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VETO POWER

INSTITUTIONAL DESIGN
in the EUROPEAN UNION

JONATHAN B. SLAPIN

Veto Power

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Veto Power
Institutional Design in the European Union

Jonathan B. Slapin

To Aurelija and Benjamin

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Introduction

Many major breakthroughs in European integration have occurred during intergovernmental conferences (IGCs), the forums at which European Union (EU) member states negotiate European treaties. Since the founding of the European Communities with the Treaty of Rome, member states have completed a common market, created a single currency, and developed European citizenship to complement national citizenship. Less visibly to European citizens, but of equal importance for the internal workings of EU, treaty negotiations have produced significant changes to the EU's political institutions. They have repeatedly altered the qualified majority voting rule in the Council of Ministers, the chamber of the EU's legislative branch representing the member states; changed the size of the European Commission; and increased the powers of the directly elected European Parliament. These institutional changes have had a lasting impact on how the EU produces legislation.

This book explores sources of bargaining power at these IGCs. It examines which member states achieve their goals and why. While previous scholarship on intergovernmental conferences has tended to see these treaties as "big bang" moments driving EU integration (e.g. Moravcsik 1998), my goal is not to explain the entirety, or even most, of EU integration through IGCs. Indeed, much of the EU's greatest impact on member states and their citizens occurs through the legislative process — the drafting of EU directives and regulations — which happens between intergovernmental conferences. The EU legislates on labor policy, environmental law, public health and safety, and numerous other issues. It has set standards for auto emissions, clean bathing water, working hours, and it has even regulated cell phone roaming charges. IGCs are important for drafting the treaties that create the institutional framework within which this important legislation is produced. Therefore, the approach taken here will be to examine IGC

negotiations in a manner similar to constitutional negotiations where states design institutions that govern their future interactions.

To examine which member states get what they want and why in negotiations with their fellow member states, the first part of the book tests two competing theories of bargaining power — institutionalism and intergovernmentalism. These theories suggest that different actors should prevail at negotiations. Institutionalism suggests that bargaining power is related to the rules governing negotiations, namely that the support of all member states of the EU is necessary for a treaty to come into effect. Thus, institutionalism implies that states with preferences close to the status quo — those states wishing to prevent change — should get their way because of their ability to veto a treaty. Intergovernmentalism, on the other hand, suggests bargaining power is derived from member state size and resources, meaning large states should prevail at negotiations regardless of their proximity to the status quo. In testing these theories, the book examines the role domestic politics plays in shaping intergovernmental outcomes, and the extent to which domestic politics affects how member states achieve their IGC goals. Domestic actors both play an important role in shaping government bargaining preferences and in ratifying the treaty which governments eventually draft. The primary finding is that outcomes of recent IGC negotiations are better explained by veto power associated with institutional theories than the sources of power highlighted by intergovernmentalism.

The second part of the book asks when and how veto rights came to matter as a source of power in EU negotiations. It examines the interaction between exit rights from the EU, the possibility to threaten member states with exclusion, and veto rights. Using a formal model, I find that veto rights could only have begun to matter once exit and exclusion from the EU ceased to be viable options. States that wish to remain in the EU, but also wish to block deeper integration, may not be able to cast a veto if their fellow member states can credibly threaten to exclude them if they do. States desiring deeper integration may be able to force their preferences on laggards if the laggards are willing to sacrifice some of their policy desires to remain in the EU.

My general argument, which has broad ramifications for our understanding of bargaining in international and federal systems outside of the EU as well, is that EU member states hold preferences — often a result of domestic politics — over institutional outcomes at IGCs. These preferences, combined with the rules which govern IGC negotiations, namely that the final draft treaty only passes with unanimous consent of the member states, explains the degree of institutional change achieved

at IGCs. My findings suggest that small states with a preference for the status quo are just as capable of blocking change at IGCs as large states. However, unanimous consent can only logically matter when there is no viable mechanism for leaving the EU. My approach offers a new way to understand bargaining power in environments with few institutional constraints, and in doing so goes beyond current literature on the rational design of international organizations (e.g. Koremenos, Lipson and Snidal 2001*b*). I find that even simple rules matter in bargaining environments, such as IGCs, where few explicit rules exist. Moreover, these few rules, such as the ability to veto the final draft treaty, have often not been the focus of scholars who examine IGC negotiations. The remainder of this chapter will present a brief guide to the book's research design and it will conclude with an outline of the remaining chapters.

Research Design and Book Plan

Generally, this book uses formal theory to construct hypotheses about the outcomes of the EU's IGCs, and then draws on quantitative and qualitative case studies to examine the empirical implications of the formal models. The first part of the book constructs two formal models to capture the logic of intergovernmentalism and institutionalism, then suggests a statistical model to test the predictions of the formal models against one another. It finds that the institutional model capturing veto power better explains the outcome of negotiations. To test these theories of IGC bargaining, I combine quantitative analysis of a single case, the IGC leading to the EU's Treaty of Amsterdam, with more detailed qualitative case studies of intergovernmental bargaining from the Treaty of Maastricht to the most recent debates over the EU's Lisbon Treaty. My quantitative research design disaggregates the decisions made at the Amsterdam IGC to make a large-*n* study of decision-making. In doing so, I follow the advice of King, Keohane and Verba (1994) and Lijphart (1971), who suggest that one way to conduct comparative research when dealing with a small number of cases is to try to make as many observations as possible out of the few that are available.

This approach has its advantages and disadvantages. The primary advantage is that I am able to study the decision-making process at Amsterdam in great detail. Moreover, I am able to gather a great deal of systematic data on actor preferences, something which simply would not be feasible for a study of multiple treaty negotiations. The

greatest limitation of this type of study, of course, is that it leaves open the question of generalizability. Do the findings hold for other treaty negotiations, or are my findings specific to the negotiations surrounding the Treaty of Amsterdam? I address this by tracing the decision-making processes over several important EU institutions across time at intergovernmental conferences from Maastricht to the recent negotiations over the Lisbon Treaty.

In the second part of the book, I present a formal model to explain when and how the veto bargaining dynamic arose in EU history, and I use qualitative case studies to demonstrate when in the EU's history this likely occurred. The game-theoretic model suggests that variables such as outside options, the costs of leaving an organization, and the benefits to member states of retaining the organization's current membership help us understand the conditions under which veto rights are likely to play an important role at IGCs. In short, when exercising an exit option is less costly, veto power will not matter. However, when it is difficult to exclude states from the organization, and it is costly for a state to leave, veto threats become more credible. By exploring why veto rights matter, and when the dynamic explored in the first part of the book arose, these chapters provide a deeper theoretical context for the earlier empirical results. The remainder of the book is laid out as follows.

Chapter 1 first introduces the literature on institutional design and places this study within that literature. It explores how studies of international organizations, federal systems, and European integration have examined veto power and bargaining power in the past and it describes how this book builds upon that work.

Chapter 2 discusses case selection and provides a broad overview of the quantitative Treaty of Amsterdam preference data I use to test institutional and intergovernmental theories. I show which member states generally preferred change at the Amsterdam IGC and which did not — Belgium, Italy and Spain preferred a more ambitious treaty while Ireland, Denmark and the United Kingdom preferred fewer changes. I also demonstrate that the outcome of treaty negotiations generally matched member state preferences. Finally, I examine how domestic politics affected member state preferences by demonstrating that voters' preferences played a role in shaping member state bargaining positions. Moreover, I explore how domestic political institutions affect the degree to which voters' preferences are translated into government bargaining positions. Contrary to the voluminous literature on the EU's democratic deficit, member state preferences over treaty outcomes do account for the position of voters, even after controlling for the

positions of parties in government. This effect is stronger in member states which use proportional electoral systems than in those with majoritarian systems.

In chapter 3 I formally demonstrate the differences between institutional and intergovernmental theories of bargaining power, and I present a statistical model, based on formal theory, to discern which type of power is more important at international treaty negotiations. This chapter demonstrates how institutional theories, previously only applied to study daily politics within the EU, can be extended to help us understand the EU's grand bargains. In addition, this chapter presents a method for formalizing intergovernmentalism, a theory which has not been formalized previously. Lastly, it outlines the conditions under which these two theories make competing predictions — when small states prefer the status quo and large states desire change, intergovernmentalism predicts change while institutionalism predicts the status quo.

In chapters 4 through 6, I test whether institutional or intergovernmental theories better explain European IGC outcomes using the Treaty of Amsterdam as my case. In chapter 4, I apply the statistical model presented in chapter 3 to my data to examine which theory better explains the outcome of the bargaining process. I demonstrate that the variable capturing institutional theory best explains the Treaty of Amsterdam outcome no matter how I operationalize intergovernmentalism. In addition, following the two-level games literature and previous spatial bargaining models on IGCs, I examine whether parliamentary ratification constraints affect the size of the winset of treaty negotiations. I present some preliminary evidence that they do.

Chapter 5 more closely examines which member states emerged from the Amsterdam bargaining process as winners and further examines if and how domestic ratification constraints mattered when negotiating the treaty. Here, I demonstrate that small member states skeptical of EU integration, specifically the Nordic countries, got their way most often at the Amsterdam IGC. I also find some support for the notion that domestically constrained states had stronger bargaining positions.

Chapter 6 presents a case study of the negotiations over Council of Ministers' voting weights and the number of Commissioners in the EU Commission across several IGCs. These are arguably two of the most difficult and important aspects of negotiations regarding changes to EU institutions during this time period. This chapter demonstrates how my argument works at a micro rather than macro level. In addition, it demonstrates that my findings hold across time and it places my findings within the historical context of European integration. I follow

negotiations on these issues from just prior to 1994 when the EU expanded to Sweden, Austria, and Finland, until the most recent negotiations over the Lisbon Treaty. Because the Amsterdam Treaty is only one negotiation, this case study allows me to demonstrate that my findings hold beyond the one case for which I have quantitative data. On these most controversial issues, large states had to defer to the wishes of small states desiring to keep the status quo not only at Amsterdam, but also at the Treaty of Nice. Member states were only able reform these institutions at the Constitutional Convention because this convention operated under a very different set of rules than the traditional intergovernmental conference. This, again, demonstrates that veto power associated with institutional theories is more important than power derived from size at IGCs.

Chapter 7 explores the literature on exit rights and veto power in international organizations and federal states. I present a formal model to explain when veto rights become an important source of bargaining power. This chapter places the empirical findings from the previous chapters within a broader theoretical perspective. It suggests that veto power only matters when exit threats are not credible. When the costs to a laggard state of leaving an organization are relatively high, and states preferring deeper integration are worried that they might want recourse to a veto in the future, states design stable institutions which are very difficult to withdraw from. This helps explain why the EU is different from most other international organizations, and how, in many ways, it is similar to a federal state. In most international organizations, exit costs are relatively low, and the shadow of the future is not as long as it is for states in a federal system.

Chapter 8 presents two case studies demonstrating how shifts can occur from a bargaining scenario in which exit rights are important to a scenario in which veto rights matter more. The chapter looks at intergovernmental bargaining around the time of the British accession to the European Community (as the EU was called at the time), and highlights how bargaining strategies shifted as the UK's costs of abandoning the European Community increased. As the UK economy became more closely linked with continental Europe, leaving the European Community would have been more costly. By the late 1970s and early 1980s, UK's threats to abandon the EU became less credible, while, at the same time, threats to block progress became more effective.

Finally, the conclusion recaps my most important findings: despite the assumptions of much intergovernmental literature, small states in the EU are just as capable of vetoing institutional change as large states,

and this is true only because exit and expulsion threats are not credible. I also discuss how my approach may be used to study bargaining in other settings outside the EU, and how it advances the literature on international institutions and federalism. My theory suggests that veto power is only effective in more established organizations where exit is difficult. The EU looks like a federal state, at least in part, because, unlike in most international organizations where exit threats are the norm, veto power matters. Lastly, I address what the findings suggest about the future of EU constitutional change. Surprisingly, recent EU treaties have created more opportunities for member state exit and exclusion from the EU. This could potentially change the veto bargaining dynamic when negotiating the EU's institutions in the future.

1

Institutional Design at IGCs

Why should we care about the rules by which EU states draft their treaties? Why should we care whether veto power is more important in determining bargaining strength than power derived from economic might or population size? The most obvious reason is that bargaining rules and bargaining power determine which states get what they want during IGCs negotiations, and the decisions taken at IGCs have a profound impact on EU policy-making following the negotiations. Since the EU's founding Treaties of Rome, IGCs have reformed legislative procedures (Crombez 1996; Garrett 1992; Moser 1996; Tsebelis 1994, 1996), produced changes to the EU Council of Ministers' weighted voting system (Hosli 1993; Tsebelis and Yataganas 2002), created an investiture process for the European Commission (Hix 2002), and expanded the scope of the EU by establishing a common market and Economic and Monetary Union (Moravcsik 1998).

These institutional reforms have had lasting effects on policy-making. Scholars of EU institutions have examined, for example, the effects on policy-making of the codecision voting procedure, first implemented with the Maastricht Treaty (Crombez 1996; Garrett 1992; Moser 1996, 1997; Tsebelis 1994, 1996, 1997; Tsebelis and Geoffrey Garrett 2000; Tsebelis, Jensen, Kalandrakis and Kreppel 2001). It is generally believed that codecision increased the power of the European Parliament at the expense of the Commission. Tsebelis and Yataganas (2002) discuss the effects of the Treaty of Nice on European politics. They argue that compared to the previous rules, the Nice rules lead to more legislative gridlock, empowering the supranational actors — the Commission and the Court — over the European Council and the European Parliament. Most recently, scholars have examined the likely effects of the EU's failed constitution, now revived as the Lisbon Treaty (König

and Hug 2006). Tsebelis (2006) argues that Lisbon's new rules will make decision-making easier once again.

Clearly, rules matter, and, in the EU, IGCs are where member states decide upon many of these rules. Despite the tremendous significance of IGC negotiations, scholarship on the EU has lagged behind in its efforts to understand treaty bargaining. This book aims to fill that gap by examining how member states of the EU design these treaties which form the basis of EU law. This chapter will examine the literature on institutional design, both broadly and with respect to the EU. I will explain how my argument regarding the importance of veto power at IGCs builds upon a variety of literatures concerning the design of international organizations and federal states.

1.1 Institutional Design

Political scientists have long studied political institutions — the rules that govern interactions between political actors — and their effects on policy-making. Debates about the effects of American political institutions, for example, can be traced all the way back to the founding of the republic, with Madison, Hamilton and Jay's assessment of the new US constitution and its implications for the emerging democracy in the *Federalist Papers* (Hamilton, Madison and Jay 1961). Much more recently, new institutionalist studies in the US examine how rules and preferences interact to produce policy (e.g. Hammond and Miller 1987; Shepsle and Weingast 1987; Weingast and Marshall 1988). Likewise, studies of EU institutions examine how legislative processes have shaped changes in policy outcomes (e.g. Tsebelis and Geoffrey Garrett 2000, 2001).[1]

Despite extensive research on institutions and their effects, less is known about how actors collectively reach decisions about institutional design, especially in the European Union. Moreover, these decisions over institutional arrangements are significantly different from decisions of daily politics made within the framework of set rules (Knight 1992; Shepsle 1986; Tsebelis 1990). Because they are difficult to change, decisions to alter institutions have lasting impacts, and losing on a key issue of institutional design can disadvantage an actor in countless future negotiations. Therefore, understanding institutional design is a very important, but difficult problem.

Rather than offer a new theory of how institutional arrangements arise, something which has been the focus of many scholars of historical institutionalism (Greif and Laitin 2004; Milgrom, North and Weingast

1990; North 1990; North and Weingast 1989; Pierson 2000; Weingast 1997), I approach the analysis of institutional design in the EU by treating the arena in which institutions are negotiated, IGCs, as themselves institutions governed by rules. For example, IGCs require unanimous consent of all members for a new treaty to come into force. In other words, I focus on the rules at IGCs which allow these conferences to produce stable institutional arrangements. If the decisions member states make about EU institutions at IGCs are subject to super-majority rules, any changes made at IGCs are likely to be stable. Whereas much of historical institutionalism focuses on the conditions under which an institutional outcome we observe is, in fact, a self-sustaining equilibrium (e.g. Milgrom, North and Weingast 1990; Weingast 1997), I explicitly examine the choices that actors make when constructing these institutions.

I offer a novel method for studying what leads actors to collectively select specific institutions in a multilateral bargaining environment, such as the EU's intergovernmental conferences, as well as any number of other international or federal negotiations. As I will argue below, current research on IGCs fails to realize their importance in drafting the rules which govern daily politics in the EU, whereas my approach highlights this fact. Moreover, my approach demonstrates that the institutional approaches which have been so powerful in helping us understand how daily politics in the EU work also provide a powerful tool for understanding the EU's grand bargains leading to the EU's most important treaties.

1.2 Designing International Institutions

Before examining institutional choice in the European Union, I examine how international relations literature has attempted to explain institutional design. International relations literature provides a good starting point not only because the EU is often referred to as an international organization — it has been referred to as many other things as well (see Tsebelis 2002, 248) — but because this literature has recently begun to address issues surrounding institutional choice.

Much of the early literature on the design of international organizations focused on explaining their simple existence and relative stability (Axelrod 1984; Keohane 1984; Oye 1986).[2] Recent international relations literature, however, has moved beyond this question to examine the effects of rules which govern international organizations as well as how member states choose these rules (Bräuninger and König 1999;

Jupille 2004; Koremenos 2001, 2005; Koremenos, Lipson and Snidal 2001*b*; Svolik 2006). These studies argue that there is a rational basis for the rules which govern international organizations. Member states chose rules which will benefit them and make their international organizations run more efficiently. Jupille (2004, chapter 4), for example, finds that the most contested issues in daily EU politics are the issues that member states are most likely to address and change at IGCs. Koremenos (2005) finds that states in international organizations carefully consider the uncertainty surrounding the international institutions they choose and write duration provisions into treaties accordingly. Koremenos, Lipson and Snidal (2001*b*) present several hypotheses they expect confirmed if member states do, in fact, rationally design international organizations. Many of these are subsequently confirmed by the contributors to their edited volume. The findings from these studies should apply directly to the study of EU IGCs. There should be a rational basis for the design of EU treaties.

Nevertheless, studies about the design of international organizations suffer from several drawbacks that my work begins to address. Koremenos, Lipson and Snidal (2001*a*, 1067) realize, for example, that their work overlooks the role of power. This leaves their rational design approach open to realist critiques which focus on power. My work provides a method for explicitly examining sources of bargaining power. Moreover, I attempt to move away from simply conceptualizing bargaining power as a discount factor capturing patience as most formal studies of international bargaining do (e.g. Fearon 1998). Power is not only related to patience — or the ability to hold out for a better deal — but also to rules and preferences.

1.3 EU Integration and Intergovernmental Conferences

While international relations literature has begun to examine the rationale behind institutional choice, literature on EU politics has remained focused on the question of integration. Studies of EU integration have historically employed one of three competing theories, intergovernmentalism, neofunctionalism, and institutionalism.[3] Of these theories, however, only intergovernmentalism and institutionalism are applicable to the study of intergovernmental conferences, and to date scholars have only used intergovernmentalism to examine bargaining at these conferences.

Neofunctionalism and other related approaches including historical institutionalism (Pierson 1996) and multi-level governance (Marks,

Hooghe and Blank 1996) fail to make predictions about IGC bargaining because they seek to explain EU integration by examining the creeping competences of EU institutions. Studies in this tradition focus on daily politics as the driving force behind EU integration, largely ignoring bargaining at IGCs (Burley and Mattli 1993; Haas 1958; Marks, Hooghe and Blank 1996; Sandholtz and Sweet 1997). Moreover, these studies critique intergovernmentalism by arguing that transactions between subnational and supranational actors are more central to understanding EU integration than interstate bargaining.

These studies often recognize that EU treaty negotiation is member state driven and intergovernmental in nature. Stone Sweet and Sandholtz write that "EC summits, intergovernmental conferences, and meetings of the Council of Ministers are practically defined by tough, interest-driven negotiations" just as intergovernmentalist literature suggests (Sandholtz and Sweet 1997, 306). However, neofunctionalists argue that understanding IGC outcomes does not lead to a full understanding of EU integration. They believe integration is primarily driven by transactions and exchanges between subnational and supranational actors occurring before and after IGCs. Marks, Hooghe and Blank argue, for example, that contrary to the beliefs of intergovernmentalists, "states do not monopolize the links between domestic and European actors, but are among a variety of actors contesting decisions that are made at a variety of levels" (Marks, Hooghe and Blank 1996, 346). However, this is precisely why neofunctionalist theories are not amenable to the study of intergovernmental conferences. At IGCs, as both Marks, Hooghe & Blank and Stone Sweet & Sandholtz readily admit, states do possess monopoly control over treaty outcomes. Because member states are the only legal signatories of EU treaties, domestic actors can only exert influence over treaty outcomes by directly lobbying member state governments or through ratification. IGC bargaining leaves very little room for the subnational-supranational transactions which are the primary focus of neofunctionalists, making it difficult for this approach to make any predictions about intergovernmental bargaining.

Studies in the intergovernmental tradition, on the other hand, focus almost exclusively on IGCs, and pay less attention to the role of EU institutions in daily politics. They explain EU integration on the basis of "grand bargains" between the largest, and supposedly, by virtue of their size, most powerful, member states (Grieco 1995; Magnette and Nicolaidis 2004; Moravcsik 1993, 1998; Moravcsik and Kalypso Nicolaidis 1999).[4] These studies tend to focus on substantive, non-institutional IGC bargains, such as decisions over monetary union (e.g. Grieco 1995), and view the EU's institutions a method for credibly committing to EU

integration (Moravcsik 1998) or as agents of member states (Pollack 2003). However, there are any number of institutional arrangements which could create credible commitments, and the precise choices that member states make about institutional issues, such as how to weight votes in the Council of Ministers, empower some member states and supranational actors relative to others (Mattila 2006; Rodden 2002). By downplaying debates over institutions, intergovernmentalists overlook some of the most controversial and important decisions reached at IGCs, such as the revision of legislative decision-making rules (Garrett 1992).

Institutionalist scholars, who analyze EU politics as a function of actors' preferences and institutional constraints, offer strong critiques of both neofunctional and intergovernmental approaches. Tsebelis and Geoffrey Garrett (2001) argue that neofunctionalism focuses on institutions as actors who drive integration forward, but it fails to examine institutional constraints, which, along with actors' strategies, lead to equilibrium outcomes. In addition, neofunctionalism, precisely because it is unconcerned with institutional constraints, fails to examine IGC bargaining where the member states negotiate these constraints. Likewise, intergovernmentalism, by discounting the role of institutions, misses key aspects of IGCs, at which some of the most important and contentious arguments arise over issues of institutional design. Moreover, because they ignore institutional constraints, many intergovernmental studies fail to capture important sources of power addressed in spatial bargaining models such as distance to the status quo and veto power.

Drawing on the literature from comparative and American politics, institutionalism to date has almost exclusively examined how EU institutions work, without examining how member states design institutions (Crombez 1996; Moser 1996; Schulz and König 2000; Tsebelis 1994, 1996, 1997, 2002; Tsebelis and Geoffrey Garrett 2000, 2001). On the one hand, such a move is laudable. As Tsebelis and Geoffrey Garrett (2001, 386) write, "it is simply impossible to analyze institutional choice without first understanding institutional consequences." On the other hand, this has left a sizable gap in the literature. Although we now have a good understanding of how institutions in the EU work, there is significantly less theorizing, at least from an institutional perspective, about how member states choose these institutions.[5]

1.4 Power at Intergovernmental Conferences

Intergovernmentalism and institutionalism, the two main theories of
EU integration capable of addressing negotiations at intergovernmental
conferences, offer competing ideas about the type of power available
to actors at IGCs. Institutional theory, as clearly set forth in George
Tsebelis's seminal book, *Veto Players* (Tsebelis 2002), stresses veto
power and agenda-setting rights, while intergovernmental theory focuses
on all non-miliary power sources (Moravcsik 1998, 8), but specifically
power from size, resources and economic might (e.g. Grieco 1995).[6]

Tsebelis's Veto Players theory provides an institutionalist account
of day-to-day policy-making in states, which can also be applied to
EU legislative decision-making (Tsebelis 2002; Tsebelis and Geoffrey
Garrett 2000, 2001). Such an institutionalist approach, though, can
also be used to understand bargaining at IGCs. It would suggest that
because all states must assent to and ratify any EU treaty before it
comes into force, member states with a preference for the status quo
can threaten to veto any treaty which pushes integration too far. Thus,
the right to veto is a source of power for those member states with a
preference for the status quo. Intergovernmentalists, on the other hand,
build on a concept of power taken from international relations literature.
Namely, power is defined in terms of a distribution of capabilities, and
derived from member state size and resources, and not formal rules such
as veto rights (e.g. Gilpin 1981; Keohane 1984; Knorr 1975; Organski
and Kugler 1980; Waltz 1979). In this model, member states with
larger populations and economies (Germany, France, and the United
Kingdom) shape bargaining outcomes because they can force their
preferences onto smaller member states. In the following chapters, I
formalize these two approaches, demonstrate that they offer competing
theories of bargaining power, and then test these theories against one
another using both quantitative and qualitative case studies of IGCs.

Work on IGCs has begun to study how member states make choices
over the rules which govern the EU. These studies tend to examine
which member states perform well at the bargaining table and which
perform worse (Finke 2009*a*; Hosli 2000; Hug and König 2002; König
and Hug 2000; König and Slapin 2004; Magnette and Nicolaidis 2004;
Moravcsik 1998; Moravcsik and Kalypso Nicolaidis 1999; Schneider and
Cederman 1994; Slapin 2006, 2008). Some of this literature has been
based on institutional models, while other studies have drawn on the
intergovernmentalist tradition, but there have been very few serious
efforts to test these approaches against one another to determine which
of these theories best explains institutional bargaining in the European

Union.[7] I advance the literature on the design of EU institutions, and international organizations more generally, by presenting a method to test these competing bargaining theories and demonstrating that institutional explanations work better. This helps us to understand the theoretical underpinnings of institutional design both inside and outside the European Union. Moreover, my approach will provide answers to several important puzzles that plague traditional analyses of IGC bargaining, such as what leads member states to choose one set of institutional arrangements over another when multiple institutional arrangements could promote integration, and when and how can small states get what they want in negotiations with larger states.

1.5 Domestic Politics and IGCs

In addition to demonstrating that institutional theories better explain IGC outcomes than intergovernmental theories, I examine how domestic politics affects intergovernmental bargaining both through the process of ratification and the ability of domestic actors to affect member state bargaining preferences. Both institutional and intergovernmental theories make predictions about how domestic politics shapes IGC negotiations. Moravcsik's liberal intergovernmental approach sees domestic interest groups as shaping the preferences of the member state bargaining teams, which, in turn, are integral to the outcome of the treaty negotiation process (Moravcsik 1993, 1998). Institutional theory, in addition to predicting that member state governments with positions close to the status quo are more likely to win because of veto power, also suggests that domestic veto players should matter when negotiating treaties. Specifically, following two-level game literature many institutional studies suggest that because EU treaties are subject to parliamentary ratification, parliaments with a preference for the status quo may shrink the winset of the treaty negotiators, which may potentially strengthen the hand of negotiators from those constrained states (e.g. Evans, Jacobson and Putnam 1993; Putnam 1988).[8]

Moreover, because both institutional and intergovernmental theories suggest that government preferences affect the outcome of treaty negotiations, it is important to examine where these preferences come from and if they match the preferences of voters or other domestic constituents. Domestic politics, in addition to changing the size of the winset through ratification constraints, is likely to affect the positions that governments take on specific issues at IGCs. Governments may take the positions of parliamentary ratification constraints and their

own voters into account when formulating a bargaining position.

1.5.1 Parliamentary Ratification Constraints

The idea that domestic actors skeptical of international agreements may confer power to international negotiators by tying their hands was first expressed by Thomas Schelling and has come to be known as the Schelling conjecture (Schelling 1960). Robert Putnam sparked renewed interest in the Schelling conjecture during the 1990s by arguing that hawkish domestic ratification constraints shrink the winset of international negotiations (Putnam 1988), which, under complete information, strengthens the constrained bargaining team.

Inspired by Putnam, formal theorists have identified conditions under which domestic constraints and divided government may confer power to the constrained bargaining team (Dai 2002; Hammond and Prins 1999; Iida 1993, 1996; Milner and Rosendorff 1996, 1997; Mo 1994, 1995; Pahre 1997, 2001; Schneider and Cederman 1994; Tarar 2001). These studies find that while domestic constraints may sometimes benefit an actor (Iida 1993; Mo 1995; Schneider and Cederman 1994), they can also make an actor worse off (Hammond and Prins 1999; Milner and Rosendorff 1996, 1997; Mo 1994). Most of the empirical work on domestic constraints has been qualitative rather than quantitative. Milner (1997) tests the two state bargaining model she develops with Rosendorff (Milner and Rosendorff 1996, 1997) through a series of case studies, including a study of the European Economic and Monetary Union (EMU). Although some of her hypotheses are more appropriate to test with qualitative case studies, others could potentially be tested with quantitative analysis (Pahre 2005, 136). Martin (2000), using logic similar to Milner's, finds that domestic constraints lead, on the one hand, to tougher international negotiations, but on the other hand, to stronger, more credible commitments once the treaty has been ratified.

Quantitative studies have begun to explore the relationship between domestic actors and IGC outcomes. Hug and König (2002) study the Treaty of Amsterdam negotiation process and specify the importance of the ratification hurdles present in each country. They find support for the hypothesis that the preferences of domestic ratification pivots matter in treaty negotiations. However, they only examine a subset of issues addressed at the IGC and they do not test other competing hypotheses. Other studies demonstrate that domestic constraints mattered in the negotiations leading to the Maastricht Treaty. Hosli (2000) argues that Germany tried to affect the size of its domestic winset through issue linkage. König and Hug (2000) provide empirical

evidence that ratification constraints mattered when negotiating opt out clauses for Denmark and the UK on monetary union.

I reexamine the extent to which skeptical parliaments affect the size of IGC winsets and examine whether member states with skeptical parliaments come closer to realizing their ideal treaty outcome than those states with parliaments more inclined to support the treaty outcome. I find that states with skeptical parliamentary ratification pivots are better able to block change and realize outcomes closer to their ideal point at the Treaty of Amsterdam negotiations.

1.5.2 Public Opinion

Preferences of governments are an important variable in determining outcomes of IGCs for both institutional and intergovernmental theories. Because the EU's supposed "democratic deficit" has been so important in public discourse over EU integration, it is important to know the extent to which government preferences reflect the will of the public, and, thus, the extent to which public opinion affects negotiations at EU IGCs. Many studies examine the domestic sources of government preferences over international outcomes (Carrubba 2001; Frieden 1991; Gabel 1998; Moravcsik 1998; Rogowski 1989). Few studies, however, examine how voter preferences translate into government preferences over EU integration (but see Carrubba 2001), and almost no one specifically examines the question with regard to institution building at IGCs.[9]

Literature which assumes politicians are "office seeking" suggests that politicians pick policy positions in order to win more votes to attain or hold on to political office (Downs 1957; Mayhew 1974; Riker 1962). There is strong evidence to suggest, however, that European leaders are not accountable to the public on issues of European integration. Europeans are often poorly informed about EU politics, and do not understand how Brussels works. Despite the fact that a substantial percentage of laws passed in the member states come directly from Brussels, European elections are fought on national issues, and are often viewed as referendums on national politics (Hix and Marsh 2007; Marsh 1998; Reif 1984; Reif and Schmidt 1980).

Scholars who believe that the EU faces a democratic deficit (e.g. Follesdal and Hix 2006; Schmitter 2000) argue that citizens are unable to hold EU officials responsible for their actions because of the EU's opaque and complicated legislative procedures and because the majority of EU officials remain unelected bureaucrats. In addition, the democratically elected branch of the EU government, the European Parliament, has

remained relatively weak compared to the other branches.[10] Scharpf (1999) argues that a disconnect between voters and elites occurs at the level of policy outputs rather than electoral inputs. The EU's democratic deficit does not arise because of a lack of democratic accountability, but is instead due to a neoliberal bias in EU institutions. He argues that although EU citizens favor the maintenance of the European social model, the EU's focus on market deregulation puts pressure on member states to dismantle social protections.

However, not all scholars believe that a democratic deficit exists. Moravcsik and his coauthors (Moravcsik 2002; Moravcsik and Sangiovanni 2002) argue that, in comparative perspective, the EU is not a bureaucratic, regulatory super-state as others have claimed (e.g. Siedentop 2001, 122). EU institutions are held relatively accountable to citizens through both national and European elections (Moravcsik 2002), and little empirical support exists for a neoliberal bias in EU institutions (Moravcsik and Sangiovanni 2002). Moreover, Hooghe (2003) finds that, on many issues, EU voters and elites have very similar preferences on EU integration.

This raises a very important empirical question for the study of IGCs: how much do the preferences of European governments reflect those of their constituencies when bargaining over European treaty outcomes? On the one hand, much literature has suggested that parties playing an electoral game must respond to voter preferences (Downs 1957; Tsebelis 1990). On the other hand, given citizens' low levels of political knowledge about the EU and the EU's complicated decision-making rules, there is little reason to believe voters will punish parties at the polls who take a negotiating position that differs substantially from the voters' ideal points (Schmitter 2000). I examine the extent to which voter preferences explain the positions of European political parties on EU integration. Then I examine the extent to which European governments' positions at the Amsterdam negotiating table mirror the stated positions of parties in government and the positions of their constituencies. Surprisingly, given the democratic deficit and opaque nature of IGC negotiations, government negotiating positions do tend to reflect the positions of their voters.

1.6 Summary

While much has been written about bargaining at IGCs, less work has attempted to examine which states get their way and why. Most of the literature to date takes EU integration as the dependent variable and

tries to examine integration on the basis of IGC negotiations. Although understanding EU integration is a tremendously important goal, it cannot be explained solely by examining IGCs. Nevertheless, IGCs are important because they set the rules that guide the EU's daily decision-making processes. Thus, it is important to understand which states win and lose at IGC negotiations, not only because this may answer questions regarding EU integration, but also because winning at the negotiations where the rules are made will greatly affect the balance of power among states in the countless other negotiations that take place on a daily basis. This chapter has argued that literature on IGC negotiations should be placed within the literature on institutional design. It has explored how the literature has discussed power at intergovernmental conferences as well as the role of domestic politics in shaping bargaining outcomes. The next chapters will present the data I use to examine sources of bargaining power and will then test institutional and intergovernmental bargaining models.

2

Case Selection

Both institutional and intergovernmental theories of European integration stress the importance of member state preferences in determining outcomes. However, they differ in their assessments of whose preferences are most important. Tests of these theories clearly require data on member state bargaining positions. Before examining institutional and intergovernmental theories of bargaining power in more depth, this chapter first explores the quantitative preference data from the EU's Treaty of Amsterdam used to test these theories in the first part of the book. In addition to discussing case selection, I describe how these data were collected and constructed, and I discuss issues surrounding missing data.

Having introduced the data, the chapter then proceeds to demonstrate which actors preferred the most ambitious treaty and which preferred a more modest draft. I offer preliminary evidence that small states close to status quo were the big winners at Amsterdam, as would be expected by institutional theory. Large countries such as Italy, Spain, and even Germany did not get their way as often as small, Euroskeptic countries like Denmark and Sweden.

