent of integration (comprehensive versus fragmented); flexibility of rule formulation and application (legalism versus pragmatism); state–clientele relations (adversarialism versus consensualism versus paternalism); and network social relations (formal versus informal) (Waarden, 1995).

How do we know that a certain comparative research is grounded in the NPA? Since scholars do not always explicitly state their basic assumptions and their general methodological approach, it may be useful to identify two archetypes of studies in the NPA tradition. First, and most probably the most common in this tradition, are studies that compare two or more countries and ask why they differ in certain aspects of their policy or regulatory regimes. Here state-level characteristics are usually expected to offer a solution to the puzzling differences. Not uncommon would be to ascribe the resolute move to privatization and liberalization in the USA and Britain to the common liberal heritage; the hesitant move of Germany to the semi-sovereign characteristics of the German state; and the reluctant move in this direction by the French to the étatist tradition of the French polity and economy. Second, and rather less common, is the 'paradoxical design'. Here the comparison is based on two or more countries which by their characteristics would supposedly have adopted different policies but in practice converged. The question then is why have both étatist France and liberal America kept large segments of their water supply under private ownership? While this puzzle may be explained by variables and explanatory mechanisms not necessarily grounded in the national level, the basic premises of the research questions are built on the assumption that nations usually differ. While in the first research design national variations are the explanatory variables, in the second the absence of national variations is itself the subject of the research question.

The Policy Sector Approach

The policy sector approach emphasizes the autonomous political characteristics of distinct policy sectors, hence the multiplicity of political patterns in any single country. The major point might be summarized in two major propositions: '[First] that the style of policy making and the nature of political conflicts in a country will vary significantly from sector to sector. ... [And second] that policy making in a particular sector will exhibit strong similarities, whatever its national context' (Freeman, 1986, 486). These claims clearly challenge the notion of 'national patterns' that suggest significant similarities in the modes of political process across different sectors in any

given country. In the field of comparative public policy it is the policy networks and meso-corporatism literature that best represent the policy sector approach. They call for a disaggregated view of the state, of the network of policy-making, and of the national level of policy-making (Atkinson and Coleman, 1989). The implications for policy analysis were clearly stated:

Capitalism can no longer be studied as a whole, but must be broken down into its parts ... Both to capture the diversity of capitalism and to render it manageable, *it seems useful to focus on the sector as the key unit for comparative analysis* ... A number of changes in technology, market structure, and public policy seem to have converged to make this meso-level ... increasingly salient. (Hollingsworth et al., 1994, 8–9).⁴

Let us indicate some problems involved in a decision to identify a study as following or not following the PSA. James Q. Wilson's edited volume *The Politics of Regulation* (1980) assembles nine studies of regulatory agencies and regulatory politics in the United States that served as the basis for Wilson's introduction and conclusion. This 'collaborative' research design, where different sectors are examined and implicitly compared, and where the national level (United States) is constant (that is, under control), has some affinities with the PSA but cannot be considered an ideal representative of the approach. The reason is simple: the PSA design expects variations across sectors, and to identify variations one has to move from the implicit comparisons evident in Wilson's conclusions to an explicit and systematic study of variations in the 'politics of regulation' across sectors. In other words, an ideal research design from the PSA standpoint will allow explicit comparison across the sectors under research. A notable example of a study that does exactly that is Harris and Milkis's *The Politics of Regulatory Change: A Tale of Two Agencies* (1996), which compares the dynamics of administrative politics in the Federal Trade Commission and the Environmental Protection Agency.

The International Regime Approach

The international regime approach suggests that the major determinant of the extent and depth of regulatory reforms is variations in the strength and scope of international regimes. Regimes at the international level are considered to have their own autonomous characteristics and to differ in a number of important aspects (Krasner, 1983; Hasenclever et al., 1997). While much of the discussion around international regimes is directed to verification and negation of some meta-theories of international relations such as neo-realism, neo-liberalism and constructivism, in the last decade growing attention has been paid to the nuances of similarities and variations across regimes. This



recognition is followed by a more widespread use of comparative research designs in the study of international relations and international political economy. A pioneering book in this tradition is Keohane and Nye's *Power and Interdependence* 1977 [1989]), which compares international regimes for oceans and money.

The growing recognition of the importance of comparative methodology in the fields of international relations (IR) and international political economy (IPE) is at least partly the result of the challenges of globalization, internationalization and Europeanization, which have narrowed the gap between the national and the international. As these forces and processes are hardly reversible, comparative methodologies may be expected to continue to grow in importance in the fields of IPE/IR. Increasing interdependence of the national (hence the sectoral) and the international requires us to reconsider the boundaries of cases and levels, and to analyse simultaneous deeds on various levels of political action (Tsebelis, 1990). It is also expected to be a major force beyond the reach of compound research design in the study of politics and policy.

