10

Are Regulatory Agencies Delivering What They Promise?

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10.1 Introduction

The wave of re-regulation in Western Europe has been sustained by policy-makers for more than two decades in order to correct market failures, to increase the allocative capacity of markets, and to promote the use of specialized knowledge in the policy process (Majone 1994; Majone 1996; Majone 2001a). Numerous independent regulatory agencies (IRAs) were created, such as telecommunication authorities, banking commissions, and competition agencies, to which a great deal of public authority has been delegated. Two main official rationales for delegation exist: on the one hand, the increasing need for policy credibility through independence from politicians; and, on the other, the aspiration of enhancing decision-making efficiency through expertise (Majone 1996; Majone 2001c). Policy *credibility* can be defined as the expectation that an announced policy will be properly carried out (Drazen and Masson 1994), so as to create credible policy commitments *vis-à-vis* stakeholders (e.g. foreign investors), consumers, and citizens (Shepsle 1991). Credibility is considered a crucial condition for solving the time-inconsistency problem related to the political cycle (Kydland and Prescott 1977; Barro and Gordon 1983). Decision-making *efficiency* designates the resource-saving implementation of predetermined goals (Blühdorn 2006). Accordingly, the purpose of delegation is to reduce decision-making costs by taking advantage of an agency's expertise, while avoiding the enactment of policies different from those preferred by the political decision-makers (Epstein and O'Halloran 1999; Bendor, Glazer, and Hammond 2001; Majone 2001c).

Therefore, the delegation of regulatory competencies to IRAs is frequently interpreted, namely by new public management (NPM) advocates,

as a technocratic instrument for the management of increasingly complex societies – where the imperatives deriving from an 'internationalized economy' and a 'risk society' require quick adaptations, certainty, and informed answers. The explanatory power of this functionalist and normative perspective is, however, limited, as there is cumulative evidence for the relevance of non-functional factors driving the establishment of independent regulators, drawing from organizational theory and sociological institutionalism (Christensen and Yesilkagit 2006). Processes of learning and isomorphism and strategies for coping with political uncertainty and blame shifting are frequently highlighted (Gilardi 2002; Thatcher and Stone Sweet 2002; Gilardi 2008). Above all, the establishment of independent regulatory agencies in Western Europe followed a syndrome of diffusion: governments made decisions interdependently according to an emulation process wherein the symbolic properties of IRAs appeared to be more important than the functions they would perform (Gilardi 2005a).

Yet the official goals of delegation in terms of credibility and efficiency represent a relevant analytical benchmark in the context of this study, which, instead of examining *why* agencies are created, deals with the *consequences* of delegating public authority to independent regulatory agencies. A growing literature exists, with reference to the unintended consequences of agencification, that underscores the unintentional effects, the delays, and the frequent implementation problems occurring in public sector reforms (McGowan and Wallace 1996; Pollitt and Bouckaert 2004); the varying effects of regulatory reforms on diverse political and administrative systems, which are shaped by phenomena of path-dependence and frequently reinterpreted by national actors according to a 'logic of appropriateness' (Hood, Rothstein, and Baldwin 2001; Peters 2001; Pollitt, Tablot, Caufield, and Smullen 2004; Christensen and Yesilkagit 2005; Christensen and Lægreid 2006); and the increasing importance of IRAs, which are opening the decision-making process while constituting the 'third force' in the regulatory state, together with elected politicians and regulated industries (Thatcher 2002b; Gehring 2004; Coen and Thatcher 2005; Thatcher 2005).

However, very few studies focus on the question of whether IRAs can really deliver what they promise, in terms of credibility and efficiency, with a systematic comparative empirical perspective. The evidence of the supposed benefits in terms of improved regulatory performances is still 'very patchy', and at the same time the convergence towards this model seems to hide a variety of actual practices (Pollitt, Bathgate, Caulfield, Smullen, and Talbot 2001). The rare studies examining agencies'

performances (Talbot 2004; Verhoest 2005; Yamamoto 2006), while helpful for building detailed country-specific knowledge, have hardly led to general clear-cut results; and above all they do not focus on agencies that are formally independent from elected politicians, which represent the trickiest cases, both from the point of view of the potential legitimacy deficit and pertaining to the puzzle of combining autonomy with efficiency gains (Majone 1999; Majone 2001a; Majone 2001b).