The third section of the chapter examines the domestic sources of these member state preferences. I look at the interaction of domestic public opinion and political institutions to understand why some states have bargaining preferences for deeper integration while others do not. Surprisingly, given the democratic deficit literature, I find that voters likely impact how governments make decisions about when to support change of the status quo at intergovernmental conferences. Moreover, this effect may be related to domestic political institutions, such as electoral systems.

By suggesting domestic sources for government bargaining positions,

these findings help alleviate concerns that member states strategically report preferences based upon what they believe other states may desire of them at the IGC. If domestic politics do not constrain member state positions, governments may be tempted to misrepresent their bargaining position to their negotiating partners in hope of extracting deeper concessions from them. However, if member states need to placate domestic interests when taking positions, they are constrained in their ability to strategically misrepresent their bargaining position. In other words, because preferences are related to domestic politics, they are likely exogenous to the bargaining environment. If this were not true, the findings of the later chapters could be called into doubt. The results in this chapter place my tests of institutionalism and intergovernmentalism on more solid ground.

2.1 The Treaty of Amsterdam

The Treaty of Amsterdam, negotiated in 1996–1997, provides a particularly interesting case for a quantitative analysis of theories of bargaining power. First, virtually all important and highly controversial issues surrounding EU integration, from institutional arrangements to the Common Foreign and Security Policy (CFSP) to asylum politics, were on the table. The treaty was meant to continue reforms postponed during the 1992 Maastricht IGC, which had led to the Treaty on European Union, and was supposed to prepare EU institutions for the impending eastern enlargement. Many felt that prior to enlargement the EU needed to undertake substantial institutional reforms or face institutional breakdown. In particular, many agreed that the system of weighted voting in the Council of Ministers needed to be changed both to make legislative decision-making more efficient and to produce a more fair and democratic representation of the EU population. In addition, member states felt the number of Commissioners needed to be reduced because a Commission with 27 or more members would simply be too large.

Second, unlike previous IGCs, which member states had called voluntarily according to their own timetable, the 1992 Maastricht Treaty on European Union stipulated that the member states hold an IGC in four years to continue the difficult institutional reforms postponed at the Maastricht IGC. This all but guaranteed that at least some member states would prefer the status quo on important issues, which, as I will demonstrate formally in chapter 3, also guarantees that intergovernmentalism and institutionalism make competing predictions.

Lastly, compared to other earlier IGC negotiations, excellent data exist on member state preferences at the Amsterdam IGC. First, because the date of the IGC was known well in advance, both EU institutions and academics had sufficient time to form working groups to study the IGC process. Second, Amsterdam marked the first time that the EU's supranational actors, the Commission and the European Parliament (EP), were given access to IGC negotiations. The EP took the opportunity to create a taskforce charged with monitoring the progress of the IGC and recording member state preferences on all issues discussed at the IGC, creating excellent data on the scope of the negotiations and actor positions.

The IGC was launched at the Turin Council meeting in March 1996 and concluded at the Council meeting in Amsterdam on June 16–17, 1997. This made it the longest IGC in EU history. The Amsterdam meeting led to a draft treaty, which was then signed by the member states' foreign ministers on October 2, 1997. The Treaty of Amsterdam finally came into force on May 1, 1999, following the required ratification by all fifteen EU member states. In reality, the negotiations over the Treaty of Amsterdam began much before the Turin Council meeting. As noted above, the previous Maastricht Treaty stipulated that an IGC be held in 1996. At the EU Council's Corfu summit in June 1994, member states decided to form a reflection group, chaired by Spaniard Carlos Westendorp, to examine what should and should not be changed from the Maastricht Treaty. Specifically, the Council wanted the reflection group to examine options for institutional change in light of future enlargement.[1] This reflection group report, which was presented to member states at the December 1995 Council meeting in Madrid, set the preliminary agenda for the IGC.[2] Following the start of the IGC, representatives of each member state's foreign ministry laid the groundwork for the treaty, meeting approximately one and a half days per week. Throughout the course of negotiations member states issued position statements and made recommendations regarding the final treaty; however, the order in which topics were actually discussed is not clear. We do know that some of the most contentious institutional issues remained on the table until the very end of negotiations. Unfortunately, because the vast majority of decisions were made behind closed doors, it is impossible to know when and how specific decisions were made, or the rules which governed these decisions. We cannot, for example, know definitively if one or multiple member states acted in an agenda-setting capacity, or whether negotiations followed a precise set of rules. Even though the member state holding the EU Council Presidency is responsible for writing the EU agenda for

the upcoming six month period, there is little evidence that this position actually translates into agenda-setting power at the IGC (König and Slapin 2004; Pollack 1999).[3]

The Treaty of Amsterdam fell well short of expectations in several respects. First, the treaty failed to alter the system of Council voting weights or the number of Commissioners, and, second, it did not make significant progress on changing the CFSP. Failure to reform Council votes and reduce the size of the Commission were particularly problematic because these reforms were seen as necessary steps for the EU to cope with impending eastern enlargement. However, the treaty was successful in other areas. It did appoint the secretary general of the EU Council of Ministers as the EU's "high representative" for the CFSP. It also paved the way to move decision-making on asylum and immigration politics away from pure intergovernmentalism to allow the involvement of the European Parliament and the Commission, although it stipulated that many decisions in these areas would still require unanimity in the Council. Finally, the treaty granted the European Parliament new powers, as a result of both new investiture rules for the European Commission and the reformed codecision procedure (Hix 2002). Although Amsterdam not considered one of the more important treaties by policy-makers and academics, given the weight of the issues on the tables it certainly could have been. In this instance, understanding failure is even more important than understanding success. Why was it that member states were unable to accomplish more?

2.2 The Data

My dataset includes the preferences of member states, the Commission, and the European Parliament on 228 issues discussed at the Amsterdam intergovernmental conference. In addition, it includes the location of the status quo and the outcome of negotiations for each of these issues. These data cover the full array of topics discussed over the course of the IGC, including reform of the common foreign and security policy, justice and home affairs, economic and monetary union, and the EU's major institutions — the European Parliament, the Commission, and the European Court of Justice. The preference data are binary, meaning actors are coded as either preferring the status quo or preferring change on each issue. Issues are defined so that change can only occur in one direction, almost always towards deeper EU integration.[4]

An issue in this dataset is defined as a proposal for change to

the EU treaties that member states considered during the IGC. For
each of these proposed changes to the EU treaty, member states could
either support the proposed change or they could prefer the status quo
over the proposed change. The data span the full range of European
integration topics from sport to Council of Ministers' decision-making
rules. To give some examples, in the area of citizenship and human
rights, member states discussed the possibility of including a clause
concerning women's equality. Many member states favored the inclusion
of such a clause in the treaty, and member states rewrote Article 2 of
the Treaty on European Union to state that the "Community shall
have as one of its tasks ... to promote ... equality of men and women."
Thus, the outcome on the issue "Clause on Women's Equality" is coded
1 because member states changed the treaty to include this proposal.
With regard to institutions, member states debated whether to give the
European Parliament the right to censure individual Commissioners
rather than the Commission as a whole. On this particular issue,
member states decided that the European Parliament should not have
the right to censure individual Commissioners, so this issue is coded 0
in the data. A complete list of all 228 issues comprising the dataset
can be found in this chapter's appendix.

The data are constructed from two primary sources. First, I use a
report written by the European Parliament taskforce responsible for
monitoring and documenting the IGC process. In February 1995 the
EP set up a taskforce to monitor the preparatory stages of the 1996
IGC. One of the taskforce's primary goals was to collect member state
and supranational positions on all issues discussed at the IGC. On the
basis of publicly available documents, such as memorandums, press
reports, and parliamentary committee and plenary sitting hearings, the
taskforce summarized the positions of member states and supranational
actors on 252 issues.[5] From these 252 issues, a German research team
identified 228 independent issues for analysis.[6] On each issue, the
taskforce indicated whether actors supported the inclusion of the issue
in the treaty or preferred to exclude it, allowing the status quo to prevail.
Likewise, the research team coded whether the final treaty included
or excluded the issue and whether issues were favorable towards EU
integration or not. Of the original 228 draft issues, 70 issues were fully
included in the treaty. The negotiators came to a lesser compromise on
an additional 15 issues, and 143 issues were dropped entirely, leaving
the status quo.

The fact that the German research team was able to collapse the
original 252 issues into 228 does raise the question of what constitutes
a separate, independent issue in this dataset. My strategy, and the

strategy of the original coders, was to err on the side of preserving too much data and risking non-independence of issues rather than throw out interesting data. To ensure that I do not overstate my confidence in my findings, I run all my statistical models in chapters 4 and 5 using robust standard errors.

To check the validity of the EP data, I compare the positions listed in the EP taskforce report with actor positions collected in a separate research project on the Treaty of Amsterdam. Researchers at the Mannheim Center for European Social Research conducted a study of the Amsterdam IGC, also collecting data on member state and supranational positions over issues discussed at the IGC (Thurner, Pappi and Stoiber 2002). Although the Mannheim dataset is less extensive, most of the issues covered in these data are virtually identical to those in the EP data. The Mannheim data were based on confidential Council reports, public statements by member states, and expert surveys (Thurner, Pappi and Stoiber 2002, 22). I first recode the Mannheim data so they correspond with the EP taskforce data. I am able to match 74 of the 228 issues in the EP taskforce data to issues in the Mannheim data.[7] Within these 74 issues, there are 959 actor positions present in both datasets, and of these 959 positions, 803 (84%) are in agreement. For those positions which disagree across the datasets, I reexamine the public statements of actors and take the position which most closely corresponds to the public statements. Lastly, if an actor's preference is missing in the EP data, but present in the Mannheim data, I fill in the missing preference with the Mannheim value, and if I am unable to find further information, I use the EP taskforce position as the default position.

These new data are among the best available on the preferences of member states and supranational actors at IGCs, and perhaps international negotiations more generally, but they are not perfect. Specifically, there is a problem of missing data. Of the 3876 possible preferences (17 actors times 228 issues), 1065 are missing (approximately 27%). Moreover, the vast majority of the recorded preferences support changing the status quo. Of the 2811 reported preferences, 1995 support altering the status quo while only 816 prefer the status quo. It appears that member states are much more likely to explicitly support an issue's inclusion than its exclusion from the final treaty. In the original coding of the EP taskforce data, missing preferences were assumed to mean the actor favored the status quo. This, however, is an assumption which must be tested. I test this assumption by handling the missing preferences in a variety of ways.

The most frequent method for handling missing data in political

science is simply list-wise deletion (King, Honaker, Joseph and Scheve 2001). This, however, is only appropriate if the missing values are missing completely at random (MCAR), meaning that presence of missing values in a variable cannot be predicted using other variables in the data. Even if this assumption holds, list-wise deletion often results in throwing away vast quantities of data. Using list-wise deletion in the current dataset would leave only 50 of the original 228 issues. Moreover, if the assumption of MCAR does not hold, using list-wise deletion will lead to biased estimates in the statistical analysis.

Multiple imputation methods for handling missing data, such as *Amelia* (King et al. 2001), take advantage of covariance among variables within the dataset to impute missing values in a way which does not inflate statistical significance. These methods usually assume that data are missing at random (MAR), meaning that the pattern of missing values can be explained by co-variation among variables in the data. Any missing data that cannot be explained is assumed to be the result of randomness. However, multiple imputation methods will not work if the missing data are fundamentally different from the non-missing data. This type of missing data may result from selection effects created by the strategic considerations of the actors (König, Finke and Daimler 2005). Asserting that the missing values in the current dataset are equivalent to the status quo implies that the missing data are fundamentally different than the non-missing data, and multiple imputation methods are likely to impute incorrect values.

Rather than impute the missing data, I first examine several variables to explain the presence of missing values. If I am able to predict the missing preferences we know that list-wise deletion is likely inappropriate. In subsequent chapters I run the analysis on the data varying the assumptions I make about missing values and demonstrate that my results hold across the various assumptions.

I first present a Poisson model to examine the underlying reasons for missing preferences. My unit of analysis is the actor, and the dependent variable, presented in Table 2.1, is simply the number of missing observations per actor. Actors vary greatly in their number of missing preferences. Clearly the European Parliament was able to assess its own preferences quite well. Surprisingly, it was much less successful at determining the preferences of the other supranational actor, the Commission. Spain, Belgium and Luxembourg had relatively clear positions, while Ireland and Denmark were missing preferences more frequently. A missing value implies that both the EP taskforce and the Mannheim research team were unable to determine an actor's preference on a given issue. This could occur for several reasons. First, an actor

Table 2.1: Number of Missing Preferences by Actor

Actor	Number of Missing Issues
European Parliament	19
Spain	46
Belgium	50
Luxembourg	57
Austria	57
Italy	59
United Kingdom	66
Portugal	69
Netherlands	70
Greece	71
Germany	77
France	80
Sweden	81
Finland	84
Commission	87
Ireland	98
Denmark	100

may honestly not have a position, something likely related to issue salience. Actors may simply not care enough to take a stance on issues of little importance to them. For example, landlocked Luxembourg and Austria are not likely to care about fisheries policy. If this is the case, missing preferences are best handled by assuming indifference. Unfortunately, I cannot test this argument directly because the data do not contain a measure of issue salience. However, this may be related to an actor's size. Smaller member states are not affected by as many issues as large member states. This would imply that small states should have more missing preferences than large states.

Second, member states may not have a preference because the members of government are unable to agree on a position. If the governing coalition cannot agree on a position, they may simply choose not to state a preference. One may also interpret this as implicit support of the status quo because it means that the government actors cannot agree on a position which would alter the status quo. To test this, I examine missing preferences as a function of government composition. Specifically I examine whether the member state had a single party government or a governing coalition at the time of negotiations.

Third, member states may have a preference but they may strategically hide that preference if they feel that their position is unpopular. They may not want to take a losing position for fear that being on the wrong side too often may somehow hurt their bargaining position on other issues. Alternatively, they may not want to publicly state an unpopular position for fear that this could somehow hurt their reputation either with the public at home or with other negotiators. This, again, may be related to member state size. If intergovernmental theories are correct, and size is a source of strength, small countries are likely to hide their preferences if they feel they cannot influence the outcome. It does not, however, imply that missing positions should be coded as preferring the status quo.

Lastly, the original coding of the data implies that if actors prefer the status quo, they are less likely to report their preference, or the taskforce will be less likely to ascertain their preference. Perhaps actors wish to avoid the appearance that they are laggards, and thus prefer to only make positive statements rather than negative statements. To test this directly, I simply examine the relationship between missing preferences and the average position of member states on the issues for which they do have a reported preference. If the number of missing preferences increases as member states favor the status quo more often, this would provide justification for the assumption that a missing preference is in fact the same as preferring the status quo over change.

Using a Poisson model, I examine the number of times a member state's preference is missing. As independent variables, I use the log of member state population, a dummy variable which takes on a value of one for member states with a multiparty government at the time of Amsterdam, and the average position of the member states on the issues for which they do have a stated preference. I drop the supranational actors from the analysis because they clearly have neither populations nor governments; however I discuss the Commission's missing values below. The results show that the single best predictor of a missing value is the average stated preference. Member states frequently located on the status quo also have a higher number of missing preferences. Coalition governments lead to a greater number of missing preferences, as well. Population, on the other hand, has no effect on how often an actor's preference is missing.

Table 2.2 presents first differences generated from my Poisson model. The model results can be found in the appendix to this chapter. To create the first differences, I set *Log Population* and *Average Position* to their means and *Multiparty Govt* to zero. I then vary the *Log Population* from its minimum value to its maximum value holding

Table 2.2: First Differences from Poisson Models

Independent Variables	Change Min to Max	95% CI Min	95% CI Max
Average Position	−35.41	−52.69	−18.54
Multiparty Govt	11.67	2.40	20.30
Log Population	−3.91	−19.78	11.61

the other variables constant. I do the same for *Average Position* and *Multiparty Govt.* The analysis demonstrates that, all else equal, moving from the position of the member state furthest from the status quo to the position of the member state closest to the status quo increases the number of missing preferences by approximately 34 issues. Likewise, member states with multiparty governments have, on average, 13 more missing preferences than member states with single party governments. Population size has virtually no effect on how often a member state's preference is missing.

The Poisson model offers strong evidence that the original assumption that a missing position is equivalent to a status quo position is valid. Member states closer to the status quo clearly have more missing preferences, and a member state's status quo bias is the strongest predictor of missing preferences. Moreover, the variable most likely to cast doubt on the validity of this assumption, *Log Population*, is not statistically significant, and has no substantive impact.

Unfortunately, because the Commission lacks a population and government, the Poisson model does not provide any insight into why the Commission has so many missing preferences. It is nevertheless worthwhile to consider why its preferences are missing so often, especially when most models of EU legislative politics assume that the supranational actors have relatively similar preferences (e.g. Tsebelis 1994). A primary reason may simply be the weak position of the Commission at IGCs. Although a Commission representative was present at IGC working group and ministerial meetings, he apparently had very little influence. The Belgian representative to the IGC, Franklin Dehousse, has written that the Commission was "extremely weak during the whole [IGC] process, but especially at the end (one can hardly remember a comment from the Commission during the two days in Amsterdam which had any kind of impact, even a modest one)" (Dehousse 1999, 9). In addition the EP Taskforce white paper vol. II contains no mention of any position papers written by the Commission. Because of the

Commission's weak position, it may have refrained from making public statements, thus making it difficult for the EP taskforce to ascertain its position.

2.3 Preferences at Amsterdam

Having described the data, I now provide a preliminary examination of what member states wanted at the bargaining table and why. Some types of issues at Amsterdam were more contentious than others. Before examining the bargaining power of individual member states, it is useful to examine the degree to which actors generally support different types of issues, and how this relates to the final negotiated treaty outcome. I begin by examining the preferences of individual actors across a range of different types of issues.[8] Figure 2.1 presents the percentage of issues that each actor wishes to include in the Amsterdam Treaty for each of eight issue areas. In every issue area except cohesion policy, the EP desired the greatest number of issues included in the new treaty.[9] We also begin to see that some areas, such as environmental policy, generally received more support than other areas. These bar charts summarize the raw preference data I will use throughout the book.

Next, I examine the relationship between the treaty outcome and member state support by issue area. In the aggregate, treaty outcomes by issue area seem to correspond closely with overall treaty support. As we would expect, issue areas receiving broader general support across actors had a higher percentage of issues included in the final treaty. Figure 2.2 displays the percentage of issues included in the final treaty by type of issue as a function of the percentage of issues the average member state wished to include from that area.[10] For example, on issues concerning the environment, the average member state wished to include approximately 49% of the issues on the table. The final treaty included 56% of the issues. We would expect and find a strong positive relationship between these variables. Integration in some issue areas is less contentious than in others. For example, issues concerning employment and asylum received much broader support than those which implied more power for the EP or institutional change more generally.

While these aggregate data demonstrate that there is a clear relationship between higher overall support and issue inclusion, and that some issues are more contentious than others, they do not provide any insight into which actors preferred further integration. Moreover, they cannot address which actors won or lost at the IGCs. To address these
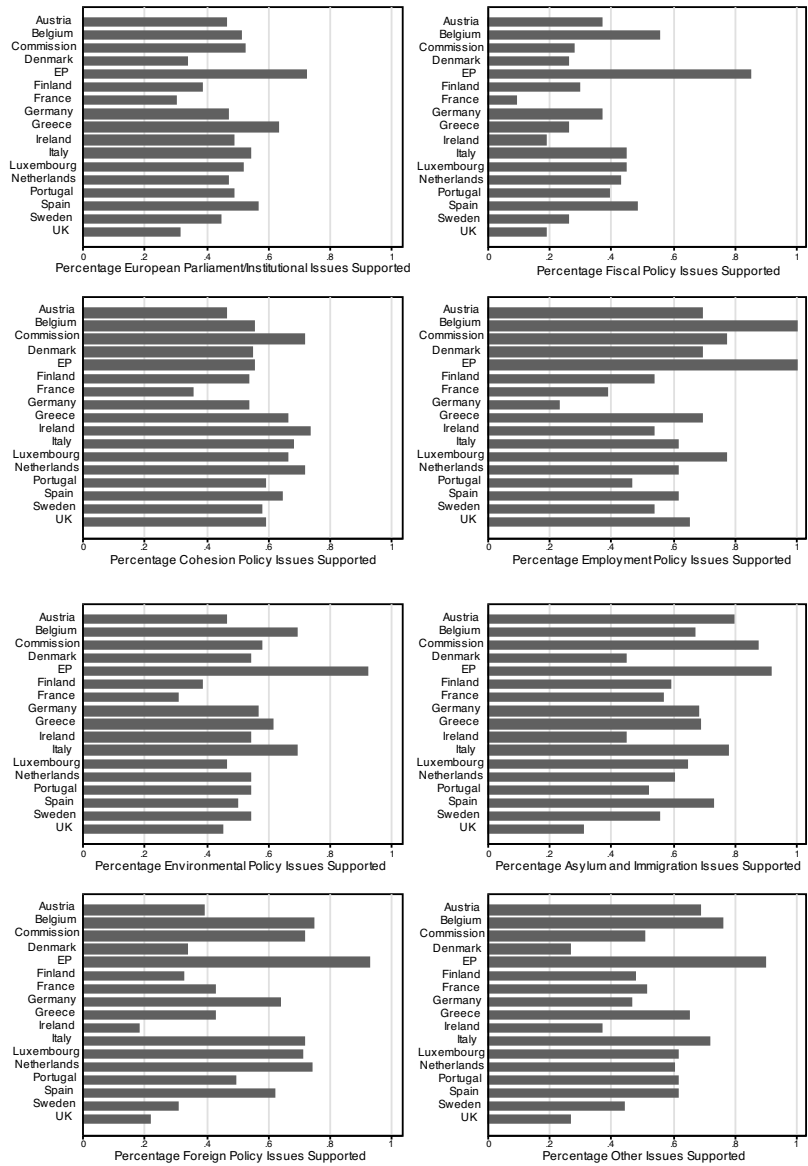
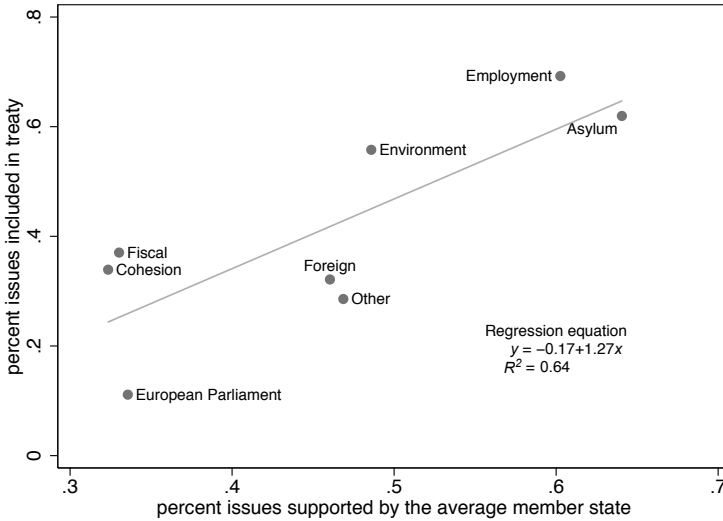Figure 2.1: Percent Issues Included in Treaty by Area

Figure 2.2: Percent Issues Included by Average State Support

issues, I begin by examining what actors wanted to achieve at the IGC. I examine how many times each actor preferred a change in the status quo and how often the final outcome reflected that actor's preferred position.

Table 2.3 presents summaries of how much change each actor desired and how often their desired outcome matched the outcome of negotiations. Again, as Figure 2.1 showed, the European Parliament favored the most ambitious treaty of any actor. The Commission, the Benelux countries, Italy, and Spain also favored a large number of status quo changes. On the other hand, the UK, Ireland, France and the Scandinavian countries wanted a less ambitious treaty. The winning percentages presented in Table 2.3 equal the number of times the treaty outcome matched an actor's ideal point divided by the total number of issues. A winning percentage of 1 would indicate that the actor had received its ideal point on all 228 issues, while a 0 would indicate that the actor had never realized its ideal point.

This basic summary variable provides preliminary evidence of which actors got their way at Amsterdam. Some actors clearly perform better than other actors. The Scandinavian countries fare very well. The

Table 2.3: Support for Change and Winning Percentage

Actor	No. of Status Quo Changes	Winning Percentage
EP	171.625	0.50
Belgium	129.625	0.60
Italy	126	0.56
Spain	116.75	0.57
Austria	116.375	0.65
Commission	109.75	0.62
Netherlands	109.625	0.66
Luxembourg	108.375	0.65
Greece	107.125	0.58
Germany	99.75	0.58
Portugal	97.75	0.64
Sweden	82.75	0.69
Finland	82.75	0.65
France	81	0.61
Denmark	71.75	0.66
Ireland	67.125	0.63
United Kingdom	66.625	0.60

Note: These summaries assume that a missing preference equals support for the status quo.

Netherlands and Luxembourg also perform surprisingly well. The Netherlands was the host of the IGC and held the rotating Council Presidency during the final period of treaty negotiation. It is possible that this was a source of power. It is unclear why Luxembourg would have power, as it is both small and tends to favor deeper EU integration. Most likely, it happened to get lucky by sharing many preferences with a powerful state. France, Germany, and the UK all have low winning percentages. It is particularly surprising that Germany performs 11 percentage points worse than Sweden, the actor with the highest winning percentage. Chapters 4 and 5 will examine winning and losing in much greater detail; however, this provides some preliminary insight into who got what they wanted. Moreover, it begins to cast some doubt on the intergovernmental approach, which suggests that the largest member states shape the outcomes of intergovernmental negotiations.

Because Amsterdam was the first IGC in which supranational actors were allowed to participate, it is worth examining whether they were

able to wield any influence even if they did not have any formal powers. Although some have presented possible ways in which the supranational actors, the EP in particular, might influence IGC outcomes (Hix 2002; Pollack 1999), these actors lack the traditional sources of power associated with both institutional and intergovernmental theories. They are neither member states with sizable populations or economies, nor were they granted veto power at the IGC. Not surprisingly, the supranational actors do not perform especially well on the winning percentage measure. The EP, the actor which preferred the most ambitious reforms, performed the worst of all actors and the Commission was in the middle of the pack.

2.4 Preferences and Domestic Politics

Until now, this chapter has examined what various actors wanted at the Amsterdam negotiations, and I have demonstrated that while some member states were generally content with the status quo, others favored significant change. Now I begin to examine potential explanations for why some member states may have preferred change while others preferred the status quo at Amsterdam. It is necessary to examine this question before examining competing theories of member state power because both theories I examine, institutionalism and intergovernmentalism, stress the importance of member state preferences. Moreover, the results I present in subsequent chapters will be stronger if I demonstrate here that preferences are likely exogenous to the bargaining environment. If domestic politics constrains and shapes member state preferences over treaty outcomes, then it is much less likely that the bargaining environment affects these preferences.

While most literature on government preference formation at intergovernmental conferences has stressed the importance of interest groups (Moravcsik 1998), a study of the Amsterdam Treaty suggests that party and government ideology may matter more (Aspinwall 2002). I build on this literature by examining if and how the preferences of voters, parties in government, and parliamentary ratification constraints affect the number of times member states prefer change over the status quo across various types of issues.

Rather than examining the sources of preferences, most rational choice studies of IGCs take government and parliamentary preferences as exogenous and explain bargaining outcomes on the basis of these preferences (Hosli 2000; Hug and König 2002; König and Hug 2000; Milner 1997; Pahre 2001; Schneider and Cederman 1994). Empirical

and formal studies of domestic politics and bargaining power at IGCs find that states with skeptical parliamentary ratification pivots are able to coerce their neighbors into accepting a treaty outcome further from their ideal point than these states would otherwise agree to (Hosli 2000; Hug and König 2002; König and Hug 2000; Schneider and Cederman 1994). In other words, if a member state must secure the support of a parliamentary party skeptical of European integration in order to ratify the treaty, that member state may be in a position of power. This constrained member state can threaten its bargaining partners that unless they defer to the interests of the party whose support is necessary for ratification, the whole treaty is likely to fail. Although these studies find that domestic politics, and specifically the location of parliamentary ratification constraints, matter, they are unable to explain why governments take the bargaining stance they do, nor do they attempt to.

Other studies, however, do examine sources of preferences over international outcomes (Carrubba 2001; Frieden 1991; Gabel 1998; Moravcsik 1997, 1998; Rogowski 1989). In the literature on EU integration, the most prominent works in this vein are Moravcsik's "liberal intergovernmental" studies (Moravcsik 1993, 1998; Moravcsik and Kalypso Nicolaidis 1999). Arguing against realist and functionalist explanations of European integration, Moravcsik believes that to understand international outcomes, EU scholars must understand how domestic politics constrain member states and limit what they can accept at the bargaining table. While the subsequent chapters will demonstrate flaws in the intergovernmentalist approach to bargaining power, these studies quite rightly stress the role of domestic politics in member state preference formation, as well as the importance of preferences in general. Nevertheless, opportunities remain for expanding on this work.

First, current literature focuses on the role of interest groups but does not examine the role of voters. Second, work to date does not examine the role of different domestic political institutions, such as electoral systems, in shaping government preferences. Lastly, current scholarship only examines preferences in a small number of countries which may not be representative of EU member states as a whole.

One reason the literature on preference formation at IGCs ignores voters is because the conventional wisdom states that the opinions of voters do not matter in shaping EU integration. As discussed in chapter 1, the literature on the EU's democratic deficit suggests that voters are poorly informed about EU politics, and there is little reason to believe that EU politicians attract voters by moving policy

towards them on issues of EU integration. Indeed, a public opinion poll conducted by the *Irish Times* at the time of the Amsterdam IGC found that Irish voters were profoundly ignorant of basic facts about the treaty negotiations. Only 4% of those polled responded correctly to a question asking whether the IGC was negotiating a date for European Monetary Union, a topic that had been settled at Maastricht. On most questions the number of incorrect responses outweighed the number of correct responses, and in all cases the majority of respondents said they did not know the answer to the question.[11] Given that Ireland is constitutionally required to hold a referendum on EU treaties, we would expect, or at least hope, Irish citizens to be better informed than most other Europeans.

Nevertheless, it not so difficult to imagine a scenario in which politicians would consider voters when developing negotiating positions. The IGC negotiations of early 1997 coincided with a British election, and John Major, the UK Prime Minister, clearly had voters in mind when making decisions about IGC negotiation tactics. He had to take a strong stance on the EU to appease his Euroskeptic base.[12] Because of the timing of the election and the IGC, a number of European issues, including fisheries, monetary union, and social policy, were discussed before voters during the campaign. Elsewhere, the Danish government needed to consider public opinion as the Danes had voted down the Maastricht Treaty in a referendum five years earlier. Failure to account for public opinion could lead to a failure to ratify the treaty.

Some literature does downplay the EU's democratic deficit, arguing that it is no greater than in other democratic polities and suggesting that voters can play a role. These studies, though, tend not to examine the precise mechanism by which voter preferences might translate into government preferences, or how much voter preferences matter if at all. Office seeking literature from American politics suggests that politicians pick policy positions in order to win more votes to attain political office (Downs 1957; Mayhew 1974; Riker 1962). Of course, in comparative perspective, how parties respond to voter preferences is, in large part, determined by the electoral systems, party systems and other domestic institutions (Cox 1990, 1997; Downs 1957; Duverger 1954; Kedar 2005). Moreover, much research suggests that some political systems are better at representing the median voter than others (Huber and Powell 1994).

This raises a very important empirical question: how much do European governments reflect their constituencies when bargaining over European treaty outcomes? On the one hand, much literature has suggested that parties playing an electoral game must respond to voter preferences. On the other hand, given citizens' low levels of political

knowledge about the EU, and the EU's complicated decision-making rules, there is little reason to believe voters will punish parties at the polls who take a negotiating position that differs substantially from the voters' ideal points.

In the following section, I examine whether the bargaining positions member states took at the Amsterdam IGC mirror the positions of parties in government with regard to EU integration and positions of their constituents, the voters. I also examine the extent to which parliamentary ratification pivots, the parties in parliament whose support is necessary for ratifying the treaty, play when determining bargaining positions. I find that both government party positions and voter positions correlate highly with the positions that member states take at the bargaining table. Moreover, there is some evidence that the electoral system affects the extent to which voters' opinions matter. The positions of ratification pivots, on the other hand, do not explain member state bargaining positions.

2.4.1 Who Matters When?

To understand how domestic politics affect government bargaining positions, I begin by analyzing when and why parties in government, parliamentary ratification constraints, and voters theoretically should affect government bargaining positions. Simply knowing the position of these actors is not enough. In addition, it is necessary to consider theories of bargaining within government coalitions, rules regarding treaty ratification, and institutions, such as electoral systems, which may affect the link between voters and government position-taking at IGCs. Using a spatial model, I examine the conditions under which a parliamentary ratification pivot may affect the government's bargaining position, and then I examine what different theories of government bargaining suggest about how negotiation positions reflect the positions of parties in government. In the statistical test which follows, I will examine whether voter preferences still correlate with member state bargaining preferences controlling for the positions of parties in government and parliamentary ratification pivots.

I present a one-dimensional spatial model which implies that a government's position on one issue area is independent of the government's position on another issue area. This may be a strong assumption, but it greatly simplifies the problem. In Figure 2.3, zero represents the status quo, which corresponds to no integration. This is a close approximation of reality. In the Amsterdam data, the status quo represents no further integration on the vast majority of issues. One,

Figure 2.3: Spatial Model of Party Preferences

then, represents the maximum integration proposed during the IGC. In addition, all actors are located either on or to the right of the status quo. This matches the way in which the data are constructed: member states either prefer change to a particular alternative or they prefer the status quo. Imagine that a member state has three parties represented in parliament: parties A, B, and C. Each party has a single-peaked Euclidean preference over integration on this issue area. Moreover, because the status quo is located at zero, each party's preference represents the distance of that party from the status quo. I assume that parties B and C form the government, but, because treaty ratification requires a supermajority, party A is the ratification pivot. In other words, its support is required for the treaty to come into effect. Based on this model, I first examine if and when the BC government takes the position of A, the ratification pivot, into account when formulating its bargaining preference.

There are three possible outcomes based on the model above. First, when $2A > C$ the ratification pivot A cannot affect the government's choice over bargaining position. The position $2A$ represents the point that makes party A indifferent to the status quo. Party A prefers any point less than $2A$ to SQ and prefers SQ to any point greater than $2A$. If $2A > C$, the government has no reason to consider party A when determining a bargaining position. Any position parties B and C agree to will also be acceptable to A.

Second, when $B < 2A < C$, the ratification pivot may have moderate influence over the government's choice. The government may want to assure ratification by incorporating the position of the ratification restraint into its bargaining position. If the government decides to take the position of the ratification pivot into consideration, the bargaining

position of party B will be strengthened relative to party C.

On the other hand, it is not necessary for the government to take party A's position into account. The government may instead believe that the final bargaining outcome is likely to fall within the winset of the ratification pivot regardless of the position of the government. This means that the government may prefer to take a more integrationist position regardless of the position of the ratification restraint. By taking a more integrationist position, the government may hope to pull the treaty as close to its ideal point as possible without risking a ratification failure. In addition, governments may take a more integrationist stance to appeal to a set of voters who are strongly in favor of EU integration.