John Braithwaite and Peter Drahos's *Global Business Regulation* (2000) may serve as an example of a comprehensive and penetrating study of international regimes in various spheres of political and economic action. The study covers 13 international regimes, from trade to financial regulation and from labour standards to marine transport. The empirical basis for the 13 studies is a comprehensive study of secondary material and 500 interviews conducted by the two scholars. The studies are followed by a comparative analysis across the 13 cases that focuses on three issues: actors, mechanisms and principles. Across each of the cases the study identifies key actors (for example organization of states, states, international business organizations, corporations and epistemic communities), governing principles (for example lowest-cost location, best practice, deregulation, strategic trade, rule compliance and most-favoured nation), and mechanisms of globalization (for example military coercion, economic coercion, systems of reward, capacity-building and reciprocal adjustment). Another notable example is Zacher and Sutton's (1996) comparative study of international regimes for transport (shipping and air travel) and communications (telecoms and post).

The Temporal Patterns Approach

The temporal patterns approach suggests that systematic diachronic comparisons of sectors, nations, or international regimes may reveal some of the most important features and determinants of the spread of regulatory reforms. Certain 'remarkable' events, such as the rise to power of a new leader, the appearance of new technology, the spread of some ideas beyond the

critical threshold, wars and revolutions, serve as turning points and mark a boundary between the 'old' and the 'new' orders. The researcher then undertakes a comparative analysis of similarities and variations in the old and the new orders. Examples of such studies are Peter Gourevitch's (1986) comparative study of the economic depressions of 1873 and 1929 and the Colliers' study of critical junctures in the interaction of the Latin American labour movement with the state (1991). Some systematic modelling of the effect of time and sequencing in political analysis is evident in Pierson's work (1994, 2000, 2003).

The temporal patterns approach has a close affinity with historical approaches of research as both kinds are highly sensitive to time and context. Yet unlike traditional historical research, temporal patterns conceptualize the different eras as 'cases', and subject these cases to the regular tests of 'case selection' (for an excellent discussion of various issues related to temporal comparisons see Bartolini, 1993). The basic premises of the approach are widely used in comparative research, and not many readers will object to the idea that certain patterns of politics are time-dependent and that these patterns should therefore be compared systematically. More controversial, perhaps, would be a stronger claim that regulatory politics critically depends on the temporal dimensions of the case rather than on within-time (or synchronic) variations across nations, sectors, or international regimes. As will be demonstrated below, this stronger claim can be systematically examined in a compound research design, but for the moment let us keep the tension between different approaches to comparative research on hold, and explore some examples of the TPA.

There are two archetypes of TPA studies. First, and probably the most common in this tradition, are studies that compare two eras, one before and one after a major event, and ask why they differ on one point or another. Many accounts of the development of the regulatory state in the United States stand firmly on this approach. An example is Eisner's *Regulatory Politics in Transition* (2000, 2nd edn), which focuses on the temporal development of regulatory regimes in the United States in a comparable manner: the market regime (with the rise of big business), the associational regime (expansion of economic regulation in the progressive and the New Deal era), the societal regime (the rise of social regulation in the 1960s and early 1970s), and the efficiency regime (the deregulation era since the second half of the 1970s).

A second type of study in this approach is the 'paradoxical design'. Here the comparison is based on two or more 'eras' and the expectation that they will be characterized by different patterns of regulatory politics. The researcher's quandary arises from 'paradoxical findings' that point to similar outcomes across the eras despite the opposite predications of the TPA. While this puzzle may be explained by variables and explanatory mechanisms that are not

necessarily grounded in the level of the international regimes, the basic premises of the research question arise from the assumption that ‘temporal cases’ should exhibit variations. An example is Stigler and Friedland’s ‘What Can Regulators Regulate? The Case of Electricity’ (1962). Their paper treats the establishment of regulatory authorities for electricity as a turning point in the history of regulation, and suggests that if ‘regulation matters’, then the ‘era of regulation’ will be characterized by lower electricity tariffs. The puzzling evidence that they do not substantially differ was used to criticize public interest theories of regulation and to substantiate private interest theories.

Why Distinguish between these Approaches?

So what are the benefits of these distinctions? I can think of three. First, the distinctions clarify and formalize prevailing notions and practices of comparative analysis. Second, they assert the importance of variations in the selection of cases for comparison in order to avoid the problem of selection on the dependent variable. Third, they help us to increase the number of cases without compromising the strength of the case-oriented approach. This critical advantage is demonstrated in the next section.