The main reasons for the persistent uncertainty about the consequences of agencification can be briefly summarized with the following three points. First, it is difficult to develop a measurement of the IRAs' impact because their constitutional goals are varied, mixed, broad, and often ambiguous (Chun and Rainey 2005). Second, the concept of regulatory quality has to be considered empirically sensitive to the subjective understandings of the different actors involved, implying unrelenting difficulties in reaching a general agreement on its assessment (Papadopoulos 2003; Radaelli and De Francesco 2007). Third, the verification of the causal connections between the regulatory action of IRAs and the broad outcomes in the whole society implies a 'micro-macro' transition that involves serious attribution problems (March and Sutton 1997). In order to contribute to this discussion and to circumvent the aforementioned problems, this chapter deals with a specific type of regulatory outcome – that is, agencies' media reputation for credibility and efficiency. The research question is as follows: can IRAs, though created for symbolic purposes, deliver what they promise in terms of media reputation for credibility and efficiency?

In the next section, I will show the relevance of conceptualizing the reputation of agencies through the analysis of media coverage. Then, I will illustrate my theoretical expectations. In the methodological section I will present the logic of the comparison and the operationalization of the selected variables, as well as the limitations of this approach. The results of the comparative analysis follow.

10.2 The agencies' media reputation for credibility and efficiency

To begin with, it is self-evident that agencies' *credibility* is in the eye of the beholder; credibility exists when the stakeholders and the public at large believe in the proper implementation of the announced policies and make choices relying upon these anticipations (Brabazon 2000). Credibility in practice cannot be simply deduced from the structure of delegation, contrary to what mainstream theories of credible commitments seem to

assume. Instead, organizational credibility is necessarily reputational: it is built over time through interaction with the larger environment (Mahon and Wartick 2003). Previous empirical research on organizational credibility has dealt mainly with central banks' credibility by means of survey inquiries about individual perceptions of central bankers (Blinder 1999) and private sector economists (Waller and de Haan 2004). Here, another line of attack is proposed – the analysis of reputation through media coverage – so as to minimize the potential bias derived from the subjective self-evaluation of organizational credibility, and from the social valorization of the current 'best practices' incorporated into the shared beliefs of the international policy community (Wilks 2007).

The media represent a point of view that is socially relevant. A large body of research indicates that media do guide opinion formation, especially when they cover issues that are less well known or considered as very technical (Zaller 1992; Bryant and Zillmann 2002). One can draw a parallel with empirical studies of firm credibility in business management literature. It is widely accepted that media-provided information affects the credibility of firms and thus investors' behaviour, influencing in turn their performances, such as price rate and stock turnover (Pollock and Rindova 2003). The media constitute, in fact, a crucial element of the process of contagion that proceeds from the level of individual cognition to the level of social propagation and back to that of individual cognition again, transmitting the image of the corporation through an informal network and eventually affecting credibility (Balboni 2008). Similarly, we can assume that the agencies' media reputation for credibility represents a very important outcome, which could have a crucial impact on the perceptions of the public and the relevant stakeholders, promoting confidence in policy commitments and potentially improving regulatory performances. It is worth noting, however, that the scope of this chapter is limited to the assessment of media reputation, leaving aside the question of its wider impact.

Next, with the following two points, I shall argue that the media reputation for *efficiency* is another indirect but crucial outcome of delegation to IRAs. First, organizational reputation is an essential characteristic of IRAs that largely influences the effectiveness of their regulatory action – that is, the factual delivery of their intended outcomes (Blühdorn 2006). Organizational reputation allows agencies to build networks and coalitions, to exert political influence, to increase their room for manoeuvre *vis-à-vis* the elected politicians, and to reinforce their position before those being regulated (Carpenter 2001). Specifically, a reputation for efficiency is instrumental in gaining support from interest groups concerned with regulatory reforms (Krause and Douglas 2005). In this context, the media

provide a forum for debate and dissemination of information, recording evaluations, reducing information asymmetry, and influencing the opinion of stakeholders (Deephouse 2000).

Second, the media perform a fire-alarm function (McCubbins *et al.* 1987), representing a venue for policymakers for the appraisal of regulatory outcomes. As the political principals suffer from a structural informational disadvantage *vis-à-vis* the regulatory agencies, they must rely on external sources of information to monitor whether the agency is acting according to the predefined notion of 'public interest', before eventually deciding upon engaging in – costly – political oversight activities (Hopenhayn and Lohmann 1996). Media coverage constitutes an important 'linkage mechanism' between regulatory agencies and policy-makers (Waterman *et al.* 1998; Waterman and Rouse 1999; Carpenter 2002). Concretely, the press, which is the most important channel of communication for the bureaucracy and its most critical observer (Lee 1999), plays a key role in communicating policy ideas and framing issues (Coglianese and Howard 1998), being at the same time politically relevant and affecting the setting of the political agenda since decision-makers, for instrumental reasons, look also for (regulatory) policies that reflect the so-called public opinion (Stimson *et al.* 1994).