Finally, if $2A < B$, the final bargaining outcome must produce less integration than what either party in government prefers, because otherwise the treaty will not be ratified by the government's own ratification pivot. Again, the governing parties are faced with a choice over whether to incorporate the position of the ratification pivot into their bargaining position, or whether to ignore it and assume the final outcome will lie within the pivot's winset regardless of the government's choice of bargaining position. By incorporating the position of the pivot, the government may lessen the likelihood of ratification failure because it may influence the final treaty outcome in a direction favorable to the ratification pivot. However, the government's position will not reflect governing parties' true preferences, and it may not reflect their constituents' preferences either.

This analysis demonstrates that when the preference of the ratification pivot is sufficiently far from the status quo and close to the parties in government, the government will never incorporate the position of the pivot into its bargaining position. However, when the preference of the ratification pivot is sufficiently close to the status quo and far from the parties in government, the government may incorporate the position of the ratification pivot into its bargaining position, but it does not need to.

Until this point, we have only discussed how ratification pivots may influence government bargaining positions. However, the parties in government do not always agree on a bargaining position. The final government position is the result of a bargain between these two parties, and to accurately predict the government's position we must consider theories of intragovernmental bargaining. To keep the analysis simple, I will examine the case of two parties in government. In governments with more than two members, we can imagine that the bargaining takes place between the two most extreme parties. The positions of the parties between these two extremes are absorbed, as these parties

will accept anything the more extreme parties agree to (Tsebelis 2002, 26–29).

In the models presented above, if parties are able to make closed rule proposals to their coalition partners, the position of the final bargaining outcome will be highly dependent on who the agenda-setter is. If, for example, the party in government closest to the status quo sets the agenda, the government's position will match the position of this party. If, on the other hand, the party farthest from the status quo sets the agenda, this party will pick the point closest to its ideal point which the most skeptical party in government will agree to assuming they disregard the preference of the ratification pivot. Given the positions of parties in the dataset, this will almost always lead the government to the position of the governing party furthest from the status quo.

Work on coalition formation by Laver and Shepsle (1996) suggests that a government's position on an issue matches the position of the party controlling that portfolio, an approach they refer to as ministerial discretion. In the Laver-Shepsle model, a government position depends not only on which parties are in government, but also the distribution of portfolios. Others have criticized their assumption that ministers have complete gate-keeping powers over their respective ministries. Tsebelis suggests a number of reasons why ministers may not have complete discretion. First, he argues the prime minister plays an important role in agenda formation; second, ministers are not free to deviate from the negotiated government program; third, government bills are discussed at cabinet meetings, making it unlikely that a single cabinet member can kill a bill; and finally, empirically ministerial changes within the same government do not seem to lead to drastic changes in policy, as ministerial discretion would suggest (Tsebelis 2002, 107).

Moreover, Thies (2001) suggests that governments place checks on ministers by appointing junior ministers from opposite parties, making it less likely that ministers can do whatever they like within their respective ministries. In addition, Martin and Vanberg (2004) find that parliaments play an important role in scrutinizing legislation in order to enforce the coalition bargain and prevent problems arising from delegation. Lastly, Goodhart (2007) casts further doubt on the Laver-Shepsle assumption, finding little support for the hypothesis that change in partisan control of ministries affects policy output without a change in the overall composition of government. Tsebelis's description of intragovernmental bargaining would predict that government bargaining positions reflect an average of the parties in power. Based on the Laver-Shepsle model, if the least integrationist member of government is the agenda-setter, the government bargaining position will

match the position of the least integrationist member. If the most integrationist member of government is the agenda-setter, the government bargaining position will be more integrationist. If the various critiques of the Laver-Shepsle model are correct, the government bargaining position should consistently reflect a compromise between the positions of parties in government. Empirically, this is best approximated by the average of the positions of the parties in government.

2.4.2 Operationalization of Variables

To test whether member state bargaining positions match the preferences of parties in government, voters, and ratification pivots, I must calculate positions for parties, voters and ratification pivots that are comparable to my member state bargaining positions. The issue categories used to construct Figure 2.2 were not chosen at random. Instead, they correspond to questions asked in an expert survey by Marks and Steenbergen (1999). In this dataset, experts rank parties from 1 to 7 on different issues where 1 means that a party strongly opposes further EU integration on the issue and 7 means the party strongly favors further integration. I use the positions from the Marks and Steenbergen data to calculate both government party and ratification pivot positions.

To calculate the position of voters, I link the Marks and Steenbergen survey questions to questions asked in the *Eurobarometer Survey 47.1* conducted around the time of Amsterdam. All the Eurobarometer questions I employ here require binary responses. For example, respondents are asked whether they would prefer that certain policy areas, such as defense, be decided at a national level, or jointly with the EU. I examine the percentage of respondents from each member state who answer that they would prefer this policy to be jointly decided with the EU. As the percentage of voters supporting EU involvement in the political process for an issue area increases, a member state's constituency becomes more pro-EU integration.

Table 2.4 displays how many issues discussed at the IGC relate to each Marks and Steenbergen question and the Eurobarometer questions they correspond to. For example, one of the more important issues discussed at the IGC was whether to expand the powers of the EP by altering the codecision procedure to give the EP an unconditional veto over legislation. I assume that parties receiving a high score on the Marks and Steenbergen question about the powers of the EP would have supported this change. Those parties receiving a low score would prefer to retain the status quo. Of the 228 issues addressed at the IGC, 188 match well with the Marks and Steenbergen data. The remaining issues,

Table 2.4: Marks and Steenbergen Issue Areas

Marks & Steenbergen Party Position on:	Eurobarometer 47.1		No. of IGC Issues
Q1: Power of EP	Q22.6:	EP Rights	54
Q2: EU fiscal policy	Q22.1, Q23.o:	Common Currency & VAT	27
Q3: Common employment policy	Q23.g, Q23.i:	Worker's Rights & Unemployment	13
Q4: Cohesion policy	Q23.l:	Support Regions	28
Q5: Common environmental policy	Q23.b:	Environmental Protection	13
Q6: Common asylum policy	Q23.h, Q23.r:	Immigration & Political Asylum	23
Q7: Common foreign policy	Q22.2, Q22.3:	Common Foreign & Defense Policy	28
Other			42

many of which focus on citizenship and human rights, do not fit well with any of the questions in the Marks and Steenbergen survey. After aligning the parties according to the expert responses to the Marks and Steenbergen questions, a member state's ratification procedure and party seat shares in parliament determine which party is pivotal in each member state for each issue area. Ratification procedures for each member state are listed in the appendix to this chapter.

Although the Marks and Steenbergen data provide a simple and straightforward measure of party positions, they suffer from two drawbacks. First, they do not calculate the positions of parties in Luxembourg. Second, and of greater consequence, these data were collected in 1999, two years after the IGC. Unfortunately, earlier expert surveys conducted closer to the time of the treaty negotiations only ask about parties' overall positions towards European integration. There is significantly less variation on this variable compared to the variables which examine issue areas separately, making it less useful for the current analysis. Moreover, using data from a later period may not be too problematic as party positions towards EU integration appear highly stable across time. When comparing expert responses about the overall orientation of parties towards European integration in 1996, just prior to the IGC negotiations, and in 1999, the correlation across all European parties is 0.91. Finally, assuming that party positions towards European integration remain stable may be less problematic than the assumptions made in previous studies which examine party preferences around the time of Amsterdam. Hug and König (2002) and König and Slapin (2004) measure party positions using Eurobarometer data collected at the time of the IGC by assuming that party positions reflect the positions of their constituencies. Given the large literature on the EU's democratic deficit, this assumption may also be questionable. Reassuringly, the position of ratification pivots across the 14 member states (Luxembourg excluded) calculated with the Eurobarometer data at the time of the IGC and the Marks and Steenbergen data from 1999 correlate relatively highly ($r = 0.69$).

To construct my dependent variable, government bargaining positions, I use my member state preference data. Having found that a missing preference is very similar to a preference for the status quo in the Poisson model, I replace all missing preferences with preferences for the status quo. I also make one further change to the data. Instead of assuming that the status quo is located at 0 and the proposed change at 1, regardless which position represented further EU integration, I recode the issues so that 1 represents the position which supports integration. In the vast majority of cases, the status quo represents

the outcome which does not support integration while the proposed change represents the position favoring further EU integration. This is consistent with the fact that EU history has tended to continuously move towards further integration. Nevertheless, in a minority of cases (approximately 18%) the proposed change would lead to less integration rather than more. Most of these issues involved increasing the involvement of national level actors, such as national parliaments, at the expense of supranational level decision-makers.[13] For the purposes of this chapter, a 1 represents further EU integration and 0 implies that the member state prefers less integration on an issue. My dependent variable captures a member state's negotiating position and is measured as the percentage of issues on which a member state desires further integration by issue area. For example, of the 54 issues dealing with institutional change such as expanding the rights of the European Parliament, Germany supported the inclusion of approximately 26 issues in the final treaty. Thus, for this issue area, Germany received 0.47 on the dependent variable.

2.4.3 Analysis

My analysis reveals that government negotiating preferences at Amsterdam do mirror the preferences of the government's constituents, even after controlling for the positions of governing parties. In addition, governments do not appear to take ratification restraints into account when formulating bargaining preferences. However, given the position of the ratification pivots, we would not expect them to influence bargaining positions. Finally, it appears that the average position of parties in government most accurately reflects the positions of negotiating teams.

In addition to the position of voters measured by the Eurobarometer, I create several variables using the Marks and Steenbergen data to capture government negotiating positions at Amsterdam. First, I create a variable to measure the average of the positions of parties in government. This measure assumes that negotiating positions at the IGC reflect prior negotiation between the parties in government.[14]

Second, I create variables that assume that the government's position reflects its most Euroskeptic member and its most pro-EU member. Rather than viewing the member state's negotiating position as the outcome of a bargain among coalition partners, these variables assume that the party that is either most opposed to integration, or in favor of integration, is the agenda-setter on issues related to the EU, and it can force its position on the rest of the parties in government.

Finally, I calculate the preferences of the parliamentary ratification

pivots for each issue area by aligning the parties in each member state's parliament on a pro-anti European integration dimension. After aligning the parties, a member state's ratification procedure and party seat shares in parliament determine which party is pivotal in each member state.[15]

I begin by examining the correspondence between voters' positions and the positions of parties in government, and I find that the correlation is weak. When measuring the positions of governments as the average of the parties within them, the correlation between the position of the centrist voter and the governing parties is only 0.21 across the 14 member states and 7 issue areas for which there are party position data. The correlation between voters and the minimum party in government is 0.11, and the correlation between voters and the maximum party is 0.23. Finally, the correlation between voters and the position of the ratification pivot is slightly higher at 0.46. These correlations reveal that the positions of the voters and the positions of parties tend not to overlap. While this may lend some support to the democratic deficit literature, it also leaves open the possibility that governing parties may move towards voters when formulating IGC bargaining positions.

I can now examine whether the member states' bargaining positions more often reflect the positions of the parties in government, a parliamentary ratification pivot, or the position of the centrist voter. Table 2.5 presents four OLS models with issue area dummies to explain member state negotiating positions. The analysis reveals that the average position of parties in government and the position of the centrist voter best explain the negotiating positions of governments. However the position of the centrist voter is the only variable which is statistically significant across all four models at the $p > 0.05$ level. The effect of the position of the ratification pivot on member state negotiating positions is essentially zero across all models. Surprisingly, the coefficients on the minimum and maximum parties in government are negative, but only the coefficient on the minimum party in government is statistically significant. This implies that as the most Euroskeptic party in government wants to include more issues in the treaty, the member state's negotiating position actually calls for fewer issues to be included. The effect of this variable, however, is less than half the size of the average party position variable.

The first model assumes that all political systems represent the centrist voter equally well. This, however, may be a false assumption. Huber and Powell (1994) find that some types of political systems represent the median voter better than others. Specifically, they find that "proportionate control" systems tend to reflect the position of

Table 2.5: Negotiating Positions on the Government Party Positions, Voters, and Ratification Pivots

Independent Variables	Model 1	Model 2	Model 3	Model 4
Government Position (average)	0.30**	0.26*	0.32**	0.26*
	(0.15)	(0.14)	(0.15)	(0.14)
Government Position (min)	−0.136**	−0.12*	−0.14**	−0.11*
	(0.06)	(0.06)	(0.06)	(0.06)
Government Position (max)	−0.11	−0.12	−0.12	−0.13
	(0.08)	(0.08)	(0.09)	(0.08)
Centrist Voter Position	0.29**	0.28**	0.29**	0.30**
	(0.12)	(0.12)	(0.13)	(0.14)
Pivot Position	0.01	0.03	0.01	0.04
	(0.02)	(0.02)	(0.02)	(0.02)
Majoritarian Electoral System		0.09		
		(0.13)		
Single Party Government			−0.04	
			(0.11)	
Disproportionality Index				−0.01
				(0.01)
CentristVoter ∗ Maj Electoral		−0.33		
		(0.23)		
CentristVoter ∗ Single Party			−0.03	
			(0.18)	
CentristVoter ∗ Disproportion				0.01
				(0.02)
	$R^2 = 0.61$	$R^2 = 0.64$	$R^2 = 0.61$	$R^2 = 0.64$
	$N = 98$	$N = 98$	$N = 98$	$N = 98$

Note: ∗∗ statistically significant at $p > 0.05$, ∗ statistically significant at $p > 0.1$. Standard errors in parentheses. Missing preferences set to position of status quo. Issue area dummies are included and reported in the appendix.

the median voter better than "majority control" systems. Two aspects of majority control systems that they highlight are single party majority governments and majoritarian electoral systems which produce more disproportionate electoral results. Following their work, I create a dummy variable for countries with majoritarian electoral systems (France and the UK) and for countries with a single party majority government at the time of negotiations (Greece, Spain, UK, and Portugal). In addition, I take the average electoral disproportionality in each member state calculated using Gallagher's disproportionality index (Gallagher 1991) and reported in Lijphart (1999, 162). I then interact these variables with position of the centrist voter. The expectation is that the coefficient on these interaction terms should be negative, while the coefficient on the centrist voter position should remain positive. The effect of electoral system disproportionality and single party government should be zero. Countries with single party governments and majoritarian electoral systems should represent the centrist voter less well compared with other countries. Model 2 demonstrates that countries with majoritarian electoral systems do not represent the centrist voter as well as other systems. Although not statistically significant, probably due to the fact that only two member states have majoritarian electoral systems, the substantive effect of the interaction term is quite large. Model 3, however, suggests that the distinction between single party majority and other types of governments does not affect how the well the position of the centrist voter is represented at IGC negotiations. Lastly, Model 4 suggests that only the type of electoral system (majoritarian vs. PR) affects how much voters preferences matter and not the average disproportionality. The average disproportionality variable has virtually no effect.[16]

Substantively, the effects of the average government position and the position of the voters on negotiating positions are quite large. Setting all variables to the position of the UK on fiscal policy, the member state with the most skeptical public towards fiscal integration, Model 1 predicts that UK would want to include only 19% of the issues on the bargaining table. Holding all other variables constant, but moving the position of the UK's centrist voter to 0.74, the position of Italian centrist voter on fiscal integration, would imply that the UK would want to include 32% of the issues in this issue area. If instead of changing the position of the centrist voter, the position of the UK government moved from 2.83 to approximately 5, the position of the average party in the Italian government on the Marks and Steenbergen scale, the UK would want to include 84% percent of issues in this issue area. Even though the effect of the average party in government

is larger than the effect of the centrist voter, both effects are quite substantial.

Model 2, however, suggests that the first model underestimates the effects of the public in member states with non-majoritarian electoral systems. To demonstrate this, I begin by setting all the variables to the position of Denmark on fiscal policy. Model 2 predicts that the Danish government should want to include approximately 28% of issues in this issue area. However, if the Danish public suddenly became much less skeptical of fiscal integration and the centrist voter moved from 0.39 to 0.74, the position of the Italian centrist voter, the Danish negotiators would want to include 35% of all issues in the treaty. This is an increase of 7 percentage points. On the other hand, if Denmark adopted a majoritarian electoral system before the centrist voter moved from 0.39 to 0.74, the Danish negotiators would go from wanting to include 21% of the issues to only 19% of the issues! Even though the voters want more integration, the government hardly changes its negotiating position at all. If anything, the government takes position favoring slightly less intergration. In other words, the effect of a public opinion shift has virtually no effect in countries with a majoritarian electoral system.

A possible critique of the notion that constituency views affect government bargaining position is that the reverse is actually true. The positions of parties are affecting the positions of the voters most likely to support that party. This, of course, cannot be ruled out without finding a good instrument for constituency position which would not be directly affected by the government's bargaining position. Finding such an instrument would be nearly impossible. However, given the nature of IGC bargaining and the data I have presented above, I feel that reverse causation is unlikely. First, I use several questions from the Eurobarometer to measure constituency support for the EU. There is significant variation on voter positions across different issues within member states. For example, environmental integration usually receives more support among voters than defense integration. If voters were simply taking a general cue about EU integration from parties, I would expect less variation across questions. Parties are less likely to give cues about specific issues within EU integration than they are about integration as a whole. A voter who takes a cue from a pro-EU party may simply favor more EU integration across the board. Voters, however, appear to be more discerning in their responses to Eurobarometer questions. Secondly, voter positions do not correlate highly with party positions. If voters were taking their positions from parties, one would expect a higher correlation between party positions

and voter positions than I find. Lastly, while there is a good theoretical reason to believe that electoral systems may affect how governments respond to voters, there is little reason to believe that electoral systems affect how voters respond to governments. This effect is much more likely channeled through media campaigns and party advertising than through electoral systems. The fact that I find an effect for electoral systems suggests that voters are affecting governments and not the other way around. Of course, future research may examine this further using a more innovative instrumental variable approach (e.g. Gabel and Scheve 2007*a,b*).

Finally, the position of a member state's ratification pivot provides no information about a member state's bargaining position. Given the positions of the ratification pivots and the parties in government, this is not surprising. I find that the position of the pivot is rarely very different from the parties in government. Even in Finland, the member state with the most skeptical ratifications pivots compared to the position of the government, the pivot, on average, scores only 1.17 points lower on the Marks and Steenbergen scale than the most pro-EU party in government. In many member states, the pivot is either a member of the government, or is the government, as in the UK and Spain. Pivots differ from governing positions only in the Scandinavian countries, and even then, only on a few issue areas. Unfortunately, it is impossible to calculate how the ratification pivot positions and the positions of governments align with the possible scenarios discussed in the spatial model because I cannot locate the status quo on the Marks and Steenbergen scale. However, it is highly likely that the positions of the ratification pivots are sufficiently close to the parties in government, that governments should not consider pivots when formulating bargaining positions, regardless of the dimensionality of the issue space.

2.5 Summary

This chapter has accomplished three primary goals. First it describes the dataset on member state preferences at the Amsterdam IGC I use in the remaining quantitative chapters of the book; second, it provides preliminary evidence in favor of the institutional model; and third, it examines where member state preferences come from. I began by examining several hypotheses for why member states may have missing preferences and I found that status quo biased member states lack or fail to report a position more often than states preferring a

more ambitious treaty. I have also demonstrated which states tend
to prefer the status quo more often — the Nordic countries, along
with France, the UK and Ireland — and that some types of issues are
more contentious than others. Member states were much more likely
to change the status quo on issues concerning environmental policy or
Justice and Home Affairs than they were on issues altering institutional
arrangements such as giving more power to the European Parliament.

The third part of the chapter offered competing explanations for how
member state governments formulate bargaining positions. Moravcsik
(2002) has argued that claims of a democratic deficit are overstated. His
research suggests that member state governments and EU institutions
are accountable to the electorate when bargaining over EU outcomes,
and governments may consider the preferences of their constituents
when determining a bargaining position at IGCs. Others, however,
argue that the EU does in fact suffer from a democratic deficit (e.g.
Follesdal and Hix 2006; Scharpf 1999; Schmitter 2000). If correct, their
research would imply that member states do not consider constituency
preferences when formulating bargaining positions. The above analysis
finds that the degree to which voters matter to governments when
formulating bargaining positions is likely conditioned by electoral sys-
tem. Even after controlling for the positions of parties in government,
constituent preferences do significantly explain government positions,
but only in the member states with PR electoral systems. In France
and the UK voter positions do not matter nearly as much. The average
position of parties in government also explains bargaining positions
quite well, and this variable has a stronger substantive effect on member
states' bargaining positions than voter preferences. While voters do
influence outcomes, the democratic deficit may not have completely
disappeared at IGC negotiations. This finding helps alleviate concerns
that the preferences member states report are strategic, or somehow
related to the positions that other states take. The fact that preferences
are related to domestic public opinion reduces the likelihood that these
preferences are strategic.

I have also suggested that when a parliamentary ratification pivot is
sufficiently far from the status quo and sufficiently close to the parties
in government, the government will not need to take the preference of
the ratification pivot into consideration when developing a bargaining
position. In the data, ratification pivots are almost always sufficiently
close to the parties in government that they do not constrain the govern-
ment's choice over bargaining position. The analysis reveals that they
in fact have no effect on the government's choice of bargaining stance.
Finally, I have examined which parties within the government set the

government's agenda. It appears that neither the least integrationist, nor the most integrationist parties in government receive their ideal points. Instead, member state bargaining positions at IGCs reflect a compromise among governing parties.

This research suggests that governments may consider voters' views when designing EU institutions more than previously thought. Much of the literature on EU integration has assumed that European elites have pushed EU integration forward, leaving voters little say in the process. However, while voters may not participate directly in the process of EU constitution-building, their opinions may count for more than EU scholars have suggested. Despite arguments that EU institutions have not yet developed far enough for the EU to be considered a representative democracy, national governments, whose job it is to create EU institutions, may in fact represent voters' interests quite well on issues of institutional choice.

Much more work must be done to understand exactly how and why voters affect government choices over EU constitutional bargains. Nevertheless, this chapter suggests that voters do exert influence over the positions of the parties in government. In terms of the remainder of this book, this is important because it suggests that member state preferences are likely exogenous to the bargaining environment. Future work must further examine the mechanism through which voters affect the position of governments and the paths through which voter preferences are actually translated into government positions.

Appendix

Table 2.6: Poisson Model to Explain Missing Preferences

Independent Variables	Coefficients
Average Position	-1.56***
	(0.36)
Multiparty Government	0.17**
	(0.07)
Log Population	-0.01
	(0.02)
Constant	5.16***
	(0.24)
N	15
Log Likelihood	-60.43

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Standard errors are given in parentheses.

Table 2.7: Treaty of Amsterdam Parliamentary Ratification Procedures

Austria	Ratification required passage of a constitutional law. A 2/3rds majority with half of the members of parliament present was necessary.
Belgium	Passage required simple majorities in the upper and lower houses, plus simple majorities in the regional assemblies.
Denmark	Ratification required a 5/6ths majority in the parliament, or a referendum. Passage failed in the parliament, but the following referendum was successful.
Finland	Ratification required a 2/3rds majority in parliament.
France	Ratification required a constitutional amendment, necessitating a 3/5ths majority in both houses.
Germany	Ratification required a 2/3rds majority in both houses.
Greece	Passage required a 3/5ths majority.
Ireland	Ratification required a referendum plus simple majorities in both houses of parliament.
Italy	Passage required simple majorities in both houses.
Luxembourg	Ratification required a 2/3rds majority in parliament.
Netherlands	Ratification required simple majorities in both houses of parliament.
Portugal	Ratification required a simple majority in parliament.
Spain	Ratification required a simple majority in both chambers of parliament.
Sweden	Ratification required a 3/4ths majority in parliament.
United Kingdom	Passage required a simple majority in both houses.

Source: Hug and König 2002.

Table 2.8: Issue Area Fixed Effects, Models 1–4

Issue Area	Model 1	Model 2	Model 3	Model 4
EP	−0.11	−0.02	−0.11	−0.02
	(0.09)	(0.10)	(0.10)	(0.11)
Fiscal	−0.03	−0.05	−0.03	−0.03
	(0.05)	(0.05)	(0.05)	(0.05)
Cohesion	0.13***	0.13***	0.13***	0.13***
	(0.04)	(0.04)	(0.04)	(0.04)
Employment	0.19***	0.19***	0.19***	0.22***
	(0.05)	(0.05)	(0.05)	(0.05)
Environment	0.05	0.06	0.05	0.06
	(0.05)	(0.04)	(0.05)	(0.04)
Asylum	0.19***	0.19***	0.19***	0.19***
	(0.04)	(0.04)	(0.04)	(0.04)
Foreign Policy	−0.03	−0.01	−0.03	−0.02
	(0.04)	(0.04)	(0.04)	(0.11)

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Standard errors are given in parentheses.

Issues Coded from EP Taskforce

Numbers correspond to issue numbers in the data. Numbers in parentheses following the issue description correspond to the page number and issue number in the original EP Taskforce report.

Citizenship and Fundamental Rights

1. Treaty chapter on fundamental rights and human rights (1,1)
2. Accession to European Convention on Human Rights (ECHR) (1,2)
3. Equality of treatment and nondiscrimination clause (1,3)
4. Clause on women's equality (2,10)
5. Add social and economic rights (1,4)
6. Direct effect for Article 8a (residency rights)and full implementation of free movement of persons at a given date (1,5)
7. EU citizenship should not replace national citizenship (1,6)
8. No unanimity for Article 8e (supplement citizens' rights) (1,7)
9. Explicit reference to public services being a right of EU citizens (1,8)
10. Protection by the European Court of Justice (ECJ) and direct access for private citizens in response to violations deriving from the acts of the European institutions (1,9)
11. Political control; suspension of certain rights of member states (2,11)
12. Political control; exclusion from EU meetings of certain member states (2,12)
13. Right of information and freedom of expression on the Community policies (2,13)
14. Develop political citizenship (2,14)
15. Introduce list of fundamental rights (2,15)
16. Outlawing the death penalty and/or racist or xenophobic acts (3,16)
17. Political promotions for young people (3,17)
18. Recognition of cultural and linguistic diversity and protection of national minorities (3,18)
19. Promotion of the cultural dimension (3,19)
20. Specific status and nondiscrimination for resident third-country nationals (3,20)
21. Voluntary European peace corps (3,21)

Third Pillar — Justice and Home Affairs (JHA)

22. Communitarization of JHA; total, partial or no communitarization (4,22–24)
23. Improve third pillar instruments; new Title regarding free movement of persons, asylum, and immigration. Police and judicial cooperation on criminal matters (4,25)
24. Improve Art. K.9 procedure (4,26)
25. Communitarization of visa policy (4,27)
26. Communitarization of asylum policy (4,28)
27. Communitarization of immigration policy (4,29)
28. Communitarization of rules on crossing external frontiers (4,30)
29. Communitarization of action against international fraud (4,31)
30. Communitarization of anti-drugs action (4,32)
31. Communitarization of legal cooperation in civil matters (5,33)
32. Community institutions and procedures for police cooperation (5,34)
33. Customs cooperation (5,35)
34. Cooperation in legal and criminal matters (5,36)
35. Reinforce anti-terrorist measures (5,37)
36. Qualified majority voting (QMV) in Justice and Home Affairs (5,38)
37. Extend Commission's right of initiative (5,39)
38. Adoption of directives: decision, framework decision, and agreement (5,40)
39. Reinforce the role of the EP, codecision (6,41–42)
40. Reinforce the role of the ECJ (6,43)
41. Simplify 5-level structure (6,44)
42. Incorporate Schengen (6,45)
43. Involve national parliaments (6,46)

Employment

44. Employment as a guiding principle of the Economic and Monetary Union (EMU) (7,47)
45. Reinforce high employment as an objective of the EU (7,48)
46. Coordinate efforts of governments and social partners (7,49)
47. Include social protocol in Treaty (7,50)
48. New Treaty chapter — "A Union for Employment" (7,51)
49. Inclusion in Treaty of "conclusions of Essen, Cannes and Madrid summits" (7,52)
50. Commission measures and timetable for social union (7,53)

51. Creation of a committee for employment (7,54)
52. Incorporate principle of improvement of living and working conditions (7,55)
53. Incorporate principles of Charter of Fundamental Social Rights (7,56)
54. Direct action to combat social exclusion (8,57)
55. Qualified majority voting in this area (8,58)
56. Adoption of measures to enhance European competitiveness (8,59)

The Most Remote Regions and Overseas Territories

57. Differentiated and specific treatment (8,60)

The Environment

58. Include among the EU's objectives (9,61)
59. Reinforce sustainable development (9,62)
60. Possibility of stricter national rules (9,63)
61. Abandon unanimity (9,64)
62. Apply codecision (9,65)
63. Participation in implementation of common policies (9,66)
64. Integral part of all EU policies (9,67)
65. Inclusion of title on animal welfare (9,68)
66. Strengthening environmental impact reports (9,69)

Subsidiarity

67. Modify Art. 3b (10,70)
68. Incorporate Edinburgh declaration as protocol (10,71)
69. Control of principle with the joint committee of European Affairs committees of national parliaments (COSAC) (10,72)
70. Control of principle by national parliaments (10,73)
71. Retain Art. 235 (10,74)
72. Catalogue of powers in the Treaty (10,75)
73. Regional rights in the Treaty (10,76)
74. Introduction of sunset clauses (10,77)

Transparency and Simplification

75. Transparency as a principle of the EU (11,78)
76. Council to consider on legislative matters in public (11,79)

77. Access to Council documents as a general principle unless otherwise decided by 2/3rds (11,80)
78. Simplification of Treaties (11,81)
79. Consolidation of the Treaties (11,82)

European Parliament

80. Reduce procedures to three (12,83)
81. Number of Members of Parliament (MEPs) 700 (12,84)
82. Distribution of seats in line with population (12,85–86)
83. Uniform electoral procedure; fix a deadline (12,87)
84. Uniform electoral procedure; strengthened majority voting (12,88)
85. Uniform electoral procedure; enshrine principle in Treaty (12,89)
86. Uniform electoral procedure; national procedures (12,90)
87. Introduction of legal basis for EP members' statute (12,91)
88. Extend codecision (12,92–96)
89. Codecision: adoption of joint texts approved at the 2nd reading (13,97)
90. Codecision: suppression of stage of EP's "intention to reject" (13,98)
91. Eliminate 3rd reading (13,99)
92. Consultation: minimum time limit (13,100)
93. Consultation: maximum time limit (13,101)
94. Consultation: obligation to reconsult EP (13,102)
95. Assent procedure: status quo, international agreements, revision of Treaties, Art. 235 (14,103–107)
96. Genuine EP right of initiative (14,108)
97. Commitology: Modus vivendi for role of EP and insertion in the Treaty (14,109)
98. Commitology: right of a posteriori control for EP and Council (14,110)

Other Demands of the European Parliament

99. Reinforce role of the EP in EU appointments, ECJ and Court of Auditors (15,111)
100. Reinforce position of EP vis-à-vis ECJ (15,112)
101. Participation of EP in decision on its seat (15,113)
102. Commission response to EPs own initiative proposals (15,114)

National Parliaments

103. Reinforce role of national parliaments (16,115)

104. Commission white papers/proposals forwarded systematically (16,116)
105. National parliaments' deadlines before Council decisions (16,117)
106. Commissioners to be heard by national parliaments (16,118)
107. Prior information on Council meetings (16,119)
108. Enhance the role of COSAC (16,120)
109. Institutionalize COSAC in Treaty (16,121)
110. Second chamber of national parliaments (16,122)
111. High consultative council of national MPs (16,123)
112. Insert role of "assizes" in Treaty (16,124)

The Council

113. Retain six month presidency (17,125)
114. Extension of QMV — generally, for codecision, en bloc, establish certain criteria, or case by case (17,126–130)
115. Majority required for Treaty to enter into force (17,131–133)
116. Unanimity for sensitive areas (18,134)
117. Double majority member states/population (18,135)
118. Revision of weighting of votes (18,136)
119. Lower QMV threshold (18,137)
120. Introduce "double qualified" majorities (18,138)

The Commission

121. Reduce the number of Commissioners (19,139)
122. At least one Commissioner per member state (19,140)
123. Only one Commissioner per member state (19,141–142)
124. Commission appointed by Commission President with agreement of member states (19,143)
125. Commission President elected by EP from list drawn up by European Council (19,144)
126. Approval of the Commissioners by EP (19,145)
127. Right of EP to censure individual Commissioners (19,146)
128. Maintenance of Commission's role, independence and right of initiative (19,147)
129. Strengthening of the Commission's executive powers (19,148)
130. Commitology: simplification vs. status quo (19,149–150)

European Court of Justice

131. Number of judges equals number of member states (20,151)
132. Creation of two separate chambers (20,152)

133. Single, longer term of office (9 years) (20,153)
134. Strengthen role on CFSP, JHA, and Schengen matters (20,154)
135. More flexible internal procedures (20,155)
136. Extend the conditions for bringing actions (20,156)
137. Limit retrospective effects of judgments (20,157)
138. Limit liability of member states (20,158)
139. Possibility of internal appeal against ECJ decisions (20,159)
140. Control of the ECJ by the Council (20,160)

The Court of Auditors

141. Increase the number of members (21,161)
142. Extend powers to all political bodies (21,162)
143. Extend powers to EDF, CFSP, JHA (21,163)
144. Judicial powers and/or right of appeal to ECJ (21,164)
145. Obligation of cooperation between national administrations and audit boards with Court of Auditors (21,165)

Action against Fraud

146. Community sactions imposed by a democratic procedure (22,166)
147. Revision of Art. 209a: sanctions by member states and legal basis (22,167)
148. Strengthened controls by Court of Auditors (22,168)
149. EPs remarks attached to discharge decisions to be binding (22,169)
150. EP involvement in anti-fraud administrative controls (22,170)
151. Direct anti-fraud powers for Commission (22,171)

Differentiated Integration/Flexibility

152. Europe à la carte (23,172)
153. Preservation of acquis communautaire (23,173)
154. Single institutional framework (23,174)
155. Differentiated integration as last resort and subject to the Reflection Group's conditions (23,175)
156. General flexibility clause — 1st pillar (23,176)
157. General flexibility clause — 2nd pillar (23,176)
158. General flexibility clause — 3rd pillar (23,176)
159. Implementation mechanism — Commission initiative (24,177–178)
160. Assent of EP after QMV in Council (24,179)
161. Budgetary principles: general administrative expenditure under EU budget (24,180)

162. Adoption of appropriations by Council and EP (codecision) (24,181)
163. Adoption of revenue in Council by QMV of participating MS on basis of GNP (24,182)
164. Indivisible nature of EP, Commission, and ECJ (24,183–184)

Committee of Regions

165. Status of Institution (25,185,187)
166. Administrative and budgetary independence from ESC (25,186)
167. Purely consultative role (25,188)
168. Consultation by EP and ESC on same basis as by Council and Commission (25,189)
169. Reinforced role in policies concerning its sphere (25,190)
170. Access to ECJ in general (25,191)
171. Access to ECJ on subsidiarity matters (25,192)

Economic and Social Committee

172. Status of institution (25,193–195)
173. Access to the ECJ (25,196)
174. Greater consultative role (25,197)

Hierarchy of Legislation

175. Need for a new classification (25,198)
176. Greater powers for the Commission subject to controls (26,199)
177. Role for EP in administrative control of implementation of Community law (26,200)

Own Resources and Budgetary Procedures

178. Introduction of fifth financial source (26,201)
179. Include multiannual programs in Treaty (26,202)
180. Carry over budgetary matters (26,203)
181. Simplification of budgetary procedures (26,204)
182. Full application of codecision of EP on budgetary procedures (26,205)
183. Greater role for the EP (26,206)
184. Eliminate distinction between compulsory/non-compulsory expenditure; unified budget (27,207)
185. Greater budgetary discipline (27,208)

New Policies

186. Introduce energy policy (28,209)
187. Introduce tourism policy (28,210)
188. Introduce civil protection policy (28,211)
189. Maintain unanimity for Art. 235 (28,212)
190. Enlarged role for the EP (28,213)
191. Treaty provisions for sport (28,214)
192. Amend Art. 129 to reinforce consumer protection (28,215)
193. Include separate title for fisheries (28,216)
194. Harmonize certain forms of taxation (28,217)
195. European public service charter in Treaty (28,218)
196. Reinforce role of economic and social cohesion (28,219)

Economic and Monetary Union

197. Discuss at IGC (29,220)
198. Reinforce economic coordination (29,221)
199. Extend consultation to EP (29,222)
200. Increase consumer information and protection regarding Euro (29,223)

Reinforcement of the Union's Capacity for External Action: The Common Foreign and Security Policy (CFSP)

201. Move towards integration into Community pillar (30,224)
202. Power of initiative for Commission (30,225)
203. Central planning and proposal unit (30,226)
204. QMV as a general rule on CFSP matters (30,227)
205. Unanimity as a general rule for CFSP guidelines (30,228)
206. QMV for CFSP implementation (30,229)
207. Use of constructive abstention (30,230)
208. Representation of CFSP — Council President or Council and Commission together (31,231–232)
209. Representation by "Mr. X"/senior representative (31,233)
210. New specific function, "face and voice" of EU (31,234)
211. CFSP to be funded by EU budget (31,235)
212. International legal personality for the EU (31,236)
213. Regrouping of the various aspects of the external policies (31,237)
214. Split Art. 113 into two: introduction of codecision for legislative acts (32,238)
215. Split Art. 113 into two: assent for international agreements (32,239)

216. Extension of Art. 113 (32,240)
217. Communitarization of European Defense Forces (32,241)
218. Diplomatic representation of the EU (32,242)
219. Parliamentary control by EP and national parliaments (32,243)
220. EP to be consulted on joint positions and joint actions (32,244)
221. Political solidarity clause (32,245)
222. Financial solidarity clause (32,246)
223. Gradual integration into the EU (33,247)
224. Incorporation of the "Petersberg missions" (33,248)
225. Military actions to be agreed on by a majority of EU member states (33,249)
226. Deletion of Art. 223 and introduction of common policy on armaments (33,250)
227. Common defense policy for the protection of the EU's and the member states' frontiers and the member states' territorial integrity (33,251)
228. The WEU as the European pillar of NATO (33,252)

Table 2.9: Comparison of EP Taskforce Issues with Stoiber et al. Issues

EP Taskforce Issue	Stoiber et al. Issue	EP Taskforce Issue	Stoiber et al. Issue
1	1.3.D3	89–91, 95	5.2.C
2	1.3.C	96	5.1
3	1.3.B	103	5.6.B
5	1.1.D2	108	5.6.C
6	1.1.F	110	5.6.D
7	1.1.A	114	4.3.D–F
11	1.4.F	118	4.5
12	1.4.G	119	4.4
23	3.1.C	120	4.6
25–31, 33, 34	3.2.D	121	4.7.D
36	3.2.D–E	123	4.7.A
37, 202	5.7.C1	126	5.4.D–E
39	3.4.C	156	4.8.B
40	3.5.C	157–158	4.8.C
42	3.3.C	165	5.9.E
43	3.4.B	168	5.9.B
44, 45	6.1.B	170	5.8.B2
48	6.1.E	171	5.9.D
51	6.2	172	5.10.G
58	6.3.B	173	5.10.F
61	6.3.E	174	5.10.E
62	6.3.F	183	5.5
68	1.5.B	203	2.1.B
69	1.6.B	204	2.2.F
75	1.7.B	206	2.2.F
76	1.7.H	207	2.2.C
80	5.2.B	211	2.4.D
81	4.1.B	212	1.8
82	4.1.C	224	2.6.B
83	4.2.B	226	2.7.C–F
85	4.2.E	227	2.5.C
88	5.3	228	2.5.D, 2.6.D

Note: Stoiber et al. combine similar issues into a single issue dimension, making judgements about which options represent further integration. I separate each item into an individual choice.

