

# Preferences, Power and Institutions in 21<sup>st</sup>-century Europe\*

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## Abstract

After twenty-five years, few scholars still dispute the leading role of Liberal Intergovernmentalism (LI) in theorizing EU history. Yet some question whether it can explain Europe's recent evolution. This article argues that LI retains its place as a 'baseline' integration theory. It is uniquely able to provide credible micro-foundations of EU decision-making, which even theories ostensibly critical of LI borrow. It offers a richer set of innovative opportunities for forward-looking extension than is often thought. Compared to competitors such as Post-Functionalism and Historical Institutionalism, LI generates more consistently satisfying empirical accounts of recent EU policy-making, particularly with regard to the outcomes that ultimately matter most, namely substantive policies. And it remains a trustworthy guide to normative evaluation, for example on the issue of democratic legitimacy. The future of integration theory lies in creatively elaborating LI and, where possible, crafting more rigorous syntheses with alternative accounts.

**Keywords:** Liberal Intergovernmentalism; European Union; integration theory; migration; institutions

## Introduction

Grand theories of European integration are back. A decade ago, it seemed as if the European Union (EU) was becoming an ordinary political system, whose basic structure and purpose we can take for granted. Theories of expert deliberation, legislative bargaining, judicial politics and administrative procedure abounded. Agnosticism about the essential nature and direction of European integration prevailed. Over the past decade, however, broader and more essential questions have resurfaced. What motivates states to initiate and advance constructive participation in specific EU policies? Which states and social groups enjoy the most influence over policy? Under what conditions do states see fit to pool and delegate sovereignty in supranational institutions or, indeed, to become or remain EU members at all?

These big questions drew me to EU studies a quarter century ago, and they remain as vital and relevant as ever. Back then, this journal took a chance on an unknown young scholar, allowing me to propose a set of answers to these questions in the form of a theory derived from liberal and institutionalist approaches to International Relations and Comparative Politics (Moravcsik, 1993). Five years later, I presented detailed empirical evidence to support this interpretation in *The Choice for Europe* (Moravcsik, 1998), showing how it explained most (though not all) major steps in European integration from

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1955 through 1992. Literature surveys reveal that today LI occupies the role of a ‘baseline’ integration theory in both social science and history – meaning that contemporary studies either confirm it or employ it as a basic ‘first cut’, on the basis of which they construct further empirical or theoretical analysis (Ludlow, 2018, pp. 4–6, 9–10; Milward, 2000; Naurin, this issue). Few political scientists or historians dispute LI’s interpretation of the EU’s first four decades.

The debate today is instead how best to explain Europe’s evolution since 1992, and especially since 2008. This task has inspired fundamental theoretical challenges. Many critics favour one of two alternative theories: Post-Functionalism (PF), which emphasizes mass politicization along ideological lines, or Historical Institutionalism (HI), which emphasizes (often unintended) institutional, cultural and societal feedback from prior decisions. Such theorists, I argue, deserve credit not just for identifying puzzling new empirical trends but also for helping to rekindle vigorous theoretical debate about the root causes of integration.

Yet none of this displaces LI. Though it does not explain everything that goes on in an increasingly politicized and contested Europe, *LI retains its place as the indispensable baseline integration theory*. While the space available does not permit more than a brief theoretical and empirical defence of this proposition, I advance three critical points. First, I restate LI as a more general theory, showing that it offers a richer set of empirical implications for current EU politics than is often thought. Second, I compare LI with PF and HI. Theoretically, both alternatives suffer from significant theoretical limitations. LI remains uniquely able to provide general micro-foundations of EU decision-making that its competitors must often borrow in order to generate determinate predictions. Empirically, LI explains recent EU policy-making more compellingly and comprehensively than competing theories – especially with regard to the type of outcome that ultimately matters most, namely substantive policy co-ordination. Finally, I revisit a critical normative and policy issue: LI’s relatively sanguine assessment that the EU is both effective and democratically legitimate. With the exception of the Euro, of which LI scholars have been critical, this claim remains valid in the 21<sup>st</sup> century.

## I. Rediscovering Liberal Intergovernmentalism

Liberal Intergovernmentalism models episodes of EU policy innovation in the EU as a three-stage process in which states first define preferences, then engage in interstate bargaining, and finally design common institutions. Since the causes of each stage are likely to differ, a comprehensive theoretical account of European integration – an ‘integration theory’ – must be multi-causal, offering a distinct sub-theory for each stage. LI explains national preferences by invoking social pressures reflecting issue-specific functional interdependence. It then explains the influence of governments on interstate bargains by invoking ‘asymmetrical interdependence’ among national preferences. And, finally, it explains common institutions as instruments to co-ordinate or credibly commit states to the enforcement, elaboration and extension of bargains.<sup>1</sup>

<sup>1</sup>The original draft of ‘Preferences and Power’ (Moravcsik, 1993) included a full discussion of LI’s third stage of institutional delegation, but this was cut to meet space limitations.

In testing LI, *Choice* contrasts each of its three components against a prominent alternative explanation. Federalist and realist scholars (as well as most convinced pro-Europeans) contend that national preferences reflect overarching national concerns, such as the balance between European federal idealism and nationalism, or the pursuit of vital geopolitical interests. Neo-functionalists and historical institutionalists insist that prior integration empowers Commission officials (such as Jacques Delors) or transnational activists (such as Jean Monnet) to play decisive roles in interstate bargaining. Federalists and constructivists maintain that they do so out of an overriding sense of European idealism or a desire to bolster democratic and public legitimacy.

Across the five most important episodes of EU policy-making up to 1992, LI's three components consistently have a more powerful empirical impact than the alternatives. This remains true even in counterintuitive cases where a nearly unanimous consensus once attributed policies to idealism, geopolitics or entrepreneurship, as in French President Charles de Gaulle's opposition to British membership or Monnet's back-channel mediation. Yet LI does not explain everything. Ideology, supranational entrepreneurs and other non-LI factors 'sometimes ... played an important role' (Moravcsik, 1998, p. 3). *Choice* theorizes the specific conditions under which such factors mattered most and concludes that Europe would be different without them: 'naked economic preferences might well have led to a highly institutionalized pan-European free trade area with flanking policies of regulatory harmonization and monetary stabilization', rather than the EU we know (Moravcsik, 1998, p. 6). Methodologically, this nuanced conclusion inspires confidence, for any social science theory that *always* tests out (or explains 100% of a case) is almost certainly vague or trivial, while any alternative that never tests out is almost certainly a 'straw man'.

Yet in re-examining the three theoretical elements of LI here, my primary purpose is not to look back, but to look forward. With no sacrifice of parsimony or rigour, LI encompasses a far broader range of phenomena than is often believed, including non-economic concerns, public opinion, partisan politics, the role of smaller states, informal and evolutionary processes and unintended consequences. Some already appear in LI work, while others have yet to be fully developed, thereby offering rich opportunities for innovative scholars to extend LI.