10.3   Symbolic delegation in practice

As mentioned in the introduction, the delegation of regulatory competencies to IRAs is deemed to follow two main functional logics (Majone 1994; Majone 1996; Majone 2001c). On the one hand, delegating powers to IRAs should promote the *credibility* of regulatory policies, *vis-à-vis* stakeholders, by enhancing the time-consistency of policy commitments, given the expected independence of agencies from elected politicians. On the other hand, the delegation of powers is expected to foster decision-making *efficiency* by reducing decision-making costs, based on the assumption that agencies are faster and more proficient than democratic institutions in producing policy outputs in favour of the 'public interest'.

Yet cumulative evidence indicates that the forces behind the delegation to independent regulators follow less instrumental rationales (Gilardi 2005a; Levi-Faur 2005; Jordana *et al.* 2007; Gilardi 2008). Specifically, IRAs were established in Western Europe through a process of international emulation, 'where the symbolic properties of independent regulators mattered more than the functions they performed' (Gilardi 2005a). Following Gilardi, on the one hand, this organizational model is becoming 'taken for granted' as the preformatted solution in search of a given regulatory problem. On the other, IRAs represent a socially valued organizational

model that is likely to undergo a process of symbolic imitation for its supposed legitimacy gains from the point of view of policy-makers. In this sense, the diffusion of IRAs follows a strategy for building techno-cratic legitimacy (Radaelli 2000), rather than a rational learning process. The pursuit of credibility and efficiency through independence from politicians is a myth celebrated by policy-makers, which IRAs perpetu-ate to gain, in turn, organizational legitimacy (Meyer and Rowan 1977; Brown 1994). As a consequence, when IRAs were created, the expecta-tions for their performances were very low (Thatcher 2005).

Following a new institutionalist perspective, symbolic politics may, however, have a direct impact on implementation, regulatory practices, and behaviour (Braithwaite and Drahos 2000; Christensen and Lægreid 2003). Crucially, although regulatory reforms are brought into being from symbols, rituals and interpretation (Hood 1998; Christensen and Lægreid 2006), the rhetorical dimension of decision-making might have substantial consequences (March 1984; Brunsson 1989; Christensen and Lægreid 2003; Pollitt and Bouckaert 2004) so that institutions, although established according to phenomena of symbolic diffusion, once in place, 'take on a life of their own' (Pollack 1996). Therefore, regulators that were established according to a 'social logic of delegation' (McNamara 2002) could still become more successful than what was expected, delivering the official goals of delegation as 'a more or less unintended' by-product (Wilks and Bartle 2002).

These theoretical expectations about IRAs' credibility and efficiency should have empirically observable implications for their media repu-tation. The media coverage of agencies' regulatory action is expected to incorporate an evaluation of their credibility: prior evidence shows that media go beyond coverage of scandals, and, however selective, the media cover regulations when they have a direct effect on everyday life, describe problems that could be improved, or take policy in new direc-tions; in addition to credibility, the media are also expected to cover the regulatory action of IRAs with regard to their efficiency, framing it as a typical issue of general interest that could be relevant for the public (Coglianese and Howard 1998).

10.4   Methodology

10.4.1   Case selection and the logic of comparison

Following the idea that 'one strategy for explanation (…) would be to select administrative systems that differ most and, from the research

into those systems, develop propositions that appear to hold true regardless of the vast differences that may exist among the research locales' (Peters 2004), the examination of IRAs' media reputation for credibility and efficiency requires a 'most different systems design'. I needed two cases that shared a high level of *de facto* independence from politicians – as effective delegation is a necessary precondition for the analysis – but that ideally diverged in all the other conditions that might influence the outcomes. Agencies' de facto independence from elected politicians could be assessed using my own survey-based dataset (Maggetti 2007), in which this variable is conceived as the synthesis of two components (i.e. the self-determination of agencies' preferences and the autonomy of their activity of regulation).

The analysis required, to begin with, ensuring the comparability of the selected cases; a number of variables displaying extreme values across cases; and two distinct dependent variables – to be measured in the next section, that is, their media reputations for credibility and for efficiency. According to this logic, two IRAs that are factually independent from the politicians were compared: the British Competition Commission (CC) and the Swiss Competition Commission (ComCo). In fact, since the functionalist logic of delegation should be particularly strong for economic and business regulation, I focused on the regulation of competition, to maximize the chances of obtaining positive outcomes of credibility and efficiency (Christensen and Yesilkagit 2006). Competition policy is a politically salient regulatory issue for electorally sensitive politicians, who are likely to be more concerned about the level of credibility and efficiency (Elgie and McMenamin 2005). In addition, I selected a sufficiently long time period to avoid potential bias due to contingent phenomena (the years 2006–2007), wherein a similar crucial issue was examined in both countries – that is, high concentration in the grocery market. Finally, the agencies' organizational models are equivalent: a structurally disaggregated public sector body with regulatory competencies, disposing from its own budget, defined as a legal entity by public law, with a management board headed by an appointed chairperson, and with its own secretariat in charge of the day-to-day regulatory routine.