3

Modeling Institutionalism and Intergovernmentalism

The previous chapter presented my quantitative data on the Treaty of Amsterdam and asked which actors want what and why at intergovernmental conferences. This chapter presents a framework for understanding why some member states get what they want while others do not. I examine competing models of bargaining, institutionalism or intergovernmentalism to determine which model best explains outcomes at Europe's intergovernmental conferences. As I described in chapter 1, institutionalism suggests that bargaining power is related to a member state's preference relative to the status quo and the state's right to veto any final treaty which leaves it worse off compared to the status quo. According to this model, all states could potentially have bargaining power because treaties require unanimous support to take effect. Intergovernmentalism, on the other hand, suggests power is related to the relative size and resources of member states. Only the largest states have the ability to affect the bargaining outcome because preferences in this model are weighted by member state size. To test these models, it necessary to first examine each model's predictions about bargaining outcomes. I must identify when these models make competing predictions and when they do not. If the models never make competing predictions, it would be impossible to determine which model is correct, and thus impossible to know which sources of power are most important for member states taking part in negotiations. This chapter presents a framework for understanding when and why these two models make competing predictions about bargaining outcomes, and then presents a method for testing which model best captures bargaining outcomes.

3.1 A Spatial Model of Institutionalism
and Intergovernmentalism

To determine the conditions under which these two models make competing predictions about bargaining outcomes, I use a unidimensional spatial model. Even though intergovernmentalism is not usually conceived in terms of a spatial utility model, its main tenets can be represented using such a framework. Although intergovernmentalism focuses on different sources of power, such as size and strength, member state preferences are very much an integral part of this theory, a point Moravcsik repeatedly stresses throughout his work (1993, 1997, 1998). Most intergovernmentalists would certainly agree that is important to locate actors' preferences in the bargaining space. Because institutionalism and intergovernmentalism agree that preferences matter, but disagree about sources of power, analyzing these theories through a spatial model allows me to formally identify when and why these models make competing predictions about treaty outcomes.

The spatial model demonstrates that when member state preferences are sufficiently close to one another and sufficiently far from the status quo, the predictions of institutionalism and intergovernmentalism are likely to be indistinguishable. However, when one or more member states lie close to the status quo relative to the other member states, the predictions made by the two models diverge.

Figure 3.1 portrays a one-dimensional space where three actors, A, B, and C, are bargaining over how to alter the status quo. Imagine that B and C are large member states, Germany and France, while A is a small member state, Denmark. I present two preference scenarios to demonstrate when intergovernmentalism and institutional theory make different predictions. In scenario 1 of Figure 3.1 all member states have relatively cohesive preferences and wish to make substantial changes to the status quo. This matches the preference configuration of member states with regard to issues surrounding Justice and Home Affairs at the Amsterdam IGC. Issues such as the communitarization of asylum policy and immigration policy met with little resistance and member states moved decision-making on these issues from the national level to the community level at Amsterdam. Under this preference configuration no member state has an incentive to object to a change to the status quo proposed by any other member state. This is because all member states are sufficiently far from the status quo and close to each other. Any outcome on the bargaining line between actors A and C would make all three actors better off compared to the status quo. Even if the outcome on this issue only reflected a negotiation between Germany
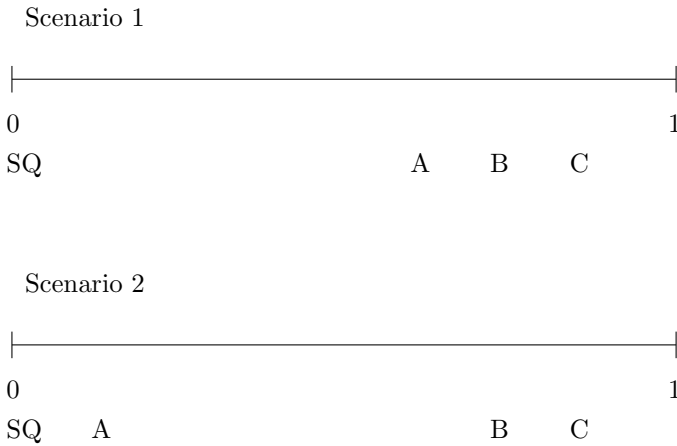
Scenario 1

```
 ├─────────────────────────────────────────────────┤
 0                                                 1
 SQ                              A     B     C
```

Scenario 2

```
 ├─────────────────────────────────────────────────┤
 0                                                 1
 SQ     A                              B     C
```

Figure 3.1: Spatial Model of Member State Preferences

and France, as intergovernmentalism suggests, Denmark would not veto this outcome even if given the opportunity. Thus, institutionalism and intergovernmentalism are observationally equivalent under this preference configuration. In fact, we cannot distinguish between these approaches whenever small states prefer change over the status quo. For example, if Denmark prefers change but Germany and France do not, both approaches would predict the status quo, albeit for different reasons. Intergovernmentalism predicts the status quo should prevail because Germany and France can force their preference for the status quo onto smaller Denmark. Institutionalism suggests the status quo should prevail because Germany and France have veto power just as Denmark does. Formally, the two approaches are observationally equivalent whenever $2 * (A - SQ) \geq B - SQ$.

Scenario 2 presents a preference configuration under which the approaches do make competing predictions. Denmark (actor A) is located much closer to the status quo than Germany and France (actors B and C). This mirrors the preferences of member states regarding the revision of voting weights in the Council of Ministers. At Amsterdam and every IGC since, large states were in favor of revising Council voting weights both to better reflect member state population and to make

decision-making easier in an expanded EU. Specifically many large states favored a proposal for a double majority voting rule under which legislation would pass if supported by half of the member states and representing some fraction of member state population. At Amsterdam, several states suggested 60% would be a reasonable fraction. Small member states preferred the status quo which overrepresented them in the Council and saw this new voting weights proposal as an attempt by large states to grab power at their expense. Under this preference configuration, the institutional approach would predict an outcome within the unanimity winset. In other words, it would predict a Council voting weights scheme very close to Denmark's preference. At worst, Denmark would be indifferent between the bargaining outcome and the status quo. The intergovernmental approach, however, does not predict an outcome within the unanimity winset. Because Germany and France have a large number of resources relative to Denmark, the prediction of the intergovernmental model lies outside the unanimity winset on the bargaining line between Germany and France, making Denmark worse off compared to the status quo. Here the approaches make competing predictions which can be tested against one another. The appendix to this chapter presents a further formal derivation of the conditions under which these approaches make competing predictions.

3.2 A Statistical Model of Institutionalism and Intergovernmentalism

From this spatial model, I derive a statistical model that I apply to data collected on the IGC leading to the Treaty of Amsterdam. I examine the probability that negotiators choose a specific constitutional outcome from the set of possible outcomes on each issue discussed at the negotiations. Because the vast majority of issues in my dataset offer member states a binary choice, each member state faces the following decision: choose to support a proposed change on a particular issue or choose to support the status quo. For example, member states can either choose to support the communitarization of asylum policy or to support the status quo.

Institutional theory suggests that when a state, such as Denmark in scenario 2 of Figure 3.1, is located closer to the status quo relative to the alternative, the states supporting the alternative over the status quo will have to gain Denmark's support on that particular issue if change is to occur. This is because Denmark will suffer a loss relative to the status quo if that issue is eventually included in the treaty. Other

larger states cannot simply ignore Denmark because if Denmark's total losses are too great, it can veto the entire treaty. Further, in the institutional model, all compensation is purely in terms of ideology. It is more "costly" to compensate a state further from the status quo regardless of that state's size. As more states, again regardless of their size or resources, prefer an option near or on the status quo for a particular issue, states preferring change must make greater ideological concessions to buy the laggards' support on that issue. Thus it is more likely that negotiations will fail to alter the status quo. Given my data, I do not know member states' exact positions relative to the status quo and alternative. Instead, I only know whether they stated a preference for the status quo or issue inclusion. Therefore, I simply count the number of states preferring the status quo for each issue as the operationalization of institutionalism. Notice that this approach assumes that all member states are equally costly to buy because cost is related solely to ideology, not size, in this model. Denmark's preference for the status quo counts matters just as much as Germany's preference for the status quo.

Intergovernmental theory, on the other hand, suggests that the bargaining outcome should reflect both member states' relative bargaining power and preferences. I use Bruce Bueno de Mesquita's (1994) model of bargaining in the EU Council of Ministers to capture intergovernmentalist logic. In Bueno de Mesquita's model, hereafter referred to as the weighted preference model, each member state faces a choice between two alternatives. Member states cast "votes" equal to the difference of an actor's utility for each of the alternatives weighted by the actor's capabilities and issue salience. Using quadratic utility functions, actor A's quasi-vote, V_A, can be written as

$$V_A = (C_A)(S_A)(-(A - X)^2 + (A - SQ)^2)$$

where C is a variable which reflects the capabilities or resources of the member state. Larger member states such as Germany and France have a larger C term. The S term represents this particular issue's salience for member state A. A larger S implies the member state cares more about the outcome on this issue. The last part of the equation assumes quadratic utility functions to capture member state A's spatial preference for the alternative X relative to the status quo. If A's true preference A is closer to X than to the status quo, this part of the equation is positive, while if A prefers the status quo over the proposed change, this becomes negative. Because this model is multiplicative, this implies that member state A votes for the alternative proposal to the status quo X whenever V_A is positive; otherwise the member state

votes for SQ. The absolute magnitude of V_A reflects a member state's relative influence over this particular issue. A large positive V_A means that member state A has a great deal of influence and desires change, while a large negative V_A means member state A has a great deal of influence and prefers the status quo.

Because this model is multiplicative, there are three ways for member states to have no influence over a treaty outcome. First, C may be small for a particular member state. The member state simply does not have the capability to affect change. Luxembourg may care greatly about some issues, but its preferences are never going to matter in this model because it has no capacity to affect change. Second, a member state's S may be small — an issue may simply not be salient for this member state. Lastly, a member state may be completely indifferent between the status quo and proposal, meaning the expected utility portion of the model would equal zero. To make a prediction about the outcome of negotiations, the weighted preference model sums V, ΣV, across all member states. If ΣV is positive, the member states adopt proposal X, and if ΣV is negative, SQ prevails. Unlike the institutional model, this approach defines power as the relative capabilities of member states in addition to accounting for member state's preferences.

To give a concrete example of how these two approaches differ, consider the case of Council voting weights at the Treaty of Amsterdam, an issue which I will revisit at much greater length in chapter 6. In the Amsterdam data, a majority of member states (9 of 15), all small, prefer the status quo; however, because all of the large member states prefer change, ΣV for this issue is relatively positive (2.73 on a scale which ranges from -4 to 4).[1] Thus, institutionalism predicts the status quo on this issue while intergovernmentalism predicts change. At Amsterdam the revision of voting weights was one of the most contentious issues on the table and member states failed to reform the status quo. On this particular issue it appears that institutionalism better captures negotiations than intergovernmentalism. However, to truly understand which approach best captures bargaining at the IGC we need a statistical model capable of analyzing the entire set of issues on the bargaining table.

Given these variables, it is straightforward to write down a statistical model to estimate the extent to which institutionalism and intergovernmentalism capture bargaining using my data on the Treaty of Amsterdam. Because in these data the dependent variable is usually either zero (member states exclude an issue from the final treaty and the status quo remains) or one (member states include the issue in the

treaty), and only rarely in between zero and one, I opt for a probit model. As my independent variables, I use the predictions of the institutional and intergovernmental models. The model is as follows:

$$\Pr(AmsterdamOutcome = 1) = \phi(\alpha + \beta_1 \Sigma Number\ SQ + \beta_2 \Sigma V)$$

where ϕ is the cumulative normal distribution. Institutional theory predicts that β_1 should be negative, meaning as more member states prefer the status quo the probability of issue inclusion decreases. In addition, β_2 should equal zero. Once we control for the number of member states on the status quo, who they are should not matter. Intergovernmental theory predicts the opposite. β_2 should be positive and β_1 should be equal to zero if the weighted positions better capture bargaining.

In addition to the prediction of the weighted preference model, chapter 4 examines further operationalizations of intergovernmentalism in my statistical model as well. Because the intergovernmental approach to studying IGC negotiations has not been formalized before, I want to be certain that my findings do not hinge upon how I formalize the intergovernmental argument. In addition to ΣV, I weigh the number of member states on the status quo by their Council voting weights and population. Next, I use the average position of the four largest member states (Germany, France, the UK, and Italy) on each issue to capture intergovernmentalism. This comes closest to what Moravcsik (1998) does in his case studies. He focuses solely on the preferences of the largest states, which essentially implies that the small states have no influence. Finally, I include two dummy variables which capture when the three largest states (Germany, France, and the UK) either agree to support the status quo or support issue inclusion on each issue. Here the thought is that, controlling for the total number of states supporting the status quo, the probability of change should increase if the three largest states agree on change and the probability of change should decrease if the largest agree that the status quo ought to prevail. Using these various operationalizations of institutionalism and intergovernmentalism, chapter 4 will test these theories against each other.

3.3 Advantages and Drawbacks of a Unidimensional Approach

The unidimensional approach I advocate here for testing these theories has both clear advantages and disadvantages over other potential

methods. Its primary advantage is that I preserve all the available data and can thus perform a large-n statistical analysis. Nevertheless, testing these theories in this way may lead to some objections. Namely, this method treats negotiations which are clearly multidimensional, and probably involve both issue linkage and log rolls, as a series of independent decisions. Moreover, I do not provide a model of log-rolling. Given the nature of my data, however, the method I present is the best way to test these theories against each other. First, the data I have lack an adequate measure of issue saliency. This makes developing and testing a model which takes issue linkage and log-rolling into account nearly impossible. Without clearer knowledge of what member states care about the most and the least, it is impossible to determine what trade-offs they might be willing to make.

Secondly, empirical tests that try to reproduce the multidimensionality of the issue space are difficult and suffer from other drawbacks. Often researchers use multidimensional scaling techniques to extract the two or three most prominent dimensions, and then use these dimensions to test multidimensional theories rather than treating each observation as an independent event (e.g. König and Pöter 2001).[2] Through aggregation, this approach may help deal with some of the problems related to issue linkage; however it throws away large amounts of data. With only two or three dimensions, further statistical models are not possible. Instead, to determine which member state "wins" at the bargaining table, the researcher is reduced to examining which member states lie closest to the outcome in the issue space and then trying to guess which theory this distance best approximates. Moreover, locating the status quo and the outcome of the negotiations is not straightforward. If one scales the data including the status quo and outcome locations, the researcher treats the status quo and outcome as if they are negotiators themselves. This could potentially affect the locations of the other actors in the issue space, something which is nonsensical. The preferences should affect the negotiation's outcome, but not the other way around.

Thirdly, assuming independence may approximate reality fairly well for a large number of issues. Bargains over many issues were hammered out at different times by different people. The negotiators who were responsible for handling discussions regarding asylum politics were not the same as those who handled negotiations over environmental politics. Moreover, not every issue was discussed during the final weekend by the heads of state. Instead, they only dealt with the largest, most controversial issues. For all other issues, decided in the months prior to the final Amsterdam summit, decisions were likely independent of

each other.

Lastly, even if log-rolling did regularly occur during the IGC, its presence would actually bias my results against my primary hypothesis in favor of institutionalism. If large states sufficiently compensate small states for their losses (or states preferring integration compensate those close to the status quo), we would not find the status quo to matter in my model. Log-rolling would make it more difficult to find support for veto power, so a positive finding is all the more robust.

3.4 Summary

This chapter has presented a formal model to distinguish between institutional and intergovernmental theories. I have also proposed a statistical model derived from my formalization of institutionalism and intergovernmentalism to test these theories against each other. Lastly, I have discussed the advantages and disadvantages of my approach over other approaches to testing spatial models. Keeping these advantages and disadvantages in mind, I continue with the statistical tests I propose here in the next chapter. The empirical evidence clearly suggests that institutionalism better explains the treaty outcome compared to intergovernmentalism.

Appendix

Assume a uni-dimensional space as in Figure 3.1 where the status quo is located at 0 and all actors have Euclidean preferences between 0 and 1. When $2A > B$ the institutional model predicts a bargaining outcome somewhere on the bargaining line between points A and $2A$. If $2A > C$ the outcome will lie on the bargaining line between A and C. If it were possible to identify an agenda-setter, we could make a more precise prediction about the location of the bargaining outcome. Unfortunately, identifying an agenda-setter at IGCs is exceedingly difficult.

Intergovernmentalism also predicts an outcome on the bargaining line between A and C, likely the average of bargaining positions weighted by member states' resources. Because both theories make a prediction between points A and C it is impossible to distinguish between the theories, without knowing the identity of the agenda-setter.

When $2A < B$ institutionalism and intergovernmentalism make competing predictions. Institutionalism suggests that unless member state A is somehow compensated by the other two for its loss relative to the status quo, the bargaining outcome will lie within the winset of the status quo, $2A$, making all states better off compared to the status quo. The ideological price actors B and C have to pay for A's support for an outcome located outside the winset can be captured with a variable P. Assuming quadratic utility functions, A will support a treaty outcome, X, over the status quo whenever $A > \frac{X}{2}$. This inequality can be rewritten as the following equation:

$$A - \frac{X}{2} - P = 0$$

.

For $P > 0$ A prefers X; otherwise A prefers SQ. Institutional theory suggests that when $P < 0$, the magnitude of P represents the "cost" to the other member states for buying A's support on this issue. As A moves closer to the status quo, P grows more negative, all else equal, meaning A's negotiating partners must compensate A more if A is to support the inclusion of this issue in the final treaty. In the empirical analysis I count the number of actors stating a preference for the status quo for each issue as an approximation of P. The above equation demonstrates that as more actors locate on the status quo, the cost to those who want to change policy becomes greater. Assume $A = 0$. The equation reduces to $\frac{X}{2} + P = 0$. For all positive X, P must be negative. Thus counting the number of actors located at the

status quo is very similar to summing the P's for actors located on the status quo. Intergovernmentalism suggests P should not matter for bargaining outcomes. As long as A has insufficient resources relative to B and C to influence the bargaining outcome, B and C should not have to compensate it for a outcome lying outside the winset of the status quo.

4

Testing Institutionalism and Intergovernmentalism

This chapter applies the data I presented in chapter 2 to the model presented in chapter 3. In doing so, I begin to examine sources of power at IGCs. Chapter 2 explored possible reasons for missing member state preferences and found that a member state's missing preference may indicate a preference for the status quo, but may also indicate indifference between the status quo and the proposed alternative. Here, I test institutionalism and intergovernmentalism making various assumptions about missing preferences and I find that my results are very robust to how I handle missing data.

4.1 Analysis

To test my theoretical models, I run several probit models using as my independent variables the number of member states on the status quo to capture the institutional argument, and the weighted preference model presented in the previous chapter to operationalize intergovernmentalism. In addition, I use several alternative specifications of intergovernmentalism to make sure my findings do not hinge on any particular model specification. The results demonstrate that institutional theory outperforms the intergovernmental model regardless of how I operationalize intergovernmentalism.

While counting the number of member states expressing support for the status quo is straightforward, constructing the weighted preference model from the data is less so. First, to capture the member states' relative capabilities, the C term in the weighted preference model, I divide each member state's 1997 GDP by total EU GDP in 1997. Because historically the most important aspects of EU integration have been economic and related to the common market, I use GDP

to capture the relative bargaining power of member states on the assumption that having a larger market is likely to be the greatest source of bargaining leverage. To capture the saliency term in the weighted preference model, I take advantage of the fact that missing preferences may in fact contain information. Even though the Poisson model in chapter 2 demonstrated that missing preferences are most likely equivalent to a preference for the status quo, a missing preference may provide information about the intensity of that preference. It is reasonable to think that a member state is more willing to go to bat for a stated preference than for an unstated one. Accordingly, I construct the saliency term as a dummy variable equal to 1 if that member state's preference is known and 0 if it is missing. Even though this is a crude measure of saliency, it may be better than dropping the term entirely. Lastly, to construct the difference between the expected utility for issue inclusion and the status quo, I assume that the position of the status quo is -1 and the position of issue inclusion is 1. As in the theoretical model, this implies that member states can be powerless for three different reasons. First, they may be truly indifferent, meaning that they have a stated preference, but that preference lies at zero halfway between issue inclusion and the status quo. Second, they may have a missing preference on that issue, which would mean the saliency dummy equals zero. Finally, they have no influence because they lack the capability to affect the outcome because they contribute only a small percentage of the EU's GDP.

To make sure my results do not hinge on my assumptions about missing preferences I run my primary model, the outcome of treaty negotiations as a function of the number of actors on the status quo and the weighted preference model, making different assumptions about missing preferences. First, I simply use list-wise deletion. Next, I make assumptions about the nature of missing preferences to impute the missing values. In Model 2, I assume that missing preferences are identical to status quo positions and missing data provide no information about issue saliency. Here the saliency term drops out of the weighted preference model. Model 3 assumes that a missing preference equals a preference for the the status quo, but the missing preference also provides information about saliency.[1] In Models 4 and 5, I assume that a missing preference is different from a preference for the status quo. In Model 4, I construct three variables: the number of member states truly preferring the status quo (i.e. those member states not missing and indicating a preference for the status quo), the number of member states missing, and the prediction of the weighted preference model using missing preferences to indicate issue salience.

Model 5 is identical to Model 4, but I also include a variable which weighs the number of missing member states by the percent GDP those states contribute to the EU's total GDP. If significant, this variable would support intergovernmentalism because it would suggest that large states' missing preferences are more important than small states'. Finally, Model 6 reruns Model 4, but it includes the variable *Percent Included*. This is the dependent variable from Figure 2.2. It controls for the difficulty of negotiations by issue area and is calculated as the percent issues included in the final treaty by issue area. It may be the case that large states win more often on the most arduous negotiations over the issues least likely to be included in the final treaty.[2]

Table 4.1 presents the results of these various models. Looking at these results, there are two questions to be answered. First, which variable best explains the treaty outcome, and second, do the assumptions about missing data affect the results. Although the Poisson model from chapter 2 has demonstrated that MCAR is an inappropriate assumption given these data, I first run a model with list-wise deletion. The subset of issues which do not contain any missing preferences is clearly not a random sample of all issues. Instead, as one might expect, it includes many of the most important and contentious issues on the table, such as extending qualified majority voting to various issue areas, changing the voting weights in the Council of Ministers, and altering the number of Commissioners. Even though this may not be a random sample of issues, it is an interesting sample to examine as it contains the issues that member states arguably cared most about. In this model, *Number SQ* has a strong effect, both substantively and statistically, while the effect of *Weighted preference* is not statistically significant.

Rather than dropping issues with missing data, the remaining models make reasonable assumptions about the nature of missing preferences. Model 2 assumes that a missing value is exactly the same as a preference for the status quo, while Models 3 through 5 make various assumptions about missing preferences. *Number SQ* is statistically significant in all models and *Weighted preference* is only significant in Model 3 at the 0.1 level.

Interestingly, in Model 4, when the number of missing preferences is separated out from the number of preferences for the status quo, both these unweighted count variables are significant, but the effect of *Number SQ* becomes stronger compared to Model 2 and it is larger than the effect of *Number missing*. This provides further evidence that a missing preference is a less intense preference for the status quo. Finally, Model 6 demonstrates that these effects hold even controlling for the

Table 4.1: Probit, Treaty Outcome on Number on Status Quo and Weighted Preferences

Independent Variables	(1) List-wise Deletion	(2) Missing = SQ No Saliency	(3) Missing = SQ Saliency	(4) Missing = Indifference	(5) Missing = Indifference	(6) Missing = Indifference
Number SQ	−0.16**	−0.18***	−0.13***	−0.23***	−0.22***	−0.21***
	(0.06)	(0.04)	(0.03)	(0.05)	(0.05)	(0.05)
Number Missing				−0.13***	−0.21***	−0.13***
				(0.03)	(0.06)	(0.03)
Weighted Number Missing					−1.24	
					(0.85)	
Weighted Preference	0.14	−0.02	0.12*	0.03	0.06	0.03
	(0.09)	(0.07)	(0.07)	(0.08)	(0.08)	(0.08)
Percent Included						2.31***
						(0.52)
Constant	0.41	0.91***	0.47*	0.81**	1.96**	0.09
	(0.33)	(0.27)	(0.25)	(0.28)	(0.87)	(0.34)
N	50	228	228	228	228	228
Log Likelihood	−22.80	−108.84	−107.29	−104.09	−103.20	−96.53

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Robust standard errors given in parentheses. Dependent variable is 1 for issues included in the final treaty and 0 when the status quo remains.

difficulty of negotiations. The coefficients are virtually unchanged between Models 4 and 6. Size is not an added advantage even on the the most contentious issues.

Because these are probit models, it is difficult to determine the substantive effect of the coefficients directly. Instead, to demonstrate the effect of member state size on the probability of issue inclusion I run simulations examining the case of Council voting weights. On this issue the 9 smallest member states preferred the status quo while the 6 larger states (Germany, France, UK, Italy, Spain, and the Netherlands) preferred a voting rule whereby legislation would pass through the Council with a double majority of member states and member state population. For the moment, assume a hypothetical scenario in which Denmark decided to join the coalition of large states on this issue, leaving only 8 member states on the status quo. I examine the predicted drop in the probability that this double majority proposal is implemented when Denmark moves from supporting the proposal to supporting the status quo and when Germany moves from supporting the proposal to supporting the status quo. If intergovernmentalism is correct, we would expect a large change in probability when Germany changes its position, but little or no change when Denmark changes its position.

According to Model 2, if Germany switched its position to support the status quo rather than the double majority proposal, the probability that the proposal would be included in the treaty would drop by 0.046 from 0.288 to 0.242. On the other hand, if Denmark switched to support the status quo instead of Germany, the probability of including the proposal would fall by 0.054, a slightly greater decrease than the hypothetical situation in which Germany switched positions. The remaining models provide similar results. The coefficients from Model 4 suggest that when Germany switches from supporting the proposal to supporting the status quo, the probability of issue inclusion decreases by 0.06. Likewise, when Denmark shifts to support the status quo, the probability of issue inclusion decreases by 0.05, an almost identical change compared to when Germany shifts. Model 5 suggests Germany switching position decreases the probability of issue inclusion by 0.09 compared to 0.07 for Denmark, again a nearly identical change.

Only Models 1 and 3 suggest that perhaps there is a larger effect for Germany switching positions compared to Denmark (approximately a 0.13 decrease compared to a 0.05 decrease in Model 1 and 0.14 compared to 0.06 in Model 3). However, a simulated 95% confidence interval suggests that we cannot rule out that the effect of Germany's shift is zero in Model 1, while we can rule this out for Denmark. In no instance

Table 4.2: Probit, Alternative Specifications of Intergovernmentalism

Independent Variables	(7)	(8)	(9)
Number SQ	−0.25***	−0.28**	−0.25***
	(0.06)	(0.12)	(0.06)
Number Missing	−0.21***	−0.31**	−0.22***
	(0.06)	(0.13)	(0.07)
GDP Missing	−0.49		
	(0.4)		
GDP SQ	0.04		
	(0.34)		
Council Votes Missing		−0.03	
		(0.02)	
Council Votes SQ		0.01	
		(0.02)	
Population Missing			−1.29
			(0.98)
Population SQ			0.19
			(0.83)
Constant	2.00**	3.48*	2.19**
	(0.93)	(2.01)	(1.00)
N	228	228	228.00
Log Likelihood	−103.41	−103.29	−103.28

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Standard errors are given in parentheses.

is there a statistically significant difference between the changes in the probabilities when the two states switch positions, even in Models 1 and 3. In other words, the 13% drop is not statistically different from the 0.06% drop. As institutionalism suggests, the preferences of all states, both large and small, seem to matter equally.

To test these results further, I pit different operationalizations of intergovernmental theory against *Number SQ*. I begin by simply summing the GDP, Council votes, and population of the member states explicitly stating a preference for the status quo. In each model, I also count the GDP, votes, and population of states with missing preferences. These models examine whether a simple count of member states on the status quo outperforms the number of member states on status quo weighted by various measures of size. Table 4.2 reports the results. In all three models, *Number SQ* is statistically significant while the variables capturing intergovernmentalism are not. The size and effect

of *Number SQ* are similar to the effects reported in earlier models.

Finally, I run two additional models which get most directly at Moravcsik's implied assumption that only the largest member states matter at all. First, I operationalize intergovernmentalism as the average position of the four largest member states, Germany, France, the UK, and Italy, on each issue. Second, I examine whether issues are more likely to be included in or excluded from the final treaty if the three largest member states take a common position. I include two dummy variables in the analysis: *Large state include*, which equals 1 if Germany, France and the UK agree to include an issue in the treaty and zero otherwise, and *Large state exclude*, which equals 1 if Germany, France and the UK agree to exclude an issue from the treaty. I also interact these dummies with *Number SQ*. Intergovernmental theory would suggest that *Number SQ* should matter less if the three largest member states prefer change over the status quo and more if they prefer the status quo over change. This would imply a positive coefficient on the interaction *Large state include * Number SQ* and a negative coefficient on the interaction *Large state exclude * Number SQ*. These models assume that missing preferences equal a preference for the status quo.

Table 4.3 presents the results of my analysis. The models demonstrate that my findings hold for various operationalizations of intergovernmentalism. Regardless of how I conceptualize intergovernmentalism, the variable associated with institutionalism, *Number SQ*, best explains the treaty outcome. It is the only variable in either model to achieve statistical significance. Moreover, it has a much greater substantive effect than any of the other variables, approximately the same effect that it has in the earlier models. Both *Large state average* and *Large state include* have the wrong sign, meaning that, if anything, large states have less power than small states. The dummy variables and interaction terms in Model 11 are not statistically significant. A likelihood ratio test reveals that they are not jointly significant either $(\chi^2(4) = 0.98, p = 0.91)$.

4.2 Threshold Effects

The above analysis has provided strong evidence for the institutional model over the intergovernmental model; however, there are other implications of the institutional model to explore. While the final treaty is subject to unanimity, we know it is not the case that each issue negotiated at the IGC requires unanimous support to become

Table 4.3: Probit, Alternative Specifications Continued

Independent Variables	(10)	(11)
Number SQ	−0.19***	−0.16***
	(0.03)	(0.03)
Large State Average Position	−0.18	
	(0.21)	
Large State Include		0.30
		(0.49)
Large State Exclude		−0.05
		(0.61)
Large State Include * Number SQ		−0.09
		(0.10)
Large State Exclude * Number SQ		−0.01
		(0.06)
Constant	0.97***	0.81***
	(0.24)	(0.24)
N	228	228
Log Likelihood	−108.52	−108.41

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Standard errors are given in parentheses.

part of the final document. Instead, there may be an informal qualified majority rule. For example, suppose there is de facto 2/3rds qualified majority rule. Once 10 of the 15 member states support an issue, the issue is likely to be included in the final document. Such a qualified majority rule would suggest a step-like probability function. In other words, the probability that an issue is included in the treaty should be the same if all 15 member states support the issue and if only 10 member states support it. However, when 9 member states support an issue, the probability that the issue is included should fall. To determine whether such a threshold exists, Figure 4.1 plots the relationship between the number of member states on the status quo and the number of issues included in the treaty for the entire treaty and then for various issue areas. Note that this figure equates missing preferences with preferences for the status quo, an assumption I will relax shortly.