### 1.1. Explaining National Preferences

The first and most important stage of the LI framework is the formation of underlying state preferences, that is, the substantive objectives ('states of the world') that motivate states to adopt policies and strategies (Frieden, 1999; Moravcsik, 1997). Preferences vary in ways consequential for policy. In order to avoid simply rationalizing preferences *ex post* or imposing the analyst's own normative or scholarly values (as one sometimes sees in recent discussions of the Euro or migration), scholars should advance theories of preference formation explicit and test them empirically against one another. To do so, LI invokes state-society relations. Since important acts of international co-operation can induce significant domestic redistribution and institutional disruption, social groups often have an incentive to pressure governments to accommodate their interests. Specific social preferences stem ultimately from 'issue-specific functional interdependence', material or ideal, within transnational networks of individuals and social groups. For LI, the most

important determinant of international co-operation is the pattern of potential transnational co-operation and competition among societal actors – which is assumed to impose a structural constraint outside the short-term control of any individual state (Keohane and Milner, 1996, Chapter 1). Every state represents some subset of these social groups, whose preferences it then seeks to realize in the interest of remaining in office. Properly understood, preferences comprise not just one preferred outcome ('ideal point'), but a full range of hypothetical outcomes ('ordering'), the strength of support for an outcome ('intensity'), the tolerance of risk and loss ('risk acceptance'), a desired length of time in which they are realized ('time horizon'), and sensitivity to the costs of behaviour ('trade offs') (Moravcsik, 1997, pp. 523–524).

Distinctive to LI's account of preferences is the term 'issue-specific'. We can divide relevant theories of preferences into two categories. One highlights values and interests specific to a single issue area (Keohane and Nye, 1977; Lake and Powell, 1999, Chapter 1). The other highlights overarching national priorities, such as aggregate welfare (as economists posit), national security (as realists claim), conceptions of collective identity and sovereignty such as European federalism or nationalism (as federalist idealists and post-functionalists maintain), or prior patterns of institutional practices or habits (as some constructivists or historical institutionalists assume). Following most political economy models, LI adopts the first position. While empirically LI does not deny (indeed, *Choice* demonstrates) that non-issue-specific interests and ideals may have a secondary empirical impact, it leaves them to other theories.

The concept of 'functional issue-specific interests' is broader than just 'pressures from producers' – or even economic or material concerns generally (Moravcsik, 1998, pp. 36–37, 37n; Moravcsik and Schimmelfennig, 2009, 2018). *Choice* states clearly that an LI account of national preferences *necessarily* include other factors, including non-material ones. This is so for at least three reasons. One is that some policies – such as foreign, defence, anti-terrorism or anti-crime policies – clearly aim to realize non-economic (yet issue-specific) goals (Henke, forthcoming). Another is that incentives from economic interdependence are sometimes diffuse or unpredictable. As *Choice* argues, the 'more diffuse the domestic constituency behind a policy' and the more uncertain 'the substantive implications of a choice', the more diffuse and vague is the social pressure on the state (Moravcsik, 1998, pp. 26, 36, 50, 486–489). In such cases, LI explains less and non-LI factors (such as misperceptions, beliefs about policy, randomness or symbolic politics) may well explain more (McNamara, 1999).

Yet the most important reason why economic interests need not dominate national preferences is that other considerations *necessarily* balance even strong producer pressure. Pluralist theory, on which LI draws, views policy as emerging from a balance among competing interests. Integration is, according to *Choice*, 'a means to secure commercial advantages for producer groups, *subject to regulatory and budgetary constraints*' (Moravcsik, 1998, p. 38). This balance is logically necessary: otherwise, theories would predict unlimited subsidies to producers. Accordingly, conventional models of preferences treat national policy as an issue-specific equilibrium between producer interests and other (issue-specific) goals or 'externalities', including 'regulatory protection, economic efficiency, and fiscal responsibility' (Moravcsik, 1998, p. 37), social adjustment costs, macroeconomic stability and cultural values (Grossman and Helpman, 1994; Moravcsik and Schimmelfennig, 2009, p. 70; Rodrik, 1997; Ruggie, 1982, 1991). Sometimes non-economic concerns may even dominate national preference formation.

This two-dimensional perspective is particularly useful to explain highly regulated issues. *Choice* describes how France opted for a supranational Common Agricultural Policy (CAP) in the early 1960s not simply because a powerful voting block of farmers and rural interests demanded income support, but because continued subsidies to commodity surpluses would have overburdened the French government budget. De Gaulle overrode hesitant farm groups, who preferred preferential trade but national government subsidies, as well as his own deeply nationalistic aversion to supranational institutions, in order to in access to a protected export market in Germany (Moravcsik, 1998, pp. 103–104, 108–112, 178–181; Moravcsik, 2000b, pp. 15–20). Similarly, *Choice* argues that the governments that crafted the Euro aimed to realize the macro-economic preferences not just of producers but of broader ‘ruling governmental coalitions’ with interests in macroeconomic outcomes such as low inflation or interest rates (Moravcsik, 1998, p. 38). In currently controversial policy areas such as environmental policy, migration, food safety and trade adjustment, standard issue-specific theories customarily include non-producer interests.

A striking characteristic of highly regulated issues is that they can trigger strong electoral and partisan mobilization. A promising way to move LI beyond the model of preference formation in *Choice* is to model those effects, starting from the LI premise that “the primary interest of governments is to maintain themselves in office.” (Moravcsik 1993:63; Zaun 2018). Central to liberal IR theory are domestic ‘transmission belts’ (state institutions and patterns of social mobilization) that convey demands of domestic individuals and groups to governments (Milner, 1997; Moravcsik, 1997).<sup>2</sup> *Choice* ostensibly treats domestic representative institutions as constant, yet careful readers will surely note that they sometimes enter as *ad hoc* causal variables. Examples include the outsized voting power of some farm groups in France, the distinctive role of central bank independence in fights over the European Monetary System and Economic and Monetary Union (EMU), and various other differences in the efficacy of mobilization and representation (Moravcsik, 1998, pp. 240, 179–181, 374, 454; Murlon-Druol, 2012). LI has recently been extended in this manner to explain migration policy (Zaun, 2018).

Those seeking to improve LI might usefully begin with one simple but powerful hypothesis of relevance to Europe today: *salient and concrete policy demands encourage substantive policy change, whereas diffuse or symbolic identity-based demands from voters encourage superficial, rhetorical and formalistic changes*. Partisan and electoral mobilization are most likely to influence national preferences on EU issues if two conditions are met. First, the underlying functional issue must be intrinsically ‘salient’ – meaning, in modern democracies, that it has a consistent potential to incentivize consistent and significant shifts in the behaviour of swing voters in general elections. Second, transnational shocks or trends must increase the cost of current policy. For example, a shifting balance between openness and regulation in an important issue area may engender a widespread sentiment that ‘globalization has gone too far’ (Rodrik, 1997).

By contrast, LI questions the impact of populist nationalism and or views about constitutional values when they are entirely unconnected to such specific issue-specific concerns. Popular behaviour based on such motivations tends to be chaotic and inconstant. The results of polls, referendums and European Parliament (EP) elections do not necessarily

<sup>2</sup>Hooghe and Marks recognize that the absence of a fully articulated theory of ‘public contestation’ in *Choice* is a contingent decision ‘on the grounds of parsimony’, not an inherent limitation of LI (Hooghe and Marks, 2009, p. 6).

signal the willingness of the public to mobilize in general elections. Governments have little incentive to alter policy in response. In these ‘second-order contests’ of little intrinsic importance, voters grab the low-cost opportunity to protest (Hobolt, 2009). Governments have little incentive to alter policy in response. Eighty percent of ‘no’ voters in the first Irish referendum on the Lisbon Treaty, for example, reported that the decisive factor in their vote had no factual basis (for example, the fear of EU compulsory military service) or nothing to do with Europe at all – or reported that they had no idea why they voted as they did. Accordingly, a second vote decisively reversed the first (Moravcsik, 2006). Ultimately, such symbolic opposition is likely to elicit only symbolic and formalistic reforms or rhetorical lip-service from governments – consistent forms of ‘organized hypocrisy’ which I elaborate in more detail below (Krasner, 1999; Lavenex, 2018).