2. THE ROAD TO MEDIUM-*N* DESIGNS: VOGEL’S STUDY OF REGULATORY REFORMS

Steven Vogel’s *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries* is widely considered as one of the best studies of the subject. One of the major strengths of the book is its comparative research design that makes use of a stepwise increase in the number of cases and meticulously combines some major comparative approaches. This part of the chapter discusses four important issues in Vogel’s research design: (a) his stepwise increase in the number of cases, while staying firmly in the framework of case-oriented research; (b) his conception of what is a case; (c) his case-selection; (d) his technique for combining various comparative approaches. The range of issues that this discussion raises is critical for the further advance of medium-*N* research designs.

From Few to Many: Stepwise Increase of the Number of Cases

Figure 8.1 summarizes Vogel’s stepwise technique of non-random selection of cases. The figure distinguishes six different steps in the aggregation of empirical evidence. The first is a comparison of the two primary countries studied (Britain and Japan) with emphasis on the variations in their ideological

orientation and institutional constellations prior to the reform.⁵ The second step introduces two additional sets of comparisons. In the first set the old and the new telecom regimes in Britain are compared, and in the second the same comparison is made in regard to Japan. The third step repeats this comparison but in respect of the financial sector in each of the countries. In the fourth step

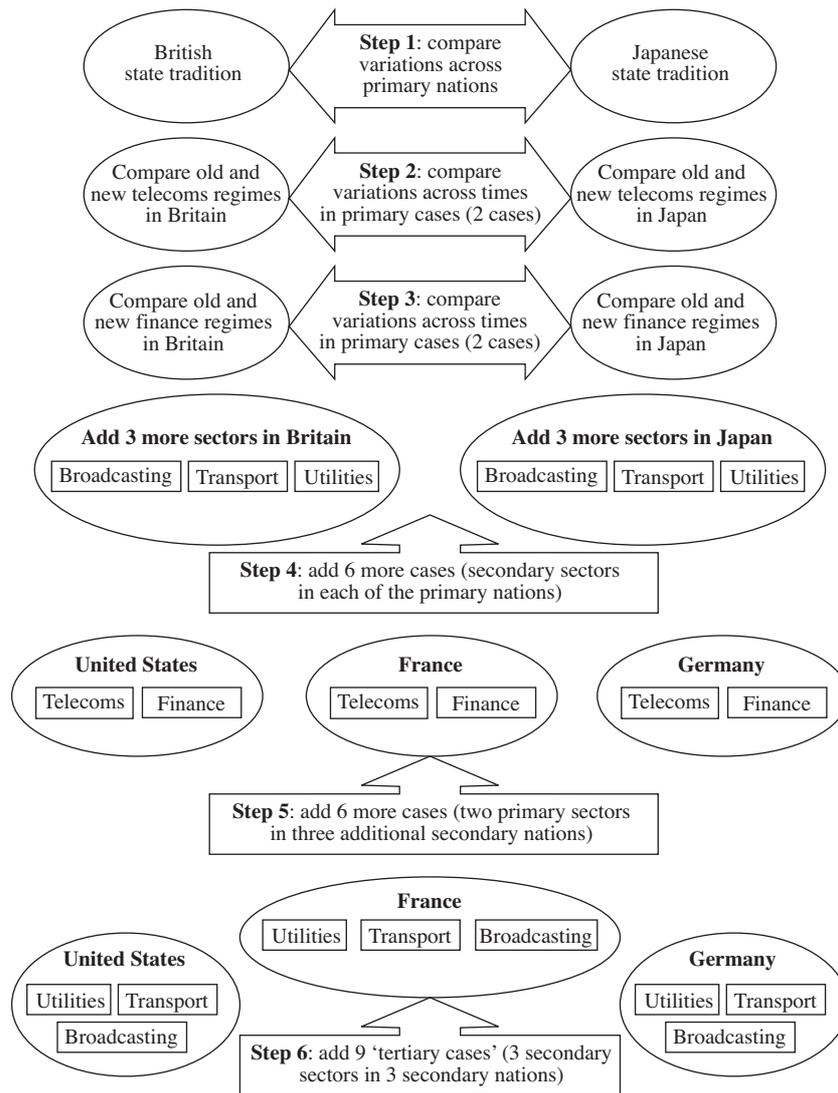


Figure 8.1 *Vogel's stepwise research design*

Vogel adds three more sectors (broadcasting, transport and utilities) in Britain and Japan. In the fifth step he adds three countries (France, the USA and Germany) and in each he examines the two primary sectors (finance and telecoms). In the sixth step he adds the three secondary sectors (broadcasting, transport and utilities) for the three secondary countries.

