

Cover Page



Universiteit Leiden



The handle <http://hdl.handle.net/1887/31618> holds various files of this Leiden University dissertation.

Author: Pan, Wen

Title: Crises and opportunities : strengthened European Union economic governance after the 2008 financial crisis

Issue Date: 2015-01-28

3 Chapter Three: Intergovernmentalism

As soon as the stagnant political scenario appeared, neo-functionalism, the first and most thorough theory to explain the European integration project, was challenged, doubted and even abandoned by scholars. Neo-functionalism's failure to capture the EC's reality in the 1960s and 1970s lead to the emergence of another new integration theory focused on the European integration project: intergovernmentalism. The origin of intergovernmentalism was destined that it is different from as well as competing to the neo-functionalism's emphasis on supranationalism; as a matter of fact, it stands at the opposite end of neo-functionalism — intergovernmentalism is a theory of state-centrism — so much that the two theories have formulated the so-called classical dichotomous approaches to understand and explain European integration (Cini 2010; Rosamond 2010). Throughout the 1990s, theoretical disagreements on the EU have always been disputes between intergovernmentalists and supranationalists (Stone Sweet and Brunell 1998, 63).⁷⁵ So it is also useful to take neo-functionalism as a lens to understand intergovernmentalist propositions, and vice versa. The two theories' contrasting assumptions emanate from their different starting points: neo-functionalism views the EU as a process which has its own dynamics, while intergovernmentalism tends to look into the isolated historical events especially the grand negotiations among member states of the EU (Niemann 2006, 15).

Intergovernmentalist studies on the European integration project were initiated by Stanley Hoffmann, typically represented by his journal article “Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe” in 1966 (e.g. Cini 2010, 90-93; Lelieveldt and Princen 2011, 37-38). Encountering various criticisms, intergovernmentalism underwent modifications and revisions from the 1970s onwards, developing into several variants which may not always have been named “intergovernmentalism” but shared the basic premises of “state-centrism” (Cini 2010):

⁷⁵ Stone Sweet and Brunell claim that previous intergovernmentalists and supranationalists have forged different imaginations to the EU: intergovernmentalists' imagery is drawn from the international regime literature, such as Garrett 1992, Keohane and Hoffmann 1991, Moravcsik 1991, 1993, Taylor 1983, while supranationalists' imagery is often federalist, inspired by writers such as Burley and Mattli 1993, Leibfried and Pierson 1995, Sandholtz 1993b, 1996, Sbragia 1993b, Stone Sweet and Sandholtz 1997 (see Stone Sweet and Brunell 1998, 63).

nation states' autonomy has not been challenged by European integration (e.g. Mann, 1993; Milward 1992; Streeck, 1996). The main assumptions of state-centrists, according to Marks et al. (1996, 342), can be summarized as follows: (1) national sovereignty is untouched or even strengthened through participation in the EU; (2) the EU is driven by intergovernmental bargains among its member states; (3) the negotiated results represent the lowest common denominator of the wishes and preference of member states; (4) the function of supranational actors is to streamline and assist national negotiations; (5) policy outcomes reflect national executives' interests and relative power; (6) supranational actors have little independence. However, those state-centric propositions have been proven to be problematic when they came to explain the EU in the 21st century, and some of them were rejected and abandoned by intergovernmentalist descendants, especially by the revised liberal intergovernmentalism (LI).

Having been indebted to Hoffmann's work and along with the Community's development, intergovernmentalist variants in later days, according to Cini (2010), can be categorized into four groups: the first group emphasizes a confederal characteristic of the EU; the second highlights the importance of domestic politics; the third one, in light of institutionalist research, argues for how national states, still being the central actors, have been "locked into" the European integration process; and finally, Moravcsik's liberal intergovernmentalist (LI) theory of European integration, standing out as an influential theory, constitutes the fourth group of the variation of classical intergovernmentalism. It is worth pointing out that Hoffmann's initiation and the four categories of intergovernmentalist variants are characterized by the consecutive historical periods of European regional integration, mirroring the pace and the general trend of the EU process in different times. Accompanying the Community's development, intergovernmentalism, like neo-functionalism as an integration theory, underwent modifications and revisions, and its later descendant and representative — LI theory — actually denies some of the previous intergovernmentalist state-centrist assumptions. Before delving into the thoughts of Hoffmann and the literature of the four camps of intergovernmentalism, this chapter first presents an elaboration of the core concepts of intergovernmentalism and its intellectual sources.

3.1 Three Core Concepts of Intergovernmentalism

Intergovernmentalism, as the words “inter” and “government” suggest, is a theory that highlights the role of nation states and governments. In accounting for the European integration process, it is state-centric, privileging the role of each national member state in promoting the development of the EU, arguing that it is the interests and actions of nation states that drive European integration (Cini 2010, 87; Hix 1999, 15). It views integration as a zero-sum game where the winner takes all as “on a vital issue, losses are not compensated by gains on other (and especially not on other less vital) issues: nobody wants to be fooled” (Hoffmann 1966, 882); consequently, European integration, in this perspective, is limited to certain policy areas while leaving fundamental issues of national sovereignty untouched (Cini 2010, 87). The core ideas of intergovernmentalism can be summarized as “cooperation”, “sovereignty” and “delegation” (Cini 2010, 88-90).

First of all, intergovernmentalists prefer to talk about European “cooperation”, rather than European “integration”. There are always benefits and costs for member states to be involved in the EU project, so naturally nation states’ participation in the EU, in terms of depth and width, is based on their pragmatic calculation of gains and losses; cooperation has nothing to do with ideology or idealism, but purely with national governments’ rational choices to seek solutions to common problems that they are all facing in modern times (Cini 2010, 89) — such views actually have been revised by Moravcsik and Schimmelfennig (2009) when they specified the scope conditions for the application of LI: geo-politics or ideology could play prominent roles in national preference formation for non-economic issue areas. So despite the EU’s highly institutionalized form, intergovernmentalists tend to see nothing special about it, and member states’ involvement in the EU is just one example in the general trend of international cooperation. Normally, intergovernmentalists do not consider what has happened to the EU as a process, because all cooperation occurs in fits and starts based on the pragmatic calculation and realistic consideration of problem solution. As a result, intergovernmentalism has not provided an ultimate goal for the EU: being a kind of European political community, a federal state or any other regime form (Cini 2010, 89). Not surprisingly, the idea of cooperation, rather than integration, leads some intergovernmentalists to predict the decease of the EU at the end of the Cold War as the context of the bi-polar competition after 1945 dissolved (Cini 2010,

89).⁷⁶ In the perspective of intergovernmentalism, cooperation among European nation states will not lead to a supranational state, but rather “an international order, controlled by intergovernmental relations between sovereign nation states, that serves as a domestic order for a transnational economy” (Streeck 1996, 64).

Second, the concept of the sovereignty of nation states lies at the heart of intergovernmentalism. Sovereignty might be defined as “the right to hold and exercise authority” (McCormick 2005, 10) or “the legal capacity of national decision makers to take decisions without being subject to external restraints” (Nugent 2010, 428); quite often, the notion of sovereignty is taken as a synonym for “independence” (Cini 2010, 89). Traditional intergovernmentalists contend that when member states participate in the EU, they do not cede their sovereignties, because nation states cooperate with each other in situations and conditions they can control, and it is the existence of such control that “allows all the participating states to decide the extent and nature of this cooperation”, leaving national sovereignty not directly undermined (Nugent 2010, 428). Besides, the EC’s unique institutional structure “is acceptable to national governments only insofar as it strengthens, rather than weakens, their control over domestic affairs, permitting them to attain goals otherwise unachievable” (Moravcsik 1993a, 507). In the EU arena, nation states are still by far the most important actors, and the history of the EU is a pooling or sharing of sovereignty, as opposed to the neo-functionalism argument of transferring sovereignty from the national to the supranational level (Keohane and Hoffmann 1990, 277) — Moravcsik’s LI, as a later representative variant of traditional intergovernmentalism, however, has accepted the usage of “transferring sovereignty to international institutions” (Moravcsik and Schimmelfennig 2009, 72; see also e.g. Moravcsik 1998, 9; 492). What matters most to the analysis of the dynamics of the Community, despite the revival of supranationality after the SEA and the loss of national sovereignty to the Community institutions, are the bargains among the major players (Keohane and Hoffmann 1990, 295); still, “states will make further surrenders of sovereignty if, but only if, they have to in the attempt to survive” (Milward 1992,

⁷⁶ This shows the affinity between neo-realism and intergovernmentalism. From a neo-realist viewpoint, state security depends ultimately on the policies of others rather than on their own, so cooperation among Western European states thus has relied significantly on the US-Soviet bipolarity, which is regarded as a necessary condition for European integration. As the bipolar competition came to an end at the beginning of the 1990s, neo-realism also predicted that cooperation would become less attractive as the international system was moving back towards multipolarity, and the future of Europe is, therefore, heading towards instability (Grieco 1995, 28).

446). As for the role of elites, intergovernmentalists regard the governmental elites as the key actors and “the motivation for integration is the preservation of executive capacity at the national level, not its erosion” (Rosamond 2000, 139). Thus sovereignty still rests with EU member states.

The above two conceptions of “cooperation” and “sovereignty” lead to the third core assumption of intergovernmentalism: as EU institutions are set up to facilitate intergovernmental cooperation, there is a “delegation” of sovereignty rather than the transfer of sovereignty. Intergovernmentalists admit there is a transfer of certain functions from the state executives and even from the national parliaments to the supranational level only for the sake of increasing the efficiency and credibility of cooperation. EU institutions, especially the Commission, do not assume independence or autonomy in EU policy-making — they are just little more than the servants of the member states and even when the facts suggest that the supranational institutions have played a more important role in sensitive policy areas, their functions are severely curtailed (Cini 2010, 90). This is what Pierson would term “the instrumentality of institutions” (Pierson 1998, 32-33). However, neo-functional research has tabled evidence for the pro-integrative role of EU institutions, the Commission and the ECJ in particular (see chapter two of this dissertation), and as a matter of fact, Moravcsik (e.g. 1998), a successor of traditional intergovernmentalism, has acknowledged the autonomy of EU institutions.⁷⁷ As for institutional structures and their functional extension, intergovernmentalism contends that participating member states will carefully weigh long-term costs and benefits — the benefits are calculated as the transaction-cost-reductions brought by EC institutions, while the costs refer to “any risk of lost autonomy” (Pierson 1998, 33), and EC supranational institutions are agents rather than autonomous actors (Pierson 1998, 37). So from an intergovernmentalist point of view, only the Council of Ministers and the European Council really matter as they represent national governments and thus are the real power center for the European integration project (Scharpf 1988, 243). Moreover, when “intergovernmentalism” is taken as an integration model to prescribe rather than as an integration theory to explain the EU, it tends to advocate reducing the role of supranational institutions while promoting a greater role for the Council and the European Council, even to the degree to suggest “a reinstatement of unanimous voting

⁷⁷ For the detailed explanation, see section 3.7.2.

in the Council and the repatriation of European policies to the national level" (Cini 2010, 88). Naturally, when explaining the direction and the pace of EU integration, intergovernmentalism makes its inferences mainly from the decisions and actions taken by the governments of EU member states (Nugent 2010, 433). This gives rise to what Pierson calls "the centrality of intergovernmental bargains", which depicts intergovernmentalists' overwhelming focus on explaining the "grand bargains" that established the Community's basic features of institutional design, such as the Rome Treaty, the SEA (e.g. Moravcsik 1991; Garrett 1992) and the Maastricht Treaty (e.g. Garrett 1993; Lange 1993; Martin 1993) while paying almost no attention to EC political developments during the periods between these bargains (e.g. Pierson 1998, 33). Additionally, despite the fact that the competence and influence of the EP have grown substantially since the 1980s (even obtaining co-decision legislative power with the Council), member states are still in a privileged position within the EU, for it is the member states who can change the general institutional framework of the EU via treaty reform and even potentially withdraw from the EU (Cini 2010, 5).

To summarize, traditional intergovernmentalism is state-centric, privileging national governments' foundational and decisive role in European regional cooperation; nevertheless, corresponding to the EU's growth, the traditional core concepts of intergovernmentalism got modified and certain propositions have been abandoned. Still, from the intergovernmentalist perspective, the contemporary European integration project, evolving from the ECSC in the 1950s until today, is "the result of deliberate state choice" (Moravcsik and Schimmelfennig 2009, 86).

3.2 Theoretical Roots of Intergovernmentalism: Realism, Neo-Realism, Liberalism and Neo-Liberalism

3.2.1 Realism and Neo-Realism

Intergovernmentalism derives from classical theories of IR, notably from realist or neo-realist analyses of interstate bargaining (Cini 2010, 87). Traditional realism argues that the whole world is anarchic — there is no global authority being capable of keeping the world order — and nation states are self-interested, rational, unitary actors who "define their interests based on an evaluation of their position in the system of states" (Cini 2010, 88; see also Rosamond 2000, 131). In light of realism, the primary interest of a state is to survive and "states are motivated by the relentless search for power in their mutual relations in order to protect their security" (Taylor 1993, 4). This

implies zero-sum games in the sense that “the quest for security by any state by necessity leaves all other states less secure” (Rosamond 2000, 132). The key words to understand realism, therefore, are anarchism, nation states’ interests, power and security. From the vantage point of realism, nation states “are the key actors in international affairs and the key political relations between states are channeled primarily via national governments”; in contrast to neo-functionalism, realism holds that supranational and non-governmental actors have only limited importance and influence (Nugent 2010, 432-433).

Developing from realism, neo-realism not only argues for the anarchic nature of the world order, but also sees a potential to realize a world order on the basis of international cooperation. In *Theory of International Politics* (1979), a representative book of neo-realist IR, Waltz introduces structural factors to explain international relations, instead of referring to human nature or the inherent properties of states (Rosamond 2000, 132). After pointing out the deficiencies of reductionist theories (i.e. to know the whole through the study of individual parts), Waltz offers a systematic approach to international politics (1979, 38-59), which consists of two dimensions. First, a system is composed of interacting units; second, the system has a structure and it is the system-level components that enable the interacting units to form into a distinct set rather than a mere collection, from which two different types of changes are distinguished: changes of structure and changes taking place within the structure (Waltz 1979, 40). In light of Waltz’s systematic approach, neo-realism is “a theory of how the structural properties of anarchy provide a particular set of limitations upon possibilities for action in international politics” (Rosamond 2000, 132; see also Stone 1994, 449). Such an emphasis on the systematic level, however, does not diffuse neo-realism’s state-centrism, as neo-realists view the EU as “a mechanism for interstate cooperation that fulfilled the survival imperatives of a group of West European states [...] driven by the preferences of the most powerful states” (Rosamond 2000, 133). The first concern of states is their security and independence, and having been “sensitive to costs”, states tend to choose instrumental policy options that can guard and promote their security and independence (Grieco 1995, 27). In short, the hard core of neo-realism is made up of three assumptions: (1) nation states are the key actors in world politics; (2) they are conceived as unitary entities with instrumental rationality; (3) their preferences and choices are largely shaped by inter-state anarchy. In addition, neo-realism also holds that interstate negotiations are zero-sum games, which take

place in the arena of a regime with the outcomes shaped by, as well as reflecting, the distribution of state power within that regime. Due to the different external and internal environment for each state, the convergence of national interests and policy preferences is rare, so any attempt to build “a community *beyond the state*” is difficult (Cini 2010, 88, her emphasis). There are two assumptions inferred from neo-realism: the first one is that “states find it hard (but not impossible) to work together because of fears about cheating, dependency, and relative gains”, and the second one is that “international institutions are unable to dampen these state fears substantially, and therefore states do not ascribe much importance to them” (Grieco 1995, 27).⁷⁸ So the purpose to establish international institutions, such as the EU, is to “reduce the level of anarchy within the states system [sic]” (Cini 2010, 88) and institutional establishments are just “the by-product of a particular distribution of world power in the post-World War II era” (Grieco 1995, 27).

⁷⁸ Neo-realism as a theory is also in the process of revision and development (see Rosamond 2000, 133-135). Grieco (1995) applies neo-realism to analyze the Maastricht Treaty and EMU, from which he identifies four serious problems of the neo-realist approach to IR: (1) neo-realist assumptions of the instrumental rationality of states’ behavior and the limited importance of international institutions to states are put in doubt; (2) anarchy is not the major structural feature of Western Europe, and it is also not the key factor that shapes national preferences; (3) neither have member states decreased their support to the EC nor have they sought to rectify the ever growing asymmetric power and influence of Germany, as neo-realism posits that the purpose of cooperation is to balance against a more powerful third party; (4) other competing theories have generated more empirically plausible premises than neo-realism has done. Confronted with those theoretical challenges, Grieco put forward a revised neo-realist argument — the “voice opportunities” hypothesis: *“If states share a common interest and undertake negotiations on rules constituting a collaborative arrangement, then the weaker but still influential partners will seek to ensure that the rules so constructed will provide sufficient opportunities for them to voice their concerns and interests and thereby prevent or at least ameliorate their domination by stronger partners”* (Grieco 1995, 34). Thus EC institutional structures can be explained as a way for weaker states to secure mutual gains and to avoid becoming a vassal of the stronger partners (Grieco 1995, 34); the so-called “institutional rule trajectory” of EMU sketched by the Maastricht Treaty could induce and ensure a greater symmetry in voice opportunities for all member states in economic and monetary affairs (Grieco 1995, 36). The reason for the collective national decision to move from the EMS towards EMU is because the EMS has “become emphatically dominated by Germany”, and the creation of EMU provided member states opportunities to address previous asymmetries; meanwhile, the ideas of adopting competing currencies or a “hard ECU” (European Currency Unit) proposed by the UK got little support, because both proposals would continue Germany’s domination and control over European monetary policy (Grieco 1995, 37). Then why did Germany accept the would-be constraints on its power within EMU? Apart from the explanation from German domestic institutions, there are another two main reasons: first, EMU was shaped mainly by German propositions, such as setting price stability as the ECB’s primary goal, and Germany could also defend its interests via EMU institutional procedures; second, Germany needed a more effective EC coalition against its economic competitor — Japan (Grieco 1995, 38).

Realist and neo-realist state-centralism was inherited by intergovernmentalism, as Hoffmann declares clearly: “[t]he critical issue for every student of world order is the fate of the nation-state” (1966, 862). Intergovernmentalism shares neo-realist ideas that member states agree to cede or delegate authorities to supranational institutions only because these organizations serve their national interests best, in such a way that “[i]f the states wish, they can recall or revoke that authority” (Cameron 1992, 28). But the intergovernmentalist conception of the state is more sophisticated than that of realists, as Hoffmann claims that states, more than just “black boxes”, represent communities of identities and belongings (Cini 2010, 92; O’Neill 1996, 60): states are “constructs in which ideas and ideals, precedents and political experiences, and domestic forces and rulers all play a role” (Hoffmann 1995, 5). National interests, from an intergovernmentalist perspective, therefore cannot be simply reduced into power and status, but should include various historical, cultural and political factors (Cini 2010, 92; Hoffmann 1995, 5). This idea has been emphasized and illustrated by Moravcsik and Schimmelfennig’s (2009) re-account of national preference formation of the LI model.

3.2.2 Liberalism and Neo-liberalism

Another theory, neo-liberalism, is regarded as a source to the variants of intergovernmentalism, such as the domestic politics approach and Moravcsik’s LI (Cini 2010, 94). Neo-liberalism differentiates itself from neo-realism in three ways: first, neo-liberalism views states not as being “like units”, but polities of differently composed constituents which influence the totality of a state at the systemic level; second, “several games”, rather than “one undifferentiated game”, are conducted variously in international politics due to the unit-level variation; finally, the “state of nature” of international politics does not refer to wars, but cooperation among states (Stone 1994, 459). Consequently,

“Neorealism is a theory primarily about how states use power to bargain, threaten, and war with one another; neoliberalism is a theory about how state preferences are formed in the first place, before the bargaining begins. The overall mix of state preferences is the key variable of neoliberalism, not the distribution of capabilities: viewed as process, international politics work from the bottom up (whereas neorealist politics work from the system-level down).” (Stone 1994, 460)

Cini (2010) further points out the difference between neo-realism and neo-liberalism when those two IR theories are applied to EU studies:

“Whereas neo-realism is focused exclusively on politics between nations, neo-liberalism draws attention to the content of the “black box” of domestic politics and tries to address from where national interests originate. It therefore places the national polity, rather than just national executives, or governments, at the heart of the European integration project.” (Cini 2010, 94)

Neo-liberalism, as its name suggests, develops from classic liberalism, and Moravcsik (1993b) identifies his theoretical links to traditional liberalism. From Immanuel Kant, John Stuart Mill, Richard Cobden, Woodrow Wilson, Norman Angell, Joseph Schumpeter to John Maynard Keynes, traditional liberal thinkers can be divided into four groups: republican liberalism, pluralist liberalism, commercial liberalism and regulatory liberalism; however, these liberalisms, though providing distinct theoretical criticisms of realism, stand separately and fragmentarily, and Moravcsik tries to propose a single and coherent framework for them (Moravcsik 1993b, 1; 1997; 2001).⁷⁹ The basic premise of liberalism, Moravcsik contends, is that states are embedded in a social context of a specific domestic and international environment, which decisively constrains states’ actions (1993b, 7). Moravcsik suggests three core assumptions of liberalism: (1) “the fundamental actors in politics are members of domestic society, understood as individuals and privately-constituted groups seeking to promote their independent interests” (Moravcsik 1993b, 6-7); (2) “all governments represent some segment of domestic society, whose interests are reflected in state policy” (Moravcsik 1993b, 9); (3) “the behavior of states — and hence levels of international conflict and cooperation — reflect the nature and configuration of state preferences” (Moravcsik 1993b, 10).