### 1.2. Explaining Interstate Influence

In the second stage of the LI framework, states with diverse preferences bargain in an effort to reach a concrete agreement. Most interesting models of bargaining – and certainly those most appropriate to the highly interdependent EU – assume that the preferences of states are positive-sum: all countries stand to gain from agreement. Accordingly, LI seeks to explain both the *efficiency* and the *substantive distributional outcome* of such agreements.

*Efficiency:* LI postulates that governments generally possess sufficient incentive, expertise and resources to bargain efficiently. They can design proposals, initiate negotiations, identify possibilities for joint gains, reach compromises and create norms and institutions without the intervention of third-party mediators at costs that are far less than the potential gains from co-operation. To be sure, the member states have many reasons to allow the EU Commission and other third parties to provide logistical and technical assistance, yet LI distinguishes clearly between *involvement* and genuine influence. Informal mediators can only be influential if they provide decisive expertise, information or legitimacy that member states do not – and, counterfactually, could not – possess (Moravcsik, 1999). To explain cases where negotiations *appear* inefficient, LI points instead to incompatible underlying national preferences, which often differ from those analysts posit. A lone exception arises in the rare circumstance that domestic bureaucracies cannot co-ordinate national policy. This helps explain (partially) the sole major EU bargain before 1992 where the Commission’s entrepreneurship may have played an important role, the Single European Act. This exception occurred because states had to manage an exceptionally wide range of proposals across the bureaucratically distinct areas of agriculture, services liberalization, border control (Moravcsik, 1999).

*Distribution:* Given that negotiations tend to be efficient, a more critical question is how gains are distributed. LI argues that states engage in Nash bargaining, based on the relative value to them of their alternatives to a negotiated settlement.<sup>3</sup> LI argues that the relative bargaining power of states depends on ‘asymmetrical interdependence’: that is, on the uneven distribution of the gains from agreement relative to the benefits of unilateral actions or alternative agreements (‘outside options’) (Keohane and Nye, 1977). States that benefit least from a specific agreement, compared to unilateral and collective alternatives, or face the largest net adjustment costs to it, are generally best able to threaten non-co-operation, thereby extracting marginal concessions, compromises and side payments

<sup>3</sup>Choice replaced the earlier view that states engage in lowest common denominator bargaining with a Nash bargaining model (Moravcsik, 1998, pp. 60–67).

from others. The historical data in *Choice* confirms that the EU is characterized by precisely such hard bargaining characterized by credible (if often implicit) threats to support or veto proposals, to grant or withhold financial and occasionally policy side-payments, to link issues or, in extreme cases, to exclude recalcitrant governments from alternative alliances (Moravcsik, 1998). This account of bargaining power renders LI quite parsimonious, since it invokes the same factor – underlying social preferences – as the prior theory of preferences.

Here again LI's underlying theory is broader and more inclusive than it may appear at first glance and thus offers innovative scholars opportunities to craft creative extensions. Consider one example. LI assumes that asymmetrical interdependence on economic matters will – all other things equal – tend to favour countries with a large domestic market, economic competitiveness, or attractiveness as a destination for mobile factors (capital or labour) – and thus a credible outside option. Such factors permit a country like Germany to exercise considerable, some might say 'hegemonic', influence in Europe (Comte, 2018; Mourlin-Druol, 2012). Yet LI does not assume (and *Choice* never states) that only large states have influence. LI's core concept of asymmetrical interdependence implies that power may vary for reasons not directly related to size. Scholars could fruitfully examine how small countries may exercise power on some issues when they have extreme negative preferences, little to gain, or powerful domestic veto groups. The fact that *Choice* only covers Britain, France and Germany reflects pressure for brevity and my own linguistic limitations, but attentive readers will spot a discussion of the entrepreneurship and bargaining power of the Netherlands (Ludlow, 2018; Moravcsik, 1998, pp. 90, 207–217). Thus a recent study showing that recalcitrant small countries exercised some influence on the EU's recent constitutional deliberations is thus consistent with LI (König, 2018).

### 1.3. Explaining Institutionalization

Once states with diverse preferences strike a substantive agreement, LI theory moves to a third stage, in which governments pool and delegate power to European institutions. Here *Choice* relies on 'regime theory', which treats international institutions as instruments to help states implement, elaborate, enforce and extend incomplete contracts under conditions of uncertainty (Keohane, 1984; Moravcsik, 1998, 67ff). Regimes establish rules and procedures for co-ordinating behaviour, elaborating details of implementation, distributing benefits, monitoring compliance, structuring punishments and negotiating further agreements (Franchino, 2007; Pollack, 2003). This reduces the 'transaction costs' of co-operation, because pre-existing rules (or rules about how to make new rules) structure new decisions. While states ultimately reserve the sovereign right to withdraw from the EU and its policies, such withdrawal is in practice extremely difficult, because regime-based co-operation is so advantageous to states in realizing the material and ideal goals of their domestic constituents. Regimes do not supplant states; they strengthen them. In the words of historian Alan Milward, the EU has permitted 'the reassertion of the nation-state as an organizational form' in an era of interdependence (Milward, 2000, pp. 2–3).

Regime theory predicts that different issue-specific problems of co-operation will yield different institutional designs varying with joint benefits, severity of distributional conflict, enforcement problems and strategic or more fundamental uncertainty (Kleine, 2013a, p. 19; Koremenos *et al.*, 2001). Regime theory distinguishes most fundamentally between two categories of collective action problems that can motivate institutional commitments to further

the collective ends of states. One comprises co-ordination problems, which states can overcome through broad norms, more efficient provision of accurate information, and exploitation of economies of scale in expert knowledge. The other comprises collaboration problems, in which norms and institutions manipulate transaction costs to encourage better compliance and enforcement in situations where defection is an attractive option.<sup>4</sup>

Pooling and delegation in EU institutions vary according to diverse issue-specific concerns of national governments about each other's (and, sometimes, their own) future desire and ability to elaborate, implement and extend existing deals. Some institutional procedures in the EU do little more than set common norms, standards and procedures that permit more predictable policy alignment, bargaining, compliance and exchange of information (Majone, 1996, 2014). In such cases of 'co-ordination', LI predicts that governments will pool decisions to common decision-making forums – as with some 'standard-setting' decisions – to the extent it is expedient to reduce the transaction costs of agreeing on common solutions. Recently the EU has created more issue-specific intergovernmental institutions in areas such as drug approval, anti-terrorist activity and Schengen border security, many of which share information, informally co-ordinate policies, and initiate common investigations on matters from crime to pharmaceuticals. Such information-sharing institutions can produce knowledge efficiently, as we see in the case of the Open Method of Coordination (Cohen and Sabel, 2003).