The gradual increase in the number of cases is remarkable, not least because Vogel employs different types of cases: more nations and sectors, as well as old and new sectoral regimes. The increase in the number of cases is not mechanistic and random, as in quantitative research. The selection is made with care and variations are sought on different dimensions (sectoral, national and temporal). This selection process, which maximizes the type of variations against which Vogel's arguments are framed, increases the validity of the conclusions. Vogel seems well aware that in non-random comparative research strategies not all cases are methodologically or theoretically equal, and that the variety of cases is often more important than their sheer number. At the same time Vogel includes cases that are not studied in depth (broadcasting, transport and utilities; Germany, the USA and France). As it is impossible to cover so many cases in depth, he opts for a rather limited coverage of these cases rather than dropping them. His choice opens the door to the medium-*N* terrain of political enquiry.

Types of Cases in Vogel's Research Designs

A puzzling aspect in Vogel's design, however, is his conception of a 'case'. According to Vogel's own count, the number of cases in his study is 25. With some adding up and multiplying it becomes clear that a case for Vogel is only a sector, and the 25 reflect the fact that he studies five sectors in five different countries (see Table 8.2). This is a puzzling calculation because the countries and the temporal regimes are not considered cases even though he explicitly compares British and Japanese political economy before the reforms and the old and new regimes for telecommunications and finance. An even larger number of cases might be identified if we distinguish five types of cases in Vogel's study. These cases vary in (a) the extent to which they involve in-depth inquiry, (b) their dimensions and (c) their inferential role in the study.

The first type of cases includes four 'primary cases': British telecoms, British finance, Japanese telecoms and Japanese finance. These cases are 'primary' in the sense that they are studied 'in depth' and serve as the pillars of Vogel's theoretical construction. The second type of cases in the study includes 12 'secondary cases'.⁶ These add three more sectors (broadcasting, transport and utilities) first in Britain and then in Japan. A comparison of the four primary cases reveals that the secondary cases are studied in less depth and are reviewed more briefly. The third type of cases includes nine 'tertiary

Table 8.2 *What is a case?*

| Type of case | The cases | Number of cases | Cumulative number of cases | Counted by Vogel |
|--------------------------|--|-----------------|----------------------------|------------------|
| Primary cases | 4 primary sectors | 4 | 4 | Yes |
| Secondary cases | 3 secondary sectors in each of the primary nations plus 2 primary sectors in each of the 3 secondary nations | 12 | 16 | Yes |
| Tertiary cases | 3 secondary sectors in each of the 3 secondary nations | 9 | 25 | Yes |
| Composite cases | 5 countries after the reforms | 5 | 30 | No |
| Temporal sectoral cases | The old regimes in each of the 5 countries and 5 sectors | 25 | 55 | No |
| Temporal composite cases | 5 countries before the reforms | 5 | 60 | No |

cases', which are not specifically addressed in his study but none the less are integrated into his analysis in the final chapter (Vogel, 1996, 259). These cases cover the reforms in the three secondary sectors (broadcasting, transport and utilities) in the three secondary nations (the USA, France and Germany).

Yet cases are not discovered but are defined by the researcher (for an extensive discussion of this issue, see Ragin and Becker, 1992). It is the researcher who decides when one regime ends and another starts, which activities and actors are included in a sector and which are not, and similarly what is the particular 'regulatory orientation' or 'policy characteristics' of a country. Three additional types of cases may be pointed out that are missing from Vogel's 'official count' but are nevertheless very substantial to his analysis. The first of these is the 'composite case', namely cases that take their value (or character) from cases at a lower level. Specifically they include five nations that draw their 'national style of regulation' from the direction and



extent of regulatory reforms in each of the five sectors studied. Two of these five composite cases – Japan and Britain – are primary cases while the other three are ‘tertiary cases’ (composed largely but not exclusively of secondary sectors in secondary countries). The second type of ‘missing’ case is the temporal sectoral case. Here the old and the new regimes in each sector might be conceptualized as different cases and thereafter compared diachronically. Thus, we can add five old sectoral regimes for each of the five countries to our counting. Third, we can add the temporal compound cases that include the countries before the reforms. When one adds to the 25 cases counted by Vogel the five compound cases, the 25 temporal sectoral cases, and finally the five temporal compound cases, the grand total is 60 cases.