Three variables are derived from those three core assumptions: “the representativeness of domestic institutions”, “the level of social equality and cohesion”, and “the extent of transnational economic interaction” (Moravcsik 1993b, 16; see also Stone 1994, 460). The core assumptions of liberalism characterize its difference to realism: the former emphasizes domestic preference formation, while the latter interstate bargaining (Moravcsik 1993b, 11). All in all, liberalism takes preference

⁷⁹ Moravcsik (1997) further distinguishes three major variants of liberal theory: ideational liberalism, commercial liberalism, and republican liberalism.

formation as a key determinant of interstate bargaining outcomes (Moravcsik 1993b, 13). Moravcsik proposes three advantages of liberalism over realism: first, it offers a historical rather than a static or cyclical view on international politics; second, it “goes beyond explanations of aggregate levels of cooperation and conflict” and “predicts the substantive content of state policies”; and finally, it has both an unit-level and a systemic dimension (Moravcsik 1993b, 36-37). Nevertheless, Moravcsik advocates “a productive synthesis” of both liberalism and realism, as he writes:

“By formulating Liberalism as a theory of the formation and interaction of state preferences and Realism as a theory about the effect of the strategic environment on interstate bargaining, the two become theoretically compatible. Both theories share a common underlying model of international politics [...] based on the assumption of rational state action in international bargaining, but shifting preferences.” (Moravcsik 1993b, 37)

The synthetic result is a hybrid paradigm that Moravcsik calls “minimalist liberalism”: the priority of preferences over capabilities (Moravcsik 1993b, 14-16).⁸⁰ No wonder Forster comments that the core ideas of LI are “essentially neo-realist with an interdependence corrective”, as it “grafts liberal interdependence theories onto regime theory” (1998, 349). When explaining the intellectual sources to his “intergovernmental institutionalism” (Moravcsik 1991) (the precursor to his later LI), Moravcsik says his theory is consistent with Robert Keohane’s “modified structural realist” proposition, which stresses the traditional notion of national interests and power (Moravcsik 1991, 21). While affirming his realist foundations, Moravcsik states his theoretical difference from modified structural realism: regime (i.e. EC) reform is caused not only by the changes of power distributions but also by the changes of state interests, because the changing state interests could be decisive to the European integration process in which, nevertheless, the shifts in the relative power of states may not be traced (Moravcsik 1991, 27). Compared with classic realism, Moravcsik contends that economic interests rather than geopolitical interests are essential to the formation of national preferences, which, at the same time, vary from issue to issue and are in flux due to different group coalitions in domestic politics; furthermore, interstate

⁸⁰ In comparison, Moravcsik describes “maximalist liberalism” as follows: “[i]nterstate conflict is likely when the underlying conflict of interest between the social groups represented by each state is high, while cooperation is more likely when conflict of interest between the social groups represented by each state is low” (Moravcsik 1993b, 13).

bargaining can result in positive-sum rather than simple zero-sum outcomes (Hix 2005, 16).

This section explains the theoretical roots for traditional intergovernmentalism and its variants, and the section thereafter will present the evolutionary trajectory of intergovernmentalism from Hoffmann's (1966) the "logic of diversity" to Taylor's (1975; 1982) and Wallace's (1982) confederalism, Bulmer's (1983) domestic politics approach, Putnam's (1988) "two-level games", then to the theories of the "locking-in" of states which are typically represented by Scharpf's (1988) joint-decision trap, Wessels's (1997) fusion thesis and Pierson's (1996, 1998, 2000) path dependence, and finally to Moravcsik's (1991, 1993, 1998) LI and Moravcsik and Schimmelfennig's (2009) modifications and supplements to LI. The hypotheses on intergovernmentalism will be derived on the basis of the revised LI model suggested by Moravcsik and Schimmelfennig (2009).

3.3 Hoffmann's Intergovernmentalism and the Critiques

Generally, the systematic intergovernmentalist studies on the European integration project are believed to start with Hoffmann (1966) (e.g. Cini 2010; Lelieveldt and Princen 2011; Rosamond, 2000) as Cini (2010, 90) once commented that "[i]t was Stanley Hoffmann who laid the foundations of the intergovernmentalist approach to European integration". While observing de Gaulism within the Community in the mid-1960s, Hoffmann (1966) argued that neo-functionalism had failed to grasp the enduring impact of national interests on the European integration process. From Hoffmann's perspective, a nation state not only is "a form of social organization", but also "a factor of international non-integration" (Hoffmann 1966, 862). National interests, as the core of IR theory, are the multiplied results of specific national situations and different outlooks (nationalist or non-nationalist) of the foreign policy-makers, which Hoffmann formulates as follows: "N.I. = National situation X outlook of the foreign policy-makers" (Hoffmann 1966, 869). As a consequence, the propelling power for European integration is "severely constrained by the associates' views and splits on ends and means" (Hoffmann 1966, 881). Moreover, "[c]oming from diverse pasts, moved by diverse tempers, living in different parts of the house, inescapably yet differently subjected and attracted to the outside world" (Hoffmann 1966, 865), the Community's member states have various responses to their domestic and external environments, so it is difficult to forge converged national interests to build up a community beyond nation states. Based on those analyses, Hoffmann argues for the "logic of diversity" as the fundamental dynamic principle among member states against the neo-functionalism "logic of integration".

Table 3.1 Hoffmann's Comparison of the "Logic of Diversity" with the "Logic of Integration"

	The neo-functionalist "logic of integration"	The intergovernmentalist "logic of diversity"
Spillover effects	<p>The necessity of functional integration of social sectors and the actions of the supranational agents push European integration forward. National situations are enmeshed in one supranational entity where national consciousness has been impregnated by an awareness of the higher interests in union. The freedom of movement of the national governments has been gradually restricted.</p> <p>(the neo-functionalist "spillover" thesis)</p>	<p>The degree of the "spillover" process and the scope of functional integration are limited and restricted by the diverse national interests.</p>
National diversities	<p>Ambiguity (i.e. national diversity) helps rather than hinders EU integration, as each "ingredient" can hope that its influence will prevail at the end; a "blender" synthesizes and overcomes individual different tastes, and presumably replaces them with one.</p>	<p>In areas crucial to the national interest, nations prefer the certainty or the self-controlled uncertainty of national self-reliance to the uncontrolled uncertainty of the untested "blender".</p>
National gains through integration	<p>Integration is a win-win game: member states' overall gain will exceed their occasional losses, and it is also possible to fool each member state some of the time.</p>	<p>Integration is a zero-sum game: on a vital issue, losses are not compensated by gains on other (and especially not on other less vital) issues; nobody wants to be fooled.</p>
The supranational function process	<p>The logic of integration deems the uncertainties of the supranational function process creative.</p>	<p>The logic of diversity sees the uncertainties of the supranational function process as destructive past a certain threshold: the functional integration's gamble can be won only if the method had sufficient potency to promise a permanent excess of gains over losses, and of hopes over frustrations; and this may be true for economic integration while not for political integration ("high politics").</p>

Sources: Adapted from Hoffmann (1966, 881-882).

Obviously, Hoffmann rejects the neo-functionalist spillover thesis, highlights different national interests and preferences among member states, and emphasizes both the internal domestic arena and the global context where integration takes place as national diversity arises from the unique context of internal domestic politics and a country's status in an international system; hence, national domestic politics and the external environment are regarded as two "inexorable centrifugal forces placing limits on European integration" which have been neglected by neo-functionalism (Cini 2010, 91; see also Rosamond 2000, 76). From Hoffmann's point of view, the European integration project, due to the "logic of diversity" and the limits of functional methods, would halt when member states started quarrelling over what integration is for (Hoffmann 1966, 886) and the prospect for European integration "might simply be the agglomeration of many smaller nation-states into fewer, bigger ones" (Hoffmann 1966, 911). Hoffmann emphasized three things. First, interstate cooperation may lead to the set-up of European institutions with a varying degree of autonomy, power, and legitimacy, but no transfer of allegiance or loyalty advocated by neo-functionalism happens, and meanwhile, the authority of these institutions is "limited, conditional, dependent, and reversible" (Hoffmann 1966, 909). Second, while looking forward to gaining benefits from European integration, member states assume various roles, as an initiator, a pace-setter, a supervisor, and in some cases, a destroyer in the process; the nation state is "still the highest possessor of power" (Hoffmann 1966, 909) — they give the justification for his article title: nation states are "obstinate" rather than "obsolete". Nation states, from Hoffmann's point of view, are "modified but omnipotent", ever being the core actors in European integration (O'Neill 1996, 60). Finally, Hoffmann makes a distinction between economic integration and political integration, with the former termed "low politics" and the latter "high politics" (Cini 2010, 91).⁸¹ There are clear boundaries between the two types of politics: "high

⁸¹ Hoffmann unequivocally uses "high politics" to refer to political integration in his 1966 article, but gives no explicit and exact usage of the term "low politics". In Hoffmann's 1964 article (89-90), he distinguishes two different realms: the welfare area and the area of high politics. Nye (1971, 197) follows Hoffmann, writing that "[t]hese latter types of electoral or 'support' politicians tend to be guardians of the security and 'pooled self-esteem' aspects of national life that Stanley Hoffmann has referred to as 'high politics'", but Nye specifically uses the term "low politics", as he argues: "[t]his is not to say that all economic issues are emotionally laden 'high politics' in less developed countries and technically soluble 'low politics' in developed settings" (1971, 228). Later when O'Neill (1996, 65) accounted for Hoffmann's ideas, he wrote: "[C]ommentators who have taken this line of thought have challenged Hoffmann's rather dogmatic conviction that, while transnational cooperation and the sharing of functions might well occur in those 'low' policy or functional issue areas which did not

politics” refers to issues touching on national sovereignty and national identity (e.g. military defense and foreign policy), while “low politics” associates with less controversial and more technocratic policy areas (e.g. various economic sectors); the former is “impermeable” to integration, whereas functional spillover might occur in the latter (Cini 2010, 91-92; O’Neill 1996, 61). As a result, European integration is of “the dialectic of fragmentation and unity” (Hoffmann 1966, 908), and nation states’ resilience contributes to the coexistence of nation states with the European enterprise (O’Neill 1996, 64).

Hoffmann’s intergovernmentalism has been criticized in two ways. First, his rigid demarcation between high and low politics has been disproved by reality and rejected by scholars. The development of European Political Cooperation (EPC) (the forerunner of European foreign policy), the introduction of the single currency, the establishment of the CFSP, and the creation of the European External Action Service (EEAS), all have demonstrated that there is a certain degree of integration in the so-called “impermeable” high politics. Particularly, the CFSP and EMU are regarded as “instances where member states *willingly* surrendered control over issues of central importance to national sovereignty” (Rosamond 2000, 79, his emphasis). In addition, comparative foreign policy analyses have suggested that “the distinction between ‘low’ and ‘high’ politics is flawed”, as at least high politics, such as foreign policy, “depends to a large degree on the nature of the political institution and domestic structures in general” (Risse-Kappen 1996, 57). Along with the progress of the EC, Hoffmann also admits that there are limits to the distinction between high and low politics (Cini 2010, 92). Second, Hoffmann failed to see the novelty and the complexity of the European integration project, and intergovernmental bargains, immersed in unique domestic contexts, should not be simply reduced to a set of national interests (Rosamond 2000, 79); meanwhile, he played down the constraints imposed on states by the external factors as well as the increasing “interdependence” among national states: states cannot always act unconstrained, and at least some regional issues or global problems require common solutions (Cini 2010, 92; O’Neill 1996, 65-68). In spite of these weak points,

challenge to any great extent fundamental national interests, the scope for such integration in the more sensitive areas of ‘high’ politics remained slight”. He continues: “[t]he case for holding out for such a rigid demarcation between those areas of low political significance available for integration and core national interests, was questioned on the basis of accumulated evidence from students of contemporary political economy” (O’Neill, 1996, 65). This suggests the distinctive contrast of “high” and “low” politics.

Hoffmann's theory has exerted a great impact on later research: it has broken new ground for various intergovernmentalist approaches to the EC in later days, especially for confederalism, the domestic politics approach, the "locking-in" of states, and Moravcsik's LI.

3.4 Confederalism

In response to the very changes of circumstances and new institutional procedures adopted by the EC during the 1970s, such as the development the EPC and the formalization of the European Council (the latter becomes an EU institution since the Lisbon Treaty), another new approach to the EC, confederalism, emerged. It was mainly developed by Paul Taylor (1975; 1982) and is regarded as "the most cogent attempt" to make a theoretical revision to intergovernmentalism (O'Neill 1996, 70).

Confederalism is a perspective on a special form of intergovernmental arrangements where "national sovereignty remains intact despite the establishment of a common institutional framework" (Cini 2010, 93), and a confederation is always taken as the antithesis of a federation⁸² (O'Neill 1996, 70-71). Compared with intergovernmentalism, confederalism recognizes the distinctive institutionalized nature of the EC and regards these institutional devices as practical procedures to smooth conduct of interstate relations and to facilitate cooperation among member states (O'Neill 1996, 71). The European integration project, therefore, is seen as a kind of international club where member states rationally regroup themselves in order to survive the ravages of global changes and to cope with common exigent pressures and problems better, yet keeping their distinctive and abiding national interests precluded from deeper integration (O'Neill 1996, 71). Taylor elaborates:

"Each state perceived the benefits of membership in the club for its own interests but also, in the existing institutional context, was reminded of the costs of moving towards greater "supranationalism" in the procedures for

⁸² Regarded as two distinct ways to organize political systems and providing two different political models, a confederation "involves a loose grouping of states, characterized by the fact that *the centre has fewer powers than the states or regions*" (Cini and Borragán 2010a, 440), whereas a federation "involves the constitutionally-defined sharing of functions between a federal centre and the states", which "will usually have a bicameral parliament, a constitutional court and a Constitution" (Cini and Borragán 2010a, 444). William Wallace (1982, 60-61) discusses the definition of a federation and suggests the distinction between a federation and an international regime "lies in the presence or absence of authority and resources at the centre which effectively limit the behavior of the member states and which impose obligations on them which are generally accepted".

coordinating foreign policy. The state of each member in diversity was increased by the very procedures that were intended to assist with coordination. [...] In reinforcing the governments' propensity to stress their immediate separate interests within the common system, the problems of tackling "positive" integration were increased: governments become less willing to make the kind of mutual commitment necessary in those politically more sensitive areas." (Taylor 1982, 764)

Taylor (1975, 336) divides the European integration process into three chronological stages: the Federal phase (from 1950 to 1954), the neo-functional phase (from 1955 to 1969), and confederal phase (after 1969). As European integration entered a confederation phase, it carried three major features: "first, the broadly defensive stance of the governments in their conduct of relations with the Brussels institutions; second, the appearance of a system of political interaction which may be called a 'managed Gesellschaft'; and third, the oscillation between advanced schemes for integration and retreats into nationalism which can be seen in the stated intentions of governments" (Taylor 1975, 336). So in light of confederalism, governments confronted with an increasing range of regional constraints are expected to become more defensive to their sovereignties, because the process of losing authorities to the European Community and the influence of nongovernmental international organizations have pushed members states to be more watchful and alert (Taylor 1975, 337). The governmental defensive style decides the inborn nature of the institutions of the Community: the Commission was created for the purpose that it would "draw up detailed proposals to which governments could respond at greater leisure" (Taylor 1975, 339), and the powers of the Brussels institutions "are exercised within the framework of policies agreed on by national governments and only with their approval" (Taylor 1975, 343). Therefore, the development of EC institutions does not pose a fundamental challenge to the existence of national governments.

Regional integration in Europe, from the confederalist point of view, is a political strategy of European nation states to pursue their own national interests, and a way for them to maximize their common interests and their global leverage through collective action; the bottom line of integration is the inviolability of national sovereignty (O'Neill 1996, 74-75). A confederal Europe has been forged by regional cooperation where "the scope of integration is extensive (a wide range of matters has been brought within the integrated area), but the level of integration is low" (Taylor 1975, 343). Although there is an integration tendency in the juridical aspect of the EC,

confederalists stick to the belief that “the critical boundaries between the domestic and Community competencies remained intact” (O’Neill 1996, 75), as Taylor argued, “the Community legal system was indeed unique, and might be justifiably called supranational, but it was still an expression of the states’ adjustment to new conditions. [...] the supranational elements helped states to survive rather than placed them in new integrated structures” (Taylor 1983, 53).

Obviously, confederalism, like the intergovernmental model, also holds that the states are the central actors in regional integration, and “further progress towards integration was the reassertion of the separate identity of the government actors and their engagement in a higher level of diplomacy than had hitherto been the case” (Taylor 1975, 349). States are strengthened via integration. As the confederal phase of European integration is “decentralized but highly interdependent, potentially autarchic but in practice united by entrenched practices of consultation” (Taylor 1975, 343), confederalists believe that European integration will not ultimately lead to a European unification, but a Community which, due to the paradox of the need for more effective common action and the inability or unwillingness of the member states to concede their authorities (William Wallace 1982, 68), “is stuck, between sovereignty and integration” (William Wallace 1982, 67). The success of neo-functionalism’s explanation of the early development of the Community “depended upon national governments not noticing — in effect — the gradual draining away of their lifeblood to Brussels” (William Wallace 1982, 64-65). The Community, complementing rather than displacing national activities, is neither supranational nor international, but “extranational” and “alongside”, not above or below, the nation state (William Wallace 1982, 65-66; see also Pinder 1981). The fate of the Community is predicted to drift towards an international regime if the Community’s authority is continuously undermined by worse external and internal situations (William Wallace 1982, 68), and such a view is similar to the neo-functional prediction on the future of the Community though traditional neo-functionalists neglect domestic factors and the external environment.⁸³ All in all, confederalists view institutions as primarily being functional and technical, which, nevertheless, leads to the critiques against the approach itself: it focuses on

⁸³ Different to Taylor’s rejection of the EC’s legal integration, William Wallace values the importance of supranational law in differentiating confederalism from intergovernmentalism (see Cini 2010, 93), and this demonstrates an early reconciliation and convergence between neo-functionalism and intergovernmentalism.

institutions rather than on processes, on structures rather than on functions — it looks like a theory of formality, so it lacks the power to account for the political status and the dynamics of the Community (O’Neill 1996, 73). Nevertheless, confederalism has its merits: it bridges the gulf between two previous mutually exclusive paradigms — supranationalism and state-centrism; it sees European integration as a two-way process, opening up a new line of debate of the intrinsic paradoxes (nationalism v.s. supranationalism) embedded in regional integration politics (O’Neill 1996, 77-78). In line with confederalism, later Taylor (1993) put forward a new concept, “consociationalism”, arguing that there is a symbiotic relationship between the member states and the EC where, though the processes of consociationalism proceed alongside the neo-functionalist dynamics of integration, national sovereignty has not been challenged fundamentally and states are also strengthened via integration (see also chapter two of this dissertation). The gap between the traditional dialectical dichotomous approaches is further filled, as Taylor’s consociationalism acknowledges the value of supranational institutions and admits certain propositions of neo-functionalism.

3.5 The Domestic Politics Approach

The domestic politics approach, which focuses on the impact of domestic politics on EC policy-making, is another theoretical development and revision of the previous intergovernmentalism (Bulmer 1983). Though not considered as a theory of European integration *per se*, the domestic politics approach is the origin of today’s so-called “Europeanization” literature, and it links Hoffmann’s intergovernmentalism to later state-centric theories, especially LI (Cini 2010, 94).

From the 1970s, European studies began to focus on various EC policy-making patterns in different policy areas, yet until to the early 1980s, there still lacked research on “the linkages between the domestic and EC tiers” (Bulmer 1983, 349). Bulmer defines the term “domestic politics” in three ways (Bulmer 1983, 352-353). First, it is used to explain how policy-making at the EC level is affected by the behavior within the member states where various domestic sources have shaped different national negotiation positions. Second, it highlights the fact that “the lower decisional tier of the EC” is influenced by the policy environment that differs between and within member states for different policy areas. Third, it emphasizes nation states’ positions or strategies in an increasingly interdependent world of various international regimes and

regional organizations: nation states decide at which level to defend their interests, that is, whether the EC is the best choice when there are economic crises and uncertainties.