Many EU institutions engage in deeper forms of delegation or pooling. These include qualified majority voting (QMV) in the Council, agenda-setting by the European Council and the Commission, co-decision powers of the EP, the structure of the CAP, some functions of the European Central Bank (ECB), and the adjudicatory role of the European Court of Justice, negotiating mandates in trade policy and administrative rule-making powers. States aim for such delegation, regime theory argues, primarily in cases of 'prisoner's dilemmas' or other strategic situations in which governments have a predictable incentive to block or evade implementation or necessary extension of agreements. One implication – paradoxical at first glance – is that the areas of the deepest EU institutionalization may thus include some of the most sensitive areas of sovereign control and distributional conflict, such as agricultural and monetary policy, where both the potential gains and the temptation to defect are high (Kleine, 2013a, p. 51). Throughout, the member states are nonetheless careful to treat supranational officials as agents and themselves as principals, using subtly varied means to balance control and efficiency (Pollack, 2003). Even the ECB, the last decade of negotiations over the crisis demonstrates, functions primarily as a representative of the interests of the more powerful member states: it cannot initiate major policy changes or address major crises without the approval of the more powerful member states in the European Council – particularly those who are creditors.<sup>5</sup>

The orthodox regime-theoretical account of institutions employed in *Choice* explains a lot. In retrospect, however, I believe it exaggerates the extent to which interstate collective action problems necessarily must be solved through delegation to supranational

<sup>4</sup>Here I combine under the regime theoretical rubric two of the three theories of institutionalization that I tested separately in *Choice*. Today orthodox regime theory deals with co-ordination and commitment as situationally specific parts of the same basic theory (Moravcsik, 1998, pp. 71–77).

<sup>5</sup>For major ECB decisions, crisis management and, in particular, changes in European financial and monetary policies and institutions, this view generally holds. See Mody, 2018, pp. 322–326 for example; Schimmelfennig, 2014.

institutions – let alone through a single and uniquely optimal institutional form. A central lesson of the 50 years of European integration is that states possess a wider range of flexible options to institutionalize agreements, many of them involving informal norms and intergovernmental pooling –and even domestic commitment mechanisms– rather than formal delegation to an “optimal” supranational authority. States have considerable agency and discretion, which they have exploited, by and large, to increase the number of EU decisions subject to intergovernmental and informal procedures (Kleine, 2013a, p. 55). Yet decision-making remains efficient and compliance high, while deepening continues apace. Though the primary focus of LI is to explain policy co-ordination, not institutions, LI scholars should do much more to fashion creative explanations of these more open-ended institutional choices (Bickerton *et al.*, 2015). Two important examples are LI explanations of intergovernmental pooling and informal norms.<sup>6</sup>

*The Rise of Norm-Governed Intergovernmentalism:* When I began studying the EU, the Commission was still the only large bureaucracy in Brussels. Starting with the Treaty of Rome’s deliberate weakening of the European Coal and Steel Community’s High Authority, however, member states have slowly redesigned European institutions in order to render them more intergovernmental, thereby augmenting their own initiative and influence at the expense of the Commission, the Court and even the Parliament (Bickerton *et al.*, 2015; Moravcsik, 1998, pp. 310–312). In the 1960s, as *Choice* shows, the Council of Ministers became the dominant decision-making institution in the EU, backed by COREPER – even though it still had a small supranational bureaucracy. European summitry, which emerged in the 1960s and 1970s, enhanced the role of heads of state and government – eventually being formalized in the European Council, the EU’s unquestioned agenda-setter, and, for the most difficult matters, its decision-maker (Kleine, 2013a, pp. 66–67; Naurin and Wallace, 2010). Today the bureaucracy and intergovernmental networks around the Council are far larger than those surrounding the Commission.

Over the years, governments also perfected instruments to control the Commission through oversight committees (comitology), in doing so conforming ever more closely to the predictions of orthodox regime theory (Pollack, 2003). Money, foreign policy, defence policy, home affairs, migration, Schengen and many other EU issues now belong wholly or partly outside the traditional legislative process. The Council and dozens of independent EU technocratic institutions and intergovernmental networks accord member states more flexibility to manage these issues (Bickerton *et al.*, 2015; Fabbrini, 2016; Kleine, 2013a, pp. 106–107; Majone, 2014). Most of these policies are also effectively multi-speed, meaning that they accommodate diverse national views by permitting countries to opt in or out.

*Informal Rules and Procedures:* LI is not just a theory of ‘grand bargains’. Everyday legislative decisions, policies that emerge and evolve over time, and informal rules and procedures also reflect the preferences, power and credible commitments of states. Everyday politics in the EU is not as it seems in formal treaty documents (Kleine, 2013a, 2013b). Decision-making in the Council of Ministers, for example, almost always functions as if it were taking place under anarchy. Formal rules of QMV and Commission

<sup>6</sup>Space does not permit discussion of a third important development, which is the importance of securing co-ordination and compliance by embedding agreements domestically by alterations in national institutions, preferences, and information – often termed ‘Europeanization’. Such domestic incorporation is even more consistent with Liberal IR theory than are a regime-theoretical mechanisms. It explains commitment in human rights, the EU and elsewhere (Moravcsik, 2000a; Phelan, this issue; Simmons, 2009; Slaughter, 2000). This strand of LI is ripe for further elaboration.

proposals do not alter the outcome much from what it would be if states bargained on the basis of raw preferences and power (Thomson *et al.*, 2006).

One important reason why the precise nature of formal rules does not matter as much as institutional analysts once assumed is that states have encouraged informal rules and procedures to evolve. LI explains this as an effort to strike a superior balance between cooperation to realize joint gains and protection of vital national interests – a central tension in all international cooperation. Informality dates back to the first years of the European Economic Community (EEC) (Knudsen, 2009, pp. 112, 130–139). Among the most consequential of the EU's informal norms is the one that governs consensus decision-making in the Council of Ministers. Qualified majority voting looms large in formal European treaties, yet it is something member states actually do surprisingly rarely (Naurin and Wallace, 2010). Instead, they strive to reach a consensus by tailoring compromises and opt-outs that respect the interests of more recalcitrant governments. Given that unsatisfied losers generally create more political problems than unsatisfied prospective winners, national politicians have a rational incentive to defer to recalcitrant states: the next time, others might find themselves in that uncomfortable position (Kleine, 2013a, p. 99). Moreover, they thereby avoid tempting their partners into non-compliance or resentful opposition. Often overlooked, a consensus decision also increases the influence of the member states *vis-à-vis* the Parliament and Commission. Regime theory reminds us, however, that effective enforcement of such a norm requires institutions to monitor participants to avoid opportunism: otherwise states might deceive others about costs in order to extract concessions. To prevent this, the President of the Council has the task of ensuring that such a claim that an agreement inconveniences a recalcitrant government is genuine (Interview data, 2006; Kleine, 2013c; Tallberg, 2004).

Consensus decision-making is only one of many informal and discursive practices that have evolved in the EU. Almost all aim to enhance the ability of ministers, diplomats and officials to act as creative collective problem-solvers. Representatives now share sensitive information, float new proposals, persuade others to reevaluate positions, signal others when their own domestic positions could be revised, promote compromise, and brainstorm together to develop new policies – all sometimes without explicit authorization from home. For years, constructivist scholars insisted that this reflexive willingness of state representatives to ‘deliberate’ (or ‘argue’) demonstrates that the EU socializes them to engage in a non-rational pursuit of normative consensus, or to engage in discussions of optimal policy that fundamentally transforms underlying national identities and preferences. Recently, however, contrary evidence has forced prominent proponents of this view to abandon it – or at least to concede that states ‘deliberate’ only in a minority of cases that are less important and more consensual (Naurin, 2010; Risse, 2018; Zürn and Checkel, 2005).