Then, as required by the 'most different systems design' logic, I examined two politico-administrative systems that are exceedingly dissimilar. The British political system, despite some recent trends towards the devolution of political competencies, is considered as the ideal-type of the majoritarian polity (Dunleavy and Margetts 2001). The electoral system gives to each major political party the opportunity to contend for governmental offices, with no need for grand coalitions. The political

power is concentrated in the hands of the party in government, while the other plays the role of the opposition. Once a candidate is in office, there are few political and institutional checks and balances, so the government is certain to rely on its majority in government to pass its legislative programmes and to make and implement decisions (Norris 2001; Armingeon 2002). According to a pluralist model, interest groups usually lobby the parliament, the administration, and the government for promoting the most favourable legislation, but they are not steadily integrated into the core of the policy-making process. The Anglo-Saxon style of public administration traditionally emphasizes management rather than legalism in the performance of public tasks, a contractualist and market-oriented logic, and a career-based professionalized civil service system (Peters 2004). The NPM reforms implied, on the one hand, the reinforcement of market-oriented structures and the creation of quangos, semi-public organizations, and semi-autonomous agencies responsible for operational management (Hood 1991). At the same time a tendency emerged towards the centralization of control and the use of performance assessment and oversight procedures (Knill 1998; Moran 2003). In this context, the British independent regulatory agencies, and especially the CC, enjoy a high level of formal independence, are considered as exemplary by international peers, and dispose from more human and financial resources than other domestic regulators (GCR 2006; Maggetti 2007; Wilks 2007).

The Swiss political system, conversely, typically displays a consensual model, traditionally showing a multi-party concordance government. The decision-making process is open, inclusive, and strongly shaped by the pre-parliamentary phase, where expert committees play a crucial role and the political parties, the interest groups, and the cantons are extensively consulted by the federal administration (Papadopoulos 2008). The participation of organized interests in policy formulation and collective negotiations is institutionalized, according to neo-corporatist logic (Armingeon 2002; Katzenstein 2003). The parliamentary veto power is reinforced by the electoral formula of proportional representation and by balanced bicameralism. Other crucial features characterizing the political system are the instruments of direct democracy and the fragmentation of the party system (Kriesi and Jegen 2001). The presence of a decentralized federalism guarantees considerable political autonomy to the cantons and the capacity for them to crucially shape the implementation of federal policies (Braun 2003). According to the federal structure and the related principle of subsidiarity, political competencies are entrusted to the lowest possible level, especially regarding implementation. In addition

to this vertical dimension, the fragmentation of the system is horizontally increased by frequent reliance upon non-professional administrators, extra-parliamentary commissions, and quasi-state organs (Varone 2007). The NPM was introduced in order to impose a greater degree of responsibility and to evaluate the results of public actions. However, it produced contradictory injunctions to civil servants, resulting in an increased 'institutional selfishness and one-purpose specialization' that produced even increased fragmentation, lack of cooperation, and poor coordination (Emery and Giauque 2003; Widmer and Neuenschwander 2004). In this context, the Swiss ComCo, like other agencies, suffers from a lack of human and financial resources, is comparatively less independent from the regulated industries, and is frequently criticized by international experts for its supposed lack of effectiveness (OECD 2005a; GCR 2006; Maggetti 2007).

10.4.2 Content analysis of media coverage

My strategy was to examine the so-called quality or broadsheet press. Quality newspapers are indeed considered as determinant because they are influential on other media, thus directly or indirectly also influencing the mass audience (Coglianese and Howard 1998). It is, in fact, widely recognized that the elite press reaches a much larger segment of citizens by determining issues and perspectives for the news coverage of all types of media (Kepplinger *et al.* 2004). In addition, it should be noted that the perceived quality of information determines the magnitude of its effect on the prior beliefs of readers (Gentzkow and Shapiro 2006). Editorials and commentaries are particularly important in shaping the symbolic environment, although they are unfortunately quite neglected in media coverage studies (Voltmer and Eilders 2003). In fact, they become more and more essential as they respond to the people's need for orientation (Voltmer 1998), especially concerning 'non-obtrusive' issues, such as the action of regulatory agencies, that cannot be experienced in everyday life (Lang and Lang 1984). Moreover, they are the place where the media's own positions are most openly and legitimately expressed (Eilders 2000; Eilders 2002). Therefore, a focus on editorials, comments, and interviews would allow me to examine press articles that expressed an explicit evaluation of the agency in a transparent and direct manner.