Bulmer's analysis adds another dimension to Taylor's confederalism, as Bulmer examines the links between national domestic politics and the Community and tries to explain how the former vitally affects policy-making of the latter. There are two aspects of those links: one is the domestic policy-making *structures* and the other is the *attitudes* of the member states towards the EC (Bulmer 1983, 350). Bulmer combines these two to analyze the behavior of individual national states within the EC and adopts the concept of "policy style" as an analytical framework to examine different policy environments for nation states (Bulmer 1983, 352). Originally, Richardson et al. (1982, 13) defined the term "policy style" as "the interaction between (a) the government's approach to problem-solving and (b) the relationship between government and other actors in the policy process" (see also Bulmer 1983, 352). Bulmer borrows the idea of "policy style" to explain both national policy-making and the integration process, and argues that integration follows the logic of decision-making processes — not vice versa as claimed by neo-functionalism — which originate from the power structures of the nation states (1983, 353). Altogether, Bulmer (1983, 354) puts forward five assumptions for the domestic politics approach: (1) "The national polity is the basic unit in the European Community"; (2) "Each national polity has a different set of social and economic conditions that shapes its national interests and policy content"; (3) "European policy only represents one facet of a national polity's activity"; (4) "In formal terms the national governments hold a key position at the junction of national politics and Community politics"; (5) "The concept of policy style is employed to analyze the relationships between government and other domestic political forces *vis-à-vis* European policy".

Though domestic politics research uses "national polity"⁸⁴ instead of "national government" so as not to pre-suppose intergovernmentalism (Bulmer 1983, 356), these five assumptions serve as detailed evidence to support intergovernmentalist state-centrism. The domestic politics approach contributes to European studies in the way that it connects specific national cases with the policy-making results at the supranational level, and more importantly, it provides a coherent way to measure the relations between the two levels, which is absent in classical intergovernmentalism (Cini 2010, 94).

⁸⁴ Cini and Borragán (2010a, 450; 2013, 402) defines "polity" as "a politically organized society".

3.6 The “Locking-in” of States

Another kind of evolution of intergovernmentalism is the approach of the “locking-in” of states, which emphasizes the importance of institutional factors and explains “how states have become *locked into* the European integration process” (Cini 2010, 95, her emphasis). These types of theories and research methods draw on literature from transnational relations through the lens of comparative politics, especially from the concept of “interlocking politics” (*Politikverflechtung*) which, in German federalism studies, focuses on “interactions between different levels of government” (Cini 2010, 95), “particularly horizontal and vertical linkages among state and non-state actors on the regional and national levels” (Risse-Kappen 1996, 61). To be more specific, “interlocking politics” is defined as “the establishment of intermediating structures linking the politics — namely, the decision processes — and policies — the substantive responsibilities — of initially autonomous organizations” (Lehmbruch 1989, quoted in Risse-Kappen 1996, 61). Indebted to the idea of “interlocking politics”, theories of the “locking-in” of states are represented by Scharpf’s joint-decision trap, Wessels’s fusion thesis, and Pierson’s path dependence (Cini 2010, 95-96).

3.6.1 Scharpf’s Joint-Decision Trap

Scharpf views the European integration progress until the 1980s as a paradox of “frustration without disintegration and resilience without progress”, which should be systematically examined and analyzed from the Community’s decision pattern: the “joint-decision trap”, a term first ascribed to West Germany’s institutional context of federal-*Länder* (states) relations and then utilized by Scharpf to describe the EC’s “characteristic pattern of policy choices under certain institutional conditions” (Scharpf 1988, 242).

Compared with the US federal model where the federal government, while carrying out nationalized functions effectively, formally functions independently from each American state, German federalism has offered an idea as well as practice of sharing many of the important governing functions between the *Länder* governments and the federal government, which, Scharpf believes, is comparable to explain the relations of the EC and its member states despite the fact that the EC’s relations with its member states are much weaker than that of the German federal government with its *Länder* (Scharpf 1988, 242-245). Scharpf offers a parallelism between European and

German institutions. Just like the most prominent feature of the German institutions, labeled as “*Politikverflechtung*”, where member governments are directly participating in central decisions and unanimous consent prevails at the federal level,⁸⁵ EC policy-making is also characterized by these two conditions: (1) individual states’ direct participation in EC policy-making and (2) the unanimous voting mode to reach agreements, based on which Scharpf puts forward his “joint-decision trap” (Scharpf 1988, 244). The “joint-decision trap” entails “two simple and powerful conditions” of institutional arrangements: one is that “central government decisions are directly dependent upon the agreement of constituent governments”; the other is “the agreement of constituent governments must be unanimous or nearly unanimous”, and it is these institutional structures that cause the substantive deficiencies (i.e. inefficient, inflexible, unnecessary, and quite undemocratic) of joint policy-making in both West Germany and the EC (Scharpf 1988, 254). Two features characterize the “joint decisions”: one is intergovernmental negotiation and bargaining, and the other is the unanimity rule (Scharpf 1988, 254). The first one opposes federal or supranational decision-making rules, while the second one rejects the majoritarian decision-making system, and the EC’s policy outcomes follow from these rules (Pollack 1996, 440). After distinguishing and analyzing the specific combination of a decision style (i.e. “problem solving”, “bargaining” or “confrontation”) with a decision rule (i.e. “unanimous”, “majority” or “unilateral/hierarchical” assent) which determines the capacity of the decision system, Scharpf concludes that “it is the combination of the unanimity rule and a bargaining style which explains the pathologies of public policy associated with joint decisions in Germany and in Europe” (Scharpf 1988, 265).

Here rises the vulnerability/trap of the joint-decision systems if no agreement sets in: “they may be incapable of reaching effective agreement, and they may lose the independent capabilities for action of their member governments”, and consequently, “their overall problem-solving capacity may decline” (Scharpf 1988, 258). In an ongoing joint-decision system, the exit option is foreclosed, and non-agreement would “assure the *continuation* of existing common policies” and thus formulate a “fault condition” (Scharpf 1988, 257, his emphasis; see also Pollack 1996, 440). Alter (1998) offers a concise summary of Scharpf’s theory: “a joint-decision trap emerges when (1) the decision making of the central government (the Council in the case of the EU) is

⁸⁵ For more literature references to “*Politikverflechtung*”, see Scharpf (1988, 244).

directly dependent on the agreement of constituent parts (the member states), (2) when the agreement of the constituent parts must be unanimous or nearly unanimous, and (3) when the default outcome of no agreement is that the status quo policy continues” (Alter 1998, 137).

As for the EC, “joint-decision traps” illustrate situations “where governments are locked into undesirable policies by the need to muster unanimous support for any new legislation or treaty amendment” (Moravcsik 1998, 491). National member states, as not entirely being satisfied by what integration has offered, are trapped in the Community without escape so long as retreating from integration is not an option, and this may cause the slowed-down of the integration process (Cini 2010, 95). As a matter of fact, the “joint-decision trap” is “an institutional arrangement whose policy outcomes have an inherent (non-accidental) tendency to be sub-optimal” (Scharpf 1988, 271).

The joint-decision trap makes it difficult for the Community to reform its existing policies and institutions. As unanimous intergovernmental voting is required to make changes, member states are “locked” into existing policies and institutions and even some of these may manifest inefficiency or unfairness, such as the persistence of the CAP despite the ever-growing agricultural product surpluses and the Community budgetary system in the 1970s and early 1980s (Scharpf 1988, Pollack 1996, 441). So once being created, policies and institutions tend to “remain in place, rigid and inflexible, even in the face of a changing policy environment” (Pollack 1996, 440). Due to unexpected internal and external challenges, however, EC institutional changes are not impossible, which would imply the acceptance of short term losses for some member states (Scharpf 1988, 271). The vulnerability of the joint-decision systems also suggests the possibility to overcome this trap: a member state can adopt confrontational bargaining styles, like threatening to exit or exchanging something that others want, and then “intensely held interests by one state can lead to hard bargaining and reform of entrenched policies if the state will subjugate other issues to a single goal” (Alter 1998, 140).

Scharpf argues that previous neo-functionalism, though having made “several varieties of *ad hoc* explanations” by including “background” or “historical uniqueness of De Gaulle and his personal intervention” variables in the theory, does not treat institutional arrangements as a powerful independent variable (1988, 266). From Scharpf’s point of view, EC institutions do matter, and the “joint-decision trap” is set

up by the EC's two institutional conditions where national governments are making European decisions which, nevertheless, require unanimity. Such a joint decision-making system is also attributable to the blocking of the EC's further institutional evolution as it tends to preserve the institutional status quo and institutional reform is not a political priority (Scharpf 1988, 267). Besides, Scharpf disagrees with other neo-functionalism presumptions: in spite of an integration trend in Community law, national control exercised in the decision processes is not weakened, but gets strengthened (1988, 268); so long as national governments want to preserve their veto rights, learning processes, which may lead to institutional transformation suggested by neo-functionalism, will not happen (Scharpf 1988, 269); interest groups' pro-integration pressures "seem to be blocked or seriously weakened", as national governments are the final Community decision-makers, who mediate between interest groups and the Community and whom interest groups have to persuade, and the loyalty transfer claimed by neo-functionalists is unlikely to happen; moreover, due to "the pathological decision logic inherent in its basic institutional arrangements", the dynamic process moving towards "a higher level of political integration" "have been retarded and, perhaps, reversed" (Scharpf 1988, 269). However, Risse-Kappen (1996) holds that as the EU evolves into a multi-level structure of governance in which informal networking could join the initiation and preparatory stages for intergovernmental negotiations, Scharpf's "joint-decision trap" argument becomes not so convincing, because by exploring the informal networks through which deliberative processes can be systematically incorporated over formalized bargaining, this kind of trap can be avoided (Risse-Kappen 1996, 73). Furthermore, as the "joint-decision trap" is conditioned by three rules, intergovernmentalism, unanimity and the default condition of a status-quo, any changes in these three (e.g. from the unanimous voting mode to a supranational or QMV mode, the expiration of policies and institutions or their periodical reauthorization) could lead to the failure of Scharpf's locking-in model (Pollack 1996, 441).

3.6.2 Wessels's Fusion Thesis

In view of various paradigms and approaches to account for the EU, Wessels advocates a dynamic middle range theory to understand the integration process, that is, researchers "should look for indicators and factors to explain the evolution of a political system in a delimited area and over a delimited period of time — Western

Europe after World War II”, and moreover, it is “appropriate to pursue a macro-political approach using overall aggregate data —as far as they exist — to identify fundamental trends” (1997, 270); in other words, macro-political and micro-political approaches should be integrated into EU studies. Accordingly, Wessels (1997) combines macro-political approaches with aggregate data to test four different propositions regarding the dynamic integration process of the EU (i.e. how the EU has evolved and will develop) on the basis of previous academic discussions and their different readings of the Maastricht Treaty:

(1) The neo-functional/neo-federal assumption of a linear growth of the EU. This hypothesis is drawn from Haas’s neo-functionalism (1964, 1968) and Schneider’s neo-federalism (1986) with the expectation of the EU forming a federal union in a rather smooth process (Wessels 1997, 273; see also Pinder, 1991, Schneider and Wessels, 1994). Consequently, the Maastricht Treaty is regarded as an incremental step, not a qualitative jump, forward to the federal union (Wessels 1997, 273).

(2) The governance/pendulum view of cyclical ups and downs. This hypothesis is formulated on the basis of Helen Wallace’s pendulum thesis (Helen Wallace 1996, 12), which depicts the European integration process as “some kind of cyclic up and down between ‘fusion and diffusion’” (Wessels 1997, 273, his emphasis; see also Helen Wallace 1996, 13). As a result, the Maastricht Treaty is taken as “a more permanent fixture” where these oscillating ups and downs would lead the EU to an “unstable equilibrium” (Wessels 1997, 273; see also William Wallace, 1996, 450).

(3) The realist view of a declining development of the EU. This hypothesis comes from the literature of realism and stresses the idea of “geopolitical revolution” (e.g. William Wallace 1996, 443) where a “radical transformation of the political context” would cause the EU to disintegrate back to a nation-state system as in the old days. In light of such a realist view, the Maastricht Treaty is “already outdated at the time of its signature”, and there should be other clear evidence of the decline of the EU to prove its disintegration tendency (Wessels 1997, 273).

(4) The fusion thesis of structural growth and differentiation. This is the hypothesis that Wessels tries to validate. He argues that the EU has witnessed “long-term trends of considerable structural growth and differentiation, which are sometimes overshadowed by cyclical ups and downs”, and the prominent feature of this process is the “fusion” of public instruments from several state levels linked with the respective Europeanization of national actors and institutions (Wessels 1997, 273).

In order to improve their problem-solving efficiency and effectiveness, member states, having been involved in ever-increasing interdependencies with each other against the background of globalization, will make rational choices turning to EU institutions so as to provide their citizens' welfare services better, but still struggle to keep their ultimate say. As a result, the process and the fate of European integration are closely linked to the evolution of the member states (Wessels 1997, 273-74). Wessels uses the term "fusion" to characterize the European integration process: more than referring to "a horizontal 'pooling of sovereignties'", "fusion", particularly drawing its inspiration from Scharpf's works on "cooperative federalism" (1976) and "*Politikverflechtung*" (1985, 1988), means "a 'merger' of public resources located at several state-levels", and consequently, the responsibilities and the accountability for specific policies are diffused and thus cannot be traced (Wessels 1997, 274).

Wessels chooses five indicators to judge the EU as an evolving system from the 1960s to the 1990s. They are:

(1) Binding outputs. Judging from the large quantity of quasi-legislative and administrative outputs, such as the legislative outputs from the Council and the Commission, so-called "soft law",⁸⁶ and the Community's budgetary means, the EU moved towards a high level plateau and beyond (Wessels 1997, 275-78).

(2) Scope enlargement of public policies. The number of policy fields pursued by the EU has been increasing considerably, indicated by, for instance, the increasing number of ministerial compositions of the Council and of the working groups of the Council, which suggests the scope of the EU's agenda set-ups is towards a state-like being (Wessels 1997, 278-79).

(3) Transfer of competences. There is a tendency of transferring national competences for the operation of state-like public policies to the European level; however, this means a challenge to nation states, so the Maastricht Treaty introduced the subsidiarity clause to limit the transfer of competences. Still, via "package deals", national interests are merged, leading the EU to evolve into a mixed system where there is "a messy and ambiguous vertical division of labor between the national level and the EU level, [...] with a highly differentiated 'mixture' of public instruments

⁸⁶ Wessels (1997, 276-77) explains that "soft law" refers to the declarations of the European Council or decisions taken in the second and the third pillar of the EU, "which are not subject to control by the Court, but have nevertheless some kind of binding character and further impact"; less binding agreements like action programmes also get presented in the first pillar.

located originally on several levels" (Wessels 1997, 279).

(4) Institutional growth and procedural differentiation. There is a growth of EU institutions and increasing procedure differentiation within the EU policy cycle. Most notably, national governments and administrations are participating in all phases of the EU's policy cycle comprehensively and intensively, and a process of Europeanization results (Wessels 1997, 280). Europeanization exerts its impact on nation states, leading member states into "a functional and sectoral decentralization" and "a political deparlamentarization" (Wessels 1997, 282).

(5) Involvement of intermediary groups in channels of influence. There are widening and deepening channels for intermediary groups to access and exert influence, contributing to a feature of the EU: the asymmetrical involvement of various groups has been forging the EU as "a diversified, atomized and complex political space with many, though not all, national actors" (Wessels 1997, 282-84).

All indicators above, combined with data analyses, have hit home the argument that the EU process is characterized by considerable growth and differentiation, exhibiting the trends of merging public resources at several state levels while causing "increasing complexities, a lack of transparency as well as difficulties in reversing current development" (Wessels 1997, 267). Wessels explains the observed trends as a dynamic "closer fusion" caused by "rational strategies of European welfare states faced with growing interdependencies and spillovers, furthered by the institutional logics of EU bodies" (Wessels 1997, 267). The fusion thesis formulates three patterns to explain the evolution of EU member states. Pattern one refers to the erosion of the virtuous circle where "the stability of parliamentary democracy, the evolution of the welfare and service state, and the growing economy have reinforced each other" (Wessels 1997, 285). This virtuous circle has transformed into a vicious one as increasing interdependencies deprive national governments of means to fulfill their role and to maintain the balance between socio-economic performance and democratic legitimacy, that is, the emerging gap between "the high demands for allocative (regulatory), distributional (welfare) and stabilization (macroeconomic) policies of the state" and "the decreasing ability of governments to use effective instruments" leads to disappointment among the citizens and thus the loss of citizens' support for the government and for political parties. As a "mutually reinforcing correlation between economic growth and political stability" is at stake, nation states resort to the EU to guarantee expected performance so as to ensure legitimate support and political

stability. Though nation states try to participate in EU decision-making directly and intensively so as to maintain their sovereignty, such turning to the EU would “undermine some fundamental pillars of its own constitutional foundation”, and “[f]or the sake of its own political stability, the state has to promote a process which leads to its very erosion” (Wessels 1997, 286). This leads to pattern two: how to break the vicious circle? The exits from the “multilevel dilemma” — institutional inefficiencies and sovereignty erosion — lie at the core of the fusion thesis which assumes that the EU, serving as an efficient and effective public instrument for its member states, is the “third way” for national governments to realize their own interests while rising above being seized-up “between a *de facto* erosion (intergovernmental exit from the multilevel dilemma) and a constitutional erosion (federal exit from the multilevel dilemma)” (Wessels 1997, 287). Through “fusing” both national and supranational instruments, nation states, as being the “masters of the treaties”, still maintain “a major say through broad and intensive participation” on the EU level while taking the advantage of EU institutions and procedures as effective public instruments to serve their citizens’ welfare (Wessels 1997, 287). This joint-policy-making pattern leads to pattern three: the spillover thesis does work and there is even a territorial spillover to the European Free Trade Association (EFTA), as several former EFTA members (i.e. the UK, Denmark, Portugal, Austria, Sweden, and Finland) applied to join the Community while exiting from the EFTA and the fact is that “the governing elites of the EFTA countries [...] seemed to be also more interested in trading off some of their *de jure* sovereignties for a guaranteed say in effective policy-making” (Wessels 1997, 289). Pushing forces behind this pattern include independent institutions who “develop their own dynamics and turn into actors with their own weight and influence on the (EU) agenda and policy outcomes”, intermediary groups who increasingly and proactively join the integration process, and package deals of functional spillover effects, all of which contribute to “the inherent propensity of member states to enlarge the scope of EU activities” (Wessels 1997, 288). In a nutshell, the fusion thesis views the EU’s evolution through the adaptation and mutation of its member states which are in another process of state building, illustrating European nation states’ rational strategies of trading off some sovereignty so as to fulfill the function of welfare states better while still maintaining a decisive role in effective EU policy-making. The EU is a polity representing both the evolution of its member states and a novel form of representative government (Wessels 1997, 267).

Wessels admits that though the increasing role of supranational institutions does not lead to the substitution of national actors, but “[i]f anything, the growing significance of non-national actors is leading to a more intensive and differentiated incorporation of national actors in the whole EC process” (1997, 280-281). As for neo-functionalism propositions on loyalty transfer, Wessels disagrees and he argues that the EU political system is shaped by multiple loyalties held by people and European identity or loyalty is just one of them (Wessels 1997, 291). Besides, the fusion thesis indicates that a new kind of democratic system — indirect democracy — is exercised on a larger scale (Wessels 1997, 291).

3.6.3 Pierson’s Path Dependence⁸⁷

While acknowledging the EU’s institutional arrangements for collective governance, Pierson defends intergovernmentalism by seeking “a more persuasive account of member state government constraints” to explain why “gaps emerge in COG (Chiefs of Government) control over the evolution of European organizations and public policies” (Pierson 1998, 29). Pierson’s acknowledgments of his indebtedness to neo-functionalism (which “has serious problems of its own”) highlight the theoretical limitations of intergovernmentalism, so from an *ex post* point of view, he adopts “HI” to account for the EU (Pierson 1998, 29). The term HI indicates that European integration should be explained from two angles: first, the EU is historical as its political development unfolds over time; second, the EU is institutionalist as its process and current developments are “embedded in institutions — whether these be formal rules, policy structures, or social norms” (Pierson 1998, 29; Pierson 2000, 264-65).

Under the theoretical framework provided by HI, Pierson claims that when actors initiate their positions on the basis of the purpose to maximize their interests, institutional and policy reforms carried out by the actors also transform these actors’ or their successors’ initial positions with unanticipated or undesired consequences (Pierson 1998, 30). In contrast to the traditional intergovernmentalist view to treat EC institutions only as being functional bodies to serve national interests, Pierson stresses the difficulties to control institutional evolution, and it is necessary to take an

⁸⁷ Pierson gives a full elaboration of HI in his 1996 article, which later has been integrated into the edited work of Wayne Sandholtz and Alec Stone Sweet (1998) under the same title with a slight adaptation. The citations in this section come from Pierson (1998), which can also be referenced from Pierson (1996), but with different page numbers. When addressing the discussions of Pierson’s HI, scholars may refer to Pierson (1996).