Liberal Intergovernmentalism offers a more plausible account of informal deliberative norms as intergovernmental means to promote efficient bargaining. In a positive-sum bargaining environment, a self-interested state should select representatives who are creative problem-solvers and who will share information, sometimes indiscreetly, about national positions, technical options and possible compromises. Without representatives engaged in a constant search for a viable agreement, states would have fewer options and policy outcomes would be suboptimal. Such norms exist in most international institutions: if they are more prevalent in the EU than elsewhere, it is because the joint gains

are larger, the risks smaller, and the game iterated. Permitting representatives to freely explore options seems risky in theory, yet everyone in the EU system knows that they must ultimately (even if sometimes involuntarily) implement the will of their political masters. Indeed, others trust them in part precisely because they will signal the existence of genuine domestic political constraints, without knowledge of which others might waste much time on agreements that national authorities eventually veto or ignore (Interview data, 2006).

Some critics of LI contend that EU leaders have delegated power – to the EP, for example – primarily in order to enhance the EU’s democratic legitimacy by creating the appearance (with only a very modest reality) of direct popular control (*cf.* Rittberger, 2005). As *Choice* argues, Germany and other more federalist countries may well have sincerely held such views – though the behaviour of others still must be explained (Moravcsik, 1998, pp. 467–471). Yet LI reminds us that this is, at most, an exception. One suspects, indeed, that member states can afford to strengthen the EP precisely because, in the final analysis, it does not matter much. “Democratizing” the EU even serves as a form of organized hypocrisy that helps offset or disguise the dominant trend toward intergovernmentalism. Not by chance, also, did most of the influence over legislation that the EP has gained – essentially the right to co-decide with the Council – come at the expense not of the member states but the Commission, whose power the member states have systematically diluted for a quarter century (Crombez, Steunenberg, and Corbett 2000; Moravcsik, 1998, pp. 455–457; Thomson and Hosli, 2006). Member states may thereby have benefitted doubly, because the EP is far less able to stand up to the consensual will of the Council than the more cohesive and compact Commission.

## II. Liberal Intergovernmentalism and Its Critics Today

Few scholars or commentators still contest LI’s ability to explain the past. Yet some contend that Europe’s current challenges and future trajectory require other theories. To fill this niche, PF and HI propose updated versions of venerable theories popular in the 1960s and 1970s. These critics are correct to remind us that mass mobilization over European issues and unwanted consequences of previous policies play some role in recent continental crises – just as *Choice* concedes that they did in earlier periods. They also deserve praise for refreshing integration-theoretical debates by resurrecting theories of integration previously discarded for lack of evidence. The close resemblance between current approaches and grand theories of decades past inspires confidence that the framework employed in *Choice* and elsewhere truly captures enduring and fundamental theoretical issues. Both theories contribute something to our understanding of Europe today – otherwise they would not be worthy of serious consideration.

Yet LI maintains fundamental advantages over both. LI alone is a genuine ‘integration theory’, covering all three stages in the process of integration. It is also more fundamental, in that PF and HI rely on LI for essential micro-foundations of national preference formation and decision-making, without which they would remain indeterminate. Most importantly, where LI, PF and HI generate conflicting predictions, LI continues to offer the most convincing and accurate explanations for what we see today – especially in regard to the outcome we should care about most, namely substantive policy co-ordination.

### 2.1. *Post-Functionalism: Theorizing Public Backlash*

Post-Functionalism seeks to explain the ‘politicization’ of EU issues. Liesbet Hooghe and Gary Marks, who coined the term, propose a ‘three step’ model of the politicization of EU decision-making (Hooghe and Marks, 2009, p. 1; 2018, pp. 5–6). First, ‘interdependence’ generates ‘functional pressures’ to alter the ‘institutional status quo’ in order to make more policies at a regional (EU) or global level. Second, the high ‘stakes of the issue’ and/or ‘the capacity of contending actors to politicize an issue’ leads to popular mobilization over EU issues. This ‘opens the door’ to possible electoral contestation and ‘the mobilization of national identity’ in the mass public, based on a conflict between functional interests and identity concerns. These identity concerns stem from non-rational ‘psychology ... as distinct from the rationalist-economic logic that underpins ... intergovernmentalism’ (Hooghe and Marks, 2018, p. 6). ‘Communities’, they argue, ‘demand self-rule, and the preference for self-rule is almost always inconsistent with the functional demand for regional authority’ (Hooghe and Marks, 2009, p. 2). Third, the resulting politicization of EU decisions has ‘disruptive potential’ for the EU. Whereas LI may have been correct about integration from 1957 through 1991, PF contends that this was only because these were ‘years of permissive consensus, of deals cut by insulated elites’, whereas ‘the period since 1991 might be described, by contrast, as one of constraining dissensus’. This dissensus imposes a ‘constraint on integration’ and even raises the spectre of ‘disintegration’. Today, they conclude, ‘identity is decisive ... for European integration’ (Hooghe and Marks, 2009, pp. 1–2, 5–6; 2018, p. 6).

Post-Functionalism is a welcome contribution to integration theoretical debates. Reasserting the role of general psychological or ideological factors as opposed to issue-specific ideals and interests, promises a richer and more comprehensive account of integration than does either alone – as *Choice* showed was empirically true in previous decades. PF echoes traditional ideological accounts of integration of the 1950s and 1960s, which stressed the decisive importance of the European Movement, nationalist backlash to the European Defence Community, Catholicism and Christian Democracy, and the EEC struggles of the 1960s. Stanley Hoffmann, for example, made precisely the same argument in 1966 to explain Gaullism, arguing that attempts to go ‘beyond the nation-state’ led to assertions of ‘national distinctiveness’, ‘diversity’ and ‘self-determination’ (Hoffmann, 1966, pp. 866–869). Each of these analysts argues generally, like PF, that the less ‘nationalist’ and more ‘European’ domestic political sentiment is, the more likely integration is to progress (Kaiser, 2007; Lippens, 1982; March, 2011; Parsons, 2003).

Yet it would be misleading simply to treat any mass backlash (as on the migration issue), policy stagnation (as in the Euro), or reversal (as in Brexit) as unambiguous evidence that PF is correct. As discussed above, LI’s ‘issue-specific functional’ explanation of preferences also predicts backlash, stagnation and reversal under particular circumstances – and its predictions are generally more accurate. To see where the two theories truly differ, we must examine PF’s three stages more closely. Finding genuine differences with LI proves far more difficult than the broad labels might lead one to believe.

The first step of PF need not detain us long, because it concedes so much to LI. It simply reiterates LI’s core premise that forward movement in integration stems from interdependence-based ‘functional pressures’ for policy co-ordination to secure the

concrete ‘benefits’ of improved problem-solving.<sup>7</sup> Nor does the second step, namely that co-operation generates ‘mass mobilization of national identity’ around European issues, succeed in differentiating itself cleanly from LI. Hooghe and Marks contend that mobilization may stem *in part* from ‘psychology ... as distinct from the rationalist-economic logic that underpins ... intergovernmentalism’, which is clearly meant to be PF’s distinctive causal claim. Yet mobilization *also* stems, they contend, from the ‘stakes of the issue’, that is, from functional calculation, which would be entirely consistent with LI.<sup>8</sup> Since PF does not tell us how the instrumental and non-instrumental interact, or when and why we should expect the latter to predominate, this claim is essentially non-falsifiable.