Nevertheless, at least three problems existed in adopting this approach. First, the press is not a neutral channel that evaluates agencies' performance with perfect objectivity. On the contrary, politicians and representatives of organized interests can try to use the press strategically in order to sustain their points of view. The press also functions according

to a partially autonomous logic, following commercial and/or ideological goals. Therefore, the media are neither neutral evaluators reflecting reality, nor mere channels of communication for political actors. They are indeed involved in the process of constructing reality, and they impose their read of the story (Swanson 1981; Mazzoleni 1987; Altheide and Snow 1988). Secondly, news coverage tends to be cyclical in nature, with coverage that peaks around important events, and then suddenly disappears from the news agenda. Similarly, media are selective: the newspapers do not cover everything agencies do, but they focus on those regulatory issues that have the most direct impact on the public (Coglianese and Howard 1998). Thirdly, the press tends to have a negative bias towards politics. Political news, when explicitly evaluative, is usually negative in tone (Kepplinger and Weißbecker 1991; Lee 1999; Clark 2005).

To put it simply, the solution adopted for this chapter was to consider the aforementioned flaws as constant across cases because of the comparability of the structure of the media field. Then it was possible to compare the relative variations across countries per time period, using an ordinal scale, while also highlighting the different targets of media criticisms. In addition, although media are sometimes in alliance with political parties, competition issues do not fit into the usual left–right continuum; therefore, media position is an open empirical question.

10.4.3 Operationalization and assessment

How do media evaluate independent regulatory agencies and their regulatory action? A reputation measure can be created. For each newspaper, each article that mentioned the investigated agency corresponded to an observation, and it was preliminarily coded as an editorial ('e'), a comment ('c'), or an interview ('i'), along with the date of publication (years 2006–2007). News items, where the agency was marginally cited, and ordinary articles, where the journalist referred to the agency without any judgment or comment, were excluded from the sample. Then, the coder considered each article according to the explicit evaluation of two distinct elements: the credibility and the efficiency of the related agency. Each element was appreciated through four facets. The related criteria referred to a number of empirical indicators of organizational reputation, which were derived and adapted from different streams of literature dealing with organizational credibility and efficiency (Peters *et al.* Covello, and McCallum 1997; Brunetti, Kisunko, and Weder 1998; Blinder 1999; Deephouse 2000; Maeda and Miyahara 2003; Blühdorn 2006; de Jonge *et al.* 2007; Kim, Bach, and Clelland 2007; Radaelli and De Francesco 2007) (see Table 10.1).

Table 10.1 Criteria for evaluating agencies' reputation

	Criteria	*Evaluation*
Credibility	1. Autonomy from elected politicians 2. Predictability of decisions 3. Status of board members 4. Autonomy from the regulatees	• Negative (−) • Neutral (0) • Positive (+)
Efficiency	1. Public good–oriented action 2. Uniqueness of the solution 3. Capability 4. Cost-benefit gains	

Concretely, the code for each single criterion was assigned on a three-point scale by considering whether the article referred explicitly to that criterion in a positive, negative, or neutral tone (i.e. no evaluation present; not all editorials were clearly evaluative; some were characterized by a neutral and diagnostic tone). A positive reference to one criterion corresponded to the code '1', a negative evaluation corresponded to '−1', and a neutral evaluation to '0'. In turn, each element was nominally appreciated as positive, negative, or neutral according to the positive, negative, or neutral value of the sum of the four criteria defining that element.

10.5 The empirical analysis

10.5.1 Data

Data sources are as follows:

> Case 1: United Kingdom, 'UK' (325 articles): *The Daily Telegraph* (63 articles), *The Financial Times* (70 articles), *The Guardian* (62 articles), *The Independent* (64 articles), *The Times* (66 articles).
>
> Case 2: Switzerland, 'CH' (214 articles) : *24 Heures* (11 articles), *Basler Zeitung* (28 articles), *Der Bund* (23 articles), *Neue Zuercher Zeitung* (54 articles), *Tages Anzeiger* (55 articles), *Le Temps* (31 articles), *Tribune de Genève* (12 articles).

Before the analysis, the consistency of the coding procedure was examined through the recoding of a random sample of articles by another researcher so as to determine the intercoder reliability with Krippendorff's Alpha (Krippendorff 2004), using the SPSS macro developed by Hayes (Hayes and Krippendorff 2007). The result was a satisfactory level of

intercoder reliability that was representative of the population at 95%: KALPHA: = .7194.