“evolving” rather than a “snapshot” view to examine the EU (Pierson 1998, 30). Pierson states:

“Just as a film often reveals meanings that cannot be discerned from a single photograph, a view of Europe’s development over time gives us a richer sense of the nature of the emerging European polity. At any given time, the diplomatic maneuvering among national governments looms large, and an intergovernmentalist perspective makes considerable sense. Seen as a historical process, however, the authority of national governments appears far more circumscribed, and both the interventions of other actors and the cumulative constraints of rule-based governance more considerable.” (Pierson 1998, 30-31)

These suggest three basic positions of Pierson’s HI on the EU: (1) national governments always exert influence on EU policies (i.e. intergovernmentalist perspectives are helpful to explain the EU); (2) national control over EU policy-making is constrained; (3) the interventions of other actors and incremental institutional reinforcement assume considerable weights in explaining the EU. Pierson (1996, 1998) elaborates his propositions by answering two questions: Why do national governments lose control over EU institutions and policy-making? Why do they not regain it? Pierson’s answers to the two questions underscore HI’s core ideas: path dependence and a historical view of institutional evolution.

To explain gaps in member state government control of EC institutions and policy-making, Pierson lists four factors: the partial autonomy of EC organizations, the restricted time-horizons of decision-makers, the large potential for unanticipated consequences, and the likelihood of shifts in COG preferences over time (1998, 34-43). Pierson argues for each factor as follows: first, the appearing autonomy of EC supranational institutions is more apparent than real because it is the result of “principles’ deft use of oversight” (Pierson 1998, 37); second, the creation of institutions is bounded by the time-horizons of political decision-makers who always only take a short-term effect into consideration, and the long-term institutional effects are the by-products of decision-makers’ purposive behavior (Pierson 1998, 39); third, the complex social process, the growth of issue density, the asymmetrical access to information, and the spillover effect in the “tightly coupled” government policies could lead to widespread unintended consequences (Pierson 1998, 39-41); and finally, a number of reasons such as changes in circumstances, new information and

governments of different partisan complexions can cause the shifts of COG policy preferences (Pierson 1998, 41). Pierson's four reasons actually have provided "a particularly rich set of assumptions about the preferences of member governments", which can "help explain why member governments might agree to adopt EC policies and institutions that they (or their successors) might later come to regret" (Pollack 1996, 442). Then how can member states address the control "gaps" where formal institutional set-ups and highly developed policies do not meet their expectations? According to Pierson, normally there are two ways: via competition or learning; however, both ways have been proved unrealistic because for the former, it is impossible to find a "market" to demonstrate that other international regimes may be better than the EC, whereas for the latter, it is also nearly impossible for member state governments to go back to re-design the institutions and policies; so once the gaps appear, they are hard to close (Pierson 1998, 42-43).

From Pierson's point of view, three factors in the context of the EC make it difficult for member states to regain the control over EC institutions and public policies: the resistance of supranational actors, institutional barriers to reform, and the rising price of exit (Pierson 1998, 43-50). Pierson lays great emphasis on the third factor: the rising cost of exit from the existing supranational institutional arrangements (i.e. "sunk costs"), from which he proposes his path dependence theory: initial choices and decisions have encouraged the emergence of certain social and economic networks, which make other once-possible alternatives costly to take and at the same time, also increase member states' exiting costs from the current policy path where national governments are locked in (Pierson 1998, 46). To be more exact,

"The evolution of EC policy over time may constrain member-state governments not only because institutional arrangements make a reversal of course *difficult* when COGs discover unanticipated consequences or their policy preferences change. Individual and organizational adaptations to previous decisions may also generate massive sunk costs that can make policy reversal *unattractive*. When actors adapt to the new rules of the game by making extensive commitments based on the expectation that these rules will continue, previous decisions may 'lock-in' member-state governments to policy options that they would not now choose to initiate. Put another way, social adaptation to EC organizations and policies drastically increases the cost of exit from existing arrangements." (Pierson 1998, 45-46, his emphasis)

Based on Pierson's earlier (1994) work, Pollack (1996) incisively points out that the logic of "sunk costs" rests on the constraints *from below*, that is, societal actors at the micro-level incrementally build-up their vested interest in the maintenance of EU policies over time compared with the institutional constraints *from above* (i.e. the decision rules at the EU macro-level) (Pollack 1996, 442, his emphasis), which Pierson also terms micro-level adaptations (see Figure 3.1). Due to high sunk costs, previous decisions not only prescribe membership commitments but also reduce the room for member states to maneuver; consequently, "initial actions push individual behavior onto paths that are hard to reverse" (Pierson 1998, 47) and member states in the Community "find themselves locked into a system which narrows down the areas for possible change" (Shackleton 1993, 20, quoted from Pierson 1998, 47). Even if the member states find their agents have captured too much authority and then decide to regain the authority, the supranational actors can make use of their political resources to take autonomous actions through which they may become "more significant players in the next round of decision-making" (Pierson 1998, 48). In short, increasing sunk costs and the existing decision rules have made the price for reasserting control too high to be possible. Pollack (2009) reinforces those points and argues that "national constitutions and international treaties can create significant transaction costs and set high institutional thresholds (such as a supermajority or unanimous agreement) to later reforms" (Pollack 2009, 127). Via the process of constitutionalization and treaty-conclusion, institutions are resistant to change; additionally, the reward and penalty mechanisms prescribed by institutions, embedded in policies and supported by law, and the coercive power of the state make certain institutions and policies "remarkably durable", because these "policy arrangements fundamentally shape the incentives and resources of political actors" (Pierson 2000, 259). As early as in the 1990s, scholars have realized that national governments' influence is "increasingly circumscribed and embedded in a dense, complex institutional environment that cannot easily be described in the language of interstate bargaining" (Pierson and Leibfried 1995a, 6). The power of the member state, according to Pierson and Leibfried (1995a, 10), is constrained and limited in four ways: (1) "the autonomous activity of EU organizations", especially the Commission and the ECJ; (2) "the impact of previous policy commitments at the EU level, which lock member states into initiatives that they otherwise might not choose", that is, the cumulative path dependence pressure from past policy decisions and treaty commitments; (3) "the growing scope and overlap of

issues (or ‘issue density’) in the European Union, which produces spillover to new initiatives and widespread unanticipated consequences”; and (4) “the activity of non-state actors, operating independently rather than exclusively through member states”.

Later, Pierson (2000, 2004) gives a detailed elaboration of the concept of path dependence and restates the conditions for path dependence; against a broad theoretical background, Pierson’s path dependence derives from the historical-institutionalist school in political science (see chapter four of this dissertation). Hix (1999, 2005) summarizes HI into a three-step analytical model (*T0-T1-T2*) and corresponding to such three-step analysis, Pierson (1996, 149; 1998, 49) maps out “the path to European integration” in a *T0-T1-T2* framework to explain EU policy outcomes:

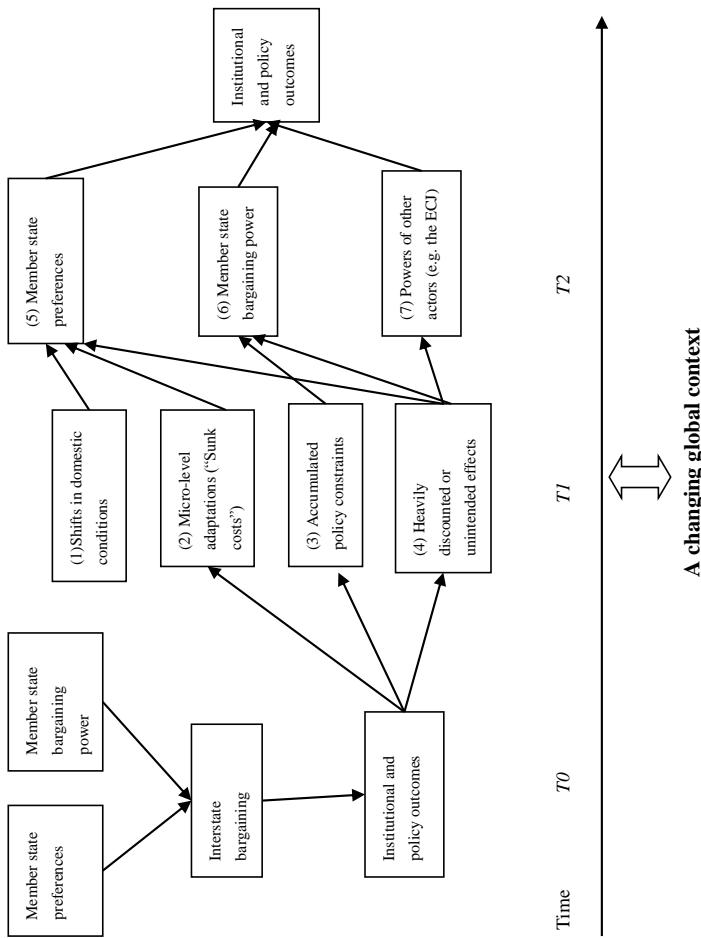


Figure 3.1 EU Policy Analyses in a Path Dependence Framework
 Source: Adapted from "Fig. 2.2. The path to European integration" by Pierson (1996, 149; 1998, 49); the factor "A changing global context" is added by this dissertation.

Designating T_0 as the initial bargains of IGC, T_2 as the next intergovernmental grand bargain and T_1 as the time period between the two grand bargains, Figure 3.1 highlights Pierson's basic propositions: (1) unintended consequences: institutional and policy outcomes at T_2 may not be predicted by national governments when they establish institutions or adopt policies at T_0 , and as the consequences of the bargain at time T_0 , there emerge considerable gaps in national government control which contribute to the altered context for T_2 ; (2) a historical and institutionalist approach to the EU: the analyses of institutional and policy outcomes at T_2 are put into a specific institutional context over a period of time — how decisions and choices in the past influence today's policy-making (i.e a path dependent approach); (3) national governments' control over the outcomes at T_2 is circumscribed compared with that at T_0 as certain national competences and powers are delegated to EU institutions. All of these propositions will be tested under the rubric of HI in chapter four of this dissertation.

Pierson compares his HI analysis with neo-functionalism and traditional intergovernmentalism. Like neo-functionalism, Pierson argues, HI points to the significance of supranational actors, spillover effects and possible unintended outcomes, but it denies the neo-functionalist proposition that authority will be gradually transferred from nation states to supranational institutions; instead, HI maintains that the structured polity "restricts the options available to *all* political actors", which offers explanations for the two questions that neo-functionalism has failed to answer: "why would member state governments lose control, and even if they did why would they not subsequently reassert it" (Pierson 1998, 48, his emphasis). Moreover, arguing that functionalist relative efficiency is not the only plausible causal explanation in political science, historical institutionalists normally go back and look into history. From the functionalist point of view, the outcome X (e.g., an institution, policy, or organization) exists because it serves the function Y, whereas from the HI perspective, it is possible for many other alternatives to lead to the outcome X, and the outcome X exists because of the dynamic of increasing returns or path dependence of a particular option — this option may originate by accident and the factors giving it an initial advantage may have disappeared (Pierson 2000, 263-264). Choices in the past do matter. While compared with intergovernmentalism which focuses on the initial bargain at T_0 , HI traces the consequences (T_1) of "grand bargains" on EC treaties over time and puts intergovernmental bargains (T_2) in an evolving historical context constrained by "their

predecessors and the micro-level reactions to those preceding decisions" (Pierson 1998, 48-50). Nevertheless, the starting point of Pierson's explanation is still state centric: nation states are the most important actors of the Community; they create supranational institutions only to serve their own purposes, but due to the locking-in effect of path dependence, national control is heavily circumscribed (Pierson 1998, 57).

3.7 Moravcsik's LI

3.7.1 Putnam's "Two-level Games"

To understand Moravcsik's influential theory — liberal intergovernmentalism (LI) — Putnam's "two-level games" (1988) accounting for the dynamics of domestic and international politics played by nation states are the starting point (Cini 2010, 96). Putnam's article (1988) puts forward a conceptual framework to understand how national diplomacy and domestic politics interact, filling the void of previous state-centric works which "do not purport to account for instances of reciprocal causation, nor do they examine cases in which the domestic politics of several countries became entangled internationally" (Putnam 1988, 433). Utilizing the metaphor of "two-level games", Putnam combines both international and domestic spheres and explains the entanglements and interactions between the two. Putnam argues that many international negotiations should be interpreted as two-level games, as he argues,

"At the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. Neither of the two games can be ignored by central decision-makers, so long as their countries remain interdependent, yet sovereign." (Putnam 1988, 434)

By labeling the international level and the national level as Level I and Level II respectively, Putnam proposes three sets of factors that could affect the win-set size which is crucial for nation states to ratify international agreements via formal domestic voting procedures: Level II preferences and coalitions; Level II institutions; and Level I

negotiators' strategies.⁸⁸ These factors suggest the size of the win-set depends on: first, the distribution of power, preferences, and possible coalitions among Level II constituents; second, Level II political institutions; and third, the strategies of the Level I negotiators (Putnam 1988, 441-452). Putnam advocates the analysis of the entanglements and reciprocal influence between domestic and international affairs. As a matter of fact, Putnam's "two-level games" is an extension of Bulmer's (1983) domestic politics approach. While Bulmer starts the connection between the two levels by emphasizing national domestic environments' influence on Community policy-making, Putnam examines the interactions between the two levels, stressing domestic factors' effects on national ratifications of the Treaties. The preferences, coalitions and institutions at the national level (Level II) posited by Putnam are comparable to Bulmer's disaggregated analytical elements of domestic politics: member states' attitudes and their domestic policy-making structures; meanwhile, both Putnam and Bulmer emphasize national sovereignty and the key role of nation states in formulating EC policies. Bulmer's and Putnam's approaches are precursors to Moravcsik's LI.

3.7.2 Moravcsik's Liberal Intergovernmentalism

The distinction and interaction between the levels in the "two-level games" left their imprints on Moravcsik's theory. Defining the community as "a unique, multileveled, transnational political system" (Moravcsik 1998, 1), Moravcsik proposed that the dynamic of European integration is grounded in "state preferences, interstate bargaining, and institutional choice" (1998, 2), and policy coordination and cooperation at the EU level emerges "from a process of domestic political conflict" (1998, 3). Moravcsik borrows the idea of "two-level games" from Putnam, arguing that "national governments employ EC institutions as part of a 'two-level' strategy with the aim of permitting them to overcome domestic opposition more successfully" and "much EC decision-making has been difficult to explain except as a two-level game" (Moravcsik 1993a, 515). As a matter of fact, Moravcsik's LI consists of two levels: national preference formation at the domestic level and interstate bargaining at the

⁸⁸ Putnam writes: "we may define the 'win-set' for a given Level II constituency as the set of all possible Level I agreements that would 'win' — that is, gain the necessary majority among the constituents — when simply voted up or down", and the win-set contours at Level II are important to understand the agreements reached at Level I (Putnam 1988, 437).

international level (Risse-Kappen 1996, 63). Compared with Hoffmann, as Lelieveldt and Princen (2011, 39) point out, “Moravcsik pays more attention to the role of domestic, economic influence on the positions of national governments in international negotiations and organizations.” Moravcsik’s book *The Choice for Europe* (1998) provides a cogent summary of his LI arguments.

The research question for Moravcsik (1998) is why European national governments have surrendered some of their sovereign prerogatives within an international institution — the EU. Moravcsik makes a structured comparison across five grand bargains (i.e. five major decisions or five most salient negotiations) which he regards as the turning points in EC history: the negotiation of the Treaty of Rome signed in 1957, the consolidation of the Common Market and the CAP in the 1960s, the process towards European Monetary Integration from 1969-1983, the SEA negotiated in the mid-1980s, and the TEU signed in 1992. Moravcsik claims that three factors have contributed to European regional integration since 1955: patterns of commercial advantage, the relative bargaining power of important governments, and the incentives to enhance the credibility of interstate commitments (1998, 3). Moravcsik believes that those three constitute a theoretical framework which is generalizable to any international negotiation (1998, 9).

Above all, the first factor — the consistently important converging economic interests — is of fundamental importance, as Moravcsik clearly states that “European integration resulted from a series of rational choices made by national leaders who consistently pursued economic interests [...] that evolved slowly in response to structural incentives in the global economy” (Moravcsik 1998, 3). It is the economic interests rather than geopolitical interests that underlie national preferences (Moravcsik 1998, 24). Not only is the EC shaped by the convergence of national preferences, but also is the outcome of interstate hard bargaining, which reflects the relative power of nation states and patterns of asymmetrical interdependence — a factor that “dictates the relative value of agreement to different governments” (Moravcsik 1998, 7). Asymmetrical interdependence rather than supranational entrepreneurship explains the efficiency and national distributional outcomes of interstate bargaining (Moravcsik 1998, 24). Finally, to secure the negotiated agreement they’ve reached, national governments delegate and pool sovereignty to EC institutions to commit one another to

cooperate.⁸⁹ The choice of governments to delegate and pool sovereignty in international institutions, for one thing, goes to various forms, ranging from extensively delegating proposal and implementation powers to supranational authorities to the adoption of different voting modes, such as unanimity, national veto, simple majority or QMV (Moravcsik 1998, 8); for another, it is the effort of a government to constrain and control other governments' behavior so as to enhance the credibility of commitments (Moravcsik 1998, 9). European national governments have reaped huge joint gains from their cooperation, but quite often they are tempted to defect from previously agreed commitments; therefore, in order to guarantee the fulfillment of commitments, they prefer to delegate some governmental tasks to the Commission, and in certain policy areas, the QMV mode is applied (Moravcsik 1998, 3-4). Governmental wishes to adhere to already-made agreements and to ensure a more credible commitment, rather than federalist ideology or centralized technocratic management, account for the transfer of sovereignty to international institutions (Moravcsik 1998, 24). Starting from the Treaty of Rome, European national governments have begun to employ supranational institutions to lock in reciprocal commitments which governments may be tempted to cheat on in later days (Moravcsik 1998, 157). As a result, the EU, as a modern form of power politics, is "peacefully pursued by democratic states for largely economic reasons through the exploitation of asymmetrical interdependence and the manipulation of institutional commitments" (Moravcsik 1998, 5), and the major EC negotiations can be divided into a causal sequence of three stages: national preference formation, interstate bargaining, and institutional choice (Moravcsik 1998, 18; 20). Moravcsik labels his theory "liberal intergovernmentalism",⁹⁰ as he concludes,

⁸⁹ Moravcsik considers "pooling" and "delegating" as two forms of transferring national sovereignty, and the EC distinguishes itself from other international regimes "by pooling national sovereignty through qualified majority voting (QMV) rules and by delegating sovereign powers to semi-autonomous central institutions" (Moravcsik 1993a, 509).

⁹⁰ Moravcsik stresses his research findings support liberal theories of IR against realism, as "[t]he central claim of liberal international relations theory is that the pattern of underlying national preferences, not the distribution of power resources or institutionalized information, is the most fundamental determinant of state behavior in world politics" (Moravcsik 1998, 497). Besides, his liberal argument also counters realist relative gains-seeking, security externalities, hegemonic stability, and "relative capability" models (497-498).

“The central argument of this book — the ‘liberal intergovernmentalist’ argument — holds that European integration was a series of rational adaptations by national leaders to constraints and opportunities stemming from the evolution of an interdependent world economy, the relative power of states in the international system and the potential for international institutions to bolster the credibility of interstate commitments.” (Moravcsik 1998, 472)

It is a liberal theory, for it emphasizes how economic interdependence influence national interests; it is an intergovernmentalist theory, for it stresses international bargains and negotiations (Moravcsik 1993a). Moravcsik’s LI consists of two separate dimensions: the supply side and the demand side. Both the national polity’s demand for cooperation and the supply of integration deriving from intergovernmental negotiations have forged European integration outcomes (Cini 2010, 97; Hix 2005, 16; see also Moravcsik 1993a, 481-482), which actually exhibits an affinity to the argument of “two-level games”.⁹¹

Moravcsik contrasts his LI with neo-functionalism as follows: (1) domestic coalitional struggles *v.s.* domestic technocratic consensus; (2) the role of relative power *v.s.* the opportunities to upgrade the common interest; (3) passive institutions and the autonomy of national leaders *v.s.* the active role of supranational officials in shaping bargaining outcomes (Moravcsik 1993a, 518). As for the forces driving European integration forward, Moravcsik rejects neo-functionalism’s technocratic imperatives, federalist European idealism and geopolitical concerns held by the critics of neo-functionalism (1998, 4). Though neo-functionalists do stress the role of economic interests as the engine for European integration, from Moravcsik’s point of view, they fail to provide micro-foundations to explain precisely “what those interests are, how conflicts among them are resolved, by what means they are translated into policy, and when they require political integration”, that is, “neo-functionalism lacked explicit theories of interest-group politics, interstate bargaining, and international institutions” (Moravcsik 1998, 16). The fundamental weakness of neo-functionalism, therefore, is that it explains European integration in broad structural processes of dynamic endogenous effects (i.e. incremental feedback, unintended consequences, and the resulting change over time) without providing “a baseline theory of exogenous constraints (state economic interests, political constraints, and delegation) through

⁹¹ Also see “Figure 1: The Liberal Intergovernmentalist Framework of Analysis” by Moravcsik (1993a, 428).

which dynamic change must take place" (Moravcsik 1998, 15) — an advocacy of the primacy of societal actors by liberal IR theory (Moravcsik 1997, 516-17). In other words, integration theory should be societal-actor-oriented, and Moravcsik's theory highlights the micro-level of integration: the purposive choice of states and social actors as well as the interactions among them, so Moravcsik advocates generalizable "mid-range" theories rather than the so-called "grand" or "classical" theories of integration (Moravcsik 1998, 19).