By contrast, LI offers crisp, distinct and falsifiable predictions about when and where we should see mass mobilization. LI maintains, as we have seen, that where policies touch on enduringly salient issues *and* exogenous interdependence shocks are significant or long-term trends in globalization have ‘gone too far’, voters are more likely to express clear dissatisfaction with specific EU policies. By contrast, where practical consequences remain diffuse, unclear or modest – for example, on most EU institutional and constitutional matters – or where no trend or shock in interdependence forces the issue onto the agenda, public behaviour will be weaker and less functionally determined. The latter resembles the type of behaviour PF predicts, though it differs subtly in that LI predicts it will be weak, inconsistent and ineffective. Future efforts to develop and test a more precisely specified and falsifiable form of PF should be tested against this prediction.

This brings us to PF’s third step, which seems to create a more significant clash with LI. Here PF argues, we have seen, that identity is now ‘decisive’ in the EU and thus the current ‘dissensus’ will ‘constrain’ integration and possibly trigger ‘disintegration’. Yet PF remains, in Hooghe and Marks’ words, “agnostic” about under what conditions and in what direction concrete policy responds to pressure.<sup>9</sup> One reason is that PF lacks any theoretical account of how and when public backlash influences substantive policy – a subject on which very little scholarship exists, even from PF theorists (Hobolt and de Vries, 2016, pp. 424–425; Hooghe and Marks, 2009; Kleine and Pollack, this issue). These ambiguities, gaps and overlaps suggest that PF does not really aspire to be a

<sup>7</sup>‘We share with ... intergovernmentalism the view that regional integration is triggered by a mismatch between efficiency and the existing structure of authority’ (Hooghe and Marks, 2009, p. 2).

<sup>8</sup>(Hooghe and Marks 2018, p. 6). Earlier Hooghe and Marks stylized the PF contribution *vis-à-vis* LI as follows: ‘one must probe beyond the economic preferences of interest groups to understand the course of European integration’ (Hooghe and Marks, 2009, p. 5). Yet, as we have seen in detail above, that is a straw man: the LI explanation of motivations is *never* limited to producer group interests and *rarely* to economic (or even) material factors. The real theoretical issue is whether preferences reflect stable *issue-specific* sets of instrumental concerns, material and ideal, as LI argues, or *general* non-rational ideational dispositions, as PF argues.

<sup>9</sup>Hooghe and Marks (2009, p. 2; 2018, p. 6) *define* the third step of their theory ‘as *postfunctionalist* because the term reflects an agnostic detachment about whether the jurisdictions humans create are, or are not, efficient [and] makes no presumption that the outcome will reflect functional pressures [and] distributional consequences’. If PF really makes no presumption either way, it would not be a testable theory. It would simply restate the research question posed everywhere: do issue-specific functional pressures or general ideals and interests matter more? Hooghe and Marks evade the implications of PF’s lack of precise predictions by framing theoretical alternatives so only PF could possibly explain ‘disintegration’. They assert that NF argues that politicization always generates positive spillovers, while LI argues that it can only generate gridlock. Hence disintegration must confirm PF. Yet these are ‘straw men’. NF is, in fact, indeterminate, while LI could, we have seen, explain disintegration. Framing a problem so that only one theory can possibly explain a major phenomenon constitutes dubious social scientific practice – particularly for self-styled Lakatosians (Hooghe and Marks, 2009, p. 1; 2018, p. 6). Accordingly, I give Hooghe and Marks the benefit of the doubt by assuming that PF aspires to support testable theories of how identity drives dissensus and disintegration.

self-sufficient ‘integration theory’: it suggests few testable claims about the *causes* of integration. Instead, it appears more concerned to theorize the *consequences* of integration on elections. If refined, it may someday offer a partial account of variation in social preferences that could potentially feed into a more comprehensive account of national preference formation and state policies. This should be a priority for PF scholars.

Liberal Intergovernmentalism, by contrast, offers clear and falsifiable explanations of substantive policy outcomes. Its basic claim, we have seen, is straightforward: *concrete policy demands encourage substantive policy change, whereas symbolic identity-based demands from voters encourage superficial and formalistic changes*. Politicians, who seek primarily to remain in office, have reason to change substantive policy to placate electoral opposition only where large numbers of general election swing voters express distinct and intense dissatisfaction with salient issues. Such situations are rare: today they are essentially limited to migration and macroeconomic policy, and perhaps sometimes agriculture and the environment. By contrast, when non-salient issues are on the table, especially symbolic or diffuse matters such as constitutional reform and membership, the optimal strategy of politicians is collectively to say one thing and do another – that is, to engage in ‘organized hypocrisy’ (Krasner, 1999). Since symbolic issues rarely generate sustained public pressure, particularly with regard to concrete issues, politicians have an incentive to stall until after elections, engage in rhetorical spin, take cheap symbolic actions, or make formalistic changes – while avoiding costly major substantive policy shifts away from integration (Kleine and Minaudier, 2017). De Gaulle did just this in the 1960s (Moravcsik, 2000b, pp. 34–42). Politicians thereby placate psychologically- or symbolically-motivated (but relatively uninformed and unmotivated) voters, while assuaging powerful and concentrated interest groups with issue-specific functional demands, who wield more influence as policy moves from the electoral arena to that of implementation. The temptation for governments to shirk is even stronger in response to referendums, EP elections, and polls, which encourage weak turnout, chaotic and transient choices and widespread protest voting, often on issues only loosely, if at all, connected to Europe (Moravcsik, 2002, 2006).

Two additional considerations increase the incentive for states to resist pressure to let Europe disintegrate or stagnate. Each has to do with interstate bargaining and institutions, which PF also fails to theorize. First, PF overlooks an attractive option, namely to redirect EU co-operation to restrict or manage globalization. This is the solution governments have chosen with agriculture in the 1960s and – as I show below – migration today. This option is particularly attractive when the political costs are paid by third countries (‘externalization’). Second, autarky may simply not be viable. On issues like the Euro and migration, many unilateral policies are ineffective, and so governments must reach agreement with other states. Yet the local interests and values that backlash voters often promote against regional or universal ones are generally unwelcome elsewhere – leaving governments (and perhaps even voters) with few viable diplomatic alternatives to the status quo (Walter *et al.*, 2018; Zaun, 2018).

Four recent empirical trends in the EU confirm LI’s more issue-based, rationalist analysis of populist backlash.

First, *Europe is not disintegrating across the board, as PF claims, but moving forward where functional challenges require it*. PF fails to address the basic paradox in the EU over the past two decades, namely that it has continued to widen and deepen even as it

has grown more intergovernmental. Since 1992, Europe has witnessed forward movement in many substantive issue areas where new functional challenges have arisen, including co-operation in home and internal affairs, monetary and financial policy, defence and foreign policy, migration and enlargement (Bickerton *et al.*, 2015; Schimmelfennig, 2014; Zaun, 2018). At the same time the customs union, agricultural support, common trade policy and other core functions remain stable. Indeed, it is difficult to name a single EU policy – we shall consider Brexit in a moment – in which we witness the diffuse and widespread disintegration that PF predicts. Researchers could do more to illuminate whether recent cases of apparent stagnation – the lack of major fiscal transfers within the eurozone, a co-ordinated tax policy, a European army, quotas for migrants, or selective closures in Schengen, for example – reflect a general non-rational antipathy to Europe, as PF argues, or consistent management of conflicts among issue-specific preferences about interdependence, as LI maintains.