Examining the upper left graph in Figure 4.1 presenting the entire issue space, it is notable that even when there is unanimous consent among the member states to include an issue, some issues are left out of the treaty. While puzzling at first, this is easily explained. There are 15 issues where all 15 member states agree to alter the status quo.
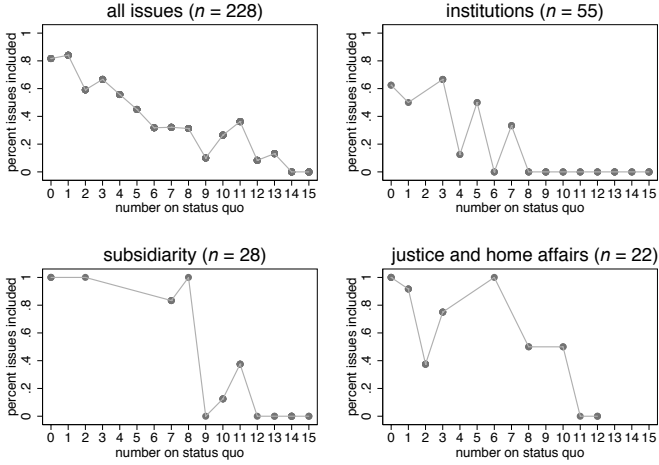
Figure 4.1: Percent Issues Included in Treaty by *Number SQ*

In two of these cases the status quo remains.[3] One issue was whether or not to discuss Economic and Monetary Union (EMU) at all during the Amsterdam IGC. Because EMU was one of the central focuses of Maastricht, the status quo position was to discuss it. However, because not all member states were a part of the monetary union, the member states agreed that they did not wish to put the issue on the table at Amsterdam. Despite their reluctance, the EMU was so important member states could not avoid it, and had to broach the topic. The second issue which received unanimous support, but was nevertheless dropped, was the simplification of treaties. All member states viewed simplification of the treaties as desirable, but the EP report suggests that they could not agree how, and were afraid that a new consolidated treaty would face ratification problems, jeopardizing whole parts of the new treaty. If we exclude these two issues, then when all member states agree to change, change occurs 100% of the time.[4]

Next, we notice that when 14 or 15 actors are on the status quo, change never occurs. One state desiring change is not enough to move the status quo. However, one state on the status quo appears to be enough, at least in one instance, to prevent change from occurring. The probability of issue inclusion drops below 0.5 when five or more member states prefer the status quo, and once nine states are located on the status quo the probability of change becomes quite low. Nevertheless,

when looking at the entire issue space, the relationship between the percent issues included in the treaty and *Number SQ* appears quite linear. There is no clear threshold to indicate a constant de facto QMV rule.

A plausible explanation for the lack of a threshold is that different types of issues were subject to different thresholds. Figure 2.2 has already demonstrated that this was the case. When averaging over these various thresholds, the overall effect is lost. The three remaining graphs in Figure 4.1 provide support for this hypothesis. These plots demonstrate that changes to the EU's institutions (the EP, the Commission, the Council, and the European Court of Justice) were more controversial and required higher support compared to other issues. Institutional changes are more difficult to reverse, have longer, more unpredictable consequences, and are more likely to alter interactions between member states than other types of reform so they may require a higher degree of consensus to change. Once six member states prefer the status quo, institutional change becomes virtually impossible. Even when fewer than six member states prefer the status quo, change is far from guaranteed. For issues involving changes to subsidiarity, such as strengthening the Committee of Regions or increasing the voice of national parliaments, and issues involving justice and home affairs, such as border security and visa policies, the threshold for change is lower. Unlike with institutional issues, change on these issues is likely when nine or fewer member states prefer the status quo. For issues dealing with subsidiarity, change is almost guaranteed when fewer than nine states prefer the status quo. Together these plots demonstrate that although there may not be one single threshold for all issues, we can identify different thresholds across different types of issues.

It may be the case, however, that missing preferences should not be counted as preferences for the status quo when examining whether thresholds exist. We know from Models 4 and 6 in Table 4.1 that as more member states have missing preferences, the likelihood of altering the status quo drops. However, we also know that this decrease in probability is smaller compared with the scenario when the same number of states have stated preferences for the status quo. In other words, the expected change in probability of the status quo remaining is different for a scenario in which two member states prefer the status quo and 13 are missing preferences compared with the scenario in which 15 states have a stated preference for the status quo. To account for this, Figure 4.2 presents two graphs. The first graph plots the percentage of issues changed in the final treaty by the number of members stating a preference for the status quo, while the second plots the percentage of
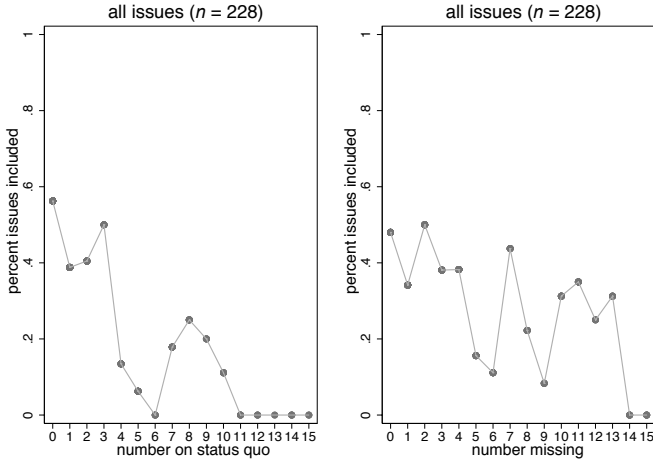
Figure 4.2: Percent Issues Included in Treaty by *Number SQ* and *Number missing*.

issues changed by the number of member states missing a preference.

The graphs demonstrate that an issue is less likely to be included when member states express a preference for the status quo compared to when the same number of states are missing preferences. The probability of changing the status quo drops much more sharply in the left-hand graph compared with the right-hand graph. Once four member states express a preference for the status quo, the status quo is very likely to remain. However, when four member states have missing preferences, change still occurs approximately 40% of the time. Moreover, change is even relatively likely when 12 or 13 member states have missing preferences, but the status quo always remains once 11 states report a preference for the status quo. There does seem to be a clearer threshold at around four states on the status quo once I have separated out the missing preferences. However, it is not a perfect relationship as there is an jump in probability when approximately half of the member states prefer issue inclusion. There does not appear to be any common thematic feature among the issues with approximately half the member states on the status quo, which could potentially provide a clue as to why change seems more likely on these issues compared to issues with support from only four or five states. Instead, it appears to be simply due to chance.

4.3 Ratification Constraints

Most of the spatial analyses of bargaining in the IGC literature have examined the effects of ratification on bargaining (Hosli 2000; Hug and König 2002; König and Hug 2000; König and Slapin 2004; Milner 1997). Here I examine whether domestic ratification constraints affect the probability that issues are included in the final treaty. As the data are presented in this chapter, it is not possible to assess whether member states facing higher ratification constraints win more often, something which I will examine further in the next chapter. I cannot accomplish this here because rather than examining individual member state preferences, I only examine the predictions of the two models. Instead, in this chapter it is only possible to determine if the likelihood of issue inclusion falls in issue areas likely to face more scrutiny from domestic parliaments.

Following a Veto Players framework, I take the position of the most Euroskeptic parliamentary ratification pivot, calculated in chapter 2, for each issue area across all member states. This is justified as one parliamentary "no" vote is sufficient to kill, or at best substantially delay, the treaty. This variable can now be included in my previous model to assess whether issues in issue areas facing more skepticism at home are less likely to be included in the treaty.

In Table 4.4 I rerun Model 4 from Table 4.1, but this time I include the new domestic ratification constraint variable. This new variable is not statistically significant, but it does have a moderate substantive effect in the expected direction. Moving from the issue area with the most skeptical parliamentary ratification pivot, 2 on the 1 to 7 scale in fiscal policy, to the issue area with the least skeptical parliamentary ratification pivot, 4.6 on environmental policy, increases the likelihood of inclusion by 14 percentage points. This provides some preliminary, albeit weak, evidence that ratification constraints may affect IGC negotiations.

4.4 Summary

The analysis in this chapter provides strong evidence that institutional theory, which accounts for veto power, outperforms intergovernmental theory, which conceptualizes power as a function of size and resources. Thus far I have presented a method for directly extending institutionalism to the study of IGCs, and I have tested this theory against various operationalizations of intergovernmentalism, none of which perform as well as the institutional model. I also find evidence for varying

Table 4.4: Probit, Treaty Outcome on Number on Status Quo, Weighted Preferences, and Ratification Constraints

Independent Variables	(12)
Number SQ	-0.22***
	(0.05)
Number Missing	-0.12***
	(0.03)
Weighted Preference	0.05
	(0.08)
Ratification Constraint	0.16
	(0.15)
Constant	0.26
	(0.62)
N	186
Log Likelihood	-83.53

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Standard errors are given in parentheses.

threshold effects across issue areas, as predicted by the institutional model, and very preliminary evidence for the effects of domestic politics on negotiations, also as would be predicted by the institutional model. Issues which would alter important EU institutions and legislative processes require more member state support to be included in the final treaty than other issues, and issues which face tougher ratification hurdles are less likely to be included. Lastly, instead of ignoring problems of missing data, I examine various methods for handling missing preferences and demonstrate that my findings are robust to how I handle missing data.

5

Winners and Losers at Amsterdam

The number of member states preferring the status quo is the strongest predictor of whether change is likely to occur, but just who are those member states? The previous two chapters have presented and tested general theories of bargaining at IGCs, and there I find that institutional theory better captures IGC negotiations compared with intergovernmental theory. However, I do not examine individual winners and losers. Chapter 2 explored the preferences of individual member states and began to examine which states got their way most often. There I simply counted the number of times member states realized their preferences in the negotiations. This chapter builds upon that analysis by presenting a new statistical model capable of determining winners and losers at the Amsterdam IGC. Using both quantitative and then qualitative analyses, the next two chapters take a more in depth look at the treaty negotiation process, examining which member states got what they wanted and why. In addition, I examine whether supranational actors had any power at the negotiations and whether parliamentary ratification constraints provided some member states with a stronger bargaining position than other member states. This analysis more clearly demonstrates that the largest member states were not the most powerful at the bargaining table, while smaller, Euroskeptic states performed quite well.

5.1 Statistical Model of Actor Influence

While the winning percentage variable from chapter 2 provides some clues to which actors get what they want, it is flawed because some actors may get their way not because they are powerful but because they are lucky (Barry 1980*a*,*b*). In other words, they may appear

powerful because they share many preferences with an actor who is powerful. We want to determine an actor's influence over the treaty outcome controlling for the influence of all other actors. To estimate the power of all actors, I run a probit model using the same dependent variable used in chapter 4 — issue inclusion in the final draft treaty coded 1 for issues included in the treaty and 0 for those excluded. For my independent variables, I use the positions of each of the 15 member states plus the positions of the Commission and EP, where support for the status quo is coded as −1 and support for change equals 1. This will make the interpretation of the coefficients very simple. A strong, positive coefficient indicates power. The probability that an issue is included in the final agreement rises when that actor supports it. A coefficient of 0 indicates that the actor's preference has no effect on the inclusion or exclusion of an issue from the final treaty. Finally, a negative coefficient indicates that the probability that an issue is included in the treaty actually drops when that actor supports the issue. This may be indicative of an actor with little power, who, in addition, wants the opposite of what the powerful actors want. I suppress the constant because it is highly collinear with the position of the EP. Moreover, it has no meaningful interpretation in this model. Lastly, I run the model twice. I first assume that missing preferences equal a preference for the status quo, the most reasonable assumption given the Poisson model in chapter 2, and then I re-estimate the model assuming that missing preferences imply indifference.

Table 5.1 presents the probit results. The coefficients from the two models correlate highly ($r = 0.79$). Sweden has more power than any other actor regardless of how missing preferences are handled. Other actors with strong, positive coefficients include Austria, France, Portugal, and Denmark. It is worth noting that Sweden has the most skeptical parliamentary ratification pivot and the pivots of Denmark and Austria are relatively skeptical as well. This provides preliminary evidence that parliamentary ratification pivots matter and are a potential source of bargaining power. The coefficients on these member states are all statistically significant at the 10% level or higher in the first model. The Netherlands also has a strong, statistically significant coefficient in the model assuming indifference. As we might expect given the results from chapter 4, besides France, large member states appear to have little strength. Both Germany and the UK fall towards the bottom of the list, and their coefficients are close to zero or negative depending upon the assumptions about missing data. This implies that their positions provide virtually no information about the outcome of the treaty. Italy, the fourth largest member state, consistently has a strong

Table 5.1: Probit, Individual Bargaining Power

Member State	(1)	(2)	Member State	(1 cont.)	(2 cont.)
Sweden	0.32**	0.40**	Belgium	0.08	0.18
	(0.13)	(0.18)		(0.15)	(0.19)
Austria	0.29**	0.22	Ireland	0.03	−0.02
	(0.12)	(0.17)		(0.14)	(0.18)
Portugal	0.26**	0.24	Germany	0.03	0.11
	(0.13)	(0.18)		(0.13)	(0.16)
France	0.25**	0.28*	UK	0.01	−0.11
	(0.12)	(0.14)		(0.13)	(0.14)
Denmark	0.23*	0.23	Finland	−0.03	0.18
	(0.13)	(0.17)		(0.14)	(0.16)
Netherlands	0.20	0.35*	Comm	−0.09	−0.43
	(0.16)	(0.18)		(0.26)	(0.36)
Spain	0.16	0.16	EP	−0.16	−0.73**
	(0.13)	(0.15)		(0.23)	(0.32)
Luxembourg	0.12	0.14	Italy	−0.17	−0.09
	(0.18)	(0.19)		(0.15)	(0.19)
			Greece	−0.21	−0.13
				(0.13)	(0.18)
N				228	228
Log likelihood				−101.39	−105.5

Note: * significant at $p < 0.1$, ** significant at $p < 0.05$, *** significant at $p < 0.01$. Robust standard errors are given in parentheses.
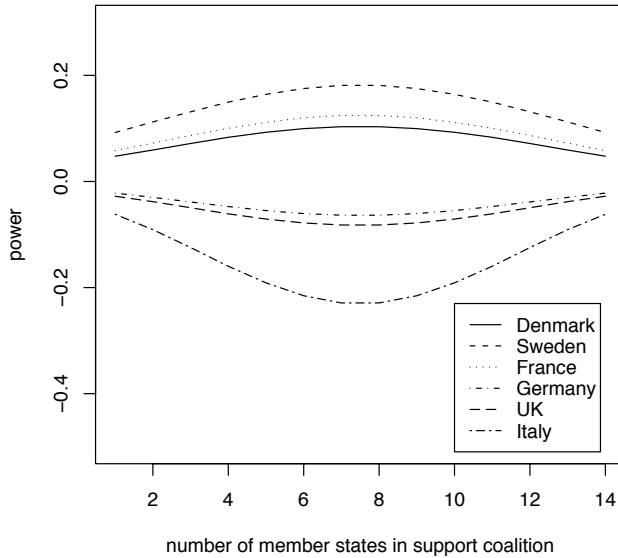
Figure 5.1: Predicted Probability of Issue Inclusion for Support Coalitions of Varying Size

negative coefficient. If Italy wants an issue included in the treaty, it is likely that the issue will be excluded. The supranational actors are not very powerful either, both with a negative coefficient. Size is clearly not a requirement for getting one's way. Instead of large states, the Euroskeptic Nordic countries come out on top, further confirming institutional theory.

To provide a more clear interpretation of member state power, Figure 5.1 graphs the simulated probability that an issue is included in the final treaty, given the support of key actors for supporting coalitions of different sizes. This graph is based on the coefficients from Model 1. Because the different assumptions about missing data produce such similar results, a graph based on the coefficients from Model 2 would look very similar. More precisely, Figure 5.1 compares the probability that an issue is included in the final treaty when a key actor supports the issue's inclusion to when the same key actor does not support

that issue's inclusion for member state coalitions of different sizes.[1] For example, the figure demonstrates that when seven member states support an issue's inclusion, the probability that an issue is included is approximately 20% larger if Sweden is one of those seven supporting member states compared to when Sweden is not one of those seven. This is a substantial amount of influence. Moreover, as expected, Sweden's power is greatest in coalitions comprising approximately half of the member states. When everyone opposes an issue, Sweden presumably does not have the power to alter the outcome. The same is true when everyone supports an issue. In the latter case, Sweden's support is of marginal importance. However, when half of the member states support an issue, Sweden has a great deal of power.

In addition to Sweden, Figure 5.1 suggests that Denmark and France are powerful as well. When half of the member states support an issue's inclusion the probability that the issue becomes part of the final treaty increases by over 10% if either France or Denmark is one of those supporting member states. If graphed, other actors with similar coefficients, like Austria and Portugal, would appear to have similar power. Finally, the remaining large member states do not have a great deal of power. The positions of both Germany and the UK appear to have little effect on the probability that an issue is included in the treaty. For coalitions of all sizes, their almost flat line indicates that they have little ability to affect the probability that an issue is included. Italy, the fourth largest member state, not only has little power, but it appears to get its way quite infrequently.

5.2 Power, Government Positions, and Ratification Pivots

The above results both demonstrate which states got their way during negotiations and raise further questions about why. Certainly, a government position on the status quo is a tremendous source of bargaining strength. Nevertheless, not all member states close to the status quo have a great deal of power. This, again, raises the possibility that power may be related to the position of ratification pivots in addition to the position of governments.

To measure the position of member state ratification pivots, I use the same method described in chapter 2. However, rather than taking the minimum pivot by issue area across all member states as I do in chapter 4, here I calculate the average pivot position across the seven issue areas by member state. This provides me with a single average pivot position for each member state. These positions are

Table 5.2: Average Ratification Pivot and Government Positions

Member State	Pivot	Government	Divided Government
Sweden	4.02	4.87	−0.85
Ireland	4.30	4.33	−0.03
Finland	4.49	5.12	−0.63
United Kingdom	4.64	4.64	0.00
Denmark	4.74	5.20	−0.46
Austria	5.16	5.53	−0.37
France	5.47	4.01	1.46
Netherlands	5.48	5.17	0.32
Germany	5.63	5.65	−0.02
Italy	5.70	5.70	0.00
Spain	5.74	5.73	0.00
Portugal	5.81	6.38	−0.57
Belgium	5.92	6.13	−0.21
Greece	6.26	6.33	−0.06

listed in Table 5.2. In addition, the table reports two further variables which capture the positions of member state governments and the degree to which government is divided. The *Government position* variable is the weighted average position of the parties in government across all issue areas, measured by the Marks and Steenbergen data and weighted by the percentage of seats each party brings to the government. The *Divided government* variable captures the distance between the ratification pivot and the position of the member state government. This is simply the difference between *Government position* and *Pivot position*. A negative value reflects a pivot that is less integrationalist than the average party in government. This is important because much of the literature on domestic ratification constraints suggests that having a skeptical ratification pivot at home is beneficial only up to a point. As the pivot moves further from the position of the government, however, it may harm the government more than help it (see Milner& Rosendorff 1997).

Generally, the distance between the government and the ratification pivot is not great. On a scale which could potentially range from 1 to 7, the greatest divide between the ratification pivot and the government is 1.46 in France. Surprisingly, the parliamentary pivot is less skeptical of integration than the government. This is because President Chirac's

RPR party is more skeptical of further integration compared to the right-wing ratification pivot, the UDF. In Sweden, the ratification pivot is more skeptical than the government by 0.85. This is the greatest divide between a pivot and the government where the pivot is more skeptical of integration than the government. Again, though, this distance is not great.

Because the ratification pivots are not too distant from the positions of the government, skeptical pivots may be in the range where they are a source of bargaining power for the government. Their presence reduces the set of acceptable positions, but not so much so that the government cannot attain a policy it desires. As mentioned earlier in chapter 2, the data provide no means to assess when a ratification pivot is an asset or a detriment to a member state because there is no method for locating the Amsterdam status quo on Marks and Steenbergen's scale. Nevertheless, given the small distance between the governments and their ratification pivots, it is likely that the skeptical pivots are within the range where they are an asset to the executive.

There is a clear relationship between my measures of member state influence and both government and pivot positions. Of the four actors with the most influence according to the probit model, Sweden and Austria have ratification pivots which are more skeptical of EU integration than the average member state's pivot. Sweden's pivot is the most skeptical of all pivots. While France's parliament might have been less skeptical of EU integration than the average member state, the executive certainly was not. The RPR, the party of President Chirac, has approximately the same position as Sweden's ratification pivot. The correlation between the probit coefficients from Model 1 and the ratification pivot position is -0.29 ($p = 0.32$) and the correlation between winning percentage and pivot position is -0.65 ($p = 0.01$). Both are negative as expected. Likewise skeptical governments also have more influence. The correlation between the Model 1 probit coefficients and government position is -0.25 ($p = 0.39$) and the correlation between winning percentage and the government position is -0.32 ($p = 0.27$). While only the relationship between winning percentage and pivot position attains statistical significance at standard levels, this is not surprising given both the small amount of data and the fact that the probit coefficients are themselves estimates, introducing an additional source of error.

To examine the relationship between power and preferences further, Figure 5.2 presents several scatterplots depicting the relationship between the power coefficients from Model 1, pivot position and government position, as well as winning percentage and pivot position
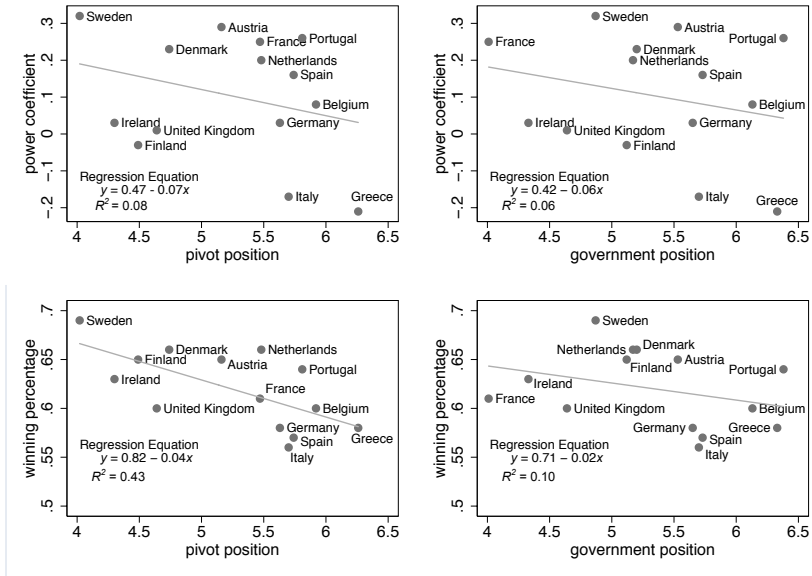
Figure 5.2: Power as a Function of Government and Pivot Positions

and government position. As both governments and pivots become more skeptical of European integration, government bargaining teams win more often and have more influence over bargaining outcomes. The plots demonstrate that the negative correlation coefficients are not the result of one or two outlying member states, but are rather indicative of a uniform negative relationship between bargaining power and preference, no matter how they are measured.

Ideally, the data would be able to determine whether government positions or pivot positions are more important for bargaining strength, as well. However, with so little data and collinear variables (the correlation coefficient between government position and pivot position is 0.69) it is difficult to say which variable is more important. Nevertheless, Table 5.3 presents two multivariate regressions. The first model uses *Winning percentage* as the dependent variable and the second uses the probit coefficients. In both models the two independent variables are *Government position* and *Pivot position*. The results demonstrate that *Pivot position* predicts power even controlling for *Government position*, and may, in fact, predict power better than *Government position*. Only

Table 5.3: Bargaining Power as a Function of Government and Pivot
Positions

Independent Variables	(1) Winning Percentage	(2) Power Coefficient
Government Position	0.015	−0.022
	(0.87)	(0.24)
Pivot Position	−0.049*	−0.055
	(2.73)	(0.56)
Constant	0.796**	0.509
	(10.97)	(1.27)
N	14	14
R^2	0.46	0.09

Note: Absolute value of t statistics in parentheses. * significant at
$p < 0.05$; ** significant at $p < 0.01$.

Pivot position is statistically significant in either regression. Moreover,
the magnitude of the coefficient on *Pivot position* is larger. Because
the government and pivot position variables are measured on the same
scale, the magnitudes of their coefficients are directly comparable. The
coefficient is more than three times larger in Model 1 and two times
larger in Model 2. Nevertheless, these results should not imply that
government positions do not matter when determining winners after
controlling for the position of parliamentary ratification pivots. With
such a small sample and collinear variables there are simply insufficient
data to provide an adequate test.

5.3 Summary

The results of this chapter build upon the previous quantitative chapters
by taking a more detailed look at which member states got their way
at the Amsterdam IGC. Rather than calculating the predictions of
theories and examining which theory best explains the bargaining
process, here I have examined how individual member state preferences
explain the outcome of treaty negotiations. The findings provide yet
further evidence for institutional theory over intergovernmentalism.
The analysis reveals that the largest member states were not the biggest
winners during the treaty negotiation process. Germany, Italy and the

UK perform especially poorly. Instead, as institutionalism suggests, the more Euroskeptic states got what they wanted by preserving the status quo.

Moreover, states with governments and parliamentary ratification pivots skeptical of further European integration, most notably Sweden and the other Nordic countries, won at Amsterdam. Of the large states, only France, the country with one of the most skeptical governments, performed well. This finding provides further evidence that domestic politics matters at international negotiations in the EU. Not only might domestic actors shape the preferences of governments, but they may block change if they prefer the status quo over the outcome of negotiations. States with skeptical parliaments appear to have effectively extracted more concessions from states pushing for change at the Amsterdam IGC. When examining treaty bargaining, scholars must examine the preferences of domestic actors as well as governments whenever domestic actors are granted veto power.

6

Council Votes and Commissioners

Until this point, I have used large-n statistical analyses of data from the EU's Amsterdam IGC to demonstrate the sources of power most likely to benefit a member state at IGCs. Confirming institutional theory, I have found that states with positions closest to the status quo, and not those with the most resources, realize their preferences most often. Now, I move away from a large-n analysis and use qualitative case studies to demonstrate how my logic holds both at a micro level and over time. While the previous chapters have examined bargaining over a vast array of issues at one point in time, this chapter examines two key issues and traces member states' decisions regarding these issues for the better part of two decades.

I examine bargaining over two institutional reforms, voting weights in the EU's Council of Ministers and the number of EU Commissioners. These have arguably been the two most important and controversial issues of institutional reform in the EU for the last 15 or more years. Bargaining over these issues began several years before the Amsterdam negotiations and was still a matter of contention at the 2000 Nice negotiations, the 2002–2003 Constitutional Convention and subsequent IGC in 2004, and finally the negotiations leading to the Lisbon Treaty, which emerged following the failure of the Dutch and French referendums to ratify the constitution. The issues were only finally resolved when the Irish ratified in Lisbon in a second referendum, after voting down the treaty in the first referendum. Indeed, the potential loss of the Irish Commissioner was a rallying point for the campaign to defeat the Lisbon Treaty in the first Irish Lisbon referendum.

6.1 Reforming the Council and Commission

Changing the system of voting weights in the Council of Ministers and altering the number of Commissioners are issues which continuously resurface in EU politics and are intricately linked to EU expansion. As the EU has grown from the original six members to the current 27, the old institutional arrangements have become strained. The question of how to reform these EU institutions has persisted, becoming ever more important. In fact, many European leaders have stressed that no further EU enlargement is possible without major reforms on these two important issues. Moreover, member states have vastly different views about the best way to alter the status quo, and all changes must be made at an intergovernmental forum where each member state has veto rights.

These issues provide a particularly good test of intergovernmental and institutional theories for three reasons. First, they produce a clear division between small and large member states. On Council voting weights, the small member states have consistently preferred to maintain a system of voting weights, essentially the status quo, across time. The large member states, on the other hand, have consistently pushed for a double majority system which takes member state population into account, potentially giving larger states more influence. With regard to the Commission, small states have been similarly committed to keeping the status quo of at least one Commissioner per member state, while large member states continually want to consider a Commission with fewer Commissioners than member states. Because the largest states agree, intergovernmental theory suggests the outcome of treaty negotiations should include a double majority system of Council voting weights and a smaller Commission. Small states' desires to preserve the status quo should be ignored. This has not been the case. As I will demonstrate below, small states repeatedly have been quite successful at protecting the status quo on both of these issues across several IGCs.

In contrast to intergovernmentalism, institutionalism correctly predicts that the status quo ought to prevail on both issues. Member states failed to reach a satisfactory agreement on reforming voting weights and Commissioners in enlargement negotiations prior to the Amsterdam IGC. They failed at reform efforts again at Amsterdam, leaving the status quo intact and pushing off any decisions on these important institutional reforms until the Treaty of Nice negotiations three years later. The issues were not finally resolved until the EU Constitutional Convention, but only some of the changes proposed at the convention have ever come into effect. The draft constitution ran

into ratification difficulties when French and Dutch voters rejected the document in the spring of 2005. Following this failure, the member states drafted the Lisbon Treaty, which preserved many of the major institutional changes found in the constitution, including changes to Council voting weights and the number of Commissioners. However, the Irish voted down the Lisbon Treaty in June 2008, placing the entire project in jeopardy. The Irish managed to secure guarantees that each member state would retain a Commissioner and subsequently ratified the treaty in a referendum held in October 2009.

Second, these institutional questions provide a good test of the theories because issue saliency should not interfere with results. Because these are extremely important issues with long lasting consequences for all participants at the IGC, they should have uniformly high saliency for all member states. Log-rolling across these issues would have been extremely difficult as the cost of buying off another actor's support would have been prohibitively high. Even though some small states saw a trade-off between the number of Commissioners and the number of Council votes, the high stakes continually prevented a deal from emerging. Small states felt that large states should agree to give up their second Commissioner in return for more votes in the Council; however, small states were unwilling to cede power to the larger states in the Council. Because I lack a satisfactory measure of salience in the large-n analysis, it is useful to examine these issues where issue salience is less likely to affect the bargaining outcome.

Finally, there should be little doubt about whether member states are stating their sincere preferences on these issues. Because these issues are essentially zero-sum, meaning a loss for the large member states necessarily benefits the small states and vice versa, we can easily verify that the member states are stating preferences that make sense given their size. In fact, as I will demonstrate below, the member states do take positions which make sense. Small member states do not want to cede their one guaranteed Commissioner, while large states are willing to consider a smaller Commission with a system of rotation which would favor the larger states. On voting weights, small states wish to preserve the status quo while large states want to change the system to shift the weights in their favor. In other words, on these issues member state preferences are exogenous to the negotiation at hand.

6.2 Negotiations from Maastricht to Amsterdam

In addition to creating monetary union and introducing the concept of European citizenship, the Treaty on European Union, or Maastricht Treaty, made numerous important changes to EU institutions. It introduced the codecision procedure and created an investiture process for the Commission, giving the European Parliament the power to vote up or down the College of Commissioners chosen by the member states for the first time. However, Maastricht did not directly address changes to the composition of the Commission or Council voting weights, the two issues I examine here. These issues were raised, however, in the immediate aftermath of the Maastricht negotiations as part of enlargement talks with Sweden, Finland, Norway and Austria. Proposals regarding a change to the composition of the Commission and Council Voting weights were tabled by large states just following the final ratification of the Maastricht Treaty in 1993.

In late 1993, Karl Lamers, the foreign affairs spokesman of Germany's governing CDU party, proposed numerous controversial changes including a Commission with a maximum of 10 Commissioners and a double majority voting system for the Council of Ministers.[1] Germany was supported by the UK on these proposals.[2] Indeed, calls for a smaller, more efficient Commission were not new. Roy Jenkins, Commission President from 1977 to 1981, complained that there were too many Commissioners in the late 1970's even before expansion to Greece (Spence 2000). The Dooge Report on European institutional reform, written in the lead-up to the 1986 Single European Act, suggested that the Commission should contain no more than one Commissioner per state.[3] As mentioned above, the SEA and Maastricht Treaties avoided the issue, and large states quickly dropped their Commission proposals in 1993 as well. Small member states were absolutely insistent on their right to a Commissioner.[4] Council voting weights, though, could not be ignored as enlargement necessitated some form of change.

Prior to the 2001 Nice Treaty, voting weights in the EU's Council of Ministers were apportioned solely on the basis of member state population.[5] These weights were originally set with the Treaty of Rome and they remained relatively unchanged until Nice. At Rome, the small Benelux countries and Italy pushed for simple majority voting, but this was rejected by Germany and France, who wanted to make sure that their votes would count for more given their size (Moravcsik 1998, 153). Thus, the member states decided on the system of weighted votes. With each round of EU expansion the votes were extrapolated so the percentage of votes needed to block legislation has remained

approximately the same. However, following the 1966 Luxembourg Compromise until the 1986 Single European Act, QMV mattered very little. After the Treaty of Rome was signed, there was a period of several years during which unanimity voting was the rule before QMV was supposed to take effect in 1965. At that point, however, French President Charles DeGaulle boycotted the Council of Ministers and threatened to withdraw from the EC as a result of the expansion of QMV, in what became known as the "empty chair crisis." In 1966, with the Luxembourg Compromise, DeGaulle secured a national veto for all issues of "vital importance," essentially ending all QMV until the 1986 Single European Act.

The 1995 EU expansion to Sweden, Finland and Austria forced the member states to reevaluate Council voting weights, one of the most contentious issues surrounding the expansion (Johnston 1995). It also marked the first time that member states reevaluated voting weights since QMV had really begun to matter following the Single European Act. Even before the ink was dry on the Maastricht Treaty, member states were arguing over how voting weights would change following expansion. Large member states, such as the UK, were worried that the status quo would empower small states over large states, as large states would not have sufficient voting power to block small state proposals. Small states were concerned that any changes would further dilute their voting power.[6]

In March 1994, the member states announced the Ioaninna Compromise, in which they laid out the new voting weights for the member states following expansion, as well as the new qualified majority threshold. Table 6.1 lists the voting weights following the accession of Sweden, Finland, and Austria. Member states agreed that upon the accession of the three new states, the qualified majority in the Council of Ministers would be 62 of 87 votes, and a blocking minority would consist of 26 votes. While the number of votes required to block legislation increased from 23 to 26, the percentage of overall votes remained the same, approximately 30%. However, this still did not satisfy the UK, Spain and Italy, who believed that the addition of three small northern states would alter the nature of the blocking coalitions which could form.