10.5.2 Results

It appears that in both cases the element that received the most intensive media coverage by far was 'efficiency': among all articles referring to credibility or efficiency, 88 per cent evaluated the efficiency of the British CC and 85 per cent evaluated the efficiency of the Swiss ComCo. The first figure presents the results in an aggregated manner. Some crucial findings can be highlighted. First, according to media coverage, credibility was considered positive and significantly higher for the British Competition Commission (i.e. a differential of +5 percentage points) than for the Swiss Competition Commission (–8, i.e., negative). Conversely, the British CC was not reputed to be significantly more efficient than the Swiss ComCo. Indeed, the tone of the evaluation of the agencies' efficiency was almost identical in the UK and in Switzerland: in both cases, negative articles were significantly more frequent than positive ones. The differential between positive and negative cases was about –19 percentage points in the UK and –16 in Switzerland. Overall, we had 38 per cent negative and 19 per cent positive evaluations in the UK, and 37 per cent and 21 per cent , respectively, in Switzerland;
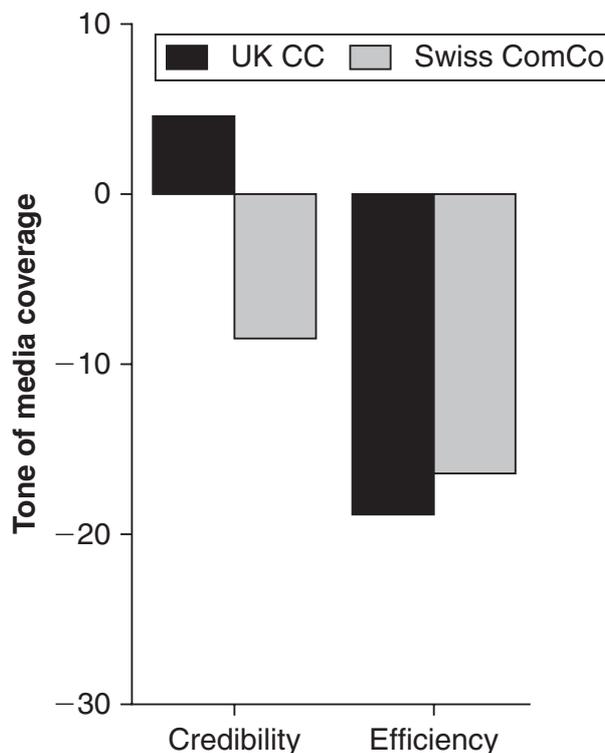

Figure 10.1 Difference between positive and negative evaluations (aggregate percentages)
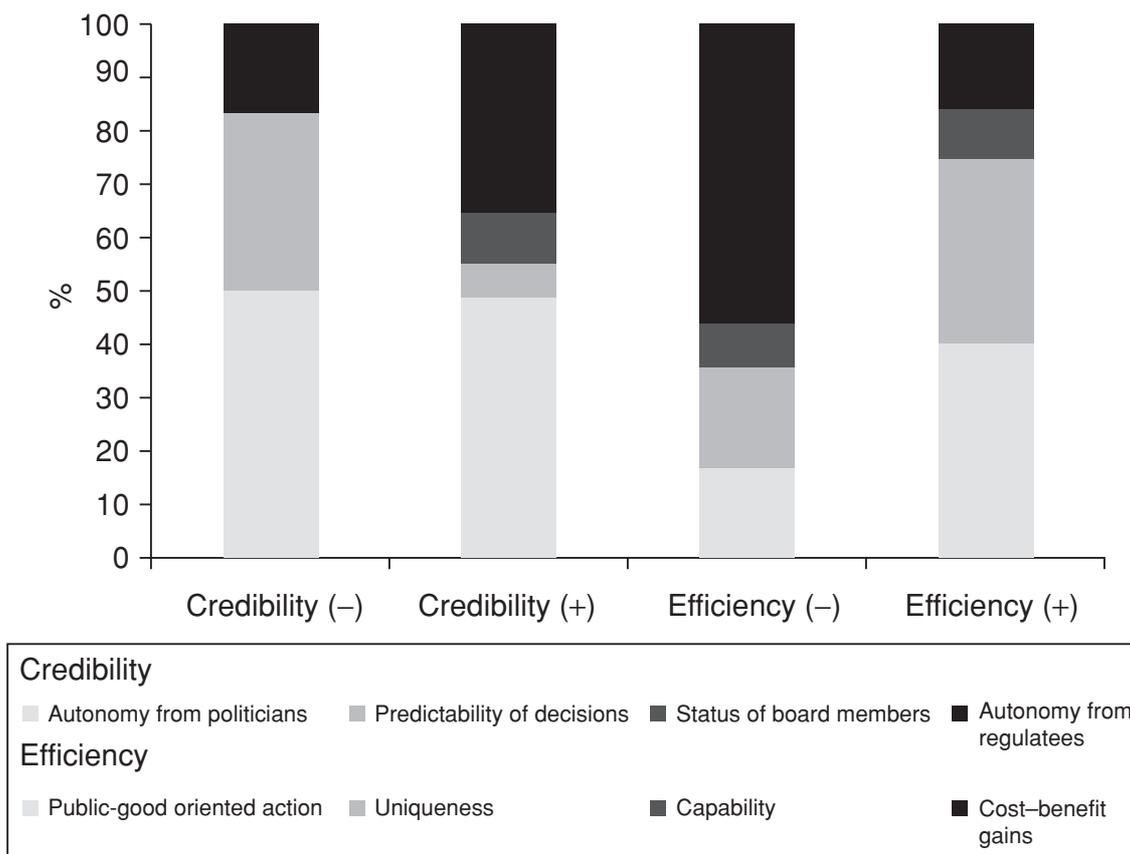
Figure 10.2 Contribution of each criterion to the reputation for credibility and efficiency (British CC)