Second, *migration policy, the clearest case of negative public sentiment driving substantive policy change, fits LI better than PF*. Effective public pressure on the EU today remains largely an issue-driven phenomenon. Potentially salient EU issues have changed little in recent decades: migration, macroeconomic policy, agriculture and the environment remain potentially important to some swing voters. Migration has played a leading role, but one that calls into question the central PF contention that non-rational symbolic dissatisfaction with Europe underlies mass mobilization.<sup>10</sup> The potential salience of migration is not a recent development: majorities in nearly all OECD countries have opposed migration for decades and governments have been aware that the issue is potentially explosive. Empirical studies agree that attitudes toward migration, more than attitudes toward Europe, have driven support for right-wing populism, as LI expects (Hobolt and de Vries, 2016, p. 424). Governments have pursued increasingly protectionist third-country migration policies since 1971 (Comte, 2018, Chapter 4; Muse, 2018).<sup>11</sup> Opposition exploded in response to the mishandling of an exogenous interdependence shock: the flood of more than a million Mediterranean migrants in 2015 – an unsustainable total higher than anything since the end of World War II. This created a sense that interdependence had ‘gone too far’. Today not a single political party in the Western world – whether or not populists are strong in that country – could remain in power if they favoured increases in migration or even asylum claims.

Most importantly, in managing the migration crisis, EU member governments have responded not with disintegration, as PF predicts, but by co-operating to double down on decade-long efforts to limit migration, as LI expects. The costs – selective controls on internal Schengen borders and the failure of an ill-devised and impractical quota scheme, designed largely to bolster legitimacy in federalist countries like Germany – were inevitable and modest, compared to the gains – and were, therefore, quite deliberately accepted by member states (Moravcsik and Schimmelfennig, 2018; Muse, 2018; Zaun, 2018, pp. 45–48). European governments also engaged in a bit of clever ‘organized hypocrisy’, complying with the letter of international obligations to asylum seekers, while violating the spirit (Lavenex,

<sup>10</sup>For an LI analysis of the Euro, see Schimmelfennig, 2014.

<sup>11</sup>Blinder and Richards (2018, pp. 3, 2–6). From 2001 to 2016, most British citizens listed migration as the ‘most important issue’, with a substantial majority wanting to reduce it. Views toward the EU, which for a long time had been not salient, began to stand in for this opposition to migration only in mid-2016. This seems to support LI’s view that migration is the important part of this cleavage, and that anti-EU feeling rests on a strong issue-position.

2018, pp. 1198–99). Given European interests, the overall result has been a striking and unexpected success: irregular Mediterranean migration to Europe this year is on track to fall under 100,000 for the first time in decades – over *ten times lower* than in 2015 (UNHCR 2018).

Third, *populists have rarely been successful in recent general elections, referendums and European elections, and in exceptional cases of success, they soon moderate general opposition to the EU*. Populists have failed to win elections or join governing coalitions in France, Germany, the Netherlands, Belgium, Spain and many other countries. Where they have won, they have moderated their substantive EU policies to fit their issue-specific functional preferences and limited power. In Italy, the most eurosceptic of all conceivable political coalitions summarily dismissed the prospect of exiting the Euro within hours after entering office and now calls for deeper European co-operation (Fubini, 2018). Yet they stuck to their anti-migration views. The recent *kabuki* theatre within the German ruling coalitional politics focused almost entirely on migration and, predictably, ended in compromise.

Beyond migration, populists have had surprisingly little effect on EU policies. The current Austrian government, a coalition including the far right, is pro-European in almost every respect, even pushing for faster Balkan enlargement. Even the governments of Poland and Hungary, whose semi-authoritarian domestic policies are deeply troubling and whose rhetoric is eurosceptic, never hint at pulling out of the EU or cancelling a major EU policy. More attractive to them is organized hypocrisy, as when Hungarian Prime Minister Victor Orbán deftly strengthened regime support by holding an essentially meaningless referendum against a Commission proposal for binding migrant quotas so insignificant that he could ignore its (modest) benefits to Hungary (Lavenex, 2018, p. 1204). In most cases – including referenda in France, the Netherlands, Denmark, and Ireland – parliamentary action, second elections or *ad hoc* arrangements have simply reversed negative outcomes. At most, governments accommodated public pressure with minor treaty revisions and rhetorical commitments. No popular backlash greeted any of these reversals. To be sure, partisan ideological differences within European countries may have affected national positions concerning some aspects of the Amsterdam, Nice and Lisbon treaties (König, 2018). Yet this behaviour is consistent with LI, since the content of these three treaties was overwhelmingly symbolic, vague or insignificant with ‘little legal or substantive justification’ grounded in salient issues (Moravcsik, 2006, p. 219).

Fourth, *Brexit is an exception that proves the rule*. Given the modest effect of populism on EU policies other than migration, support for the central PF claim that popular backlash can trigger ‘disintegration’ rests almost entirely on the single case of Brexit. For most of the last two years, journalists have predicted a wave of similar referendums, yet Britain remains a unique (albeit important) outlier. And even in Britain, the empirical case for LI remains strong. To be sure, LI does not claim to offer an entirely satisfactory explanation for Prime Minister David Cameron’s risky decision to call a referendum or its surprising outcome. It did, however, correctly foresee that the most salient issue today, migration, would be prominent, and that any referendum would generate a mendacious debate, considerable risk, and thus an appreciable risk of a negative outcome (Moravcsik, 2016). It is unclear whether LI, PF, HI or any other theory can say much else about this form of British exceptionalism.<sup>12</sup>

<sup>12</sup>See Schimmelfennig’s contribution to this Special Issue. Britain has been the most eurosceptic member state for a half century – at times more virulently so than today – so Brexit does not reflect a recent ‘politicization’ of Europe. Nor, while it involved a serious political misjudgement, does Brexit clearly reflect an ‘unintended consequence’ of a major EU decision.

Yet what matters most are substantive policy consequences. Here LI scholars predicted months *before* the referendum that even if ‘Leave’ won, the radical ‘hard Brexit’ programme would prove impractical and unsustainable – no matter what Brexiteers promised and the public may have thought they had narrowly supported in 2016. The reasons are central to LI. A successful hard Brexit presumes abandonment of vital economic and security interests, requires outsized influence in negotiating with the far larger and more powerful EU, and (given that the EU reduces transaction costs) demands massive amounts of manpower and time to craft alternative arrangements both with the Continent and the rest of the world.<sup>13</sup> LI sees only two viable options: to reverse course and renegotiate Britain’s position within the EU, or to engage in ‘organized hypocrisy’, pulling out formally and rhetorically, while pressing to retain substantive policies as close to the *status quo* as possible. To be sure, renegotiation within the EU would be functionally superior, so PF or some other theory is left with the task of developing a determinate explanation for the choice to leave formally (assuming it occurs, which is far from certain). Yet the decisive point remains that, either way, functional policy changes little.