UK Prime Minister John Major declared just prior to the Ioannina agreement that the UK could not accept any increase in the previous blocking minority of 23 votes (Johnston 1995, 246). Although, at Ioannina, the member states did agree to increase the blocking minority to 26 votes, they included an additional paragraph in the declaration to address the UK's concerns:

Table 6.1: Voting Weights following the Ioannina Compromise

Member States	Council Votes
Germany	10
France	10
United Kingdom	10
Italy	10
Spain	8
Netherlands	5
Greece	5
Belgium	5
Portugal	5
Sweden	4
Austria	4
Denmark	3
Finland	3
Ireland	3
Luxembourg	2
Total Votes	87
Qualified Majority Threshold	62 (71.3%)
Blocking Minority	26 (29.9%)

. . . if members of the Council representing a total of 23 to 26 votes indicate their intention to oppose the adoption by the Council of a decision by qualified majority, the Council will do all within its power to reach, within a reasonable time, a satisfactory solution that can be adopted by at least 68 votes. During this period . . . the President, with the assistance of the Commission, will undertake any initiatives necessary to facilitate a wider basis of agreement in the Council.[7]

With this hard fought compromise, which essentially preserved the status quo both in terms of blocking minority size and proportionality, the member states entered the Amsterdam negotiations knowing that debates over future changes to the weighted voting scheme would be both extremely difficult, but necessary if the EU were to function with 27 or more members following eastern enlargement.

6.3 Negotiations at Amsterdam — Council Voting

Several alternative voting weights schemes were on the table at Amsterdam. These included instituting a double majority of weighted votes and member state population, a double majority of member states and member state population, a qualified majority of votes re-weighted to better reflect population, and the status quo. These same options would reappear at all subsequent negotiations including the Nice Treaty, the constitution and Lisbon.

Before examining the outcome of negotiations, I look more closely at the preferences of the actors on the various proposals concerning voting weights at Amsterdam. States formulated these preferences around the time of the Nordic expansion and in the run-up to the Amsterdam IGC. They have remained relatively stable ever since. Table 6.2 lists the issues and preferences of member states as they appear in the dataset I used in the previous quantitative chapters. On the first issue, instituting a double majority voting system with a majority of member states containing a majority of the population, all large states are in favor while virtually all small states are opposed. Of the smaller states, only the Netherlands, the largest of the small states, appears to support this option. Belgium's preference is missing, indicating that it, too, likely favors the status quo. The second issue, a revision of the current weighted voting scheme to favor the large states, shows a similar preference configuration with the small states opposed and the large states in favor. On this issue, Belgium and the Netherlands prefer no change, while Denmark's position is missing. Austria, however, would support this change. A note in the EP taskforce's report confirms these positions: "In general, the small member states support the retention of 'extrapolation' [based on the Ioannina Compromise], while the large member states are in favor of 'reweighting' (minimum threshold of around 60% of the population in a 26-State EU)."[8] The final issue in the data proposes retaining the status quo qualified majority voting scheme, but adding to it a double majority population requirement. Of the proposed changes, this was the most palatable to the small states because it would essentially leave the blocking minority intact while nominally taking population into account with the double majority requirement. While most small states still opposed even this change, Denmark, Luxembourg and Austria were indifferent between this outcome and the status quo. The Netherlands favored this option.

In general, this is precisely what we would expect. The large states support outcomes which would tip the balance of power in the Council in their favor, while the small states prefer the status quo. To

Table 6.2: Member State Positions on Voting Weights

Member State	Double Majority MS + Population	Revision of Weighting of Votes	Introduce "Double Qualified Majorities"
Belgium	missing	no	no
Denmark	no	missing	indifferent
Germany	yes	yes	yes
Greece	no	no	no
Spain	yes	yes	yes
France	yes	yes	yes
Ireland	no	no	no
Italy	yes	yes	yes
Luxembourg	no	no	indifferent
Netherlands	yes	no	yes
Austria	no	yes	indifferent
Portugal	no	no	no
Finland	no	no	no
Sweden	no	no	no
United Kingdom	yes	yes	yes
Status quo	no	no	no
Outcome	no	no	no

further corroborate these preferences, I examine public statements and newspaper reports in which member state delegations made statements regarding their positions on Council voting weights.

Large states, especially Germany and France, were very much in favor of revising the weighted voting scheme to more accurately reflect population, and their leaders expressed this opinion on numerous occasions. In a press conference following the June 1996 Council meeting in Florence, French President Jacques Chirac made clear his views on the undemocratic nature of the Ioannina weights: "...Whatever the eminent quality of our Luxembourg friends, it is not normal that a Luxembourger has a vote which counts as much as, I do not know how many Germans. It is not very democratic."[9] In a 1996 white paper submitted to the EP taskforce, the French government wrote in support of a Council voting system which would take population directly into account, stating that "different criteria, including, no doubt, population, need to be linked together in order to create a more effective decision-making system."[10] Lastly, in late May 1997 at an informal meeting of the EU heads of state in the Dutch seacoast resort of Noordwijk, the French floated a proposal which included a double majority of 63.49% of the EU population and a majority of re-weighted Council votes. Under this plan, large states' votes would increase from 10 votes to 25, while Luxembourg's votes would only increase from two to three.[11] This would have changed the balance of power in the Council substantially in favor of the large member states.[12]

Likewise, both major German parties, the SPD and the CDU, made clear that they desired a voting scheme which would take population into account. Specifically, both parties called for a double majority system. Prior to the IGC, German *Länder* governments formulated positions on what they viewed as the most important aspects of treaty reform. The positions of the *Länder* were doubly important because not only are many EU policies implemented at the *Land* level, but SPD-led coalitions controlled a majority of votes in the *Bundesrat*, making the SPD's support necessary for treaty ratification. Karl-Heinz Klär, an SPD representative from Rhineland-Palatinate, presented the interests of the *Länder* at the IGC. Among the positions supported by the *Länder* was that "the existing form of qualified majorities should be replaced by a dual majority, whereby decisions are adopted if supported by a majority of the states represented in the Council and a majority of the people represented by those states."[13] This would clearly re-weight votes in Germany's favor.

The governing CDU/CSU also favored a double majority system. The EP's white paper on the position of member states leading into

the IGC summarizes a proposal by the Steering Committee of the CDU/CSU group in the Bundestag. This document, submitted on June 13, 1995, mostly covers EU foreign policy decision-making, but it specifically references the CDU's preferences over Council voting rules regarding foreign policy decision-making. The Steering Committee writes that "foreign and security policy issues which have no military aspects should be resolved under the qualified majority system with the introduction of a double majority system, i.e. a majority of states and a majority of the population represented by those states."[14] With both major parties in Germany supporting a double majority system, there could be no ambiguity in Germany's position regarding this issue.

Italy and the United Kingdom both favored changing the Council voting weights in favor of the larger states as well. While they were not opposed to a double majority system, they were willing to consider any weighted voting scheme which ensured that no decision could pass without the support of member states representing at least 60% of the EU population. The United Kingdom, in their March 1996 white paper, expressed support for a re-weighting scheme in favor of the large member states "for various reasons of democratic legitimacy."[15] On April 7, 1997, the Italian delegation circulated a letter in which they announced their support for a re-weighted voting scheme which would increase the voting weights of the large states slightly. This proposal would ensure that a qualified majority of approximately 71% of weighted votes would, at a bare minimum, contain member states that represent at least 60.96% of the EU population.[16]

Smaller member states would clearly lose under the double majority systems proposed by the Germans and the French, as well as with the Italian re-weighting scheme, and consequently did not support them. Some smaller states, including Denmark and the Netherlands, were willing to accept a double majority requirement in addition to, but not in place of, the Ioannina voting weights. Such proposals, they hoped, might address the concerns of the large member states without changing the current blocking minority in the Council or altering the balance of power in favor of the large member states. Other small states, such as Greece and Ireland, were opposed to any change in the voting weights at all.

The Benelux countries and Denmark were most willing to make very minor concessions to the large member states. However, unlike the proposals of the large member states, their proposals would not significantly alter the balance of power in the Council. On July 28, 1995, the Belgian government circulated a note which contained its initial positions regarding the IGC. The note, summarized by the

EP in its white paper on member states' positions, stated that "the Belgian Government considers that in the course of enlargement, and provided this is accompanied by consolidation of the Union, as part of a global institutional package, the possibility of weighting of votes should be considered, for example by a slight increase in favour of the large Member States."[17] It is important to note that Belgium, while willing to consider a slight modification in voting weights, was only willing to do so as part of a "global institutional package." This refers to a package deal including assurances that small states keep their guaranteed Commissioner.

Likewise, a later joint memo from the prime ministers of Belgium, Netherlands, and Luxembourg expressed sentiments very similar to the earlier Belgian position. According to the March 7, 1996, joint memorandum, the EP writes that the three countries "consider that in an enlarged Union the threshold for a qualified majority should remain at around 70% of the votes, and suggest the use of a democratic criterion to ensure that the qualified majority corresponds to a majority of total population."[18] At the same time these member states stress that there should be at least one Commissioner per state. While these statements suggest that they might be willing to accept a slightly revised voting weights scheme, they will only do so with a guarantee that they keep their Commissioner. They do not make any mention of a double majority scheme, and prefer to maintain the status quo on the QMV threshold.

At the Noordwijk meeting, the Dutch Presidency did make a proposal including a double majority very similar to the French proposal. It included a double majority of 60% of the EU population and a qualified majority of votes. However, under the Dutch plan the smaller states would have received higher voting weights than those proposed by the French. Both the French and Dutch plans proposed to raise the total number of votes to 189, but under the Dutch plan, the Netherlands would have received 12 votes compared to 10 in the French plan; Greece, Belgium and Portugal would have received 10 votes compared to 9 in the French plan; Sweden and Austria would receive 8 votes instead of 7; and Denmark, Finland and Ireland would have received 6 votes instead of 5. However, this plan may not have found unanimous support among the Benelux countries. Both the French and Dutch proposals posed a problem for Belgium because both proposed to give Belgium fewer Council votes than the Netherlands, changing the status quo.[19]

The Danish government was less willing than the Benelux countries to make concessions to the larger states, but did suggest that it might

consider a double majority system which did not alter the balance of power between large and small states. In its December 1995 memorandum, summarized in the EP white paper, the Danish government suggests "that decisions should require a qualified majority of votes in Council plus a majority representing at least half the Union's total population," but that changes to the voting rule should not alter the balance between large and small states in the Council.[20] Essentially, the Danish government suggested that the member states tack on a population requirement in addition to the QMV threshold to give the appearance of more democratic decisions. This would not alter the balance of power in the Council.

The Greeks and the Irish were the most adamant about preserving the status quo and were unwilling to make any concessions to the larger states. Greece specifically rejected a double majority requirement which would account for population. In their summary of the Greek position based on a Greek government memorandum from January 24, 1996, the EP writes:

> On the weighting arrangements, Greece in principle opposes any redistribution of the existing weighting by Member State ... It opposes weighting based on population, on the grounds that the Council represents Member States, not populations; the Greek view here is that populations as such are already represented in the European Parliament, and the formation of a majority should not be reduced to a mere arithmetical exercise that fails to take account of the national and cultural identities of the peoples of Europe.[21]

The Greek government wished to preclude any alteration to the status quo, and actually appeared to push for more equal representation in the Council across member states. In an earlier memo from January 1995, also summarized in the EP white paper on government positions, the Greek government went even further, suggesting that a "'federal state model' (as existing in the US) be adopted instead [of the present system of qualified majority voting]."[22] This seems to suggest that they wanted all states to have equal voting weights in the Council, like states in the US Senate.

The Irish expressed very similar views to the Greeks. In their position paper they specifically stated that they "will not permit the IGC to be used to alter the general equilibrium existing between the Member States. Ireland believes it is highly unlikely that governments representing a majority of the Union's citizens could be outvoted by a bloc of small Member States. The existing institutional equilibrium

of the Union must be preserved."[23] This is a clear statement in favor of the status quo. The Irish were quite adamant that they both preserve the existing institutional arrangement in the Council and in the Commission.

6.4 Negotiations at Amsterdam — The Commission

At Amsterdam and all subsequent IGCs, negotiations over the number of Commissioners were just as contentious as the negotiations over the Council voting weights. Again, with enlargement, it was clear that the status quo of one Commissioner for the ten smaller member states and two for the five largest would become unwieldy. In the current EU of 27 member states, maintaining the pre-Amsterdam status quo would have meant a Commission of at least 32 Commissioners, something the member states clearly wanted to avoid.

Just as with QMV, the status quo arrangement of two Commissioners from the large states and one from the small states dates back to the Treaty of Rome. Although the Treaty of Rome does not explicitly state this rule, Section 3, Article 157, of the treaty stipulates that, for six member states, the Commission will consist of 9 members with no more than two members from any one member state. This, in fact, mirrors the composition of the High Authority of the European Coal and Steel Community. With few exceptions, Commissions have consisted of two members from the large states and one from the small states since 1958.

There were two primary proposals regarding the number of Commissioners discussed at Amsterdam. Again, positions on this issue have remained very stable over time. Table 6.3 outlines the positions of the member states as found in my Amsterdam data. One option was to reduce the number of Commissioners to between 10 and 15 members, meaning that in the enlarged EU there would be fewer Commissioners than member states. Small states saw this option as potentially leaving them without a Commissioner in an enlarged EU, and consequently opposed it. Large member states, knowing that they were unlikely to be left without a Commissioner, supported this proposal. Of the states without a second Commissioner at the time of Amsterdam, only the Netherlands was willing to consider a Commission with fewer members than member states, and only when all member states renounced their right to a guaranteed Commissioner.[24]

Small states clearly supported a proposal which would guarantee at least one Commissioner per member state. Portugal, for example,

Table 6.3: Member State Positions on Number of Commissioners

Member State	Fewer Commissioners than Member States	One Commissioner per Member State
Belgium	no	yes
Denmark	no	yes
Germany	yes	no
Greece	no	yes
Spain	yes	no
France	yes	no
Ireland	no	yes
Italy	yes	no
Luxembourg	no	yes
Netherlands	yes	missing
Austria	no	yes
Portugal	no	yes
Finland	no	yes
Sweden	no	yes
United Kingdom	yes	no
Status quo	no	no
Outcome	no	no

in its official position paper on the IGC, stated that it "continues to maintain that the principle of the presence of all the Member States in all the institutions of the Union means that each of those States should appoint at least one Commissioner . . . Any formula that violated this principle would remove from the Commission its current legitimacy as an institution."[25] Likewise, the Austrian representation wrote, "the right of every member state to nominate a member of the Commission is indispensable for its legitimacy."[26] Finally, the Benelux states wrote, "the Commission should comprise one national of each country."[27] Benelux and Austria were only willing to consider a reduction in the size of the Commission if all states retained one Commissioner, meaning the large states would give up their right to a second Commissioner. Naturally, the large states opposed this change, which they saw as shifting power towards the small states. The Benelux statement also suggests that the Netherlands' supposed willingness to decrease the size of the Commission may have been nothing more than cheap talk.

The large states, on the other hand, made clear their desire for a smaller Commission. Italy, in its proposal on reforming institutions,

reiterated its stance that the Commission should consist of no more than 15 members, which would mean fewer Commissioners than member states following enlargement.[28] The UK went even further, explicitly suggesting that one option for reform would be that large states retain one guaranteed Commissioner instead of two, while small states give up the right to a guaranteed Commissioner.[29] Both France and Germany supported fixing an upper limit on the number of Commissioners. Large states, because they already had more Commissioners, were willing to support proposals which would increase the efficiency of the Commission, while retaining the large states' advantage over the small states in terms of number of Commissioners.[30]

The high stakes surrounding the reform of the Council and Commission and the stark divide of opinion among member states were a recipe for long, tiring negotiations, and, eventually, stalemate. Negotiations began well before the Amsterdam IGC and remained an important issue even in the final hours just before the final treaty agreement was announced. Discussions about altering Council votes and Commissioners leading up to the Amsterdam IGC began shortly after the 1992 Maastricht Treaty and featured prominently in the 1996 reports of the Irish and Italian Council Presidencies prior to the final IGC bargaining round. The June 1996 report of the Italian Presidency mentions all the possible Council voting weight schemes discussed above, but also mentions that many member states preferred keeping the Ioannina status quo, foreshadowing the difficult negotiations to come. In addition, it mentions the tensions between member states' desire to maintain at least one Commissioner per member state, but the need for efficiency in the Commission.[31]

As discussed above, the EU leaders discussed some institutional issues, including Council voting weights and number of Commissioners, at the May summit in Noordwijk. At Noordwijk, it became clear that changing the status quo on the number of Commissioners would be impossible and no final decisions were made regarding the re-weighting of Council votes at the summit.[32] While some small states had tried to link these decisions, offering a compromise position where small states might be willing to discuss re-weighting Council votes in exchange for the status quo in the Commission, no deal was feasible in the end. These were independent decisions. In order to avoid a major row at Amsterdam, the large states conceded to the status quo regarding the Commission at Noordwijk weeks before the final Amsterdam summit. However, even after conceding to the status quo on the Commission, the large states were still unable to secure a favorable deal regarding Council votes at either Noordwijk or Amsterdam. Because the small

states were defending the status quo on both issues, they could get their desired outcome without conceding anything to the large states. Despite the several proposals floated at Noordwijk, including those discussed earlier by the French and the Dutch, the member states postponed a decision on voting weights until the final meeting in Amsterdam a few weeks later.

At Amsterdam, the negotiations over voting weights were not any easier. Jacques Chirac, in his early morning press conference after the negotiations had ended, complained that the heads of state had wasted three to four hours discussing voting weights but were unable to reach an agreement.[33] Surprisingly, Chirac claimed that the small states held up negotiations by insisting that a double majority system be instituted. Chirac thought it was very curious that the small states stood firm on this because he claimed it was not in their interest. However, Chirac carefully stated that these member states, who at the last minute wanted a double majority, were, in fact, proposing that the current weighting scheme be maintained and that an additional population requirement be added. This would not be against the small states' interests. On the contrary, the status quo blocking minority would not be altered. Perhaps these small states were simply hoping to preserve the status quo while appeasing some of the larger member states, and preventing further change in the future. Clearly, the large states were not fooled. Chirac, in his press conference, denounced this plan as a recipe for gridlock. After several hours of negotiation, the best the member states could do was agree on the status quo.

Unfortunately, because the IGC meetings are highly secretive, there is no way to know which member states actually proposed what and why. I cannot know which member states were proposing a double majority plan in the early hours of the morning in Amsterdam, but given Chirac's statement at his press conference, it very plausible that small states proposed a plan which tacked on a superfluous population requirement to the Council status quo. Moreover, it is likely that large states dismissed this as an insincere bargaining tactic. Regardless, the status quo prevailed.

6.5 Institutional Change at Nice

The need to reform the Council and the Commission did not disappear following the Treaty of Amsterdam. As eastern enlargement approached, the fact that the status quo had prevailed at Amsterdam took on new importance. Joschka Fischer, in a speech at the Humbolt

University in Berlin in May 2000 marking the 50th anniversary of the Schuman Declaration, stressed the need to reform the EU's institutions which had been designed for a Union with 6 members, were already strained with 15 members, and which he felt could lead to severe crises in an EU of 27 members.[34] Just as the Amsterdam IGC had been called to deal with Maastricht leftovers, the 2000 Nice IGC was supposed to deal with the aftermath of Amsterdam. The negotiations, however, were no less contentious then they had been at Amsterdam. When Chirac, who was chairing the Nice Conference, made a controversial last minute proposal to re-weight Council voting weights in favor of the large member states on Saturday night, Belgium and Portugal threatened to walk out of the negotiations (Church 2001, 86). In the end, Chirac did not get the result on Council voting that he wanted and the IGC went until 4 am Sunday morning, the latest an IGC had ever run.

The inability of member states to reach an agreement at Amsterdam and Nice led to a great deal of frustration among member states and even caused some members of the European Parliament to complain that the entire IGC process was broken (Church 2001, 81). Andrew Duff, a MEP from the UK, suggested that future institutional changes be made at a constitutional convention not unlike the one which would take place only two years later (Duff 2001). At the Laeken Council meeting in December 2001, one year after the end of the Nice IGC, the member states would, in fact, decide that the IGC process was no longer tenable as a means for altering the EU's treaties, proposing instead a constitutional convention chaired by the former French President Valerie Giscard d'Estaing.[35]

As at Amsterdam, member states attempted to link the decisions between Council voting weights and the number of Commissioners at Nice. However, just as at Amsterdam, no small state was willing to give up their only Commissioner. Yataganas (2001, 261) states that this position "was non-negotiable throughout the IGC." Large states, just like at Amsterdam, pushed for a smaller Commission with fewer Commissioners than member states. Spain desired a system of rotating Commissioners which favored the large states, something which small states were not willing to consider under any circumstances.

Unlike at Amsterdam, at Nice the large states realized that to achieve their desired outcome — a smaller, more efficient Commission — they would be forced to give up their second Commissioner. Previously, the large states had attempted to present the small states with the choice of giving up their Commissioner or losing voting power in the Council. At Amsterdam, the small states realized that, because they

were defending the status quo on both issues, the large states could not force this choice upon them. They could veto changes to both the Commission and the voting weights. At Nice, the large states attempted to frame the choice differently. They were more willing to sacrifice their second Commissioner for the sake of efficiency. However, in return the large member states argued that they should be compensated for the loss of their second Commissioner. One rather uncontroversial method for compensating large states was to create more Commission Vice-President posts, which would be filled presumably by nationals of the large member states.[36] A second, much more contentious method of compensation was to re-weight the votes in the Council in favor of the large member states, a point I will address shortly. The Nice Treaty stipulated that the large states would sacrifice their second Commissioner beginning in 2004 with the Barroso Commission, which they did. The treaty also stipulated that once the EU reached 27 member states, there would be fewer Commissioners than member states. Despite the accession of Bulgaria and Romania to the EU in 2007, bringing the number of members to 27, each member state retained a Commissioner in the new 2009 Commission, meaning the large states have yet to successfully alter the status quo of at least one Commissioner per state.

The prospect of re-weighting Council votes at Nice conjured up member states' worst fears. The problem was exacerbated by the fact that preserving the status quo, i.e. linearly extrapolating the current votes to an EU with 25 or more member states, would lead to outcomes which many viewed as violations of basic democratic rules (Yataganas 2001, 262).[37] For example, a linear extrapolation might have made it possible for a group of small member states to obtain a qualified majority even if those states did not represent a majority of the EU population. Whereas at Amsterdam, small states were unwilling to cede the status quo, at Nice they supported the outcomes which came closest to preserving their power without violating basic democratic principles, namely a double majority of member states and qualified majority votes. This is, in fact, not very different from the position they took at Amsterdam. Moreover, the small states pushed for lower qualified majority thresholds, more similar to those which would have occurred under simple linear extrapolation of the Ioannina voting weights. Large states, meanwhile, preferred a system which would maintain a higher qualified majority threshold. These issues proved the hardest to resolve, and in the end led to an unwieldy triple majority of qualified majority votes, number of member states, and member state population.

Unlike at Amsterdam, due to the pending EU enlargement both small and large states saw the need for some change, but they could not agree on what that change should be. This led to the most contentious bargaining of the IGC. At 10:30 in the evening when the IGC was supposed to be wrapping up, Chirac introduced a controversial voting scheme which would have increased the power of the large states. The small states balked, with Belgium and Portugal threatening to veto the whole package. France was then forced to make concessions to the smaller states in negotiations which lasted until 4:30 in the morning. In an attempt to please everyone, an untenable and very complicated triple majority emerged, which Tsebelis and Yataganas (2002) have argued could lead to increased legislative gridlock and unwittingly have increased the power of the Commission and the European Court of Justice.

6.6 Negotiations following Nice: The Constitution and Lisbon

Member states were eventually able to agree to change these controversial issues, but only after they altered the method for negotiating constitutional documents. Where Amsterdam and Nice failed, the Constitutional Convention of 2002–2003 was successful, largely because the bargaining process was subject to a very different set of rules than the previous IGCs. Member state delegates were no longer the sole representatives at the negotiations. Instead, the convention delegates included members of the European Commission, European Parliament, national parliaments, and member state governments. Rather than being chaired by the European Council president, as had always been the case at IGCs, the convention was chaired by Valerie Giscard d'Estaing, the former French President. Moreover, Giscard was given immense agenda-setting powers so he could shape the final draft constitution as he wished. For example, Giscard announced that there would be no voting at the convention. Instead decisions would be made by "consensus," and he would determine when "consensus" was achieved (Tsebelis and Proksch 2007). Because these controversial issues no longer required unanimous (or near unanimous) consent of member states, the convention was able to produce significant change (König and Slapin 2006).

The draft constitution introduced a much simpler Council voting rule compared to the Nice outcome. Under the rules set forth in the constitution,[38] legislation would pass if supported by 55% of member

states representing 65% of the population. As was originally set down in the Nice Treaty, the number of Commissioners was reduced so there would be fewer Commissioners than member states and there would be a rotation system so each member state would have a Commissioner for an equal amount of time. Although these changes were subject to revision at an IGC in 2004, the member states were now presented with a virtually complete draft treaty even before the IGC began. They made only a few changes to the convention draft at the IGC.

The draft that emerged from the IGC preserved most of the changes to the Council voting rule and kept the smaller Commission. This is not to say that there was no disagreement. Many of same cleavages between large and small states over institutional issues that featured prominently in earlier negotiations were apparent during these negotiations as well. The small states, for example, were still skeptical of giving up their Commissioner. Medium-sized states, namely Spain and Poland — the two states benefiting the most under the Nice voting rules — clearly favored the Nice rules (König, Andreas Warntjen and Burkhart 2006; Tsebelis 2006). In fact, Spanish and Polish intransigence meant that the treaty was not signed in Rome under the Italian Council presidency as planned, but instead several months later under the Irish presidency. Spain and Poland only agreed to sign after the Council voting rules were modified so their voting power came closer to their power under the Nice rules. Spain and Poland were able to use their proximity to the Nice status quo to their advantage. Even after the signing of the treaty, these same issues would arise again following ratification failure.

The important institutional changes agreed to in the draft constitution were defeated in referendums in France and the Netherlands in early 2005. Although the constitutional convention method of negotiating institutional change may have reduced the status quo bias of negotiations, it may have increased the risk of failed ratification. Delegates, or Giscard himself, were not as concerned with ratification during the convention. Not all states that would eventually hold a referendum on the constitution had even declared their intention to do so at the time of the convention and IGC, making it impossible for negotiators to judge the likelihood of successful ratification (Hug and Schulz 2007). Following the defeat of the constitution in the French and Dutch referendums, the member states negotiated the Lisbon Treaty. This treaty eliminated all the remaining vestiges of a constitution, such as mentions of an anthem and flag. Instead of combining previous treaties into a single document, Lisbon was re-conceived as an amending treaty, just as Amsterdam and Nice had been. It was hoped that this pared-down treaty would preserve the most important institutional

changes and be easier to ratify.

Even though there had already been numerous rounds of negotiations on the previous version of the constitution, the Lisbon negotiations were not easy. In June 2007, as the German presidency of the European Council was drawing to a close, German Chancellor Angela Merkel was urging her fellow heads of state to agree on the final form of the revised treaty. Merkel had made it the goal of her Council presidency to reach an agreement on the future of Europe's institutions, even if it meant making cosmetic changes, such as eliminating the anthem and flag from the text. Just prior to the June Council meeting, it appeared Merkel might achieve her wish.

However, as the June 2007 Council meeting drew near, the Polish President Lech Kaczynski and his twin brother and Prime Minister Jaroslaw Kaczynski made it clear that they were not satisfied with the proposed changes to the voting rule found in the Lisbon Treaty, and they threatened to veto the entire treaty unless their demands were taken seriously. Specifically, they argued Council votes should be calculated using the square root of member state populations, a method which would have given Poland much more voting power and Germany less. The Polish brothers went so far as to make the claim that Poland deserved more voting power because, had Germany not killed so many Poles during World War II, Poland would be a much larger nation today.[39] Other large member states, including France and the United Kingdom, were relatively happy with the new voting weights solution. Nevertheless, Poland pressed on with its demands, and, finally pressured all member states to wait a full ten years before the new rules would take full effect. The Nice status quo was preserved for another decade and the brothers declared victory, while Merkel had to settle for less than she had hoped for. In addition to postponing changes to Council voting rules, the final Lisbon Treaty also postponed the reduction of the number of Commissioners until November 2014 at the insistence of small states.

These institutional changes were placed in jeopardy once again after the Irish public voted against the treaty in a referendum in June 2008. One of the rallying points of the campaign to vote against the treaty was the fear that Ireland would not be properly represented in the EU if it were to lose its Commissioner. A solution put forward in the media in the immediate aftermath of the Irish "no" was to permanently keep one Commissioner per member state. This could be changed within the confines of the current draft of the Lisbon Treaty, which specifies that the number of Commissioners may be changed by a unanimous decision of the Council. Indeed, this is the approach that the member

states eventually took. Ireland secured a guarantee that each member state would retain its Commissioner. The treaty was passed in an Irish referendum held in October 2009. Interestingly, because the Nice Treaty officially required that there be fewer Commissioners than member states in an EU of 27 states, the Irish government argued that a "yes" vote on the second Lisbon vote was a vote to preserve the Commission size. This episode yet again demonstrates the power of a few states to preserve the status quo even when most other states, including the largest, prefer change.

6.7 Summary

The fight over reforming institutions demonstrates how difficult it is for member states to change the status quo. Even with all the large states in broad agreement, they could not force small states to give in on Council voting weights or the number of Commissioners at Amsterdam. At Nice, with enlargement rapidly approaching, it was the large member states, not the small ones, that sacrificed a Commissioner. In addition, even after giving up a Commissioner, France was not able to push through its preferred Council voting weights scheme in the early hours before the IGC was concluded. Portugal, Belgium, and other small states effectively threatened to veto this proposal. Poland, a new, poor, medium-sized state, was able to stand up to Germany and the other large states to preserve the status quo on Council voting during the negotiations leading to the Lisbon Treaty.

Collectively, these negotiations demonstrate that member state size is not the most relevant source of power for realizing one's preferences on these important institutional issues. Instead, the member states preferring the status quo, the small states in these cases, clearly held the strongest bargaining position. Veto power has produced such a status quo bias, especially when reforming key EU institutions, that it has led some politicians to call for the abolition of IGCs as a method for reforming European treaties, and it perhaps acted as a catalyst behind the call for the EU's Constitutional Convention. The convention was able to produce the desired institutional change because it was not subject to the same rules as an IGC. However, the new format also appears to have increased the risk of ratification failure.

This analysis has not only provided further evidence that veto power is extraordinarily important at intergovernmental conferences, but has also demonstrated how my theory works on a micro-level and over several treaty negotiations. These case studies demonstrate that

my results hold even controlling for issue salience and potential log rolling. Moreover, I have demonstrated that the individual member states appear to have reported their sincere preferences, or at least those preferences we would expect given their size. Member state preferences, when examined together in light of the rules which govern IGCs, namely unanimous decision-making, provide an accurate picture of bargaining at intergovernmental conferences.

7

Exit Threats, Veto Rights, and Integration

While the previous chapters have focused on testing theories of bargaining power against one another, the next two chapters use a formal model to explore the conditions under which veto power should matter in intergovernmental negotiations. The basic argument is that for veto rights to matter in an international organization or federal union, leaving the organization must cease to be a viable option for member states. When leaving an organization, either through forced expulsion or voluntary exit, is an option, veto threats cease to be credible and laggards may be forced to accept policies that make them worse off compared with the status quo. This chapter presents a formal model to explore the interaction between veto rights and exit options while the next chapter presents two case studies of intergovernmental bargaining from around the time of British accession to the EU (known as the EC at the time) to highlight how these different sources of bargaining power work in practice.

7.1 Exits, Expulsions, and Vetoes

Following the February 1974 British election, Harold Wilson became the first Labour prime minister since the UK joined the European Community (EC) on January 1, 1973. Upon taking office, he immediately demanded the EC renegotiate British terms of entry, and threatened to leave the organization if his demands were not met. Labour's election manifesto went so far as to state, "If re-negotiations do not succeed, we shall not regard the Treaty obligations as binding upon us."[1] After months of negotiations, Wilson declared he had won significant concessions from the other member states and urged voters to support a 1975 referendum on EC membership. Several years later,

when the Conservatives came to power, Margaret Thatcher used a very different bargaining tactic to extract a budget rebate from the EC. She did not threaten to leave the EC, but instead she threatened to stall legislation by invoking the UK's veto right if the UK did not receive the budget rebate she demanded.[2] In the end the tactic was effective. The obstructionist British strategy secured them a two-thirds budget rebate.[3]

The different bargaining tactics employed by these two prime ministers highlight the puzzle at the heart of this chapter. Under what circumstances does threatening a veto provide bargaining leverage and under what circumstances are exit threats a source of power when negotiating within an international organization or federal state? When would a member state prefer to use one of these sources of power over the other? Are these options available simultaneously or if one is available does that mean that the other is not? What implications does this have for European integration, and more broadly, the creation of a stable federal state? The answers to these questions will help us understand how the bargaining dynamics found in the previous chapters developed and they will allow us to place them within a broader theoretical perspective. The answers will also help us understand how and why the EU differs from more typical international organizations where veto threats tend not to be credible, but threats of exit and exclusion are potent. Drawing on Hirschman's (1970) seminal work examining the interaction of exit and voice, this chapter presents a formal model of vetoes (i.e. voice), exit options, and exclusion threats in international organizations and federal states.[4] The next chapter applies the model to the EU by examining the British accession debate in greater detail.

The essence of the game is as follows. Two states come together to negotiate the constitutional rules of an international organization or federal state. They may be creating a new organization or re-negotiating the rules of an existing regime. One state prefers substantial policy change while the second is a laggard, who prefers very little change from the status quo. They can choose to form one of two types of organization. The first type of organization provides the laggard state with an exit option, whereby it can leave the organization if it feels its partner is pushing policy change too far. In this type of regime, exclusion is also possible. States preferring greater change can exclude laggards who do not share their goals. In the second type of organization exit and exclusion are not possible, but the laggard can voice its objections to constitutional proposals by threatening to veto major change. The first type of organization is similar to an international organization

or a weak federal state, while the second type of organization more closely mirrors a stable federal state. In this framework, a stable federal state is an organization where exit by members is highly unlikely but members are able to voice their opposition to change through state institutions.[5] I find that whether states opt for the federalist "veto" regime over an "exit" regime depends upon the costs for both states associated with the laggard state leaving the regime, as well as the likelihood that the state preferring greater change believes that some time in the future it may prefer to retain the ability to potentially block proposals. Before introducing my formal model, I will briefly discuss the literature on vetoes, exit options and exclusion threats in international organizations and federal systems, paying particular attention to how the literature has examined European integration.

7.2 Exit, Exclusion, and Vetoes in Bargaining Literature

International relations theorists disagree about the extent to which international organizations matter in world politics. However, there does seem to be a general consensus between the realist and liberal-institutionalist traditions that international organizations, regardless of their relevance to world politics, only arise when they make all states better off compared to the status quo (Gruber 2000, 3–4).[6] Gruber, though, argues that international organizations may actually make some states worse off. For some states, participation in an international organization may be a necessary evil. These states would be better off if the organization did not exist, but given that it does, they feel it is necessary for them to join. In other words, the organization is designed in such a way that the costs to laggard states for not participating are too high, even though these states preferred the original status quo of no international organization at all. Gruber (2001) suggests, for example, that both Canada and Mexico found it necessary to join NAFTA even though they likely preferred the status quo.