One possible objection to my count of cases would focus on the count of the old regimes (sectoral and national) as cases. Vogel is after all interested in regulatory reforms that happened during the 1980s and not in the old regimes that were dominated by Keynesian policies. My answer to this objection is simple. The old regimes represent cases of no reforms and as such supply variations in the dependent variable. In many respects they are the answer to the problem of selection bias that plagues much case-oriented research (Geddes, 1990).⁷ Another objection might question the argument that there is any value in counting the countries (and not only the sectors) as cases to be compared. Vogel, after all, made the most of the country-level comparison even without counting countries as cases. Here I would suggest that it might be beneficial to turn implicit comparisons into explicit comparisons and thus to make comparative research less of an art and more a technique that can be taught for graduate students, analysed easily by reviewers, and formalized as a professional standard. Counting the countries as cases is the first step in this direction.

From Simple to Compound Research Designs

Vogel’s research design is exceptional also in the combination of different comparative strategies that give him powerful leverage later, when he examines the process of reforms. Specifically, he employs the temporal patterns approach (comparing old with new regimes), the national patterns approach (most explicitly in comparing Japan and Britain), and the policy sector approach (most explicitly in comparing telecommunications and finance). Yet despite his achievements in this task, his case-selection is open to criticism for three major reasons. First, it does not always follow the rule of ‘choose the least favourable cases for your argument’.⁸ Second, he does not explicitly define the variations across his sectoral cases (telecoms and finance). Finally, he does not explicitly present and discuss the full range of outcomes that arise from his decision to include different types of cases in his

analysis. Let us consider his case selection with regard first to the primary nations and then to the primary sectors.

Vogel's choice of primary nations is justified on the following grounds:

The United Kingdom and Japan began their regulatory reforms programs at the same time and under the similar circumstances, and extended their programs to a similar range of sectors. They were similarly influenced by the U.S. deregulation movement and faced common international market pressures. Thus they provide a good comparative fit: any differences in reform outcomes are likely to reflect differences in domestic politics. The British and Japanese governments adopted a similar rhetoric of 'liberalization' and 'deregulation', yet produced strikingly different reforms. This divergence cannot be explained by a market or interest groups model, but only through an examination of the ideas and institutions that shaped the two countries' reform strategies. (Vogel, 1996, 43)

Is this justification for case-selection convincing? Only partly. A more convincing argument for the effect of domestic politics and national institutions would have come from a study of countries that are as similar as possible (MSSD) on the relevant control variables.⁹ Everything that Vogel advocates in this paragraph might have been argued more convincingly on some other pairs of countries. One example is a possible comparison of the UK and the USA. Evidence of divergent responses in these countries would have been more puzzling than the divergence between Japan, whose political economy is characterized by an étatist tradition, and the UK, which has a strong liberal tradition.¹⁰ Vogel's case of diverging outcomes between the UK and Japan is more favourable for his argument about states' diverging responses to common pressures than is a case of varied outcomes between the UK and the USA.

Vogel's selection of sectors and application of the PSA is problematic. Let us examine the justification for his case-selection at the sectoral level:

Even in the most dynamic and the most global of industries – telecommunications and financial services – I find that governments are hardly overwhelmed by international market pressures. (Vogel, 1996, 2)

It is clear from this sentence that Vogel is not looking for variations across these sectors, but instead uses them as two 'critical cases' in order to assess the arguments about the retreat of the state. The observation that telecoms and financial services are among the most global and most dynamic sectors is widely accepted, so each of the sectors makes a good case. Yet one may question the logic of choosing sectors that vary so little. Few would doubt the benefits of adding cases when one's aim is to generalize. Yet if one's goal is to show that ideas and institutions are important determinants of the reforms, it might be best to choose one case where markets and technologies are very

important and one case where markets and technological changes are radically less important. We may suggest a comparison of financial services (very dynamic and global) and transport (much less dynamic and global). A study that shows that even in the most critical cases (financial services) governments are hardly overwhelmed by international market pressures, and that even in the most static cases (transport) governments are reforming their regulatory regimes (and therefore acting on their own preferences), will be more forceful in its conclusion than a simple repetition of the same conclusion in two similar cases. Moreover, since there are not enough variations in his primary sectoral cases, Vogel does not allow for the possibility that variations in governance structures are more important across sectors than across nations. Given that Vogel's approach is entrenched in the tradition of the NPA, it seems that the research design – in so far as we are concerned with the choice of sectors – is pretty favourable to his argument.