In addition, Moravcsik disconfirms HI's path dependence argument that "shifting national preferences are an unintended consequence of prior integration", which he regards as a revived successor to neo-functionalism and still lacking a theory of individual decisions (Moravcsik 1998, 489). European integration consequences are neither unforeseen nor unintended, but rather, they are "the *deliberate triumphs*" ("not the *unintended side-effects*") of governmental cooperation (Moravcsik 1998, 491, his emphasis). The phenomenon of "the transfer of sovereignty and autonomy to supranational institutions is "not an unintended consequence of major EC decisions" but is "*their primary purpose*" to construct institutions to enhance member states' credibility of commitments (Moravcsik 1998, 492, his emphasis). Opposed to the historical institutionalist argument that national interests and preferences are unstable and unpredictable which may cause the divergence of short- and long- term national interests, Moravcsik argues for "*the stability and continuity of preferences*" because in forty years, though economic integration in some areas got deepened, "the relative position of major governments on core issues such as CAP reform [...] have hardly changed" (1998, 493, his emphasis). Moravcsik holds that the weakness of HI is similar to that of neo-functionalism: lacking appropriate account of actual state behavior; nevertheless, he accepts the merits of HI: future decisions are made in the context of shifted preferences and institutional environments (Moravcsik 1998, 494).

As for the status of supranational institutions, Moravcsik sees EC institutions as a means for national governments to strengthen their control over domestic affairs and also as a way to attain goals otherwise unachievable (Moravcsik 1993a, 507). Because of the "two-level games" structure, EC decision-making efficiency has been increased and national political leaders' autonomy got strengthened; EC institutional structures are "the result of conscious calculations by member states to strike a balance between greater efficiency and domestic influence, on the one hand, and acceptable levels of political risk, on the other" (Moravcsik 1993a, 507). Nevertheless, Moravcsik

acknowledges the autonomy of EC institutions, as he writes that “the EC’s complex institutions include a semi-autonomous legal system, parliament, and bureaucracy as well as detailed norms, principles, rules, and practices governing direct relations among national governments” (1998, 1). Moravcsik also acknowledges the growing power of the ECJ:

“The expansion of judicial power in the EC presents an anomaly for the functional explanation of delegation as a deliberate means by national governments of increasing the efficiency of collective decision-making. While supranational delegation undoubtedly creates benefits for governments, the decisions of the court clearly transcend what was initially foreseen and desired by most national governments. The ‘constitutionalization’ of the treaty of Rome was unexpected.” (Moravcsik 1993a, 513)

Besides, as the EC progressed towards flexible concessions to national particularities, “unprecedentedly autonomous centralized institutions”, such as the ECB, have been constructed (Moravcsik 1998, 471). Despite the establishment of these autonomous institutions, European integration, Moravcsik would argue, “is grounded fundamentally in the preferences and power of member states” (Moravcsik 1993a, 514). Even though Moravcsik’s theory belongs to the intergovernmentalist camp, some neo-functionalists such as Leon Lindberg believe that a portion of Moravcsik’s ideas can be used to support certain neo-functionalism arguments. For example, Moravcsik’s analysis of the relative autonomy of nation states when participating at the EU level in relation to their domestic constituencies is valued by Lindberg, who writes: “exactly the same analysis can be applied to an understanding of the Commission in this process of national interest formation! This is [...] what neo-functionalists were trying to do or what I think I was certainly trying to do” (Lindberg 1994, 83; quote in Rosamond 2000, 145). Lindberg would compare national governments’ ability to manoeuvre and represent divided domestic interests with the Commission’s ability to do so among the diversified preferences of member states (Rosamond 2000, 145). As for the usefulness of LI, Moravcsik and Schimmelfennig praise that LI actually has acquired the status of a “baseline theory”, carrying the quality and possibility for a dialogue and synthesis with other theories (2009, 67).

In short, Moravcsik’s LI consists of three elements: a liberal theory of national preference formation, an intergovernmentalist theory of inter-state relations and

bargains, and a theory of institutional delegation. Those three factors formulate a tripartite explanation of European integration; in particular, his theory supplies a rich account of bargaining in the Council, highlighting national preference formation and underlining domestic economic interests as the powerful determiner of national interests (Cini 2010, 96-102).

3.7.3 Critiques of LI

Moravcsik once commented that “neo-functionalism remains a touchstone for scholarship on European integration” (1998, 13), while in turn, his theory is also revered as “a touchstone against which all integration theory is now judged” (Cini 2010, 96). Moravcsik’s LI provides a competing model to explain the European integration process (Rosamond 2000, 145) and offers a theoretical approach of much more rigorousness than its antecedents (George and Bache 2001, 13). Still, it has been subject to the following criticisms.

First, Moravcsik’s theory is criticized for its focus on the grand bargains of treaty negotiations while not accounting for day-to-day politics and daily work in the EU well (Cini 2010, 99-100). For Moravcsik, “[t]he most fundamental task facing a theoretical account of European integration is to explain these bargains” (1993a, 473). Critics point out that treaty negotiations are always history-making decisions, which must result from intergovernmental bargains, so member states are naturally the key players. Nevertheless, Moravcsik maintains that his theory can also help to explain day-to-day decision-making in EC institutions. For instance, member states can employ majority voting in the Council, but they always seek a consensus and unanimity, which, Moravcsik believes, demonstrates that each national interest is maximally protected (Lelieveldt and Princen 2011, 39). Moravcsik and Schimmelfennig (2009) admit that LI is more appropriate to explain decision-making that is under a decentralized setting of unanimous voting rather than under an institutionalized environment of delegated or pooled sovereignty, but they defend LI in the way that “recent empirical research suggests that LI theory applies far more broadly than is commonly supposed, including much everyday EU decision-making”, and the reason for this, as it has been mentioned previously, is that “many decisions within the EU are taken by *de facto* consensus or unanimity, even when the formal rules seem to dictate otherwise” (Moravcsik and Schimmelfennig 2009, 74). The fact that decisions in the Council of Ministers often turn to informal consensus even when QMV could be applied may lead to the

conclusion that “factors like precise institutional design, the composition of the Parliament, or the views of the Commission appear to have almost no impact on outcomes” (Moravcsik and Schimmelfennig 2009, 74; cf. Achen, 2006)⁹². Nevertheless, due to an ever faster speed of globalization and the need to deal with new rising challenges, to improve decision-making efficiency in the EU, which now has 28 member states already and still has the potential to enlarge, is necessary and unavoidable. As a matter of fact, the adoption of the Lisbon Treaty aims to do so. Accordingly, this dissertation would boldly suggest that in order to improve collective decision-making efficiencies in front of severe crises, such as the on-going sovereign debt crisis in recent years, formal rules, especially QMV, will gradually replace the informal consensus practices in the Council, which could be stated in hypothesis form as follows:

H6: Confronted with the severe sovereign debt crisis, the Council of Ministers tends to apply the formal rules of QMV rather than take decisions on the basis of informal consensus, so as to improve the collective decision-making efficiency to meet challenges of globalization.

If this prediction is correct, in case studies one should observe the application of QMV in the Council of Ministers when it is prescribed as the formal rules instead of resorting to the informal unanimity to reach agreement. Furthermore, due to the implementation of the Lisbon Treaty, the new post of European Council President brings out changes to the consensus decision-making scenario of the European Council, and here raises the question: how can Van Rompuy’s activities be appropriately accounted for by LI? (in hypothesis form, see H7h)

Second, Moravcsik’s conception of the state is believed to be quite narrow, and his LI pays little attention to the disaggregated components of the state and thus lacks a subtle analysis of domestic politics; besides, his LI is said to be simplistic, solely focusing on economic interests while ignoring other factors that also exert influence on government preferences, such as domestic structures (Cini 2010, 100). Despite

⁹² Achen also argues for states’ willingness to follow the decision-making mode of informal consensus rather than the formal decision-making rules: “[h]owever EU decision-making is carried out, it does not seem to be well described solely by the formal rules. Informal norms and procedures appear to play a more central role” (2006, 295), and “[t]he case study literature has repeatedly emphasized the role of compromise and the striving for unanimity in EU decision-making. States are disinclined to follow the letter of their legal rights if doing so makes an enemy. Bargaining matters more than the official decision-making rules” (Achen 2006, 297-98).

Moravcsik's advocating for the analysis of domestic politics — as he argues that “[d]omestic analysis is a precondition for systemic analysis, not a supplement to it”, and to understand the formation of various national preferences and diplomatic strategies requires “further research into the domestic roots of European integration” (Moravcsik 1991, 55). LI “neither disaggregates the state satisfactorily, nor explains how the motivations of the executive cause a government to make certain choices and not others” (Forster 1998, 358). Moreover, the reality of EU politics today presents “multi-level” rather than “two-level” games (Rosamond 2010).

Third, it is frequently argued that Moravcsik's theory has played down the role of supranational institutions and non-state transnational actors (Cini 2010, 100-101). For example, when unwrapping reasons for the success of the SEA, Moravcsik clearly states that “[t]he historical record does not confirm the importance of international and transnational factors” (1991, 44), and the SEA got “launched independently of pressure from transnationally organized business interest groups” (1991, 45). Moravcsik rejects neo-functionalism propositions that supranational institutions and transnational interest groups play vital roles in pushing European integration forward, because “[n]one of the three supranational variables — European institutional momentum, transnational business interest group activity, and international political leadership — seems to account for the timing, content, and process of negotiating the SEA” (Moravcsik 1991, 47). Instead, Moravcsik puts forward “intergovernmental institutionalism”, the precursor for his later LI, to explain the SEA negotiation, which consisted of three elements: intergovernmentalism, lowest-common-denominator bargaining, and protection of sovereignty (1991, 48-49). The EC's reform of the internal market is the result of interstate bargains among three big leading states: the UK, France, and Germany, the success of which was preconditioned by the convergence of their national economic policy preferences (Moravcsik 1991, 20-21). National interests and states' relative power are the primary sources of European regional integration, while EC supranational institutions are functioning in the sense of cementing existing interstate bargains (Moravcsik 1991, 56). In contrast to Moravcsik's conclusion, researchers (especially neo-functionalists), however, have demonstrated the influence of the Commission on EU policy outcomes (e.g. Cram 1993), EC legal integration and the increasing power of the ECJ (e.g. Burley and Mattli 1993; Wincott 1994), the autonomy of supranational institutions (e.g. Pollack 1997; Stone Sweet and Sandholtz 1998) and the lobbying power of non-state actors such as European firms and European

interest groups for EU integration (e.g. Cowles 1995). All in all, Moravcsik “does not provide a full enough account of the supply side of his model when focusing solely on interstate negotiations” (Cini 2010, 100), and he looks at the formal aspects of the European integration process but looks over informal politics which also shape EU policy outcomes (Cini 2010, 101).⁹³

Finally, LI has been disclaimed as a theory, for it lacks the specification of the conditions to assert or refute its premises and it fails to provide a final vision of European integration. Rather, it should be taken as a sort of approach, offering a “pre-theory” or “analytical framework” composed of three existing theories: national preference formation, intergovernmental bargaining, and institutional delegation (Cini 2010, 101-102; see also Forster 1998). Forster (1998) tests LI’s analytical and predictive power in three dossiers of the UK’s role in the negotiations for the Maastricht Treaty: social policy, foreign and security policy, and enhancing the powers of the EP. Forster’s case studies of the UK cast doubt on LI’s proposition of national preference formation, governments as being purposeful and instrumental actors, and intergovernmental bargaining (Forster 1998, 347).

Forster (1998, 350) first draws out six core assumptions from Moravcsik’s LI: (1) nation states are assumed to be rational actors with rational behavior; (2) producers express their preferences and governments aggregate them; economic interests shape national preferences; (3) government policy preferences, their ranges and government negotiation flexibility are shaped by three factors: (a) the magnitude of benefits that would be realized from cooperation, (b) the certainty of benefits and costs, and (c) producer groups’ relative influence (differential mobilization) on policy formation; (4)

⁹³ William Wallace (1990) makes a distinction between “formal” and “informal” integration. Informal integration refers to intense patterns of interaction and interdependence flowing from “the dynamics of markets, technology, communications networks, and social change” without the impetus or sanctions of deliberate political decisions, while in the opposite, formal integration means “changes in the framework of rules and regulations which encourage — or inhibit, or redirect — informal flows”, that is, political leaders’ deliberate actions of institutional building (William Wallace 1990, 9). Informal integration is a continuous process originating from transactions of individuals pursuing private interests, while formal integration is about discontinuity, from treaty to treaty and bargain to bargain (William Wallace 1990, 9). Two different kinds of formal integration are further distinguished: the responsive and the proactive (William Wallace 1990, 11), which could be viewed as a reaction to informal integration — might promote, constrain or prohibit it (Rosamond 2000, 130). State primacy stands out in two types of routes: first, compared with informal integration, formal integration involves interstate bargaining, so it determines the width and depth of the European level governance; second, without national government political decisions, informal integration’s promotion into formal integration is not possible (Rosamond 2000, 130).

it is difficult for self-interested nation states to make concessions beyond their own objective interests, and EC negotiated results tend to embody the lowest common denominator. So the outcome of governmental bargaining is decided by the relative intensity of preferences and at the same time, reflects the interests of recalcitrant states. Government concessions happen not because of the action of supranational leaders, but because of government autonomy from their domestic interest groups; (5) policy areas are discrete and unconnected. Linkage occurs as a last resort to reach agreements and tends to relate to financial issues or symbolic side-payments rather than to substantive issues; (6) different issues and policy areas prescribe different constraints on government options and hence generate predictable patterns of interstate bargaining.

Based on those assumptions, Forster (1998, 350-351) outlines the predictions for UK government behavior in each of the three dossiers:

(1) As for the social policy dossier, the cost for the UK will be predictably high. Domestic interest groups backed up by coalitions of interested parties will articulate their concerns and thus the UK government will be under a tight constraint on the issue of social policy. Therefore, the UK government will be resistant to make any concession on this issue and even be impervious to issue linkage and side-payments. The UK's decision to opt-out from the Social Protocol was based on its calculation of the benefits and costs to be involved. The UK government believed that firms would benefit more by its opt-out, so there was no reason to compromise.

(2) The foreign and security policy area seems far away from exerting direct economic impact on domestic interest groups, and private producers have little interest in foreign and defense cooperation. So cost-and-benefit calculations of private groups are generally weak, uncertain and diffuse. Such untraceable distributional consequences will leave a wide maneuver space to ideologically motivated state leaders. Government compromises and issue linkages are quite possible, which are justified on the basis of symbolism and ideology.

(3) The EP dossier shares many features of foreign and security bargaining: a weak cost-and-benefit calculation; uncertain and diffuse consequences; more negotiation room for political elites. Because the implication of strengthening the EP is obscure and less predictable, there will be more space for concessions and the negotiated result may be greater than the lowest common denominator.

Then Forster examines the empirical record of these three dossiers, from which he gets the following research results:

(1) As for social policy, the UK government's resistance to comprise does suggest high costs for the UK to accept the Social Protocol, but these costs are not reduced to economic nature only: they are also political due to the struggle for the control over the ideological direction of the Conservative Party after the downfall of Ms Thatcher (Forster 1998, 352). The LI model is not absolutely correct in the sense that the opt-out decision is principally political rather than economic; besides, domestic producer groups do not impose a tight constraint on UK negotiations; on the contrary, despite their reluctance, domestic producer groups are generally supportive of a comprised social policy. Thus the LI model has missed the political and symbolic nature of the social policy debate in the UK (Forster 1998, 353-354).

(2) In the area of foreign and security policy, as the LI model predicts, the domestic influence from private groups and producers on the UK government's negotiation is weak, but the space for government to freely negotiate is not as great as the LI model suggests, nor is it solely determined by the UK Prime Minister's (i.e. John Major's) ideological motivations (Forster 1998, 354). The historical context of France's pressures for a common foreign and security policy and the weight of the UK's previous policy decisions, such as its affirmation to American-led North Atlantic Treaty Organization (NATO), have curtailed the government's freedom to compromise (Forster 1998, 354-356).

(3) On the issue of the EP, the LI model is right in its way to predict the loose public constraints on increasing the powers of the EP; however, the UK government's scope for compromise is far more restricted by its domestic Eurosceptic considerations than the LI model expects (Forster 1998, 356-357).

Therefore, the LI model appears incomplete and inadequate to explain and predict the UK's positions on these three dossiers. The six core LI assumptions could be grouped into three dimensions where the shortcomings of LI may lie: preference formation, governments as purposeful actors, and intergovernmental bargaining (Forster 1998, 357), and accordingly, based on the UK cases, the LI model's weak points can be classified into three categories:

(1) Few domestic producer interest groups placed their specific demands on government negotiations in 1991. The UK position was much more shaped by preferences stemming from within the government itself, and the government was likely to impose its views on interest groups rather than *vice versa*. National preferences were not formulated fixedly before strategies were put forward. Rather,

they were subject to continuous redefinition as the negotiation went on, which was constrained by a mix of factors: “international pressures, departmental and organization interests, powerful political rivalries, and the need to maintain domestic support” (Forster 1998, 358). Government negotiation freedom, in addition, was further infringed by “party management considerations, ideological as well as policy based” (Forster 1998, 358). LI’s economic dimension failed to account for “a fundamentally contingent *political* process” where the language used in the Maastricht Treaty, the pillar image of the EU constructed by the Treaty, and the majority voting mode implying a concession of national sovereignty all appeared to have assumed greater importance (Forster 1998, 359, his emphasis).

(2) In contrast to the LI model, to preserve sovereignty was not an overriding and the only goal of the UK government, and its preferences are not hierarchically ordered (Forster 1998, 359). Negotiations muddle through disjointed incrementalism and mutual adjustments, which challenge LI’s notion of rationality; though states are still the final arbiters, government executives, due to the domestic and international constraints, are not as powerful as LI suggests (Forster 1998, 360).

(3) LI emphasizes interstate bargaining of coalitions, preferences of the large member states, the limited practices of linkage, and side-payments, but in the case of the social policy dossier, the UK position undermines LI’s assumption that “the threat of exclusion is sufficient to ensure agreement from recalcitrant member states” (Forster 1998, 360), and the negotiation outcomes do not embody the logic of the lowest common denominator (Forster 1998, 361). Meanwhile, common positions within issue areas did get upgraded through long-rolling and forward linkage techniques related to neo-functionalism thoughts (Forster 1998, 362).

To sum up, in the UK cases mentioned above, LI is correct in highlighting the influence of domestic interests and constituencies on government preference formation and on the motivations of member states (Forster 1998, 363). Nevertheless, government preference formation is not only based on economic welfare, but also on political concerns, implying certain unpredictable decision-making, because “[p]olitics is not always a rational process: ideology, belief and symbolism can play as important a role as substance” (Forster 1998, 364). Additionally, LI fails to recognize the significance of the political context and unique nature of each negotiation leading to the Maastricht Treaty (Forster 1998, 364). All in all, the parsimonious explanatory and predictive power of LI has been questioned, as Forster concludes:

“LI is thus perhaps best regarded less as a theory of intergovernmental bargaining, than as pre-theory or analytical framework. It provides some very useful insights but, as empirical testing proves, it must be supplemented by other models in order to explain fully how and why a government chooses among various outcomes. Similarly, other models are needed to explain the determinants of politicians’ choices among competing alternatives. The irony is that, like neo-functionalism, LI’s aspiration to generality ultimately renders it ‘oddly apolitical’.” (Forster 1998, 365)

Forster’s research steps actually represent the congruence method to test the explanatory and predictive power of the theory of LI: first, Forster derives assumptions from Moravcsik’s LI; second, he makes predictions of the UK government’s behavior in three dossiers in line with those assumptions; third, he examines the empirical records of these three cases to see to what kind of degree the predictions made by LI are correct; finally, after comparing the outcomes in each case with the assumptions, he summarizes the shortcomings of LI and points out other factors neglected by LI. As a result, Forster’s (1998) research not only sets up an example to test Moravcsik’s LI model by the EU’s new developments, but also offers possible alternatives to complement the LI model, such as partisan ideological struggles and domestic and international constraints on government executives. It must be pointed out, however, that Forster’s test is based on Moravcsik’s (1991, 1993a, 1995) initial thoughts on LI, and actually the LI model presented in Moravcsik’s 1998 work has avoided some pitfalls mentioned by Forster; moreover, when Moravcsik and Schimmelfennig (2009) add the scope conditions for the application of LI to the theory, Forster’s research results become explainable: first, national preference formation is “issue-specific” — in economic areas, economic calculations prevail in national preference formation, but in non-economic areas, other factors such as geo-politics and ideology weigh more; second, LI works better to explain and predict policies where domestic societal interests are well organized and represented, so accordingly, the three cases selected by Forster, for one thing, represent national preference formation in non-economic areas where non-economic factors are prominent and influential; for another, they do not meet the ideal conditions for the application of LI — the societal interest representation in the three cases is diffuse and uncertain. All of those illustrate the theoretical trajectory of LI that underwent revisions and supplements along with EU empirical practice.