Gruber's work begins to examine the costs associated with exiting from, or not participating in, an international organization. However, his approach lumps together two types of costs which I argue are best disentangled. First, a state may suffer a utility loss by accepting a policy dictated by the international organization that is not identical to its own ideal point. The assumption is that if a state were to go it alone, it would be able to implement its own policy ideal point unencumbered by other states. Second, there may be additional reputation costs associated with not participating in the organization, or, conversely, benefits to

participating, either to reputation or from deeper cooperation. For example, other states, financial markets, and international firms may shun a country for not joining an international organization they deem "good." Likewise, joining a highly regarded international organization may confer some benefit on states, regardless of how these states feel about the organization's policy, which they would not receive if they did not join the organization (Gray 2009; Mansfield and Pevehouse 2006). Finally, if some domestic interests prefer to participate in the organization, there may be audience costs for a state which decides not to participate. For Gruber, both types of costs, policy loss and audience and reputation costs, are collapsed onto a single dimension.

Other international relations literature examining outside options and exit threats begins to disentangle, or at least acknowledge, these various costs. Voeten (2001), for example, explains bargaining power in the United Nations Security Council using a model similar to one I present in this chapter. In his model, one state has the ability to take action outside the framework of the UN but pays a cost for doing so. Likewise other member states pay a cost for excluding the state with an outside option. Recent work by Rector (2009) makes a very interesting argument about the role of outside options and their various costs to explain when states chose to form a federation rather than an international organization. Federations, which generate gains for all actors involved, can only form when the states with viable outside options beyond the proposed federation can commit to refraining from exercising their outside option. This credible commitment is achieved through the creation of political institutions that increase the cost of exercising the outside option.

Studies of European integration have examined the effects of laggard states on intergovernmental bargaining, and some literature has pointed to a laggard's credible threat to exit the European Union as a source of bargaining power (Schneider and Cederman 1994). This, of course, assumes that the laggard's cost associated with exiting is low enough that their exit threat is credible. Member states desiring the laggard's participation in the EU are forced to cede to the laggard's demands or they risk the laggard walking away from the EU.

It is not clear, though, that the option to leave an organization is always a source of power. It may not always be the case that a laggard has a low cost associated with leaving. Instead, as Gruber (2000) has suggested, the costs to leaving an organization (or not joining to begin with) may be very real, and may actually put the laggard at a disadvantage.[7] Schneider and Cederman (1994) suggest that while making an exit threat may have provided Britain with bargaining

leverage in 1974, it did not in 1978 while negotiating the establishment of the Economic Monetary System (EMS). In Schneider and Cederman's model, this is because Britain could not credibly commit to exiting in 1978, while it could in 1974. In 1978, the Germans and the French called Britain's bluff and countered that they would exclude Britain from the new regime unless Britain backed down. Here, the possibility of exclusion from the regime may have actually weakened the UK's bargaining position.

The empirical results in this book have demonstrated laggard states' ability to veto change has been an important source of power at recent EU IGCs. Even without the ability to threaten to leave the union, laggards are powerful because they can prevent change. However, for veto rights to provide power to laggard states, states preferring greater change must either really desire the laggard's participation, or exclusion cannot be a legitimate option. If exclusion were a legitimate option and states preferring integration did not care about the laggard's participation, they could simply exclude the laggard from negotiations if the laggard threatened to block proposed changes. This suggests an interaction between the possibility of exit and voice when determining member state bargaining power.

International relations literature is not the only literature to examine the role of voice, vetoes, and exit in bargaining among states. Literature examining federalism in the US and comparative context also addresses these sources of power to draw conclusions about the nature and design of federal institutions (e.g. Bednar 2007). Federalism literature often explores the conditions under which federal systems are stable. In other words, what prevents member states from leaving a union of federal states? There are generally two answers to this question, both of which are similar to the answers posed above by the international relations literature.

The first is the cost associated with exit from the union. If the costs associated with exiting a federal union are too high, member states will not leave. Filippov, Ordeshook and Shvetsova (2004) cite the example of the breakup of the Soviet Union in the late 1990s. Soviet leaders attempted to convince the Baltic countries that they would be much better off under the new Soviet system than they would be if they left the union. Of course, in this case the costs of exit were not high enough to keep the Baltic countries in the union.

A second mechanism to keep member states from exiting a federal union is voice. States must be guaranteed that their interests will be heard within the union through democratic political institutions (Bednar, Eskridge and Ferejohn 2001; Lijphart 1999). Lijphart has

termed this approach to governance "the consensus model of democracy." Consensual democracy is accomplished by designing strong federal institutions, such as upper chambers to represent states interests, unbiased courts to adjudicate interstate disputes, and supermajoritarian decision-making rules to ensure that minorities have a strong say in politics, if not veto power. Such a system has many veto players, which translates into policy stability (Tsebelis 2002). The EU is a highly consensual system with many veto players in daily politics as well as at IGCs (Lijphart 1999; Tsebelis 2002; Tsebelis and Geoffrey Garrett 2000, 2001). Because of this, member states do not have to fear that their preferences will go unheard (Kelemen 2007), even if their preferences for change may not be implemented because they are opposed by other veto players. The flip side of this, of course, is that member states have the ability to block changes proposed by others of which they do not approve, as previous chapters have shown to be the case at IGCs.

7.3 Defining Vetoes, Exit, and Exclusion in the EU

Before presenting the formal model, it is necessary to define what exactly constitutes exit and vetoes in the European Union. While veto power is easily defined as the ability to block change, and has been thoroughly examined throughout the book, defining exits from the EU is trickier. No state has actually left the EU; however, two states, Norway and Switzerland, have rebuffed invitations to join.[8] Nor has there ever been a systematic implementation of a two-speed approach to integration. A two-speed approach would allow some member states to pursue deeper integration within certain policy areas while laggards are left on the sideline with no recourse to a veto in these areas. Nevertheless, there have been negotiated opt-outs for certain member states on a number of issues. The most notable of these was the ability of the UK and Denmark to opt out of the common currency, the Euro. The Maastricht Treaty also created an opt-out on social policy for the UK, although the UK later opted back in under Tony Blair. Other aspects of European integration have been negotiated outside the framework of the European Union and do not encompass all EU member states. One such agreement, the Schengen Agreement, provides for open borders throughout much of Europe but does not include the UK, Ireland, and, until recently, the EU's newest member states.[9] Foreign and defense policies were also handled completely outside the treaty framework of EC until the Single European Act. They are still subject to intergovernmental decision-making and some

states can proceed on security and defense projects without the support
of all states.

For the purposes of this book, I define "exit" as either a complete
exit from the EU or a complete and systematic move towards a two-
speed Europe enshrined in treaty law, whereby member states could
consistently leave a laggard member state on the sidelines. Opt-outs,
while a form of partial exit, are unlikely to undermine integration
unless the same member states consistently receive opt-outs on a wide
variety of issues. Otherwise, opt-outs and agreements beyond the
framework of the treaties provide a means for pressing integration
forward in a less painful manner, allowing states to pursue integration
without having to make potentially difficult political choices. Even
highly integrated federal states often allow individual states one-time
opt-outs from controversial laws. Because of its particularly poor air
quality, California, for example, has been allowed to implement its
own air quality standards above those set by the US Environmental
Protection Agency. Canadian provinces also may opt out of federal
laws in certain instances. In the future, if the EU continues to use
opt-outs more regularly and the same member states consistently ask
for and secure them, these opt-outs may indeed create a two-speed
Europe and lead to a decrease in the power of veto rights (see Jensen
and Slapin 2009).

7.4 The Exit-Veto Game

The literatures on international organizations, federalism and EU
integration present several hypotheses about why laggard states may or
may not have power in negotiations over the rules of federal regimes or
international organizations. Under some conditions, exit threats may
provide laggards with bargaining leverage, but in other scenarios the
ability to cast a veto may help protect laggards' interests. However, as
Hirschman (1970) originally pointed out, vetoes (or voice in Hirschman's
terms) and exit may work against one another. If leaving or being
excluded from an organization is a realistic possibility for a laggard
state, this may render veto threats meaningless. I attempt to sort out
the effects of these two potential sources of power using a game-theoretic
model.

The basis of my game is a spatial model, depicted in Figure 7.1.
Two states have Euclidean preferences in a uni-dimensional space
representing negotiations over a policy that would be affected by
cooperation. In this space, 0 represents the status quo and 1 represents

$$2 * |L - SQ| < |I - SQ|$$

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├──────────┼────────────────────────────┼──────────┤
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Status Quo   *L*   *I* Policy Change
    0   1
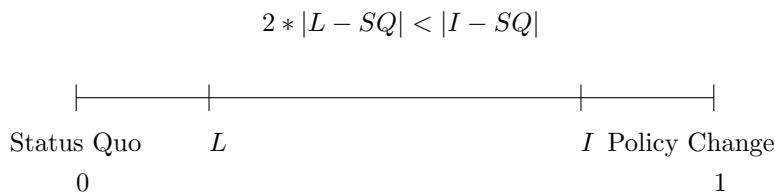
Figure 7.1: A Spatial Model of Cooperation

maximum change on the issue under negotiation. The laggard state has a preference L relatively close to the status quo, while a second state, desiring greater change, takes the position I.[10] In addition, a laggard is defined so that $2 * |L - SQ| < |I - SQ|$. If the laggard can has veto rights, the state preferring greater change can never receive her own ideal point because the laggard would veto it. The outcome I would make the laggard worse off compared with the status quo. Under a regime where vetoes are possible, both actors are able to veto any proposal that makes them worse off compared to the status quo. I assume the state preferring more cooperation is the agenda-setter, and is thus able to make a take-it-or-leave-it proposal to the laggard.[11] When vetoes are possible, the solution of the game will be $2L$.[12] The payoff to the laggard for this game is $-L$, his distance to the outcome of the game. Likewise, the payoff to the state preferring cooperation is $-|I - 2L|$, her distance to the outcome.

7.4.1 The Extensive Form Game

Keeping these policy payoffs in mind, I now explain the extensive form game found in Figure 7.2. There are two possible observable outcomes of this game: the states can land in a veto regime, under which the laggard state is granted veto rights in this and every future round of negotiation, and exit from the organization is extremely costly; or the states can land in an exit-exclusion regime, under which it is possible to leave the organization in the future and a veto is not always guaranteed.[13]

The state preferring greater change, player 1, has the first move.
She can choose to either offer the laggard participation in a veto regime
or an exit-exclusion regime. If player 1 chooses the veto regime route,
player 2, the laggard, can either accept player 1's offer to create a regime
where each player has veto rights, or he can leave the organization (or
decide not to join if the organization has not yet been established). If
he accepts the offer to participate in the organization, exit is extremely
difficult in future rounds of negotiation. The outcome of the game
mirrors the veto game from spatial model above: $2L$. The payoffs are
then $-|I - L| - \delta_1 z_1$ for player 1 and $-L - \delta_2 z_2$ for player 2. δ is
a discount factor representing the importance of the future to each
player and can range between 0 and 1, where 0 implies that the state
does not care about the future at all and 1 means the player weighs
the future just as much as the present. Players' beliefs about future
losses associated with entering into the veto game are captured by z.
These may include policy losses as well as losses incurred by creating a
stable regime from which it is significantly more difficult to leave. If z
is negative, this implies that the player believes he or she is likely to
gain in the future by instituting a veto regime. The player preferring
greater change may expect to benefit if she believes that some time
in the future on some issues she could become a laggard and want to
protect the status quo by retaining veto capabilities. The laggard is
likely to benefit if he expects to continue to have a preference close
to the status quo for the foreseeable future. Player 2 does not have
to enter into this stable regime system. If player 2 does not accept
player 1's offer to participate in a veto regime, he can walk away from
the organization. In this case, both players can implement their own
policy ideal point. However, they each pay a non-policy cost, C_1 and
C_2, associated with the laggard's exit from the talks. As mentioned
earlier, these can be viewed as reputation or audience costs suffered
because they decided not to create or advance the organization.

Player 1 can also choose an exit-exclusion regime by offering her
own ideal point to the laggard.[14] The laggard then has two options:
he can either accept the offer of player 1 or he can demand a veto. If
he accepts player 1's offer, the outcome of the game is the creation
of an organization at player 1's ideal point, I. The payoffs are 0 for
player 1 because she receives her ideal point and $-|I - L|$ for player 2,
the distance between his ideal point and the outcome of the game, I.
If player 2 demands a veto, player 1 can either back down and offer a
veto, or she can stand firm. In either case, player 2 can then decide
whether to accept the proposed arrangement or leave the organization.

When all costs are known, the decision by player 1 to stand firm
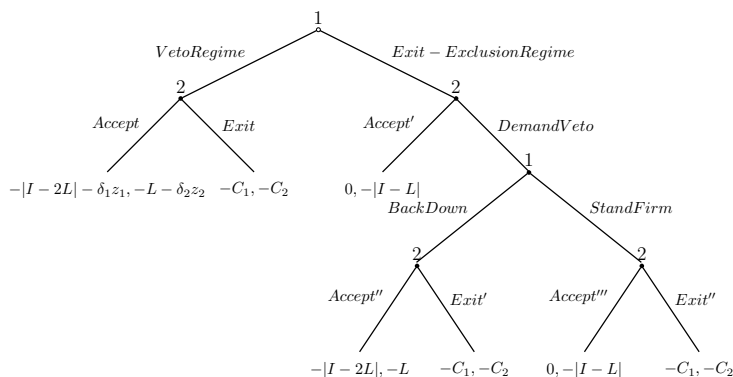
Figure 7.2: The Exit-Veto Game

is akin to a decision to exclude the laggard from the organization. If player 2's costs associated with leaving are sufficiently low, player 1 knows that standing firm means player 2 will walk away. Therefore, this move can be seen as an exclusion threat where player 1 says "accept my ideal point or leave."[15] If player 1 backs down and offers a veto to player 2, and player 2 accepts, the payoffs are the outcome of the veto game, $-|I - 2L|$ for player 1 and $-L$ for player 2. There are no costs associated with the future because the veto is offered for the current round of negotiations only. In other words, if at some future date the need for further negotiation over cooperation arises, player 2 has no guarantee of veto rights in the new negotiations and could potentially leave the organization at that time. If player 1, on the other hand, stands firm and player 2 accepts, the payoffs are 0 for player 1 and $-|I - L|$ for player 2. If player 2 decides to exit the organization, the payoffs are always $-C_1$ and $-C_2$.

7.4.2 Equilibrium Solutions

I solve the game using backward induction and assuming complete information. Both players know each other's ideal points and the non-policy costs associated with the laggard's exit for both states. The game leads to several interesting findings. First, to land in the veto regime player 2, the laggard, must have relatively low costs associated with exit, but they cannot be too low. If exit is costless, player 2 will always exit the organization. Second, player 1 must have relatively

high costs associated with player 2's exit, but not too high. She must prefer to keep the laggard in the organization, but not at all costs. Third, beliefs about the future matter. Player 1 will propose a veto regime if she believes that she might switch roles and become a laggard at some point in the future. Likewise, player 2 will prefer a veto regime if he believes that without the security of the permanent veto, player 1 may be able to extract future concessions from him.[16]

I explore the parameter values that lead to the veto regime in equilibrium. Under what conditions do we expect veto power to matter and exit threats to vanish? First, assume that the laggard prefers to exit the organization if not offered a veto, but would remain in the organization if provided a veto. In addition, assume player 1 has a very high non-policy cost (C_1) associated with the laggard's exit. This means that at the end nodes of the exit-exclusion game, player 2 will exit if player 1 has decided to stand firm (in other words, player 1 has decided to exclude the laggard), but will remain in the organization and accept the veto game outcome if player 1 decides to back down. Player 1 knows this and must decide whether to stand firm or back down. Because player 1 really does not want player 2 to exit (C_1 is very high), player 1 will back down. Player 2 will therefore demand a veto if player 1 chooses to play the exit-exclusion regime. If, on the other hand, player 1 had opted for the veto regime at the first node, player 2 would have to choose again whether to exit the organization or accept participation in a stable veto regime. Assuming that player 2 discounts the future fairly heavily (δ_2 is close to zero) or that playing the veto game would be fairly good for player 2 in the long run (z_2 is small or negative), player 2 will choose to accept player 1's offer to participate in the veto regime if given the chance. This leaves player 1 with a choice: either play the exit-exclusion regime realizing that player 2 will demand and succeed in securing a veto, but only for this one interaction, or opt to give player 2 a permanent veto within the organization. Player 1 will choose to offer player 2 participation in a veto regime with veto rights if she believes that at some point in the future she may become the laggard on some issue and wish to have guaranteed veto power (z_1 is negative). In other words, by opting for the veto regime, player 1 has a hedge against future uncertainty. She never knows when she may need veto power herself.

The players would also land in the veto regime equilibrium if player 2 always prefers to exit when in the exit-exclusion regime, but, if given the opportunity to take part in a permanent veto regime, would accept the offer. This implies that z_2 is negative. This could happen if player 2 believes that without the security of the permanent veto, player 1 may

be able to extract future concessions from him. This could potentially happen if player 2 expects to face high costs associated with exiting the organization in the future, leaving him vulnerable to blackmail by player 1. When this is true, player 2 will always demand a veto in the exit-exclusion regime, and player 1 will be indifferent between standing firm and backing down because both will result in 2's exit. As long as player 1 prefers player 2's participation in the organization over his exit, she will offer him participation in the veto regime, and he will accept.

This leads to one last equilibrium worth exploring. Under what circumstances does the option to leave an organization actually hurt rather than help a laggard? Although much literature treats an exit option as a potential source of power, if the existence of an exit option also means the possibility of exclusion, the laggard's bargaining position may be weakened. Understanding this equilibrium will help us understand the scenario mentioned earlier where player 1 would always exit in the exit-exclusion game, but if offered a veto in a voice regime, would accept participation in the organization. This occurs whenever exit is very costly for the laggard (C_2 is very high). When this is true, player 2 will accept participation in any regime rather than exiting the organization at all end nodes. In the exit-exclusion regime, player 1 will stand firm if player 2 demands a veto, knowing that he will not exit. Player 2, then, will accept player 1's original offer to participate in an exit-exclusion regime where the outcome is player 1's ideal point. Player 1 has no incentive to offer player 2 participation in a voice regime because she can do better if she demands her own ideal point and does not grant player 2 a veto. This would mirror the scenario where a large and powerful state offers a small laggard state participation in a regime under her terms, and says the laggard must accept these terms or walk.

7.5 Summary

This game-theoretic analysis provides insights into when and how veto power comes to matter in intergovernmental bargaining. The model builds on the Hirschman (1970) tradition examining exit and voice in bargaining, and, in doing so, links this work to literature in international relations that examines exit threats, exclusion, and bargaining power within international organizations (Gruber 2000; Schneider and Cederman 1994; Voeten 2001). The model demonstrates that effects of voice and exit options are intertwined and must be

considered together when examining state bargaining power. Having an exit option is not always a source of power for laggard states because if laggards have high costs associated with exiting an organization, states preferring deeper cooperation may exploit this fact. They can extract concessions from the laggards, making them worse off than they would be if the status quo remained intact.

The model highlights when organizations governed by veto bargaining, such as the EU as depicted in the previous chapters, are likely to arise. An interesting implication of the model is that this depends largely on the beliefs of the actors about the future. A stable veto regime is more likely to develop when a state currently preferring integration believes it could potentially become a laggard in the future. The state currently favoring integration is more likely to opt to create a stable regime with veto safeguards if it believes that it might need a guaranteed veto right to protect its future interests. The next chapter examines these dynamics in the history of European integration.

Appendix

Derivation of Equilibria when Player 1 Is Agenda-setter

Equilibrium 1: Outcome — Veto Regime

Strategies:
> Player 1: {VetoRegime, Backdown}
> Player 2: {Accept, DemandVeto, Accept″, Exit″}

Assumptions:
> $|I - L| > C_2 > L + \delta_2 z_2$; $C_2 > L$; $C_1 > |I - 2L|$.

If player 1 chooses to play *ExitRegime*, player 2 will play *Exit″* at the end node if not granted a veto and will play *Accept″* otherwise. Player 1 will play *BackDown* to avoid the cost associated with player 1's exit because $C_1 > |I - 2L|$. Player 2 will then play *DemandVeto* because $L < |I - L|$ according to the definition of a laggard. Player 1 faces a choice between $-|I - 2L| - \delta_1 z_1$ and $-|I - 2L|$. Equilibrium 1 is an equilibrium if $\delta_1 = 0$ or $z_1 \leq 0$.

Equilibria 2 and 3: Outcome — Veto Regime

Strategies:
> Player 1: {VetoRegime, Backdown}
> Player 2: {Accept, DemandVeto, Exit′, Exit″}
> Player 1: {VetoRegime, StandFirm}
> Player 2: {Accept, DemandVeto, Exit′, Exit″}

Assumptions:
$L + \delta_2 z_2 < C_2 < L$; $C_1 > |I - 2L| + \delta_1 z1$.

If player 1 chooses to play *ExitGame*, player 2 will always play exit (*Exit′* or *Exit″*) at the end nodes. Player 1 is indifferent between backing down and standing firm because she receives $-C_1$ in either case. Player 2 will then play *DemandVeto* because $L < |I - L|$ according to the definition of a laggard. Player 1 offers participation in a voice regime to avoid paying her cost associated with player 2's exit as $C_1 > |I - 2L| + \delta_1 z_1$.

Equilibria 4 and 5: Outcome — Position of State Preferring Deeper Cooperation

Strategies:
    Player 1: {ExitRegime, StandFirm}
    Player 2: {Accept, Accept′, Accept″, Accept‴}
    Player 1: {ExitRegime, StandFirm}
    Player 2: {Accept, DemandVeto, Accept″, Accept‴}

Assumptions:
    $C_2 > |I - L|$; $C_2 > L + \delta_2 z_2$.

Because of player 2's very high costs associated with exit, he accepts player 1's offer at all end nodes. If player 1 chooses to play *ExitRegime*, player 2 is indifferent between accepting player 1's proposal and demanding a veto. If player 2 demands a veto, player 1 stands firm knowing player 2 will accept her offer. Player 1 plays *ExitRegime* because she knows that player 2 will accept her position to avoid paying his costs associated with exit.

Derivation of Equilibria when L Is Agenda-setter

Figure 7.3 presents the extensive form game with new payoffs which assume that the laggard is the agenda-setter. In this game, player 2 will always play *Accept″* if player 1 backs down.

Equilibria 1 and 2: Outcome — Veto Regime

Strategies:
    Player 1: {VetoRegime, StandFirm}
    Player 2: {Accept, Accept′, Accept″, Accept‴}
    Player 1: {VetoRegime, StandFirm}
    Player 2: {Accept, DemandVeto, Accept″, Accept‴}

Assumptions:
    $C_2 > |I - L|$; $C_2 > \delta_2 z_2$.

If the costs associated with player 2's exit, C_2, are higher than his ideological loss associated with accepting player 1's ideal point, I, player 2 will accept player 1's proposal at both end nodes in the exit regime. Thus player 1 will play *StandFirm*. Player 2 is indifferent between
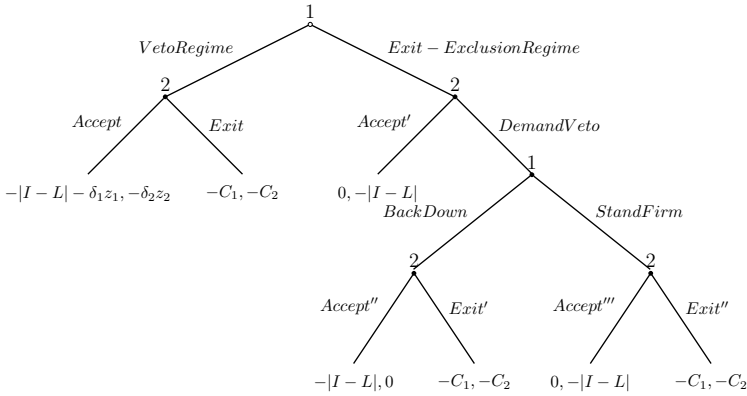
Figure 7.3: The Exit-Veto Game: Laggard Agenda-Setter

playing *Accept'* and *DemandVeto* as both lead to the same payoff. In the veto game, player 2 plays *Accept* if $\delta_2 z_2 < C_2$. Player 1 decides to play the veto game if $-|I - L| - \delta_1 z_1 > 0$. This means that the actors will land in a veto regime only if player 1 believes she will be a laggard in the future, $z_1 < 0$, and the policy loss today is less than player 1's potential gain from having veto power in the future.

Equilibrium 3: Outcome — Veto Regime

Strategies:
    Player 1: {VetoRegime, Backdown}
    Player 2: {Accept, DemandVeto, Accept″, Exit″}

Assumptions:
$C_2 < |I - L|$; $C_1 > |I - L|$; $\delta_2 z_2 < C_2$

Given that the ideological costs associated with accepting player 1's ideal point are higher than the costs of exiting, player 2 will play *Exit″* if player 1 stands firm, but will play *Accept″* if player 1 backs down. Because player 1's costs associated with player 2's exit are higher than her ideological losses from playing the veto game, player 1 will play *BackDown*. Thus, whenever player 1 chooses to play the exit regime, player 2 will always demand a veto. In the veto game, player 2 will accept if the potential future policy loss is less than the costs of exiting today. Thus, player 1 will choose to offer the permanent veto game

option whenever $\delta_1 z_1 < 0$. This implies that for the actors to arrive at a permanent veto regime, player 1 must believe that she will want recourse to a veto in the future.

8

British Accession: Exit Options and Veto Power

The previous chapter presented a formal model to highlight when exit options are likely an important source of bargaining power compared with veto rights. In addition, the game suggested how organizations can move from a regime where states can credibly threaten to exit to a regime where they can threaten to veto. This chapter returns to examples mentioned at the beginning of the previous chapter — the British Labour government's threat to leave the European Community (the precursor to the EU) in 1974 and the debate over the British budget rebate under Thatcher. I use these examples to demonstrate how the formal model presented in the previous chapter leads to new insights on bargaining in the EU.

In light of the game, these British-EC negotiations raise several questions. Why did the Wilson Labour government threaten to exit the EC while Thatcher did not? And why were both exit and veto strategies successful? Why did other member states give in to both Wilson's exit threat and Thatcher's obstructionist behavior, eventually granting the UK a 66% budget rebate at the 1984 European Council meeting in Fountainebleu, when they could have sought other methods, such as a two-speed approach, for dealing with the UK's obstinacy?[1] Why was giving in to the UK's position a more attractive option for the remaining member states than a two-speed approach or even simply kicking the UK out of the Community? How might this have affected EU integration in the long term?

8.1 Labour's Exit Threat

The formal model in chapter 7 suggests that to understand how states in an organization move towards a stable veto regime free from members'

exit threats, we must examine the costs associated with a laggard's exit or exclusion, both to the laggard state leaving the organization and to those remaining in the organization, and member states' beliefs about the future. I begin by examining the case of Labour's exit threat.

For an exit threat to be successful, the game suggests that the costs to the laggard for exiting the union must be very low, while the costs to the other member states for allowing that state to exit must be high. It is impossible to precisely quantify exit costs to know when the precise thresholds outlined in the model have been crossed. Nevertheless, it possible to demonstrate that, in 1974, Labour's costs for exiting the EC were likely low, while costs to the remaining member states for a UK exit were likely high. Examining results from the Eurobarometer Survey No. 1, administered in April and May 1974, public opinion suggests that the UK government did not have much to lose from leaving the EC in terms of voter support, and the government could have possibly even made gains by doing so. Respondents from the UK were least likely among all respondents to consider membership in the common market a "good thing," with only 33% of respondents saying it was, compared with 39% saying membership was a "bad thing." In the original six member states, on the other hand, 67% of respondents considered their state's membership a good thing while only 6% stated that membership was bad. Moreover, 68% of British respondents said they would either be relieved or indifferent if the UK left the EC, compared with only 30% of respondents from the original six member states. Labour Party supporters were particularly skeptical of integration throughout the late 1970s and early 1980s. Figure 8.1 presents the percentage of British Eurobarometer respondents saying that membership in the EC is a good thing, broken down by voters who support the Conservatives and those who support Labour for 1975 through 1984. In all years, Labour supporters were much less likely to view the EC favorably, and no more than 37% ever saw EC membership as a good thing for Britain.

In addition to the public's low opinion of the European Community, the British government still had an attractive option outside the EC, the European Free Trade Association (EFTA), which it had only recently left to become a part of the EC. The Stockholm Convention founding the EFTA took place in 1960, and the organization came into operation in 1965 with Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK as members. Finland joined as an associate member in 1961. The EFTA was conceived as a way to ensure that those states not members of the EC were not left completely on the sidelines of European integration. Empirical studies have confirmed
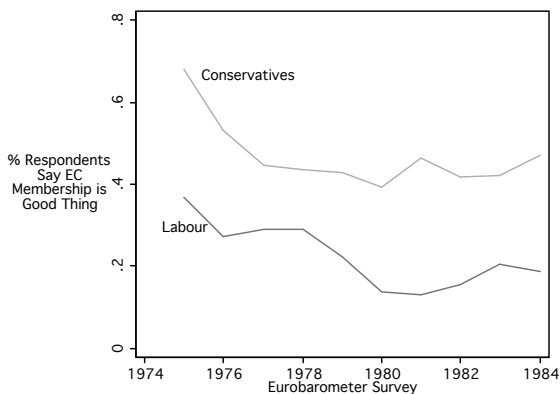
Figure 8.1: UK Public Support for EC Membership, 1975–1984

that the EFTA accomplished its goal. Both the EFTA and the EC increased the levels of trade among member states within the respective organizations (Aitken 1973; Bayoumi and Eichengreen 1995). However, the EFTA did not push integration as far as the EC. It never had as a goal the creation of a superstate; it was strictly intergovernmental, and its scope was limited to economic affairs. Moreover, it allowed member states to continue to set their own tariffs with outside trading partners. This was particularly important to the UK because of its strong ties to the Commonwealth countries. This comparatively limited agreement may have remained more attractive to the new Labour government than the more involved EC.

The existence of the EFTA lowered the UK's costs for exit from the EC, but, at the same time, increased the costs associated with the UK's exit for the remaining member states of the EC. While the EFTA was not conceived as a rival to the EC, Bayoumi and Eichengreen (1995, 15) find that trade between the blocks dropped as member states traded more with the states within their own economic organization. If the UK had walked away from the EC, members of the EC could have expected to lose significant amounts of trade with UK, and they also would have faced a more viable alternative to the EC in the EFTA. A stronger EFTA was an even greater possibility given that Denmark was seriously considering following the UK out of the EC if the UK had decided to leave.[2] Indeed, the other member states, including Germany and France, wished to keep the UK in the EC even

if they found it difficult to agree on how to handle the negotiations with the Labour government. The German foreign minister Hans-Dietrich Genscher went so far as to declare that keeping the UK in was "'almost a matter of life or death' for the community," and the German Chancellor, Helmut Schmidt, addressed the UK Labour Party's conference in November 1974, urging them to remain a part of the EC.[3] In addition, both Germany and France's trade with the UK increased significantly between the mid-1970s and the early 1980s. Trade with the UK amounted to approximately 4% of Germany's total trade in 1974, increasing to approximately 8% by 1984. In France, trade with the UK went from 5% of total trade to 9% over the same time period. To the extent that Britain was becoming a more important trading partner, the Germans and French would have wanted the UK to remain in the EC. Given the UK's relatively low cost associated with exit from the EC, and the potentially high costs faced by other member states for the UK's exit, it is not surprising the UK's exit threat was successful.

The Labour party had laid out seven objectives for renegotiation. Following the negotiations, they claimed they had met all their goals. Their primary bargaining success came in two areas. First, the Labour government had complained that the Community's Common Agriculture Policy had driven up food prices in the UK over the previous two years. During renegotiations, the government demanded and received the right to import more food from Commonwealth countries, in particular dairy products from New Zealand. In addition, the UK demanded a better budget deal. Specifically, the Wilson government got Germany and France to agree to grant a budget discount to any country whose share of EEC wealth was less than its share of the budget. This deal was worth over £100 million per year to the UK.[4] After the terms of the agreement were settled at the Dublin Council meeting in March 1975, *The Economist* declared that "Harold Wilson has got a better EEC deal than could have been imagined a year ago."[5] The Labour government declared their demands had been met and Wilson came out in support of the referendum to stay in the EEC.

8.2 Thatcher's Veto Power

By the time Margaret Thatcher came to power, key changes had occurred which led her to employ a different bargaining tactic than her Labour predecessors: obstructionism. At the time of the 1979 Dublin Council meeting, Thatcher was well aware of the fact that ". . . Britain could disrupt the Community very effectively if it chose," and she was

quite willing to use the tools available to her to get what she wanted (Thatcher 1993, 93). Several key changes occurred that led to this new equilibrium. First, there was modest increase in the UK's costs associated with exiting the EC while the costs to the remaining states associated with the UK leaving remained relatively high. Second, the beliefs of other member states about the future relationship of their preferences to the status quo changed. Member states may have been willing to deal with Thatcher and eventually grant her demands because these states looked into the future and saw that there were major institutional issues on the table over which they might want to have a strong voice. One such issue for Germany was monetary union, while France was wary of negotiations over the Common Agriculture Policy, which were coupled with southern enlargement to Greece, Portugal, and Spain. In 1979, when Margaret Thatcher came to power in the UK, she was at first viewed as more favorable towards Europe than her Labour predecessors. A Conservative government had been in power when the UK first joined the EC, and during the mid-1970s, while Labour was threatening to leave the EC, Thatcher, the new opposition leader, made clear the Tories' support for Europe (Dinan 1999, 88).[6] The public opinion data from Figure 8.1 further demonstrate that Conservative supporters viewed the EC more favorably than their Labour counterparts. Moreover, by the late 1970s the EFTA no longer offered as good an alternative to the EU. Denmark and Ireland had left the EFTA in 1973 along with Britain, and since the mid-1970s the UK's trade with other EEC member states (presented in Figure 8.2) had been growing steadily. By the time Thatcher came to power, trade with the other members of the EEC accounted for approximately 43% of all UK trade up from 33% in 1974.

Nevertheless, Thatcher was clearly not willing to accept Europe at all costs. She was very wary of supranational attempts to limit national authority, and often spoke about a need to closely monitor European institutions to ensure they did not encroach on individual rights or become too bureaucratic (Thatcher 1993, 60–61). Again, her supporters, while more supportive of integration than Labour voters, were still skeptical on average. In terms of the model, she had fairly high costs associated with exiting the EC (certainly higher than Labour's costs had been), but they were not exorbitantly high, one of the conditions for a stable veto regime equilibrium to emerge. The remaining member states also faced high costs associated with a UK exit. Increased trade with the UK meant the potential for greater economic loss associated with a UK exit. In addition, by the early 1980s the UK had been a member state for several years. The exit of

Source: Expanded Trade and GDP Data, Gleditsch (2002)
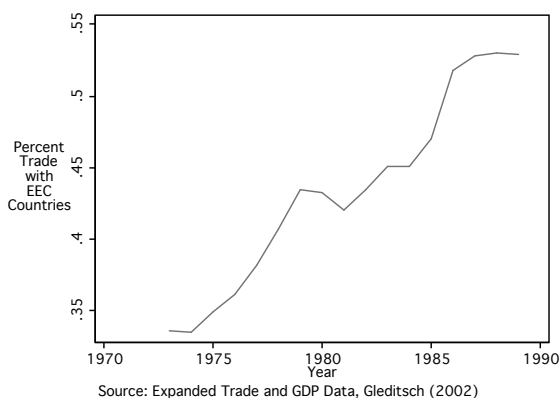
Figure 8.2: Percent British Trade with EC, 1974–1989

a large member state likely would have had less tangible reputation costs for the EC and its remaining member states.