But how can one know in advance that one's cases include the desired variations and similarities? What might seem obvious after doing the research (namely the lack of obvious and salient sectoral variations between telecoms and finance as regards regulatory reforms) was not that obvious beforehand. One way to go about this is to conduct a pilot study before committing oneself to certain cases. While this might be a costly solution, the benefits might be great enough to justify them.

The Range of Outcomes in Vogel's Research Design

Using different types of cases (or comparative approaches) in one's research design changes the range of possible political outcomes. While a 'simple research design' can summarize along one dimension (yes, no, degrees of yes), a 'compound research design' is characterized by outcomes that vary along two or more dimensions. Take for example Vogel's four major cases (two nations and two sectors). The four possible outcomes are similarities across nations and sectors, variations across sectors and nations, variations across nations but not sectors, and variations across sectors but not nations.

Let us start with the one outcome that Vogel discusses extensively, namely variations across nations but not across sectors. This is Vogel's major finding. In discussing it he reasserts not only the argument about the state-led process of reforms but also the one about the relevance of comparative studies of nations as the major professional enterprise. Somewhat less attention is given to the possibility of variations across sectors and of similarities across nations. This is a clearly one possible outcome of the research but Vogel seems not really interested in cross-sectoral variations as his choice for comparison of most-similar cases. While he clearly shows that there are variations between telecoms, finance and broadcasting (with extensive regulatory change) and

transport and utilities (where regulatory change is much less evident) he does not explicitly discuss them (see Vogel, 1996, p. 259, fig. 3). A third possible outcome is of similarities across nations and sectors. Vogel is aware that important similarities exist across nations and sectors in the 25 cases that he analyses, but this outcome is not a significant part of his research agenda. Instead he assumes that marketplace changes, macroeconomic trends, and export of the American 'deregulation' are responsible for this common trend of change. Finally, there is the possible outcome of variations across both sectors and nations, which is overlooked – at least when one seeks a systematic discussion of this specific outcome of the reforms.

In sum, Vogel offers an innovative research design that increases the number of cases without turning into a quantitative–econometric analysis. At the same time, however, his case-selection has some weaknesses, and he does not cover the wider range of possible outcomes that naturally arise when one moves from simple to compound research designs. In what follow we move to the major aim of this chapter and suggest a technique of combining two or more of the different research approaches that may help to overcome these problems.

3. FORMALIZING COMPOUND RESEARCH DESIGNS IN THE MEDIUM-*N* TERRAIN

Problems of case-selection are inherent in all research based on non-random selection of cases. One of the most notable warnings as to problems of selection bias in case-oriented research refers to selection on the dependent variable, already mentioned. Yet there are other types of selection bias that often go unnoticed, and these might prove crucial in any research design. One is the problem of selecting on particular variations. This problem occurs when there is arbitrary selection of one type of variation while others are ignored. For example, such a bias might occur if variations in the advance of regulatory reforms are studied on the level of the European Union without regard to sector-level variations. What explains variations across the food and occupational safety regimes in the European Union? The power of EU-level interest groups, or the food-safety scandals in one of the larger states?¹¹

A second problem is that of selection bias owing to focusing on either variations or similarities. If variations and similarities are both an important dimension of the reforms, an analysis that focuses (or is constructed) on only one of them might be biased. Our technique might be at least partly handy here. Let us demonstrate the advantages of the technique in an example of a research design that combines the national patterns approach and the policy sector approach. The technique might be useful in studies that combine each



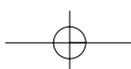
of the two common comparative approaches (that is, also IRA and NPA, IRA and PSA, TPA and NPA, TPA and PSA, and TPA and IRA).

Our starting point is the differences between the predictions of the NPA and the PSA as to the extent of similarities and variations across nations and sectors. When contrasted in one research design, the NPA predicts cross-national variations and cross-sectoral similarities, while the PSA predicts cross-national similarities and cross-sectoral variations. The four possible outcomes when these predictions are considered are portrayed in Table 8.3.

Table 8.3 Possible patterns of variations and similarities of outcomes in a compound research design that combines comparisons of nations and sectors

| | Cross-sectoral similarities | Cross-sectoral variations |
|-----------------------------|---|---|
| Cross-national similarities | Evidence does <i>not</i> support either of the two approaches. Move to another level of analysis | Evidence supports the policy sector approach (PSA) |
| Cross-national variations | Evidence supports the national patterns approach (NPA) | Evidence supports both approaches simultaneously. Explore the conditions where one is more acceptable than the other |

First, one can expect cross-national similarities and cross-sectoral variations. Such an outcome will confirm the PSA and thus will guide the researcher to look for sectoral-level factors that shape the regulatory reforms. Second, one can expect cross-sectoral similarities and cross-national variations to prevail. Such an outcome will confirm the NPA and thus will guide the researcher to look for nation-level factors. Third, one can expect similarities across both sectors and nations. Such an outcome implies that there are extra-national and extra-sectoral forces, probably global, which affect the governance regimes of all sectors and nations. The solution here is to move to the global level of analysis and to apply research tools that are more in tune with international relations than with comparative politics and comparative public policy. Finally, one can expect both cross-sectoral and cross-national variations. Such an outcome requires the researcher to explain *when* and *why* one of the approaches is more useful than the other.