3.7.4 Modifications and Development of LI by Moravcsik and Schimmelfennig

Alongside the EU's development and the criticisms leveled at LI propositions, Moravcsik and Schimmelfennig (2009) restate the key points of LI proposed by Moravcsik in the 1990s, justify LI as a theory, specify the scope conditions for the LI model, and test the LI model against two cases: EU agricultural policy (the CAP) and EU enlargement, based on which they conclude that LI, in the study of European integration, has obtained the status of a “baseline theory”, ever being open and ready to dialogue and synthesis with other theories and approaches, indicating the theoretical usefulness and modesty of LI in explaining and predicting the EU.

3.7.4.1 Three Stages of the LI Model

Moravcsik and Schimmelfennig (2009) use “national preferences”, “substantial bargains” and “institutional choice” to re-account the three stages of the LI model. As for the national preferences, LI treats nation states as unitary actors, assuming a consistent preference is possible despite multiple representation and various domestic actors involved in preference formation, and the fundamental goals of a state (i.e. state preferences) are “neither fixed nor uniform: they vary among states and within the same state across time and issues according to issue-specific societal interdependence and domestic institutions” (Moravcsik and Schimmelfennig 2009, 69). The key to understanding preference formation is “issue-specific”, which implies different interest formation models for substantively different policy areas: in economic issue areas, the economic component is prominent and important, and the model for national interest formation is based on a balance or equilibrium between producers on the one side and taxpayers and actors interested in regulation on the other side; in those economic areas, issue-specific preferences mainly concern how to manage globalization and to meet the challenges brought by globalization, and the latter part of the equilibrium has greater impact in policy areas such as environment, immigration and development aid where the regulatory element is more salient; by contrast, in non-economic issue areas, such as foreign and defense policy, the proper model of preference formation derives from non-economic concerns rather than economic calculation (Moravcsik and Schimmelfennig 2009, 70). This “issue-specific” elaboration helps to dismiss the common misinterpretation of LI's basic claim as “producer interests prevail” or

“economics dominates policy” (Moravcsik and Schimmelfennig 2009, 70). So as for the EU, most of the initial policies do deal with economic issues, and Moravcsik’s LI confirms that national preferences do “have mainly reflected concrete economic interests rather than other general concerns like security or European ideals” (Moravcsik and Schimmelfennig 2009, 70). Concrete national interests emerge “from a process of domestic conflict in which specific sectoral interests, adjustment costs and, sometimes, geopolitical concerns played an important role”, and governments’ participation in integration is “subject to regulatory and budgetary constraints and the macro-economic preferences of ruling governmental coalitions” with the purpose to “secure commercial advantages for producer groups” (Moravcsik and Schimmelfennig 2009, 70; Moravcsik 1998, 3, 38). The re-account here conveys the idea that Moravcsik’s LI also takes other factors besides economic interests into account, as 15 case studies in *The Choice for Europe* show that economic interests driven by globalization play an important role in all cases, while geo-politics and ideology also have a secondary but still important effect in half of the cases (Moravcsik and Schimmelfennig 2009, 70). The key point of this re-account is to tell researchers that Moravcsik does not say economic interests are the sole factor to explain government preferences, but rather, it is the primary factor and other factors also weight on the basis of an “issue-specific” consideration. This clarification also shows the affinity between traditional intergovernmentalism and LI today: Hoffmann (1995, 5) has suggested that nation states are not “black boxes” — they are communities of identities and belongings, so national interests cannot be simply reduced to power and calculated from a state’s place in a regime; rather, other factors, being historical, political, and cultural, also play a role. So the re-account here resonates with something that is in the blood of intergovernmentalism.

As different states rarely have precisely converged preferences, nation states come into the bargaining stage where cooperation decisions and negotiated outcomes depend on the relative bargaining power of the actors involved in the negotiation. The bargaining power, in the EU context, is mainly decided by national asymmetrical interdependence, “that is, the uneven distribution of the benefits of a specific agreement (compared to those of unilateral or alternative possibilities known as ‘outside option’)” and information acquiring on actors’ preferences and institutional mechanisms. All those imply that first, actors in the least need of a specific agreement compared to the status quo are “best able to threaten other actors with non-cooperation”

and thus capable of forcing others to make concessions (this represents a minimal common-denomination proposition); second, actors who have acquired more and better information about other actors' negotiation stances or preferences and the working procedures of institutions are "able to manipulate the outcome to their advantage" (Moravcsik and Schimmelfennig 2009, 71). So LI assumes that due to asymmetrical interdependence, member states who economically benefit the most from EU integration tend to "compromise the most on the margin to realize gains",⁹⁴ while those who benefit the least tend to impose conditions and are not easily ready to make concessions, and hard bargains would witness governmental threats to "veto proposals", "to withhold financial side-payments" or "to form alternative alliances excluding recalcitrant governments" (Moravcsik and Schimmelfennig 2009, 71). To elaborate on this bargaining stage, Moravcsik adopts a bargaining theory that follows rationalist institutionalism but downplays the role of informational asymmetries (Moravcsik and Schimmelfennig 2009, 70-71). Compared to federalism or neo-functionalism which would argue that "ideational entrepreneurs" such as the federal idealists Jean Monnet or a Commission president are armed with better information and expertise and thereby exert influence on national governments, LI posits that "such third parties are usually not required to reach efficient interstate agreements, precisely because they rarely possess information or expertise unavailable to states" (Moravcsik and Schimmelfennig 2009, 71); such a view challenges the traditional assumption of potential inefficiencies of bargaining due to asymmetrical information acquiring, contending that intergovernmental negotiations in the EU can reliably produce efficient outcomes and arguing against supranational entrepreneurs' role in enhancing negotiation. Nevertheless, Moravcsik does admit that in some "exceptional" cases such as the negotiation for the Single Act, supranational entrepreneurs did exert influence and hence promote the integration process (Moravcsik and Schimmelfennig 2009, 71). These exceptional cases indeed show that LI also cannot serve as a grand theory to account for all aspects of the EU, and sometimes, intergovernmentalists must

⁹⁴ This is termed "the simple logic of asymmetrical interdependence"—"those who benefit the most from a policy must sacrifice the most on the margin", which always turns out to be "the most profound factor shaping the negotiations" (Moravcsik and Vachudova 2002, 3). Expressing their indebtedness to Keohane and Nye (1977), Moravcsik and Vachudova (2003, 44) argue that "interstate bargaining outcomes reflect patterns of 'asymmetrical interdependence' — all other things equal, more 'interdependent' countries tend to benefit more from liberalizing markets and are, thus, willing to make concessions to do so."

acknowledge the appropriateness of the certain parts of competing theories, such as neo-functionalism.

As for institutional choice, LI follows neo-liberal institutionalism and values some claims by neo-functionalists and historical institutionalists: “states deliberately delegate authority to supranational organizations capable of acting against the subsequent preferences of governments; and institutions incorporate unintended, and unwanted consequences under conditions of uncertainty — an essential component of regime theory” (Moravcsik and Schimmelfennig 2009, 72). Here again institutions’ functions get emphasized: first, institutions help governments to reduce the transactions costs of future interstate negotiations on the same issue and at the same time provide information for governments to speculate about other actors’ future preferences and behavior; second, governments set up rules to distribute gains, reduce coordination costs, monitor and sanction governmental non-compliance. Hence, “the severity of distributional conflict and enforcement problems”, “uncertainty about the preferences of other actors”, and “the future states of the world” lead to concrete cooperation on a specific issue as well as different institutional designs (Moravcsik and Schimmelfennig 2009, 72). LI proposes that different issue areas display and require different degrees of delegating and pooling sovereignty, which reflects national government concerns about each other’s future ability to commit to the reached agreement. Two possibilities or forms of delegation are distinguished. The first one is to only lay down norms and procedures to facilitate interstate bargaining and reduce negotiation costs as well as uncertainty, exhibiting the purpose of “pure coordination” where “governments may delegate decisions to common decision-making, or delegate them to the EU — as in the case of some ‘standard-setting’ decisions — in order to reduce the transaction costs of determining a common solution”. Cases for this purpose of outright delegation are rare, as governments can handle such situations. The second one is to delegate sovereignty more extensively, such as making use of QMV, the Commission’s right to put forward proposals and to negotiate with third parties, the independent operation of the ECB and the judicial power of the ECJ, the EU’s modest centralized fiscal capacity, quite often aiming at “resolving problems of control, sanctioning, and incomplete contracting through credible pre-commitment”. The purpose of such a transferring of sovereignty to EU institutions is to help “governments effectively remove issues from the varying influence of domestic politics and decentralized intergovernmental control, which might build up pressure for non-compliance if costs for powerful domestic actors are

high” (Moravcsik and Schimmelfennig 2009, 72). The intention to establish EC/EU institutions, therefore, is to guarantee “credible domestic commitment by strengthening the national executive or the national judicial branch or the very domestic groups that support the policy in the first place *vis-à-vis* other domestic forces favoring non-compliance” (Moravcsik and Schimmelfennig 2009, 73). In short, from LI’s point of view, European integration is of nation states, by nation states, and for nation states, and such integration and the process of Europeanization is not to replace the nation states, but to “rescue” (in the sense suggested by Milward (1992, 2000) and help them to cope with globalization (Moravcsik and Schimmelfennig 2009, 73).

3.7.4.2 The Specification of Scope Conditions of the LI Model

Taking the common criticisms leveled at LI into account, especially rational choice institutionalism’s charges on LI’s failure to explain EU everyday decision-making and thus attributing “a disproportionately small role” to EU institutions and HI’s criticisms of LI’s neglect of the unintended or underside consequences caused by treaty revisions, Moravcsik and Schimmelfennig (2009) justify the value of the LI model via answering “[t]o what extent can LI accurately account for European integration as a whole? And where does it reach its limits?” (73). For rational choice institutionalists’ criticism, Moravcsik and Schimmelfennig (2009, 74) argue that LI’s emphasis on institutional choices does suggest that a deliberate delegation and pooling of sovereignty is happening, and some EU institutions do presume semi-autonomous legal power, so institutions matter; meanwhile, LI can also apply to everyday EU decision-making besides “treaty-amending decisions”. As for the critiques from HI, Moravcsik and Schimmelfennig (2009, 75) insist that not only is LI able to explain undesired consequences, but it also assumes their existence, as unintended consequences are starting points “for international institutions to elaborate ‘incomplete contacts’” so as to specify agreements and “credibly lock in compliance against defection by future unsatisfied governments.” The interstitial changes between intergovernmental grand bargains as well as the changes of unanticipated consequences can also be explained by the changes in state preferences, power, and information, and thus LI helps to understand and resolve “the uncertainty and indeterminacy inherent in the initial bargain — or any political process” (Moravcsik and Schimmelfennig 2009, 75); since nation states’ preferences for integration “tend to be rather stable over time” and “European governments were quite aware of the consequences of their actions”, the

commonly-believed unintended outcomes, such as the CAP and the EU Social Protocol (both of which have been elaborated on by Pierson (1996, 1998) as unanticipated consequences), actually have been foreseen by governments at the beginning (Moravcsik and Schimmelfennig 2009, 76).

Though disagreeing with rational choice institutionalists' and HI's criticisms, Moravcsik and Schimmelfennig acknowledge that "LI is not a universal theory" and it "explains integration under most conditions, but not under those that violate its assumptions about preferences, bargaining, and credible commitments" (2009, 76). Moravcsik and Schimmelfennig specify two limitations to the application of LI:

"First, LI best explains policy-making in issue areas where social preferences are relatively certain and well defined", that is, the weaker and more diffuse/the more intense, certain and institutionally represented societal interests there are, the less predictable/more certain national preferences are; as a matter of fact, LI assumes a correlation between the variance of outcomes and the underlying uncertainty of interest representation of the domestic constituency, and the less "substantive implications of a choice" there are, "the more likely ideological preferences and beliefs, or other factors, may be influential" (Moravcsik and Schimmelfennig 2009, 76). Consequently, among various EU policies, the most reliably predictable national preferences are in agricultural and trade areas "where economic preferences are stable" (i.e. countries hold consistent preferences for decades), and shifted national preferences result from governments' incremental responses to changing market conditions and more sudden responses to "overt policy failures"; when nation states predict "downside risks", the construction of institutions tends to maintain national prerogatives by privileging the status of national minister, restricting the role of the EP or employing unanimous voting to obtain tighter national control, as the case of agriculture suggests (Moravcsik and Schimmelfennig 2009, 76). Less predictable national preferences are "in economic areas such as monetary policy, where economic knowledge is more uncertain and the distribution of costs and benefits more diffuse" and the consideration of monetary policies' efficacy may have assumed as much importance as the underlying political economy (Moravcsik and Schimmelfennig 2009, 76-77); however, "[e]ven less predictable are the politics of constitutional reform" (e.g. European Constitutional deliberations), "where substantive concerns are not invariably salient" and "weak ideological beliefs" matter (Moravcsik and Schimmelfennig 2009, 77). So LI works best to explain and predict policies where domestic societal interests are better and

institutionally represented and organized, and thus countries have more stable preferences based on those more-clearly defined domestic pressures, which shows a cause-effect relation between the diffusion of issue-specific societal interests and the uncertainty (unpredictability) of state preferences.

“Second, intergovernmental bargaining based on asymmetrical interdependence dominates interstate bargaining except in rare conditions of high transaction costs and asymmetrical information, when supranational entrepreneurs may wield influence” (Moravcsik and Schimmelfennig 2009, 77) — to argue that the Commission can provide information services and reduce transaction costs actually is also a proposition of rational choice institutionalism (e.g. Pollack 1996, 438-439; see chapter four of this dissertation). Those “rare conditions”, Moravcsik (1999) argues, only have applied to the case of the SEA, where supranational entrepreneurs in the Commission and the EP took the advantage to initiate the SEA due to the failure of European multinational firms, interest groups, and domestic ministers to aggregate various disparate proposals into an integrated one and thus a lack of effective collective action among different interest groups. So Moravcsik believes that supranational entrepreneurship is effective “not so much in situations where international bargaining is complex, difficult or new, *per se*, but when domestic coordination problems are severe” (Moravcsik and Schimmelfennig 2009, 77; Moravcsik 1999, 282-85). Accordingly, Moravcsik’s LI holds the basic tenets that as for international bargaining, “decentralized non-coercive negotiation will be more efficient where information is plentiful and distributed widely” and “[o]nly when governments lack critical information, expertise, bargaining skills, and legitimacy that third parties can provide are the latter likely to be influential” (Moravcsik and Schimmelfennig 2009, 77). The exceptional conditions and cases, however, from another perspective, confirm the validity of transaction-based theory and EU supranational institutions’ — especially the Commission’s — autonomy and their roles in promoting EU integration.

3.7.4.3 Case Studies: Applying LI to Agriculture and Enlargement

To illustrate their propositions on the scope conditions for LI as well as LI’s empirical power, Moravcsik and Schimmelfennig (2009) select two cases: an easy case — agriculture (the CAP), and a more difficult one — enlargement, and their analyses for each case are largely based on Moravcsik (1998) and Moravcsik and Vachudova (2002, 2003), respectively.

As for the case of agriculture, it has the ideal conditions for the application of LI proposed above: “certain and intense preferences, clear positive-sum benefits, and clear credible commitment problems”, as “[f]armers associations have intense preferences, are highly organized, and exercise a strong influence on governments”; and at the same time, agriculture remains one of the most important issues for any industrialized government and it is still a core issue for “European bargaining”, which consumes a large part of the EU budget. In short, the formation of the CAP (i.e. a policy outcome) is closely related to the relevant national domestic groups’ interests and demands (which contribute to and explain state preferences), hence providing an ideal condition for LI theory (Moravcsik and Schimmelfennig 2009, 77). Regarding the three stages of the LI model, the elements of the analysis of the CAP are as follows.

First, the initial task is to ascertain and explain national preferences from “the structure of issue-specific domestic societal interests — in this case economic ones”, and in agriculture, “national preferences [...] were skewed toward producer interests” because of the big size of the farm sector and its better organization and interest representation in contrast to “the diffuse and unorganized groups of taxpayers and consumers who were forced to foot the bill” (Moravcsik and Schimmelfennig 2009, 78). Major governments’ preferences concerning the CAP in the 1960s varied largely and were closely related to domestic producers’ preferences. In France, 25 percent of the population worked in agriculture, in Germany 15 percent, and in the UK only 5 percent; commensurately, France became the biggest surplus producer and exporter of agricultural goods, while Germany and the UK were large net importers with marginal exports — the latter two were uncompetitive in agriculture compared to France; consequently, France, as a large exporter, preferred intra-EC market liberalization and higher prices for agricultural products relative to the world market; in contrast, the UK, as a net importer, wanted to be offered with lower priced agriculture products by both the Community and the Commonwealth. As for Germany, due to “its still sizeable and politically influential agricultural sector”, it also pressed for high prices. As a result, each national preference reflected the size and competitiveness of its agriculture sector as well as the variance of the intensity of producers’ interests in the three big countries: France intensely favored the liberalization of the Community’s market with modest support prices, but strongly opposed to do so in the General Agreement on Tariffs and Trade (GATT); Germany objected to the liberalization of the intra-Community market “unless very high common support prices were paid” while it was willing to make

concessions in the GATT due to its domestic arrangements; finally, the UK was skeptical to any kinds of the CAP, and it “favored a liberalization of global agricultural trade” (Moravcsik and Schimmelfennig 2009, 78).

Second, carrying varied national preferences, these big three countries entered into the stage of interstate bargaining, where LI predicts that France’s strongest interests for the CAP would place it in an inferior bargaining position, implying that France should make more concessions or press other negotiators to reach agreement (Moravcsik and Schimmelfennig 2009, 78). The conventional explanation, or rather from a neo-functionalism perspective, is that France, via issue-linkage or package deals, made concessions on unrelated issues that were of less interests to France; consequently, the French government linked the issue of internal tariff removal to the creation of the CAP so as to threaten Germany to give up its favored bilateral agricultural trade agreements, and at the same time, France changed its previous tough stances on the negotiations of the GATT and supported the Kennedy round of GATT negotiations so as to force Germany into making concessions on the CAP. However, those explanations are problematic: how or to what extent can a state “impose losses on other interest groups in the name of cross-issue linkage”? The fact is that “there was [...] no real quid pro quo at the level of sectoral interests” since neither did the French industrialists really oppose GATT agreements, nor did German farmers reject the CAP (Moravcsik and Schimmelfennig 2009, 78). LI offers a different explanation: the bargaining process shows a “convergence of interest — collusion — between German and French farming interests at the expense of French and German consumers, taxpayers and technocrats, as well as third-country (e.g. US) producers and the European Commission” (Moravcsik and Schimmelfennig 2009, 78-79). The negotiated results were as follows: French agricultural commodities obtained higher support prices and a preferential access to German markets; in return, the construction of the CAP followed the German government’s will, which includes “long transition periods for bilateral quotas, high subsidies, and price support”; meanwhile, German farmers’ slight disadvantage in wheat prices was “compensated” by “extremely high EU support prices for animal products, the mainstay of German agriculture”, which led to a huge increase of animal production and exportation in Germany (Moravcsik and Schimmelfennig 2009, 79). It was not the farmers but some officials who opposed such a deal, and to persuade those opponents, de Gaulle pretentiously made a credible threat that France would withdraw from the Community if the CAP were not established —

“pretentiously” because when he made good on such a threat, he lost domestic support and backed down (Moravcsik and Schimmelfennig 2009, 79). Moreover, geopolitical ideology did play a role as de Gaulle tried to “embarrass German politicians into accepting a deal by threatening to undermine the EEC”, but the Commission, which is always regarded as a “supranational entrepreneur” by neo-functionalists, exerted little influence on the final outcomes. The reason is that member states were well informed about each government’s preferences and the intricacies of agricultural policy, and in fact, the CAP turned out to be based on an opposite design to the Commission’s proposal (Moravcsik and Schimmelfennig 2009, 79).