hence the CC was evaluated slightly worse according to this dimension. Figures 10.2 and 10.3 illustrate the relevance of each criterion of the coding for the aggregated reputation for credibility and efficiency, respectively. Concerning the British Competition Commission, the analysis showed that the positive evaluation of credibility was principally due to a perception of the CC as largely separated from politicians and from organized interests. Conversely, the negative reputation for efficiency stemmed largely from a harmful evaluation of cost-benefit gains. Pertaining to the Swiss Competition Commission, it appears that the negative evaluation of credibility was almost entirely due to the perception of non-autonomy from those being regulated, whereas its perceived weak efficiency derived principally from a negative evaluation of capabilities, i.e. human and financial resources, and from the perception of low cost-benefit gains.

10.5.3 Discussion

The decision to delegate public authority to the British Competition Commission clearly had a large symbolic and rhetorical component: the agency was 'established with ambitious goals but with [relatively]
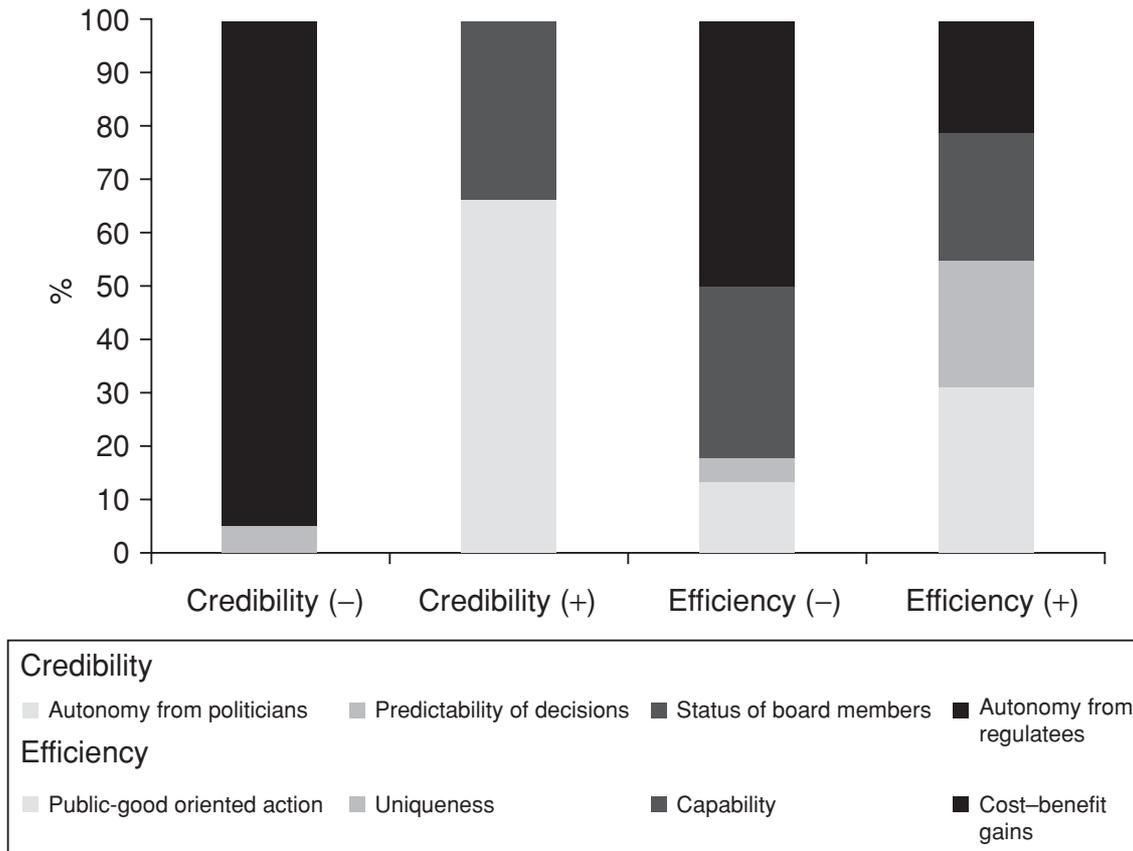
Figure 10.3 Contribution of each criterion to the reputation for credibility and efficiency (Swiss ComCo)