It might be useful to illustrate these various potential outcomes with two concrete examples of hypothetical research designs (see application in Levi-Faur, 2003). Let us start with a research design with four cases: the privatization of water and electricity facilities in Germany and France. This design of two countries and two sectors is compound in that it derives its power from both the NPA and the PSA (see Table 8.4). From the NPA standpoint there are two cases to be compared: Germany and France. From the PSA standpoint the two cases to be compared are water and electricity. The NPA predicts considerable variations in attitudes to privatization across the two countries but minimal variations across the sectors. Specifically, the NPA expects France or Germany to adopt or reject privatization across *both* sectors. The PSA by contrast suggests that privatization is subject to sector-level politics, so it predicts that privatization will vary across the sectors and will vary less or not at all across nations. Specifically, one may expect, according to the PSA, that water ownership will keep its private (or public) characteristics in *both* countries. Yet there are other possibilities. First, one is likely to find privatization in both countries and in both sectors (see the top left cell in Table 8.4). Second, one is likely to find privatization in the two sectors in one of the countries but only in one sector in the other country (see the bottom right cell in Table 8.4).

A second illustration of the use of the technique demonstrates how one can increase the number of cases from four to about forty. In the example we include ten liberal countries and ten étatist countries in the same two sectors, water and electricity. The number of cases in this example is 40 (20 countries

Table 8.4 Possible patterns of variations and similarities of outcomes in a compound research design: comparing water and electricity privatization in France and Germany

| | Cross-sectoral similarities | Cross-sectoral variations |
|-----------------------------|--|--|
| Cross-national similarities | Privatization in both water and electricity and in both Germany and France | Privatization only in water (or electricity) in both Germany and France |
| Cross-national variations | Privatization in both water and electricity in Germany (or France) but not in France (Germany) | Privatization in both water and electricity in Germany (or France) but only in water (electricity) in France (Germany) |



times two sectors). Table 8.5 presents fictional outcomes of the propensity to privatization in each of the countries and each of the sectors. As is evident from the table, evidence of a large number of privatizations (83 per cent of the 40 possible cases) supports the possibility of similarities across nations and sectors. Yet clear evidence exists for each of the other options. Cross-sectoral variations are evident from the greater propensity of water to privatization than electricity. Cross-national variations are evident from the greater propensity of liberal countries to privatize than étatist countries. Finally, evidence is present of variations across both sectors and nations. These variations are revealed in the tendency of liberal countries to privatize electricity more than water.

Table 8.5 Possible patterns of variations and similarities of outcomes in a compound research design: comparing water and electricity privatization in 10 liberal and 10 étatist countries

| | Cross-sectoral similarities | Cross-sectoral variations |
|-----------------------------|--|---|
| Cross-national similarities | Privatization in 33 out of 40 possible cases | Water is more prone to privatization (18 cases of water privatization but only 15 of electricity) |
| Cross-national variations | Liberal countries privatized in 18 out of 20 cases while étatist countries privatized in 13 out of 20 possible cases | Liberal countries tend to privatize electricity more than water. Etatist countries privatized water more than electricity |

In the world of small-*N* research (and deterministic outcomes) exemplified in table 8.4 it is highly possible that one of the four potential outcomes will win clear empirical support. But in the world of medium-*N* research, shown in table 8.5 (as well as in large-*N* research), it is highly likely that all four of these approaches will get some support. This requires the researcher to examine his or her explanations against various outcomes. Clearly, some costs are involved as the challenges to any explanatory framework are bigger, but there are some benefits. First, simple and swift arguments that dismiss one or more mechanism of political change might be more difficult to propose. At the same time it may solve at least partly the two problems of case-selection discussed above: selecting on particular variations and selecting on variations rather than similarities (and vice versa).