Finally, LI asserts that the institutional prescription for the CAP as well as for the common market reflected concerns about member states’ credible commitments. Despite the de Gaulle government’s “purportedly ideological aversion to supranational institutions”, France pressed for a centralized CAP to lock Germany’s compliance into a permanent mechanism of high price financing before it finally agreed to let the UK join the Community; meanwhile Germany insisted on the unanimous voting mode, because it was worried that the protection to its agricultural goods might be reduced to a lower level in the future if QMV were adopted. So from the very starting point, EU agricultural policy was decided by unanimity without the Commission’s right to propose — national agricultural ministers have acquired an incomparable privileged status (Moravcsik and Schimmelfennig 2009, 79). From the LI perspective, because domestic agricultural interests were very strong and all industrialized governments favored subsidization to the agricultural sector, to put agricultural issues on the agenda of EU-level negotiations was necessary, and this was another way to maximally protect national interests (Moravcsik and Schimmelfennig 2009, 79).

In contrast to the agriculture case, the LI model encounters difficulties to explain EU enlargement, a case where intergovernmental negotiations with unanimous voting are applied. The reason is that despite that candidate states’ national interests tend to exhibit more concrete and intense propensities because of their economic orientation to qualify for membership, the exiting members’ interests turn out to be more diffuse (Moravcsik and Schimmelfennig 2009, 80). When new members are admitted into the EU club, they must adopt the *acquis communautaire* and the existing policies almost remain unchanged; at the same time, new members’ size and budgetary impact are small compared to the existing EU members, and the latter’s primary concerns are issues of Community budgetary flows, trade and investments. On the issue of

enlargement, the existing member states' calculations of the costs and benefits become more diffuse and imprecise (Moravcsik and Schimmelfennig 2009, 80). But still, LI predicts that, first, "members will calculate the advantages of enlargement in terms of the costs and benefits of social-economic interdependence of various types"; second, new members will actively and strongly seek membership in the EU, while old members will promote new members' accession process more slowly, among which those who have the closest and most positive interdependent relationship with potential new members will lead the process; finally, existing members will exploit their bargaining superiority to impose conditions and create exceptions to mitigate the impact and disadvantages brought by new members, such as the competition for subsidies and markets (Moravcsik and Schimmelfennig 2009, 80).

Moravcsik (1998) offered an analysis of the UK's accession to the Community in the 1960s. In light of LI, both the UK's wishes to join the Community and France's opposition were "economically motivated": the UK's wanted to become a member of the Customs Union (CU), reflecting a strong demand of UK commercial and trade interests, while France's objection to the UK's membership was due to the UK's opposition to the CAP and a low-price commercial competition that would be brought by the UK; the CAP was France's key concern, and only after the CAP was created, France finally agreed to the UK's entry but with the demand for "a permanent financing arrangement for the CAP" (Moravcsik and Schimmelfennig 2009, 80).⁹⁵

⁹⁵ With its objectives laid down first in the Rome Treaty of 1957 (Article 39) and later at the Stresa Conference in July 1958, the CAP was launched in 1962; later the grain price was agreed in December 1964, and the Commission's proposed measures on financing the CAP triggered the "empty chair" crisis from mid-1965 to early 1966, which led to the application of unanimity rules as the normal practice within the Agricultural Council. At the very beginning, in order to implement the CAP, national governments established the European Agriculture Guarantee and Guidance Fund (EAGGF) which was agreed to be directly financed by national contributions only for the first three years, and after that a new funding arrangement should be adopted; however, the Commission's proposal to replace member state's direct contribution with the Community's own resources after July 1965 sparked the "empty chair" crisis, and it was only in 1970 that the EC finally financed the CAP from its own resources, that is, "revenue from agricultural import levies and a proportion of VAT (Value Added Tax) payments" (Dedman 2010, 104), rather than from members' annual "membership fee" (see Dedman 2010, 82-108; Fouilleux 2010, 341-45; Dinan 2010, 329-35). As for the UK's membership in the Community, De Gaulle vetoed against the UK's two accession applications in 1963 and 1967, and only after De Gaulle resigned as French President in 1969, did the UK finally conclude accession terms with the EEC in June 1971 and joined it in 1973 (Dedman 2010, 93; 106); the main reason for De Gaulle's successor, Georges Pompidou (1969-74), to change French government stances toward the UK, according to Dedman (2010, 104-105), is that France was alarmed by German "Ostpolitik" (Eastern Policy) and thus hoped to counterweigh Germany's growing influence in the Community by admitting the UK's membership.

During the entry negotiations, the UK government bargaining power was weak, because “Britain was more commercially dependent on the Six than vice versa”, and France, expressing “little economic interest in British membership”, gave up its veto against the UK’s accession in exchange for extracting more concessions mainly on the CAP (Moravcsik and Schimmelfennig 2009, 80). LI’s explanation is different from the conventional stories told from ideological or geopolitical perspectives, such as French politicians’ anti-Americanism and the national hatred caused by the Second World War.

Moravcsik and Schimmelfennig (2009) supplement LI’s case studies with the EU’s recent eastern enlargement. To begin with, each member state’s preference “can be largely — but not entirely — explained by their patterns of interdependence, geographical position, and economic structure”, and national positions towards eastern countries’ accession to the union differ in terms of both the speed (i.e. to be the “drivers” or “brakemen”) and extent (i.e. pushing for a limited enlargement only focusing on the central European states, or for an inclusive enlargement for all 10 candidate countries) (Moravcsik and Schimmelfennig 2009, 80-81). All 15 old member states’ preferences could be illustrated by “the speed” x “the extent” matrix⁹⁶, and LI can account for these preference distributions as it proposes that when governments lack intense economic interest, geo-political or ideological interests emerge to be the old member states’ main concerns (Moravcsik and Schimmelfennig 2009, 81). LI takes the existing members’ geographic position as “a proxy variable” for “the imperatives induced by interdependence, and, in particular, the [...] exogenous increase in opportunities for cross-border and capital movements” that should determine national preferences”; therefore, countries bordering the Central and Eastern European (CEE) candidate countries, except for Greece and Italy, became “drivers” for enlargement, while countries far from the CEE candidates, except for the UK, turned out to be “brakemen” (Moravcsik and Schimmelfennig 2009, 81). Greece and Italy’s negative attitudes reflect that, in line with LI’s predictions, being “the poorer, less highly developed, and more agricultural among existing members”, these two countries feared potential losses in trade, agriculture and fund budget competition with the new members, as the latter were also less developed countries with “the same traditional and resource-intensive industries” (Moravcsik and Schimmelfennig 2009, 81). Though the CEE countries are

⁹⁶ See “Table 4.1 Member State Enlargement Preferences” by Moravcsik and Schimmelfennig (2009, 81).

“neither geographically close nor economically important to Britain”, the UK government strongly supported EU expansion, not only acting as a “driver” instead of a “brakeman” but also pressing for an “inclusive” rather than an “limited” enlargement, which follows LI’s expectations that when intense economic interests are absent, other factors, like geopolitical or ideological interests play decisive roles in accounting for national states’ preferences (Moravcsik and Schimmelfennig 2009, 81). Still, there are other kinds of explanations. Some scholars hold that the UK’s supportive stance comes from its conservative government’s Europhobia, and the UK hopes that the widening process could prevent or at least dilute the EU’s deepening process, while others contend that the UK is devoted to a stable Europe, and the inclusion of the CEE countries was essential to avoid war calamities like those in Yugoslavia; yet, LI is correct in predicting the general trends of state preferences for or against EU eastward enlargement (Moravcsik and Schimmelfennig 2009, 81-82).

In terms of substantive bargains, LI’s logic of “asymmetrical interdependence” works well to account for the old members’ and candidates’ bargaining powers: the sum of all 10 candidate countries’ Gross National Product (GNP) was less than 5 percent of that of the existing members, while their exports and imports to the EU took up a large share of their total foreign trade, increasing to between 50 and 70 percent during the 1990s, which, nevertheless, also only accounted for less than 5 percent of the sum of the old member states’ foreign trade at that time. Besides, inflows of capital from western Europe was critical to the CEE countries, whereas the CEE’s economic impact on old members was far smaller — all these illustrate candidate countries’ one-sided dependence on EU markets. Therefore, though the market expansion was profitable for both the old and the new members, new members appeared to benefit more. As a result, the existing members gained superior bargaining positions and “[a]pplicant countries consistently found themselves in a weak negotiating position *vis-à-vis* their EU partners, and accordingly have conceded much in exchange for membership” (Moravcsik and Schimmelfennig 2009, 82). Moreover, the negotiated results meet LI’s expectations: the CEE states accepted conditions set up by the existing members, such as “temporary restrictions of the free movement of labor and the phasing in of agricultural subsidies over a 10-year period”, while by imposing transitional restrictions, old member states guaranteed their benefits and reduced the negative impact of enlargement on their economies as much as possible (Moravcsik and Schimmelfennig 2009, 82). In short, the high asymmetrical interdependence

between the applicants and the existing members determined a weak and strong bargaining position for each group, respectively.

As far as institutional choice is concerned, LI turns out to be not as convincing as it explains national preferences and intergovernmental bargaining, and the puzzle is that since there was already an “association” regime for the current members to negotiate with the CEE countries, why not just stick to this association regime which, with the similar functions to the EU, could also facilitate current members to access CEE markets while protecting the CEE countries’ vulnerable sectors, trade and budget competition with the existing members? The reason, some argue (e.g. Skalnes, 2005), was the old member states’ concern for continental stability and security, which “could be achieved much better through the strong incentives and ties of membership rather than through association” and the wars in the former Yugoslavia and in Kosovo precipitated the EU’s preparation for the eastern enlargement and the extension of its prospective membership to the western Balkans (Moravcsik and Schimmelfennig 2009, 82). Other scholars (e.g. Schimmelfennig, 2001, 2003) contend that it is the EU’s identity as being a liberal democratic community that “obliged the EU to admit democratic European countries as full members if they so desire” (Moravcsik and Schimmelfennig 2009, 83). All in all, LI explains most parts of the difficult case — EU enlargement.

Moravcsik and Schimmelfennig’s (2009) case studies on the CAP and EU enlargement provided examples of testing LI by the selected three cases in this dissertation, which suggest two essential dimensions. The first one is to ascertain the nature of each case: an easy case or a harder case for LI, applying the judgments of “limitations” to see whether the selected cases possess the features of ideal conditions; the second dimension is to dissect the LI model into three stages with various sub-hypotheses, and to ascertain the explanatory and predictive power of LI means to test the validity of each sub-hypothesis.

3.7.5 The Revised LI Model and Hypotheses Derivation

The literature above depicts the origins, formation and evolutionary track of LI: by synthesizing neo-liberalism and traditional intergovernmentalism, Moravcsik first put forward “intergovernmental institutionalism” (Moravcsik 1991), then adapted it to LI (liberal intergovernmentalism) (Moravcsik, 1993a, 1995), and later systematically elaborated LI propositions and tested them on the basis of EU empirical developments

(Moravcsik, 1998). Moravcsik and Schimmelfennig (2009) further clarify and supplement LI, exhibiting visible theoretical revisions on the basis of empirical tests and criticisms leveled at LI's previous assumptions. So according to the updates offered by Moravcsik and Schimmelfennig (2009), a revised LI model can be framed as follows:

“EU integration can best be understood as a series of rational choices made by national leaders. These choices responded to constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of states stemming from asymmetrical interdependence, and the role of institutions in bolstering the credibility of interstate commitments.” (Moravcsik and Schimmelfennig 2009, 69; cf. Moravcsik 1998, 18).



National preference formation (Stage 1)	<p>(1) Preference formation is “issue-specific”, implying two different models:</p> <p>(1a) Model 1: In economic issue areas, the preference formation model is based on a balance between producers and taxpayers and actors interested in regulation, mainly concerning how to manage globalization and to meet the challenges brought by globalization; (1b) Model 2: In non-economic issue areas, the proper model of preference formation derives from non-economic concerns rather than economic calculations, such as geo-politics and ideology.</p> <p>(2) Concrete national interests emerge from (2a) specific domestic sectoral interests, (2b) considerations of adjustment costs, and/or (2c) geopolitical concerns or other factors.</p> <p>(3) A government integration position can be derived from (3a) regulatory and budgetary constraints (costs and benefits calculations), (3b) ruling governmental coalitions’ macro-economic preferences, and/or (3c) the purpose to secure commercial advantages for producer groups.</p>
Interstate bargains (Stage 2)	<p>(4) Bargaining power is decided by two factors: (4a) national asymmetrical interdependence, that is, the uneven distribution of the benefits of a specific agreement; and (4b) national information acquiring of other actors’ preferences and institutional mechanisms.</p> <p>(5) These two factors imply: (5a) member states who economically benefit the most from EU integration tend to compromise the most on the margin to realize gains, whereas those who benefit the least tend to impose conditions and are difficult to make concessions; (5b) the Commission or its President or other ideational entrepreneurs of supranational institutions will influence national governments and enhance negotiations only when the transaction costs involved are high and they are armed with better information and expertise than national governments, because these entrepreneurs rarely possess information or expertise unavailable to states.</p> <p>(6) Hard bargains might witness governmental threats: (6a) to veto proposals; (6b) to withhold financial side-payments; or (6c) to form alternative alliances excluding recalcitrant governments.</p>
Institutional	<p>(7) The purposes to establish supranational institutions are: (7a) to help</p>

choice (Stage 3)	<p>governments to reduce the transactions costs of future interstate negotiations on the same issue; (7b) to provide information for governments to estimate other actors' future preferences and behavior; and (7c) by setting up rules to distribute gains, reduce coordination costs, monitor and sanction governmental non-compliance.</p> <p>(8) Three factors contribute to different institutional designs: (8a) the severity of distributional conflict and enforcement problems; (8b) uncertainty about the preferences of other actors; and (8c) the future states of the world.</p> <p>(9) Two forms of sovereignty delegation: (9a) to only set up norms and procedures to facilitate interstate bargaining and reduce both negotiation costs and uncertainty, with the purpose of "pure coordination" and reducing the transaction costs of determining a common solution; (9b) to delegate sovereignty more extensively, such as by the application of QMV, the Commission's right to put forward proposals and to negotiate with third parties, the independent operation of the ECB and the judicial power of the ECJ, the EU's modest fiscal centralization, quite often aiming at resolving problems of control, sanctioning, and incomplete contracting through credible pre-commitment.</p> <p>(10) The intention to establish EU institutions is to guarantee credible domestic commitments by strengthening (10a) the national executive; or (10b) the national judicial branch; or (10c) the very domestic groups that support the policy in the first place <i>vis-à-vis</i> other domestic forces favoring non-compliance so as to help nation states to cope with globalization.</p> <p>(11) National non-compliance will happen when an agreement leads to high costs for powerful domestic actors.</p>
Two limitations to the application of LI	<p>(12) LI best explains policy-making in issue areas where social preferences are relatively certain and well defined, which implies the following: (12a) the most reliably predictable national preferences are in agriculture and trade areas; (12b) less predictable national preferences are in economic areas such as monetary policy, where economic knowledge is more uncertain and the distribution of costs and benefits more diffuse; and (12c) even less predictable are the politics of constitutional reform where substantive concerns are not salient and ideological beliefs matter more. So LI works better to explain and predict policies where domestic societal interests are well organized and represented, exhibiting a cause-effect relation between the diffusion of issue-specific societal interests and the uncertainty (unpredictability) of national preferences.</p> <p>(13) It is rare for supranational entrepreneurs to wield influence, which could happen only when domestic coordination and interest representation get severe problems and/or only when governments lack critical information, expertise, bargaining skills, and legitimacy that third parties can provide.</p>

Figure 3.2 A Revised LI Model: National Preferences, Substantial Bargains and Institutional Choice
Sources: Own compilation on the basis of Moravcsik and Schimmelfennig (2009).

As an integration theory, the revised LI model, for one thing, offers enlightening explanatory matrices to account for national interest formation, interstate bargaining

and institutional set-ups, and for another, it should be empirically tested by the ever developing EU, with the potential to be further revised and developed. This dissertation will test this revised LI model on the basis of the three selected cases representing the EU's new developments so as to examine LI's explanatory and predictive power. In the context of the eurozone sovereign debt crisis, the revised LI framework suggests the following:

H7: The EU's new developments during the eurozone sovereign debt crisis are a series of rational choices made by national leaders, which are forged by three factors consecutively: national preference formation based on the economic interests of powerful domestic constituents, intergovernmental bargaining where asymmetrical interdependence decides the relative power of states, and institutional arrangements to guarantee the credibility of intergovernmental commitments.

 This hypothesis can be disaggregated into the following sub-hypotheses:

Stage 1: National preference formation

Due to the economic nature of the EU's measures to counter the crisis, "issue-specific" preference formation is based on (1a) Model 1 with salient economic concerns:

H7a: The EU's new measures and policies to solve the sovereign debt crisis reflect the economic interests of powerful domestic constituents.

If this mechanism is valid, then one should observe in the selected cases that states formulate their preferences for these new EU measures and policies on the basis of the economic interests of powerful domestic constituents rather than on the basis of geopolitical interests or ideological concerns, exhibiting the interest formation pattern which involves producers on the one hand and taxpayers and actors interested in regulation on the other hand, displaying concerns about how to deal with globalization.

In addition to the examination of the economic interests of specific domestic constituents, this dissertation will see whether other factors mentioned by LI are prominent in the selected cases: (2b), (3a), (3b) and (3c), so as to get a more rounded picture of concrete national interest formation and national government integration positions.

 **Stage 2: Interstate bargains**

Because different states express different interests, states enter the intergovernmental bargaining stage where (4a) and (5a) suggest H7b, while (4b) and (5b), together with (13), can be stated in H7h

H7b: National asymmetrical interdependence (i.e. the uneven distribution of the benefits of a specific agreement) determines the relative bargaining power of the nation states, so member states who economically benefit the most from the EU's new measures and policies tend to compromise the most on the margin to realize gains, whereas those who benefit the least tend to impose conditions and make hard bargains.

To test the validity of this hypothesis, this dissertation will compare the bargaining power of the traditional big three: Germany, France, and the UK.⁹⁷ The UK is not a euro country while Germany

⁹⁷ The three EU member states, Germany, France and the UK, are traditionally defined as "the big three" of the EU, see, for example, Janning (2005), Wagnsson (2010), and Geis et al. (2011).

and France, two core euro members, have strong interests in seeking solutions at the EU level to fight against the sovereign debt crisis, so if LI's prediction is correct, then in case studies one should observe that the UK has a superior bargaining position, and it may exploit its superior bargaining power to impose conditions or cause hard bargains, whereas Germany's and France's strong interests in regulation and solutions at the supranational level put them into inferior bargaining positions, and they tend to make concessions on the margin to realize gains. If hard bargains appear in the cases, this dissertation will check in what kind of way: (6a) and/or (6b) and/or (6c). Moreover, to compare the negotiation positions of Germany, France, and the UK is also a way to judge LI's following predictions:

H7c: The EU's new measures and policies to solve the euro area sovereign debt crisis reflect big countries' will rather than supranational entrepreneurship, because EU entrepreneurs rarely possess information or expertise unavailable to the member states.

If H7c is not valid in case studies, then the selected cases in this dissertation suggest "exceptional" situations to the LI model: (4b) and (5b), which, combined with the second limitation to LI's application (13), can be stated in hypothesis form of H7h.



Stage 3: Institutional choice

H7d: In order to solve the debt crisis, nation states make institutional choices to delegate and pool sovereignty to EU supranational institutions so as to guarantee the credibility of intergovernmental commitments.

To test this hypothesis, this dissertation will examine the following factors: first, what are the nation states' institutional choices and how do the institutional choices work, by adjusting existing institutions or establishing new institutions? Second, how do member states delegate sovereignty to EU supranational institutions, in the form of (9a) and/or (9b)? Third, are the new institutional arrangements designed to guarantee member states' credible commitments to the reached agreements? If the new institutional arrangements are dedicated to ensure member states' commitments, then the dissertation will further examine in which way, (10a), (10b) or (10c), domestic commitments get guaranteed, which suggests the following:

H7e: Member states' credible commitments can be guaranteed and realized via strengthening the national executive, the national judicial branch and/or the very domestic groups that support the policy in the first place vis-à-vis other domestic forces favoring non-compliance.

For the situation of national defection from the agreed agreements, LI (see (11) in Figure 3.2) predicts that

H7f: National non-compliance will happen when an agreement leads to high costs for powerful domestic actors.

Moreover, LI offers three factors, (8a), (8b) (8c), to account for institutional designs, and other rationales (7a, 7b, and 7c) besides the commitment concerns to explain the setting up of institutions, so this dissertation will also see whether these factors suggested by LI are prominent in the selected cases.