Thatcher viewed the UK's budgetary obligations to the EC as a major injustice left behind in the wake of Labour's 1975 renegotiation of EC entry. Because of a transitional agreement, the size of the UK's budget contribution only became apparent at the end of the 1970s when Thatcher took office (Dinan 1999, 88). Even after the 1975 renegotiation, the UK paid too much to the EC and received too little in Thatcher's mind. Thatcher complained that by 1979, Britain had become one of the "least prosperous members of the Community . . . Yet we were expected shortly to become the largest net contributor" (Thatcher 1993, 63). Thatcher's bargaining tactic was to block the EC's business until the other member states gave in to her wishes. Prior to the Single European Act and qualified majority voting, Thatcher was able to block the legislative process and hold the Council of Ministers hostage. Rather than allow Thatcher to block business, the other member states had another option, as the game suggests. They could have simply opted to exclude the UK from the EC.[7] This is, in essence, what a two-speed approach would have accomplished. France, Germany, and the other member states, however, did not use this option. Instead, they gave in to Thatcher's wishes, granting her a 66% rebate. In terms of the game, they landed in the veto regime equilibrium.

The member states favoring EU integration offered the UK participation in a veto regime, and the UK accepted the negotiated rebate.

For this to be an equilibrium, the states preferring integration would have had to believe that in the future they might have reason to want a veto. At the time there was good reason for both Germany and France to want recourse to a veto over major institutional decisions. First, throughout this period, talk of monetary union was well under way. On this issue, Germany, and specifically the German Bundesbank, wanted to protect Germany's solid fiscal policy against the EC's economic laggards facing higher inflation such as Britain, France, and Italy (Moravcsik 1998). France, on the other hand, wanted to maintain a strong hand to preserve its agricultural subsidies from the Common Agricultural Policy. This was a particularly divisive subject given the upcoming expansion of the EC to Greece, Spain and Portugal, three poor countries with large agricultural sectors that would compete directly with French farmers. Throughout accession negotiations, France was chary of admitting these countries, especially Spain, largely because of agricultural concerns. Mitterrand, upon taking office in 1981, threatened to delay or veto accession.[8] He was particularly concerned about the impact Spanish accession would have on Mediterranean farmers, an important source of left-wing votes.[9] Enlargement could only proceed after foreign ministers had agreed to a five-year deal on structural aid to farmers linked to enlargement (Dinan 1999, 108). In other words, both Germany and France were likely to prefer the status quo over change in upcoming negotiations, and they had good reason to want recourse to a strong voice in the future.

8.3 Summary

This case study of two important moments in the history of EU integration — the attempt by the UK's Labour government under Wilson to withdraw from the European Community, and Margaret Thatcher's successful fight for a budget rebate — demonstrates how the model presented in the previous chapter captures bargaining in the EU. Moreover, it suggests that during one of the EU's darkest hours, the early 1980s when many pundits were discussing the EU's demise, exit from the organization became increasingly unlikely. Instead, all member states could voice their objections by blocking the major institutional changes they opposed. The model counterintuitively suggests that the ability of all states to block institutional change does not signal the demise of an organization, but rather its strength. The veto bargaining dynamic uncovered earlier in this book — so unlike bargaining in other international organizations — was beginning to take hold in the EU.

Interestingly, more recent changes in the European Union suggest that the veto regime may be weakening to some degree. The Amsterdam Treaty, for example, created "flexible integration" in the area of asylum and immigration policy. The Lisbon Treaty provides a mechanism for leaving the EU, although not for excluding member states. Nevertheless, the game presented here suggests that the mere possibility of exit may weaken the position of laggards because other states can present the laggard with the choice of an unpalatable option or walking away from the union. Future work will have to examine how and why veto regimes may weaken over time, in spite of the costs incurred to create them.

Conclusion

On December 1, 2009, the Lisbon Treaty took effect. This event marked the end of a remarkable period beginning in the late 1980s during which the EU reexamined its treaty law every several years. This book has examined the rules by which member states in the European Union collectively make choices about treaty outcomes at these intergovernmental conferences. Member states with preferences for the status quo, regardless of their size, have a great deal of bargaining power at these negotiations. My findings are in direct contrast to the conventional wisdom on EU negotiations which suggests that the EU's largest members, Germany and France, drive EU integration forward. As the 2008 Irish referendum defeat of the Lisbon Treaty demonstrates, large states can only push institutional integration forward with the agreement of the smallest states. In this concluding chapter, I recap the most important findings of the preceding chapters and discuss what these findings mean for the European Union, and how they relate to the study of institutions and institutional choice in federal systems and international organizations more generally.

Recap of Argument and Results

Previous studies of intergovernmental conferences have used the outcomes of these conferences as independent variables to explain EU integration. While this work has been useful to help us understand EU integration, it overlooks important aspects of intergovernmental conferences and their role in designing EU institutions. Moravcsik's work on liberal intergovernmentalism, in particular, has demonstrated how preferences of domestic actors within member states have helped shape the course of EU integration (Moravcsik 1993, 1998). However, liberal intergovernmentalism remains inadequate for explaining how member states design EU institutions. By treating institutions as

credible commitments to lock in substantive bargains struck at inter-governmental conferences, this approach ignores both the fact that there may be numerous institutional arrangements which could create credible commitments, and that these arrangements empower some member states relative to others.

Moreover, empirically the most contentious issues at IGCs are often those dealing with the design of institutions. These institutional issues are usually the issues which remain under intense scrutiny until the bitter end of negotiations. This was the case at Amsterdam, where, as President Chirac noted in his early morning press conference, the primary reason why the summit ran late into the night was because of bargaining over Council voting weights. The same was true at the 2000 Nice negotiations, where a last minute skirmish over Council voting weights nearly killed the entire treaty. Again, similar arguments over voting weights erupted following the constitutional convention. And the loss of a Commissioner was one of the rallying points behind the Irish "no" vote on the Lisbon Treaty in 2008. Despite their importance, bargaining over institutions is often treated as an afterthought in literature on IGC negotiations.

The approach I have presented here focuses on why member states select certain rules over others rather than how the outcome of the treaty affects EU integration. I find that sources of power often associated with intergovernmental models do not explain institutional choice at the string of intergovernmental conferences held since Maastricht. Instead, member state preferences combined with veto power explain treaty outcomes — states preferring the status quo veto proposals which push integration too far. The most important issues of institutional design on the table at the Amsterdam IGC and every IGC since, those regarding the Council voting weights and the number of Commissioners, were difficult to change not because large states did not want to change them, but because the status quo benefited a number of small states and these states were able to threaten to veto the entire treaty project if the rules were altered.

The book has also demonstrated that international bargaining outcomes cannot be studied without paying close attention to the domestic politics and political institutions of the states involved. First, the ability to veto a treaty is very important for winning at negotiations. However, member state negotiating teams may not be the only relevant veto players. Instead, domestic parliaments or even voters may be relevant to the negotiation process if their consent is necessary for the passage of the treaty. Chapter 5 presented some evidence that member states facing parliamentary ratification constraints get what they want

more often at the negotiations. This may be, in fact, evidence of an attempt by member state negotiators to appease these potential domestic veto players. Moreover, member state preferences are likely related to the positions of voters. This is particularly surprising given the literature on the EU's democratic deficit. In fact, IGCs are probably the arena where we least expect to find a correspondence between voter and government preferences. National elections are almost always fought over national issues such as the economy and jobs, and never on the design of EU institutions. Even if voters are relatively well informed about some aspects of the European Union, they are very unlikely to be informed about specific government negotiating stances at relatively obscure intergovernmental conferences. Governments are unlikely to suffer punishment from voters for taking an IGC position which is not in line with the majority of voters.

Nevertheless, government preferences for change at IGCs do mirror the preferences of voters. Although I cannot control for possible endogeneity, I have provided several reasons why it is likely that voters' preferences affect government preferences rather than government preferences that affect voter preferences. For example, if government preferences were affecting voter preferences, we would not expect to see an effect for electoral system. However, I have found that voter preferences match government preferences better in proportional systems than in majoritarian systems. The electoral system should affect how governments react to voters, but not how voters react to governments. These findings also help to alleviate concerns that member state preferences are endogenous to the bargaining environment. If preferences relate to domestic politics it is unlikely that member states are strategically forming preferences based on what they believe other member states want.

Finally, the book has examined when and how veto rights are likely to arise as a source of bargaining power. My formal model in chapter 7 demonstrated how veto and exit rights are intertwined. If a member state can threaten to leave an organization, threats to veto legislation may be less credible. Thus, exit rights may actually weaken a state's bargaining power rather than strengthen it. Following from this formal logic, we can examine how this veto bargaining dynamic has mattered in EU history — where Harold Wilson found exit threats more useful in the mid-1970s, by the late 1970s Margaret Thatcher had switched tactics and threatened to block EU business. This change in tactics was related to a change in costs associated with leaving the EC.

Implications for International Relations

EU IGCs are similar in many ways to other international bargaining environments. For this reason, data from IGCs have often been used to test theories of international bargaining (e.g. Hosli 2000; Hug and König 2002; König and Hug 2000; Milner 1997; Schneider and Cederman 1994). Others, however, argue that the European Union is not a typical international institution (Sbragia 1992, 257), which may make it difficult to generalize findings based upon EU negotiations to other international bargaining environments. My argument suggests both a method for studying other international bargaining environments and a way to assess the degree to which they mirror European IGCs.

As demonstrated by the formal model in chapter 7, veto power matters at IGCs because there is no legitimate exit option for member states. Moreover, it is virtually impossible to kick member states out of the EU once they are members. If this were not true, veto power would matter much less. States preferring integration could ignore the complaints of laggard states because pro-integration members could implement more integrative policies and institutions and kick the laggards out of the organization. Even if laggards were not excluded from the organization, they would face a choice of going along with the proposed institutions or leaving the organization. This is a substantially less powerful position for states preferring the status quo compared with a scenario in which exit option do not exist and veto threats are credible.

The degree to which an exit option exists within an international organization may depend upon the history and degree of institutionalization within that organization. When international agreements are in the negotiation stage, or are very new and lack a long history, an exit option may be very realistic. Additionally, when states have little to gain from an agreement, there will be less to lose by walking away, and successful agreements are less likely to form (Mattli 1999). Once an organization is established and producing gains for its members, leaving it will become significantly more difficult.

This is evident, for example, with the Kyoto Protocol agreement to limit greenhouse gas emissions. The United States preferred the status quo of no limits on emissions, but was unable to veto the new treaty. It was adopted in 2001 despite the failure of the US to ratify it. In spite of the US's size and proximity to the status quo, it was unable to prevent the other potential member states from creating the new institution. Other states at the bargaining table were faced with the option of watering down the negotiations to a point acceptable to

the US, or pursuing a treaty to reduce greenhouse gases without the world's largest producer of such gases on board. They opted for the latter. In this case, because not adopting the Kyoto Protocol was a realistic option for the US, veto power was less important than at EU IGCs.

In other international negotiations where exiting the organization is less palatable or reasonable, the potential to veto change increases. This may explain the difficult negotiations over the rules which govern international organizations such as the World Trade Organization. The rules which govern world trade have reached a much higher level of institutionalization and have a longer history than those governing greenhouse gas emissions. They have undergone several bargaining rounds and revisions, and states are unlikely to leave the WTO once they enter. The Doha round, where the member states of the WTO have been attempting to rewrite the rules of global trade since 2001, has made little progress because proposed changes are subject to unanimity rule. Smaller, poorer countries can block changes even on issues where the world's economic powerhouses, the US and the EU, agree.[1] Here veto power seems to matter quite a bit and has led to a deadlock when rewriting the rules governing world trade.

This suggests several testable hypotheses for future research about when veto power should matter at international negotiations. Veto power should be more important as it becomes more difficult to exit the international organization whose rules are under debate. This is likely related to the length of time an organization has been in existence. It may also be related to the presence of outside options. Where there are other attractive options for cooperation outside of the organization, it may be easier for members to threaten to leave, thereby weakening veto power. Lastly, an organization's requirements for, and scope of, membership may affect the importance of veto power. If an organization is regionally based, rather than global as with Kyoto, it may be difficult to exclude a neighboring country and even more difficult to remove a neighbor once they are a member. While proximity to the status quo and veto power may not be sufficient to get one's way at all international negotiations, the institutional approach can generate testable hypotheses about when veto power is likely to matter.

Implications for the Study of Federalism

My findings have implications for federal bargaining as well as the design of international organizations. In many ways, the EU is like a

federal system, and, in certain areas such as environmental policy, some
have argued that decision-making in the EU is even more centralized
than traditional federal systems such as the US and Canada (e.g.
Kelemen 2004). Because the EU is like a federal system, we can
think of intergovernmental conferences as analogous to constitutional
conventions. While there are significant differences between an IGC
and a constitutional convention, the purpose of both an IGC and a
constitutional convention is to create or change the rules which will
govern a collection of states. In addition, veto power is likely to matter
at federal constitutional negotiations just as it does at IGCs because
it likely is difficult for states to exit the proposed federal union. The
reason states negotiate federal constitutions is because these states are
likely linked by geography, language, or other cultural factors, which
are likely to make it difficult for them to exist as separate entities
outside of a federal constitution.

This suggests that institutional analysis may be useful to understand
constitutional bargaining in federal systems outside of the EU. It can
help explain why, for example, when negotiating the US constitution,
small states, such as New Jersey, were able to win concessions from
large states, like Virginia, Pennsylvania and New York. At the US
constitutional convention in Philadelphia, James Madison, as part of
his Virginia Plan, proposed a bicameral legislature with seat shares
proportional to state population in both chambers. This plan was
supported by delegates from other large states including Gouverneur
Morris and James Wilson of Pennsylvania, and Alexander Hamilton
of New York. Nevertheless, delegates from small, less economically
powerful states, in particular William Patterson of New Jersey and
John Dickinson of Delaware, were loath to give up the status quo of
"one state, one vote" found in the Articles of Confederation. Despite
threats from large state delegates that their states would withdraw
from the Union if their demands for proportional representation were
not met, the small states were able to preserve the status quo of equal
representation in the Senate (Berkin 2002, 102–103). This outcome
can easily be explained using the logic of institutional theory since
the support of a number of small states was required to ratify the
constitution. Intergovernmental theory, on the other hand, would have
predicted a victory for the delegates from the large, economically more
powerful states on this important issue. Indeed, the negotiations appear
very similar to negotiations over Council voting weights at EU IGCs
described in this book.

Finally, my findings are related to other recent literature on the
establishment of federations and the rules that govern them (e.g. Bednar

2007; Rector 2009). The establishment of a federal union in which members have veto rights, or at least institutional rights to influence change, is related to outside options and the costs of joining.

Veto Bargaining and the Future of the EU

Interestingly, the EU has taken steps in recent years which could potentially reduce the importance of veto power by creating the possibility to exclude members and by enhancing exit rights. First, the Amsterdam Treaty introduced Article 7, which allows member states, subject to the consent of the European Parliament, to suspend the Council voting rights of a member state deemed to have violated the values set out in Article 2. These values include "respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities."[2] Even if a state cannot be fully expelled from the EU, under certain circumstances, it can have its membership rights curtailed. This treaty article has never been invoked as it is difficult to know what would actually constitute a breach of these values. Member states came the closest to using this clause in 2000, when governments took coordinated action against the new Austrian government, which included Jörg Haider's extreme-right, xenophobic, FPÖ party. Although member state governments boycotted meetings in Austria, and briefly severed diplomatic ties, no official EU action was ever taken. It is not clear that the simple inclusion of an extreme right party in government constitutes a breach of the values listed in Article 2, without actual legislation or other actions infringing upon minority rights, for example. While it is unlikely to be used, Article 7 nonetheless creates a legal means to essentially revoke the EU membership rights of a state.

Second, the Lisbon Treaty's Article 49A, for the first time, provides member states with a legal means for withdrawing from the EU. The logic put forward in chapter 7 suggests that those members desiring deeper integration may be able to dare laggards to accept their more ambitious terms or leave the EU. This could potentially erode veto power if laggards feel their choice is between leaving the EU and accepting a more pro-EU position, rather than between the status quo and the pro-EU position. They may be forced to accept the pro-EU position even when they would prefer the status quo. This would not be the case if withdrawing from the EU were not a viable option.

A final interesting development has been enshrining the possibility of "enhanced cooperation" within treaty law. First introduced with

the Treaty of Amsterdam, and reinforced with Lisbon, "enhanced cooperation" refers to the legal ability of member states preferring deeper integration to cooperate in some areas over the objection of laggards, who could otherwise veto change. The member states may use the EU institutions to enact new decisions and these decisions are only binding on the member states participating in enhanced cooperation, not the laggards who vetoed policy change previously. In effect, this creates a two-speed Europe, with those preferring deeper cooperation pursuing one policy while laggards pursue the status quo. Again, this potentially alters the decision calculus of laggards. Instead of a situation in which all states pursue integration or all states pursue the status quo, laggards may now be left on the sidelines of integration. They must decide whether to block change and potentially be left behind, or to go along with those desiring deeper integration.

Following the logic laid out earlier in the book, states preferring deeper integration have gone back on the implicit bargain that current laggards are granted veto power and, in return, current pro-integration states will have access to veto power in the future should they require it. Perhaps, as preferences diverge, it becomes increasingly unlikely that there are issues on which those member states currently in favor of integration would prefer the status quo. This book has not investigated how the veto-bargaining dynamic might break down, but it appears that this could become a possibility. My findings do suggest that enhanced cooperation and the legal right to leave the EU could have the unintended effect of making the EU more like a typical international organization and less like a federal system, at least with regard to IGC bargaining dynamics.

Summary

This concluding chapter has put forward some ways in which my findings can be applied to different interstate negotiations and has discussed implications for an ever-changing EU. Future work is required to examine when and why veto power is important in various interstate bargaining settings and how this might change over time. The book has two more immediate aims, though: the first goal has been to demonstrate that it is necessary to know the preferences of all actors involved in negotiations and the rules governing the negotiations in order to understand the bargaining outcome; the second goal has been to offer a method for examining institutional choice at the EU's intergovernmental conferences. Veto power matters at European IGCs,

meaning that small states can potentially have bargaining power equal to or greater than the power of the largest member states. Thus, the outcomes of the EU's recent intergovernmental conferences are best understood using an institutional framework that explicitly accounts for veto rights.

Notes

Chapter 1

1. See Hix (2005) for a summary of the literature on EU institutions and their effects.

2. For an excellent review of this literature see Martin and Simmons (1998).

3. I use the term "neofunctionalism" here in a very broad sense to refer to all work drawing upon the tradition of Ernst Haas's (1958) seminal study. These works are generally viewed as counterarguments to intergovernmentalism, and include supranational, historical institutionalist and multi-level governance theories.

4. Other studies in the intergovernmentalist tradition have examined the legislative decision-making process in the EU, but instead of analyzing the interaction between EU institutions, they focus on the EU Council of Ministers and make predictions based on power indices (Brams and Affuso 1985; Hosli 1993; Widgren 1994). This approach has been subject to trenchant critiques by institutionalists because it overlooks the role and preferences of other important actors such as the Commission and the European Parliament (Garrett and Tsebelis 1996).

5. However, for excellent recent work attempting to tackle this precise problem, see Jupille (2004, 2006).

6. Moravcsik also discusses veto power, but he suggests that it is only one of many sources of power. Other sources include, for example, exclusion threats and side payments. Later chapters, though, will demonstrate that veto power and exclusion threats cannot both operate simultaneously.

7. But see Slapin (2006, 2008).

8. In some states, leaders may choose to hold a referendum instead of a parliamentary vote (France), and in other states, both a referendum and parliamentary vote are required (Ireland and Denmark).

9. But see Aspinwall (2002) for an analysis of government ideology and intergovernmental position taking at the Amsterdam Treaty.

10. There has been a substantial debate in the literature about the power of the European Parliament. Tsebelis has claimed that under the cooperation procedure the European Parliament had conditional agenda-setting power (Tsebelis 1994). When the codecision procedure replaced the cooperation procedure, granting the EP veto power over legislation, Tsebelis claims that the EP actually lost power due to a loss of agenda-setting power (Tsebelis 1997). Others have criticized Tsebelis's original model of the cooperation procedure because, they claim, it underestimates the role of the Commission (Crombez 1996; Moser 1996; Steuenberg 1994). His claim that the move to the codecision procedure reduces EP power has proved controversial (see Moser 1997). An empirical study examining the success of EP amendments finds that, after controlling for the position of the Commission, the EP did have conditional agenda-setting power under cooperation, although the EP is more successful on the whole under codecision (Tsebelis et al. 2001).

Chapter 2

1. European Council at Corfu, June 24–25, 1994. Available at: `http://www.consilium.europa.eu`.

2. The report is available at: `http://www.europarl.europa.eu/enlargement/cu/agreements/reflex2_en.htm`.

3. For a more detailed description of the negotiation process see Laursen (2002), Griller, Droutsas, Falkner, Forgo and Nentwich (2000), and Petite (1998).

4. For a small subset of issues, I am able to determine ordinal preferences.

5. See the EP's "Summary of the Positions of the Member States and European Parliament on the 1996 Intergovernmental Conference" document no. JF/bo/290/97 12 May 1997. The positions listed in this document are based upon analysis of the member state white papers and public statements which have been summarized in the EP's "White Paper on the 1996 Intergovernmental Conference, Vol. II" available at `http://www.europarl.eu.int/igc1996/pos-toc.en.htm`. In an email conversation, José Javier Fernandez-Fernandez, the taskforce secretary and coordinator, has confirmed that these position papers along with other public statements were the primary sources for the taskforce report.

6. The research team was led by Professor Thomas König. I have

reviewed their original coding and I do not alter it here.

7. See Table 2.9 in this chapter's appendix for a list of the issues I link between the datasets.

8. I divide issues in my dataset into categories on the basis of questions in an expert survey conducted by Marks and Steenbergen (1999). I will use these survey questions to calculate the positions of both government and parliamentary pivots whose support was necessary for ratification later in the book.

9. The Irish, perhaps the biggest beneficiary from cohesion policy, desired the most ambitious treaty in this area.

10. Missing preferences are assumed to be preferences for the status quo when calculating support.

11. See Mark Brennock, "Irish Citizens Have Little Knowledge of IGC Talks," *The Irish Times*, December 14, 1996, pg. 8.

12. See Murray Ritchie, "Patience Wears Thin," *Glasgow Herald*, December 12, 1996, pg. 15.

13. Examples include a proposal to systematically forward Commission white papers to national parliaments, a proposal to allow for the possibility of stricter national environmental rules than those at the EU level, and proposals that strengthen the principle of subsidiarity.

14. Other work uses a weighted average when making a point prediction about the positions of parties in government (see Franzese 2002). Because Tsebelis (2002) argues that any point in the government's Pareto set is a possible outcome of intragovernmental bargaining, and because he considers all members of government veto players, there is no reason to believe that a weighted average of party positions is a better point estimate of the government position than a simple average. In the following analysis, it makes little substantive difference if I use a weighted average or simple average. The weighted and simple average variables are very highly correlated ($r = 0.98$).

15. In bicameral legislatures where the agreement of both houses is necessary for ratification, I compare the positions of the pivots in the upper and lower houses and use the position of the least integrationist pivot.

16. This may seem odd because one might expect that the reason the type of electoral system matters is because of the disproportionality it produces. This does not seem to be the case. Some governments in countries with rather disproportional PR systems such as Spain, Greece and Portugal seem to represent their voters quite well.

Chapter 3

1. These preferences refer to issue 117 in the data. A brief description of the issue can be found in the appendix to chapter 2.

2. However, for a recent, theoretically informed attempt to scale preferences over IGC outcomes, see Finke (2009*b*).

Chapter 4

1. In this model, I construct the *Number SQ* variable by counting all missing preferences as preferences for the status quo. In the intergovernmental model, however, a missing preference indicates low salience, which, in this operationalization, is equivalent to indifference between the status quo and the alternative.

2. I have also included this variable in Model 5 and it produces identical results.

3. On a third issue, the extension of qualified majority voting in the Council, most member states preferred a compromise position where certain criteria for extending qualified majority voting would be established rather than extending qualified majority voting to many issues at once. This compromise solution was also the outcome of negotiations and is coded as 0.25.

4. One could make the case to exclude these issues from the analysis entirely because, unlike almost every other issue in the dataset, these are not clear cut items which either can be included or excluded from a final written treaty. In fact, discussion of the EMU, rather than being included or excluded from the treaty, is an issue of inclusion or exclusion from the negotiations. Likewise, there would not be one single issue which the negotiators could include in the treaty to simplify the structure of the treaty.

Chapter 5

1. To generate this figure, I must hold the other independent variables at a set value. I weigh each member state's preference by the size of its coalition. Values on the Commission and the EP are set to zero, since these institutions have no formal voting rights at the IGC. When the coalition is smaller, the preference of each member state is weighted less. When the coalition is larger, the preferences are weighted more. This means that for any given size of support coalition, I care only whether a key actor, Denmark for example, is in the coalition. I am not concerned about the coalition's remaining composition. The coalition partners of this key actor are assumed to be the average of all the

remaining member states.

Chapter 6

1. See Quentin Peel, "German CDU Unveils EC Reform Plans," *The Irish Times*, August 26, 1993, pg. 9. Lamers later repeated similar appeals in Lamers (1995).

2. Steve Crawshaw, "European Union: German Reformer Plans to Protect Power of Big Four," *The Independent*, November 1, 1993, pg. 8.

3. Report from the ad hoc Committee on Institutional Affairs to the European Council (Brussels, March 29–30, 1985), available at `www.ena.lu`.

4. See Colm Boland, "Small States Fears on Voting Eased: Decisions on Changes in the Rights of Small States Have Been Postponed," *The Irish Times*, December 11, 1993, pg. 8.

5. The Nice Treaty instituted a triple majority which requires the support of a majority of member states comprising at least 62% of the total EU population as well as 75% of the weighted votes in the Council, which were also altered at Nice.

6. See Michael White, "Hurd Wants EC to Safeguard Veto," *The Guardian*, October 28, 1993, pg. 8, and Colm Boland, "Small Members' Rights May Be Curtailed in Enlarged Union," *The Irish Times*, December 13, 1993, pg. 6.

7. Ioannina Declaration, PRES/94/57, 03/30/1994, available at: `http://europa.eu.int/rapid/`. The voting weights expressed in this document reflect what the weights would have been had Norway also decided to join the EU. Because Norway failed to join, the Council agreed to find a satisfactory solution which could be adopted by at least 65 votes if a minority with 23 to 25 indicated that they would not support the legislation.

8. EP Taskforce on the Intergovernmental Conference, JF/bo/290/97, May 12, 1997, pg. 18.

9. Press Conference of President Jacques Chirac on the issue of the European Council, Florence, June 22, 1996.

10. White paper on the 1996 IGC, Vol II. Available at `http://www.europarl.eu.int/igc1996/pos-toc_en.htm`.

11. "European Council: Mini-Breakthrough on Institutional Reform at Noordwijk Summit," European Information Service, European Report, May 28, 1997.

12. In fact, the re-weighting scheme finally agreed upon in the Treaty of Nice looks very similar to the French plan outlined here. It

took several more years and the specter of imminent enlargement to force the small member states to agree to change the status quo.

13. Germany's position with respect to the 1996 IGC. Notes on the Positions of Member States of the European Union with Respect to the 1996 IGC, European Union Parliament, Luxembourg, December 8, 1995, `http://www.europarl.europa.eu/igc1996/pos-de_en.htm`.

14. Discussion paper on strengthening the European Union's ability to act in the field of the CFSP of June 13, 1995, `http://www.europarl.europa.eu/igc1996/pos-de_en.htm`.

15. `http://www.europarl.europa.eu/igc1996/pos-en\_en.htm`.

16. Letter from the Italian Delegation to Juergen Trumpf, April 7, 1997, CONF 3863/97.

17. `http://www.europarl.europa.eu/igc1996/pos-be\_en.htm`.

18. `http://www.europarl.europa.eu/igc1996/pos-be_en.htm`.

19. "European Council: Mini-Breakthrough on Institutional Reform at Noordwijk Summit," European Information Service, European Report, May 28, 1997.

20. `http://www.europarl.europa.eu/igc1996/pos-da\_en.htm`.

21. `http://www.europarl.europa.eu/igc1996/pos-el\_en.htm`.

22. `http://www.europarl.europa.eu/igc1996/pos-el\_en.htm`.

23. `http://www.europarl.europa.eu/igc1996/pos-ir\_en.htm`.

24. "Note on the Positions of Member States with Respect to the 1996 IGC," JF/bo/152/95 July 31, 1995, pg. 68.

25. "Portugal and the Intergovernmental Conference for the Revision of the Treaty on European Union," CONF 3846/96, Lisbon, March 1996.

26. Basic Positions of Austria for the Intergovernmental Conference, CONF 3857/96, June 4, 1996.

27. Benelux Memorandum on the Intergovernmental Conference, CONF 3844/96, Brussels, May 5, 1996.

28. Italian Delegation Proposal for the Reform of the EUs Institutions, CONF 3863/97, April 7, 1997.

29. `http://www.europarl.europa.eu/igc1996/pos-en_en.htm`.

30. `http://www.europarl.europa.eu/igc1996/pos-toc_en.htm`.

31. Italian Presidency Report, June 17, 1996, CONF 3860/1/96.

32. "Noordwijk Clears the Path to Summit Agreement," Financial Times, May 26, 1997, pg. 2.

33. Press Conference of Jacques Chirac and Lionel Jospin (Amsterdam, June 18, 1997), `www.enu.lu`.

34. "From Confederacy to Federation: Thoughts on the Finality of European Integration," Joschka Fischer, Speech at Humbolt University, Berlin, May 12, 2000.

35. Presidency Conclusions, European Council Meeting in Laeken, December 14–15, 2001, SN300/1/01.

36. For a possible explanation of why this was not contested see Yataganas (2001, 262).

37. For a further discussion of the effects of linear extrapolation in the enlarged EU see "Presidency Note, IGC 2000: Weighting of Votes in the Council," Brussels, March 24, 2000, CONF, 4728/00.

38. The document is formally known as the Treaty Establishing a Constitution for Europe.

39. See "Poland Evokes War Dead as EU Talks Get Tough," *The Guardian*, June 22, 2007, pg. 4.

Chapter 7

1. Labour Manifesto, February 1974, available at `http://www.psr.keele.ac.uk/area/uk/man/lab74feb.htm`.

2. See "How to Be Thoroughly Obnoxious," *The Economist*, November 10, 1979, pg. 60.

3. See "Britain's Veto Fades Away," *The Financial Times*, July 2, 1984, pg. 17.

4. For recent work drawing on this framework, see Bednar (2007); Dowding and John (2008); Gehlbach (2006); Slapin (2009).

5. Note that this is a definition for stable federalism, and not federalism more generally. For a more general definition see Riker (1964). This definition of stable federalism does closely match reality. The ability for states to block major institutional change and the inability to exit the union are features of stable federal states. In both the US and Germany, for example, states and *Länder* are constitutionally guaranteed a great deal of power when negotiating constitutional change but neither the American Constitution nor the German Basic Law provides a constitutional method for leaving the federal union. However, German law does provide for the dissolution of the entire state.

6. Krasner (1991) argues, for example, that while there are many possible Pareto improving equilibria when designing international regimes, the most powerful states are able to select from these the equilibrium which suits them best.

7. See also Schimmelfennig (2001) for ways this argument can be applied to member states' acceptance of EU enlargement.

8. The only partial exception is Greenland, which left the European Union when it gained home rule from Denmark in 1979.

9. These states became members of the EU but were not allowed to

implement Schengen at the time they joined. All of the newest member states, with the exception of Bulgaria and Romania, are now members of Schengen.

10. Even the laggard, however, prefers some change, $L > SQ$. It is also possible to solve the game if the laggard prefers a policy on the opposite side of the status quo from I. However, as the laggard moves away in the opposite direction from the status quo and I, the costs associated with joining any type of organization that would lead to policy loss increase, so exit is the most likely outcome.

11. I also solve the game with the laggard as the agenda-setter and the basic findings remain unchanged. These results can be found in the chapter's appendix.

12. The solution $2 * |L - SQ|$ simplifies to $2L$ because the status quo is located at zero and L and I are both located to the right of the status quo.

13. These descriptions of outcomes do not correspond to end nodes of the game tree, but rather broader categories within which the particular end nodes fit.

14. Note that player 1's power here comes from two sources: a first-mover advantage — her ability to decide between playing the voice regime and exit-exclusion regime — and her agenda-setting power. The first-mover advantage allows her to choose whether to make a proposal within the winset of the status quo, while her agenda-setting power allows her to make the proposal within the winset closest to her ideal point if the veto game is played. Even if player 2 holds agenda-setting power instead of player 1, player 1 retains the first-mover advantage. In the real world, the more "powerful" state may not be the state preferring deeper cooperation; however, for the model to work, player 1 does not need both sources of power, only the first-mover advantage. It is realistic to think that the state preferring further cooperation would be the one to take the initiative to create a veto regime.

15. This move can be seen as an attempt by player 1 to exclude player 2, even though player 2 is given the final choice to stay in the regime by accepting a substantial policy loss or to exit. Presumably, even after making an exclusion threat, player 1 would still agree to take player 2 back into the organization if player 2 agrees to implement player 1's ideal point.

16. For a more formal derivation of the equilibria explored here, see this chapter's appendix.

Chapter 8

1. See "Mitterrand Urges Western Europe to Strengthen Political Integration; Britain Is Warned against Failing to Cooperate with Community," *The Washington Post*, May 24, 1984, pg. A25.

2. See "Poised to Pull Out," *The Economist*, March 8, 1975, pg. 44.

3. "The Eight Want Britain to Stay in, but Not Too Fervently," *The Economist*, February 8, 1975, pg. 55.

4. Currency figure given in 1975 pounds.

5. "The Dublin Terms," *The Economist*, March 15, 1975, pg. 12.

6. See also "A Gin for Europe," *The Economist*, April 19, 1975, pg. 40.

7. To be consistent with the game, they would have given the UK the option of accepting their policy or leaving the EC.

8. "France May Block Entry by Portugal and Spain to EEC," *Financial Times*, June 24, 1982, section 1, pg. 1.

9. "Mitterrand Reveals His Gaullist Streak," *Financial Times*, June 30, 1982, section 1, pg. 3.

Conclusion

1. "Cancun's Charming Outcome," *The Economist*, September 20, 2003.

2. Consolidated Version of the Treaty on European Union, Art. 2.

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