4. CONCLUSIONS: REGULATORY ANALYSIS IN THE MEDIUM-*N*'s TERRAIN

Let us recall the subject of the book. One of our main assertions was that the politics of regulation in the age of governance is a matter for multi-level analysis. Multi-level political action requires multi-level analysis, and our compound research design and call for more systematic case-selection are meant to tackle old and new political problems in a new political reality. Comparative analysis is needed more than ever, yet disregard for methodological issues seems to be too frequent in comparative research (De Meur and Berg-Schlosser, 1994, 193–4). One indication of this situation is the repeated references to methodological studies from the early 1970s in current comparative research.¹² This stagnation is partly due to the fact that the methodological training in the political sciences and sociology is primarily oriented to statistical training. Yet statistical training, important as it is, is not the only methodology, and arguably not the major methodology in political studies, and there is an urgent need for methodological training in comparative strategies. A significant foundation for progress in this regard was laid by the work of Charles Ragin (1987, 1994, 2000) and the Compass research network.¹³ No less important are the efforts to promote multi-method research designs (for example Bennett, 2002; Lieberman, 2002).

In the spirit of these efforts to promote the use of comparative strategies in political research, this chapter distinguished four major approaches to comparative research. It then offered a technique of comparisons that allows the researcher to increase the number of his or her cases without compromising the benefits of case-oriented research. Using Steven Vogel's technique of a stepwise research design, we showed how this could be done effectively. In addition, the chapter set forth a technique of a compound research design that allows systematic examination of all possible outcomes when two or more of the four comparative approaches are employed in one's research design. It is now up to scholars and students of regulatory reforms to decide to what extent these methodological suggestions might be useful in their own research.

NOTES

* I am grateful to Martin Minogue, who 'commissioned' this paper for the International Workshop of the Centre on Regulation and Competition, 4–6 September 2002, University of Manchester. Comments from Benoît Rihoux, Jacint Jordana, Martin Minogue, Raphael Schapiro and Steven Vogel on an earlier draft were very helpful. All the usual disclaimers apply.

1. For an alternative typology of comparative strategies, one which is oriented towards the formalization of inferential methods, see Mahoney (2000).
2. It might be useful to clarify that this terrain is titled a small-*N* terrain by some researchers

(for example the Compass group). Yet I think that it would be counter-productive to our goal to emphasize the similarities to the case-study approach. In fact, I interpret the work of Ragin et al. as a challenge to the case-study approach as much as it is to the quantitative–statistical approach.

3. Alternative labels that were considered are ‘complex’, ‘multi-faceted’, ‘multi-dimensional’, and ‘multi-level’ research designs.
4. The policy sector approach is on the rise in the study of governance issues. According to Vivien Schmidt, it is likely that at ‘some point soon, ... sectors across Europe [will be] the most appropriate focus’ (Schmidt, 2002, 307). Yet while the PSA has given birth to some excellent research, not one study has made a critical impact on the discipline of politics akin to the seminal works that are associated with the NPA.
5. See the summary on p. 45 of his book.
6. Vogel’s term is ‘mini-cases’: see p. 256.
7. In her formulation, selection bias occurs when only positive cases of whatever political phenomenon (for example revolutions, revolts, policy change) are selected without regard to variations in the occurrence. Selection of cases, King et al. (1994) remind us, ‘should allow for the possibility of at least some variation on the dependent variable’ (ibid., 129).
8. As the scientific status of a theory or an argument is closely connected to the stringency of its tests, one’s conclusions will be more convincing if the evidence holds in the least likely circumstance.
9. Selection according to the most similar system design (MSSD) takes cases that are as similar as possible, on the assumption that the more similar the cases being compared, the more possible it should be to control the effects of different variables. The most different system design (MDSD) compares cases that are as different as possible in order to show the robustness of a relationship between dependent and independent variables. For a somewhat confusing exposition of this critical distinction see Przeworski and Teune, (1970).
10. The UK and the USA are generally perceived to belong to the same ‘family of nations’ and thus to have similar approaches. Yet has been shown admirably by David Vogel (1986) the commonalities between these countries are accompanied by significant variations in policy styles.
11. This point is a major assertion of the multi-level analysis approach to the study of European politics; unfortunately these assertions were not followed by the developments of systematic techniques for the study of multi-level politics.
12. These studies most often include references to Lijphart’s oft-cited papers (1971, 1975) and more rarely to Przeworski and Teune (1970).
13. Compass stands for Comparative Methods for the Advancements of Systematic Cross-case Analysis and Small N Studies. It brings together scholars and practitioners who share a common interest in theoretical, methodological and practical advances by a systematic comparative case approach to research that stresses the use of a configurational logic, the existence of multiple causality, and the importance of a careful construction of research populations. See <http://www.compass.org/>

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