Mutual reinforcement between LI's three stage propositions and the limitations to LI's application

Two limitations to the application of LI

The EU's new measures and policies to solve the sovereign debt crisis belong to the general category of EU economic governance, and they are related to many EU policy areas, such as fiscal, financial,

and monetary policies. According to (12), LI's predictive power is moderate as the EU's new measures and policies almost fall into the category of (12b). So this dissertation will see whether domestic societal interests are well organized and represented in the selected cases and whether the assertion of a cause-effect relation between the diffusion of issue-specific societal interests and the uncertainty (unpredictability) of national preferences is confirmed in case studies. The first limitation suggests the following:

H7g: The stronger and better-organized (the weaker and more diffuse) representation of domestic societal interests is, the more (the less) predictable and more certain (uncertain) national preferences are, and the better (worse) LI works.

As for the role of supranational entrepreneurs, LI predicts that they will wield influence only in exceptional cases, as an alternative to H7c. During the sovereign debt crisis, the Commission and European Council President Van Rompuy were actively engaging in their activities and fulfilling their functions, so the second limitation implies the following:

H7h: During the eurozone sovereign debt crisis, the Commission and European Council President Van Rompuy exert influence only because the transaction costs involved are high, domestic interests are poorly coordinated and represented, and/or national governments lack critical information, expertise, bargaining skills, or legitimacy that the Commission and Van Rompuy can provide.

H7h also offers explanations for the exceptional cases to H7c, and the case studies in this dissertation will check whether the EU's new developments in economic governance are "exceptional cases" for LI or not. If H7h is effective in the selected cases, it also confirms neo-functionalism propositions on the pro-integrative roles of EU institutions' entrepreneurs.

Finally, the assumption that "the EU's new developments during the eurozone sovereign debt crisis are a series of rational choices made by national leaders" should be clarified in case studies. As the effectiveness of the new post of European Council President from 1 December 2009, the nature of Van Rompuy's activities should be properly defined.

Figure 3.3 The Framework to Test LI in the Context of the Eurozone Sovereign Debt Crisis

Sources: Own hypothesis derivation and compilation based on "Figure 3.2 A Revised LI Model" in this chapter.

3.7.6 LI and the EU Today

LI theory, according to Moravcsik and Schimmelfennig (2009, 83), throws light on "the most striking" feature of the European integration project today: the EU's substantive and institutional stability, which has forged a normative plateau where incremental EU policy-making changes rather than "substantive reforms" are occurring. This suggests the existence of a "European Constitutional Settlement" (Moravcsik 2006; 2007) — from the Amsterdam, to the Nice, and then to the Lisbon Treaties, there is an "incremental movement along slow trends toward reforms within the existing constitutional structure" without "a grandeur change" like the SEA or the Maastricht Treaty, and the main reason, from the LI perspective, is that "the absence of national preferences for a functional grand project [...] sufficient to motivate cooperation", as the creation of the SEA and the single currency once did (Moravcsik and

Schimmelfennig 2009, 83). Two propositions are derived. First, the EU has reached the point where its constitutional system is mature enough to sustain its stability, which, for one thing, rejects federalists’ “bicycle theory”, that is, “the EU must keep moving toward federal union or risk collapse” (Moravcsik and Schimmelfennig 2009, 84), and for another, implies an *incremental* reform trend within the EU’s existing institutional framework, such as to strengthen the Council and the EP, and deepen or enlarge certain EU policies (Moravcsik and Schimmelfennig 2009, 83). This argument is similar to H4 on Jensen’s institutional/legalistic spillover (see chapter two of this dissertation), which expects that QMV is the most advanced development of EU decision-making and the QMV mode has a tendency to spread (“spillover”) into other EU policy areas where political integration is less developed — another way to claim the stability and maturity of the EU’s constitutional structure. From LI’s point of view, the EU has become “the most ambitious and successful” multilateral organization of multilateral governance with epochal achievements (Moravcsik and Schimmelfennig 2009, 84). Second, LI predicts that “[a]bsent a major and unforeseen exogenous shock, the EU is likely to develop incrementally, improving and reforming policies within the current confederal constitutional framework, with member states ruling by quasi-consensus and fiscal, administrative, and coercive powers decentralized to the states” (Moravcsik and Schimmelfennig 2009, 83), which, in the case of the sovereign debt crisis, implies the following:

H8: Due to the global financial crisis, a major and unforeseen exogenous shock with the internal consequence of the euro area sovereign debt crisis, the EU is likely to embrace substantive reforms, developing and improving policies outside the current EU institutional framework, which might change the scenario where member states rule the EU by quasi-consensus and/or fiscal, administrative, and coercive powers are decentralized to the level of the states.

As the first chapter of this dissertation elaborated, the eurozone sovereign debt crisis was triggered by the global financial crisis originating from the US in 2008, and the general trend of the sovereign debt crisis in Europe is regarded as an aftermath as well as an extension of the financial crisis of 2008, but still, the most direct cause of the debt crisis are the excessively high government debt and deficit rates. The ongoing euro area sovereign debt crisis indeed is a “major” and “unforeseen” shock, but this shock was caused by both exogenous and endogenous factors. In order to solve the crisis, the EU does embrace reforms, as new mechanisms and institutions are set up

and new policies are carried out; accordingly, this dissertation in case studies will check: (1) whether there is any “substantive” policy-making beyond the current EU institutional framework, that is, whether there is any “drastic” reforms — if not, how the new measures adopted by the EU demonstrate an incremental change under the EU’s current institutional structure, by strengthening the existing institutional arrangements (e.g. the Council and the EP) or deepening or enlarging a certain EU policy; this is also the way to ascertain the maturity of the EU constitutional structure; and (2) whether the EU’s recent developments challenge the national control scenario assumed by LI. In light of LI, the EU is a choice made by nation states to rescue and strengthen themselves against the trend of globalization. As a result, “[p]olitical control over the major fiscal activities of the modern state — policies like taxation, social welfare, health care provision, pensions, infrastructure, education, criminal prosecution, defence spending and, therefore, immigration and citizenship — are likely to remain national” (Moravcsik and Schimmelfennig 2009, 83), while there are “exceptional cases where EU policy-making is salient for some subset of the population — trade policy, CAP reform, GMOs (Genetically Modified Organisms), services deregulation, immigration, constitutional reform, domestic defence reform, right down to a relatively minor issue like the recognition of Kosovo — European governments remain responsive to publics” (Moravcsik and Schimmelfennig 2009, 84). So case studies in this dissertation will also see whether developments in EU economic governance pushed by the crisis make any changes to the current picture of decentralized fiscal, administrative, and coercive powers of member states; if so, how and to what extent does “centralization” happen?

LI’s assumption on the “exceptional cases” leads to another prediction of LI: “[t]he lack of saliency of EU issues in the minds of Europeans is the main reason why they do not participate actively in European-level elections or debates” (Moravcsik and Schimmelfennig 2009, 84; also see Moravcsik 2007, 40-42).⁹⁸ Obviously, LI believes that a salient EU issue for common citizens will stimulate and increase citizens’ participation in EU affairs. As for the so-called “democratic deficit”, LI argues that it “stems from the general unpopularity of government, and from the unfortunate

⁹⁸ Moravcsik (2007, 40) makes a much bolder and absolute assertion: “I consider only one such reason — arguably the most important among them — namely that the issues dealt with by the EU are far less salient to the public than issues dealt with by national governments,” and “as long as voters view the matters handled by the EU as relatively obscure, they have little incentive to debate or decide them” (2007, 42).

decision to force unnecessary public debates and referenda about a confusing constitutional reforms [sic]" (Moravcsik and Schimmelfennig 2009, 84; see also Moravcsik 2006); checks and balances among EU institutions, especially the increasing powers of the EP, "ensure that EU policy-making is, in nearly all cases, clean, transparent, effective and politically responsive to the demands of European citizens" (Moravcsik 2002, 605; also quoted in Moravcsik and Schimmelfennig 2009, 83). In recent years, how to stop the spreading of the eurozone sovereign debt crisis and to finally resolve it has been a top issue for EU economic governance, and national austerity measures such as welfare cuts do influence common citizens, so it appears that the sovereign debt crisis has become a salient EU issue to Europeans. In line with LI, the following hypothesis is derived:

H9: The salience of the sovereign debt crisis to EU citizens will increase the turnout of EP elections.

Ideally, the validity of this hypothesis could be confirmed or rejected by the comparison of citizens' participation rates in EU elections in 2004, 2009, and 2014, but since 2014 statistics are not yet available, the test of this hypothesis will be carried out in the future. Moreover, because the sovereign debt crisis and the countering-back measures are also nationally specific, when we come to this hypothesis test, "the salience of the sovereign debt crisis to EU citizens" should be deliberated further (i.e. the claim that "the sovereign debt crisis has become a salient EU issue in the minds of Europeans" should be confirmed first).

3.7.7 LI: A Baseline Theory Open to Dialogue and Synthesis

LI is open to dialogue and synthesis with other integration theories and approaches, and LI theory itself is a combination of three theories: preference formation, bargaining, and institutions (Moravcsik and Schimmelfennig 2009, 84)—a sort of acceptance of Forster's (1998) criticism, but with the specification of its application conditions, Moravcsik's LI has acquired the status as being a "theory"—a visible evolution and development of LI. Indeed, Moravcsik's LI has synthesized "multiple theories and factors into a single coherent approach appropriate to explaining the trajectory of integration over time", and thus provides a framework of multicausal explanations (Moravcsik and Schimmelfennig 2009, 68).

The necessity and potential to synthesize with other theories, for example, have been demonstrated by the enlargement case, which suggests the possibility to borrow

ideational explanations (e.g. ideological concerns and geopolitics) from social constructivism when LI faces cases in which “economic interests are weak and cause-effect relations are uncertain”; sometimes, identity and norm effects tend to have a substantive influence on the negotiated outcomes when “an issue has a strong constitutive or identity dimension” or “the norms involved have high legitimacy in the EU and resonate strongly with domestic ideas of the actors” (Moravcsik and Schimmelfennig 2009, 85; Schimmelfennig 2003). Moravcsik and Schimmelfennig suggest some easiest synthesis avenues for LI: theories that “share LI’s rationalist foundations and its empirical (positivist) methodological commitments”; as a matter of fact, LI can coexist with rational choice institutionalism, and HI “is also better seen as extension of LI than as an alternative to it”, because individual decisions, such as those proposed by LI, are a precondition to analyze and model institutions’ impact on national governments’ strategies (2009, 84).

Nevertheless, LI’s openness for dialogue and syntheses should not obscure or even be used to disconfirm LI’s explanatory and predictive power as an European integration theory — actually, it has been empirically tested out as being “the strongest starting point for explaining the basic processes, and outcomes of European integration”; the reason causing such obscurity, however, is due to “LI’s role as a baseline theory” (Moravcsik and Schimmelfennig 2009, 85). It is true that LI cannot explain all aspects of European integration, but neither can other theories do so; sometimes, there are exceptional cases, but LI variables have been confirmed by “the most consequential EU policies”, which constitute the substantively important issues of the EU, such as CAP reform, external trade policy, and free movement of people (Moravcsik and Schimmelfennig 2009, 85). Moravcsik and Schimmelfennig emphasize that LI has its scope conditions and works better for cases where issue-specific societal interests are more certain and better defined and national preference formation is related to the equilibrium of producers and consumers, whereas applying LI to issue-specific areas where societal interests are diffuse and not well represented while non-economic concerns weigh more, like social policy and the constitutional innovation OMC, is not justifiable to reject the validity of the tripartite — as a matter of fact, “very little has been accomplished” in social policy and “the OMC process has achieved [...] almost no policy outputs to date” (Moravcsik and Schimmelfennig 2009, 85). The significance of LI is that as a baseline theory, it focuses on the detailed empirical components of the EU project: national preferences, intergovernmental

bargaining and institutionalization, while it is also open to other theories and approaches to make possible syntheses, transcending the old problem in theorizing the EU: “the tendency to frame debates in terms of disagreements among ‘grand’ theories” (Moravcsik and Schimmelfennig 2009, 86). All in all, the European integration project today, LI would argue, is “the result of deliberate state choice” (Moravcsik and Schimmelfennig 2009, 86).

3.8 Summary

Taking a close examination of the above literature, we find a prominent theoretical thread running through the evolution of intergovernmentalism: state-centrism that stands on the opposite and complementary side of traditional neo-functionalism, but with a gradual acknowledgement and even the absorption of some neo-functionalism propositions as the EU project progressed, that is, the development of intergovernmentalism was accompanied by the admission and acceptance of certain neo-functionalism ideas. Figure 3.3 summarizes and illustrates the trajectory of intergovernmentalism as an EU integration theory.

Origin:

Hoffmann (1966) argued for the “logic of diversity”, emphasizing the centrifugal forces of integration that are absent in original neo-functionalism: national interests, internal domestic politics and external factors.



Theoretical revisions to and the evolution of intergovernmentalism:

After Hoffmann, three theoretical trends are distinguishable, which roughly constitute four consecutive stages of intergovernmentalism.

Stage I (during the 1970s and the 1980s): Gradually exploring the impact of national domestic politics on EC policy-making and the interactions between the two levels, admitting and absorbing neo-functionalism ideas of the dynamics of integration, represented by such as Taylor's (1975; 1982) and Wallace's (1982) confederalism, Taylor's (1993) “consociationalism”, Bulmer's (1983) domestic politics approach, and Putnam's (1988) “two-level” games.



Stage II (from the end of the 1980s to the 1990s): Gradually realizing the indispensable functions and necessities of supranational institutional arrangements for nation states in a globalization context, acknowledging that the autonomy of national states has been circumscribed and national sovereignty has been eroded by the “locking-in” of states into the Community's institutions, admitting and absorbing certain neo-functionalism propositions, such as legal integration, spillover effects, supranational governance, non-governmental actors' influence on European integration, unintended consequences and the power of supranational institutions, and adding a historical element into intergovernmentalism, but still being state-centric: the purpose to establish supranational institutions is to serve nation states' interests better, and due to the “locking-in” effect, national control over supranational institutions and

policy-making is believed to get

- (a) strengthened rather than being weakened (Scharpf 1988)
- (b) and heavily circumscribed (Pierson 1996, 1998, 2000);

Consequently, a novel form of representative government and indirect democracy is evolving, and the responsibilities and accountability for specific policies are diffused and cannot be traced (Wessels 1997).



Stage III (from the 1990s to the new millennium): Moravcsik's (1991, 1993, 1998) LI, proposing that European countries' cooperation at the EU level comes from domestic political conflicts, and the dynamics of European integration are decided by factors such as national preferences, interstate bargaining, and institutional choice. These three factors frame up the LI model which exhibits a synthesis and adoption of the previous intergovernmentalist ideas developed at Stage I and II, showing LI's convergence with neo-functionalism and HI at certain points: the transfer of national sovereignty to supranational institutions, the autonomy of institutions, and the context of intergovernmental negotiations conditioned by shifted preferences and institutional environments.



Stage IV (in the new millennium) modifications to LI: Moravcsik and Schimmelfennig (2009) specify the scope conditions for LI and define LI's status as a baseline theory for EU studies, being open to other approaches and theories, and thus with the potential to be tested, modified and developed.

Figure 3.4 The Trajectory of Intergovernmentalism Theorizing the EU

Sources: Own compilation on the basis of the literature review of this chapter.

The trajectory of intergovernmentalism also highlights its own theoretical critiques of the theory itself. Table 3.2 illustrates the changes and differences of revised LI, a later descendant of intergovernmentalism, made to the main assumptions of intergovernmentalist state-centrism:

Table 3.2 Revisions to Intergovernmentalism by LI

Main assumptions of intergovernmentalist state-centrism	LI's Propositions	LI's Convergence with Neo-functionalism and HI
(1) The concept of sovereignty: national sovereignty is untouched or even strengthened through participation in the EU.	Certain national sovereignty has been transferred to EU institutions to guarantee a credible intergovernmental commitment.	(1) Nation states surrender some of their sovereign prerogatives, delegating and pooling sovereignty to EU supranational institutions.
(2) EU dynamics: the EU is driven by intergovernmental bargains among its member states.	√	
(3) The negotiated results represent the lowest common denominator of the wishes and preference of member states.	When actors in the least need of a specific agreement compared to the status quo threaten other	

		actors with non-cooperation and force others to make concessions — this represents a minimal common-denomination negotiation.
(4) The function of supranational actors is to streamline and assist national negotiations.	√	
(5) Policy outcomes reflect national executives' interests and relative power.	√	Policy outcomes mirror the relative power of states which stems from asymmetrical interdependence.
(6) Supranational actors have little independence.		EU institutions include a semi-autonomous legal system, parliament, and bureaucracy, and there are a power-growing ECJ and unprecedentedly autonomous centralized institutions, such as the ECB.
(7) The preference to describe the EU project as a sort of European “cooperation” rather than “integration”: cooperation has nothing to do with ideology or idealism, but purely with national governments’ rational choices to seek collective solutions to common problems in modern times.		(2) LI admits the autonomy of EC institutions, and also acknowledges the growing power of the ECJ and the independence of the ECB.
(8) EU integration will not lead to a supranational state, but an international order, serves as a domestic order for a transnational economy.	√	In non-economic issue areas or when an intense economic interests are absent, geo-politics or ideology could play prominent roles in national preference formation.

Notes: “√” stands for LI’s approval of the state-centric assumptions of traditional intergovernmentalism, exhibiting a theoretical continuity and heredity.

Sources: Own compilation on the basis of the literature review of this chapter.

As the literature review reveals, LI is a later revision and development of intergovernmentalism applied to EU studies, so this dissertation takes the LI model to explain the selected cases so as to test the explanatory and predictive power of intergovernmentalism today. Intergovernmentalism as a theory to explain EU integration starts from the opposite side of neo-functionalism, so the validation or the

rejection of the neo-functionalism hypotheses in chapter two of this dissertation can serve as a way to refute or support the typical state-centric assumptions; moreover, as the literature shows, intergovernmentalism as an evolving theory also exhibits a self-critique quality (see Figure 3.4, Tables 3.2 and 3.3 of this dissertation): intergovernmentalist researchers have gradually admitted and adopted certain neo-functionalism ideas — there are even converged points between the two classical theoretical camps — and these modifications themselves show a self-rejection to some traditional intergovernmentalist state-centric propositions. As a result, along with the empirical development of the EU project, intergovernmentalism also got revised and developed by absorbing and synthesizing ideas from other theories and disciplines.

Table 3.3 Comparing LI with Neo-functionalism and HI

LI's critiques of neo-functionalism and HI

Neo-functionalism and HI are considered as macro theories lacking the micro-level explanation of integration, that is, lacking appropriate account of the purposive choice of states and social actors as well as the interactions among them.

<i>Compared with neo-functionalism</i>	<i>Compared with HI</i>
<ul style="list-style-type: none"> ● Difference: <ol style="list-style-type: none"> (1) Domestic coalitional struggles <i>v.s.</i> domestic technocratic consensus; (2) The role of relative power <i>v.s.</i> the opportunities to upgrade the common interest; (3) Passive institutions and the autonomy of national leaders <i>v.s.</i> the active role of supranational officials (“ideational entrepreneurs”) in shaping bargaining outcomes. 	<ul style="list-style-type: none"> ● Difference: <ol style="list-style-type: none"> (1) The unintended consequences regarded by HI are deliberate triumphs of intergovernmental cooperation, and sovereignty transferring is the result of nation states’ purposive choice to construct institutions so as to enhance the credibility of commitments; (2) National preferences exhibit stability and continuity, rather than being unstable and unpredictable as suggested by HI.
<ul style="list-style-type: none"> ● Convergence: <p>In exceptional cases, such as the creation of the SEA, ideational entrepreneurs exert influence on national governments and they do enhance negotiations and promote integration.</p> 	<ul style="list-style-type: none"> ● Convergence: <p>LI acknowledges the merits of HI: decision-making happens in a certain historical and institutional context.</p>
	
<p><i>LI's converged points with neo-functionalism and HI</i></p>	
<ol style="list-style-type: none"> (1) Nation states surrender some of their sovereign prerogatives, delegating and pooling sovereignty to EU supranational institutions; (2) LI admits the autonomy of EC institutions, and also acknowledges the growing power of the ECJ and the independence of the ECB. 	

Sources: Own compilation on the basis of the literature review.

As suggested by Forster (1998), some parts of the early LI might turn out to be inadequate and even a failure in accounting for specific cases, and the critiques on Moravcsik's LI actually offer possible alternatives to complement the LI model as well as contribute to a more rounded picture of EU studies: in addition to the grand bargains on treaties, EU studies also include research on EU daily operation and informal politics; besides economic interests, various other factors (e.g. domestic structures, partisan political struggles, redefined national preference caused by international pressures, departmental and organization interests, powerful political rivalries, and the need to keep voters' support) may also account for national choices; apart from the role of national governments and leaders, supranational institutions and other non-state actors also exert impact. To develop a grand theory to account for every aspect of the complex EU project is impossible; rather, different theories highlight certain parts of the EU, privileging certain constituents and offering different angles to understand and explain the EU. Intergovernmentalism, as an opposite and competing theory to neo-functionalism, focuses on the factors that have been neglected or devalued by neo-functionalists and thus provides a complementary approach to unwind complicated European integration.