modest resources, with conformist staffing and with hidden limitations on their independence', and the focus on the very general task of 'defending a competitive market economy' permitted *inter alia* the avoidance of more stringent legislation (Wilks and Bartle 2002). However, it appears from the empirical analysis that the British CC benefits from an excellent media reputation for credibility in practice. To be precise, the agency is considered as autonomous both from elected politicians and from the regulated industries. This finding is clearly in line with the literature that assumes that symbolic reforms may also have substantial effects in practice (Christensen and Lægreid 2003; Pollitt and Bouckaert 2004).

At the same time, the empirical analysis shows that the Swiss Competition Commission has a poor media reputation for credibility, while benefiting from factual independence from politicians. This result suggests that effective delegation is insufficient to create credible commitments, and that the translation of symbolic elements into actual practices is likely to be crucially shaped by actors that hold positions of structural power in the regulatory state, such as the regulated industries. Indeed, the criterion of 'autonomy from the regulatees' has the most

negative impact on the reputation for credibility of the Swiss ComCo, configuring another potential necessary (although not sufficient) condition for credibility.

From a theoretical point of view, the finding about the insufficiency of agencies' factual independence from politicians for guaranteeing credibility challenges a crucial argument of much research on the functioning of IRAs: pure principal-agent models, mainstream theories of bureaucratic delegation, and, above all, the economic literature on credible commitments (Kydland and Prescott 1977; Barro and Gordon 1983; Shepsle 1991; Cukierman *et al.* 1992). The existence of credible commitments cannot be simply deduced either from the formal structure of delegation (as predicted), or from its effective implementation in terms of de facto independence from politicians (more interestingly). The relationship between the agencies and the regulatees should be treated not as an exogenous factor that can alter the equilibrium of the principal–agent framework, but rather must be fully integrated into the model, conceiving IRAs as intermediary organizations (Braun 1993). Agencies are the focal point that mediates the double interaction between politicians and the regulated industries wherein each relationship may influence the other.

On the other hand, the empirical results about the effect of symbolic delegation on the agencies' media reputation for efficiency deserve special attention. Even in the very promising case of the British Competition Commission, the reputation for efficiency is clearly negative. This finding defies the New Public Management ambition of enhancing both administrative autonomy through agencification and decision-making efficiency by combining delegation with the application of ex-ante, ex-post and procedural controls. In line with the literature highlighting the more general problems of implementing NPM reforms (Aucoin 1990; Hood 1991; Pollitt 1995; Rhodes 1996; Barzelay 2001; Christensen and Lægreid 2001; Pollitt and Bouckaert 2004), it is confirmed that 'turning symbols into practice is not an easy task to do' (Christensen and Lægreid 2003).

10.6 Conclusion

The establishment of formally independent regulatory agencies in Western Europe has followed a process of diffusion, which was driven more by mechanisms of symbolic emulation than by processes of rational learning (Gilardi 2005a). As a result, especially in competition regulation, IRAs were expected to limit themselves to a mere passive, symbolic defence of

a 'competitive market economy' (Wilks and Bartle 2002; Thatcher 2005). However, according to a new institutional perspective, once in place, agencies created for symbolic reasons are expected to have an actual impact on regulatory practices. Therefore, it is relevant to ask whether and to what extent IRAs really can deliver what they promise, adopting the official goals of delegation as an analytical benchmark: the increase of policy credibility (through independence) and the enhancement of decision-making efficiency (through expertise) (Majone 2001). In order to contribute to this debate, and given the difficulty of the direct measurement of regulatory performances, the present study suggested focusing on the reputation of agencies in the media. Thus, two 'most different' cases were examined in terms of their reputation for credibility and efficiency, the British Competition Commission and the Swiss Competition Commission, through a content analysis of the major national newspapers during the years 2006–2007.

The empirical analysis highlights, first, that although IRAs may have been created for symbolic reasons, they can become active and can benefit from a media reputation for credibility, as the case of the British Competition Commission (CC) illustrates. In addition, this paper demonstrates that the effective independence of agencies from elected politicians – entailing a broad delegation of regulatory competencies, extensive discretion *vis-à-vis* the elected politicians, and freedom from ex-post controls – is insufficient to secure credible commitments. In fact, the case of the Swiss Competition Commission (ComCo) shows that perceived autonomy from the regulated industries is another plausibly necessary condition. Second, even in the very favourable case of the British Competition Commission, the evaluation of efficiency is negative, supporting the criticisms towards the NPM's ambition of reconciling bureaucratic autonomy with decision-making efficiency gains.