Today, two years later, the predicted organized hypocrisy and the gutting of Brexit’s substantive content that LI predicted is now ‘hiding in plain sight’ (Parker, 2018; Parker and Barker, 2018; Parker and Pickard, 2018). Britain’s retreat from a hard Brexit toward the *status quo* began with a conciliatory position on the transition, maintaining current economic rules, rights for Europeans in Britain, and large transitional payments. Eurosceptic ministers have struggled to keep a hard Brexit alive rhetorically – something smart negotiators would do anyway, whatever its true prospects. They have repeatedly backed down. More recently, the two most prominent among them, Boris Johnson and David Davies, have resigned, while the third prominent pro-Brexit minister, Michael Gove, has hung on to manage rural affairs. May has already proposed domestic passage of all current EU regulations, subject to independent oversight and British negotiators are pushing to remain committed to EU regulatory agencies and standards-setting bodies. Pulling out of the information-sharing aspects of Schengen, asylum, intergovernmental anti-terrorism and anti-terrorism policies, and European defence co-operation seems unthinkable. To defend economic interests and maintain border-free access to Northern Ireland, it now seems likely that Britain will remain (*de facto*) within the EU’s common market for goods and regulatory arrangements, which brings with it the common external tariff. Even tougher decisions loom ahead. LI predicts that a likely sticking point might be migration, the sole salient EU issue for British voters. Yet given its superior bargaining power, the EU is likely to demand such a high price for this compromise to one of the four freedoms (for example, limits on access of Britain service providers to Europe) that the entire Brexit project might be threatened. In the end, if Britain persists, LI predicts that

<sup>13</sup>Months before the referendum, I proposed an LI prediction of what would happen if Leave won: ‘What if ... politicians lose control of domestic politics? Even in this worst-case scenario, Britain would not really leave Europe. Eurosceptics propose that Britain negotiate with 27 frustrated European governments, under tumultuous economic conditions, simply to re-establish its current economic status outside the EU. Britain’s bargaining position in such a negotiation would be exceedingly weak because it is much more dependent on Europe for exports and investment than vice versa. The inevitable result, as the Swiss know only too well, is that Europe will dictate which regulations Britain must accept ... (Moravcsik, 2016). Two years later, Prime Minister May is doing just that, overriding the objections of enthusiastic Brexiteers.

it will pay a high price on the margin for pursuing a quixotic policy – and, still, most EU policies will not change as much as Brexiteers hope and Europeans fear.

## 2.2. *Historical Institutionalism: Theorizing Feedback*

Historical Institutionalism argues that unintended feedback from previous substantive and individual choices dominates current EU policy-making. In this view, governments enter into grand bargains for just the reasons LI posits, yet once they do so, ‘unanticipated’ or ‘undesired’ consequences may arise. Such consequences may be difficult to redress, moreover, because domestic socioeconomic groups and state institutions make costly adaptations and investments in new circumstances, or because supranational officials may ‘work to enhance their own autonomy and influence within the European polity’, thereby constraining governments in unexpected ways (Pierson, 1996, pp. 30–34). European dynamics may even ‘socially construct’ state structures, beliefs and values – a process sometimes referred to as ‘Europeanization’ that may reshape the state preferences that motivate or impede integration. Where this functional or institutional feedback (or ‘spillover’) dominates, so critics argue, LI’s focus on static, self-conscious intergovernmental decisions based on autonomous and exogenous causes, gives a misleading impression of a process sponsored and controlled by states. According to HI, long-term change actually is path-dependent, reflecting constrained adaptation of states to a random sequence of external shocks. Nothing guarantees that the resulting policy will be optimal.

Like PF, HI updates a theoretical position prevalent a half-century ago. The ‘neo-functional’ (NF) theory of Ernst Haas, Philippe Schmitter and Leon Lindberg sought to explain integration as a function of ‘spillover’ from previous decisions, unintended at least by some. Haas initially posited that the net results of spillover ‘will undoubtedly work themselves out in the direction of more integration.’ (Haas, 1958, p. 527). Looking back, he later conceded that NF was only an indeterminate ‘pre-theory’ due to its lack of firm micro-foundations (‘primitive facts of behavior’), which meant that it could not generate clear predictions about the direction or strength of spillover (Haas, 1970, pp. 614, 622, 632–636). In the 1990s, Pierson restated NF as HI, predicting – incorrectly, as it turned out – that a nascent European social policy would trigger an uncontrollable wave in that direction (Pierson, 1996; Zürn and Checkel, 2005). Fritz Scharpf sought to explain CAP price surpluses as a sub-optimal and unintended consequence of a ‘joint decision-trap’. While empirically incorrect, as it happens (Moravcsik, 1998, pp. 492–493), Scharpf’s claim marked an important shift among HI theorists toward viewing previous decisions as having a negative and constraining effect on states. This effect results, Scharpf argues, from the continued use of consensus decision-making to address problems of ‘positive’ integration, as opposed to pure “negative” liberalization (*cf.* Moravcsik and Sangiovanni, 2002; Scharpf, 1999, pp. 165–166).

Yet it is misleading to treat HI and LI as competing grand theories of integration. In most respects, they are naturally complementary and can collaborate fruitfully. One basic reason why, I argued in *Choice*, is that they explain different things. LI seeks to explain static short-term policy decisions as the result of boundedly rational (and, therefore, locally and statically efficient) constrained choices based on preferences, power and institutions treated as exogenous. Whether structural constraints actually are exogenous or (as is surely often the case) endogenous to previous decisions in the long-term is not a major LI

concern: it simply treats both types of constraints identically. Similarly, LI can and does make no claim that decision-making is *globally* optimal (i.e. superior to *any* hypothetical counterfactual outcome), but only that the choice is efficient given short-term constraints. By contrast, HI seeks to explain long-term dynamic trends away from ideal global policy efficiency. It offers no distinctive theory of static decision-making, but simply concedes that task to LI. As Pierson observes: ‘At any given point in time, the key propositions of intergovernmentalist theory are likely to hold’ (Pierson, 1996, p. 126).

The fact that LI and HI explain different things explains why *Choice’s* only engagement with NF – the discussion of supranational entrepreneurship aside – is a brief empirical assessment in the conclusion suggesting that feedback in EU history seems too small to distort decade-long exogenous trends in interdependence (Moravcsik, 1998, pp. 489–494). As James Caporaso subtly observed, *Choice* deliberately avoids provoking ‘an ultimate showdown between intergovernmentalism and neo-functionalism’ – a fact generally overlooked in undergraduate textbooks that portray these approaches as diametrically opposed (Caporaso, 1999, p. 163; Moravcsik, 1998, pp. 13–17).

Yet we should be careful not to oversimplify the distinction between ‘static’ LI and ‘dynamic’ HI. LI *necessarily* predicts many dynamic changes often thought of as distinctive to HI, such as incrementalism, policy feedback and unintended consequences (Keohane, 1984). As *Choice* shows in the cases of the creation of the CAP, ever-deepening EU trade liberalization, and the construction of EU institutions, LI shares the view that peaceful social change generally tends to evolve incrementally. Feedback, moreover, occurs all the time. Indeed, states often intend to engineer feedback in the form of costly social and institutional adaptation. Why would states co-operate to promote trade liberalization, for example, if not to trigger increased exports and investment, thereby changing the structure of their economies and (probably) reinforcing social support for liberalization (Kleine and Pollack, this issue)? Even an old-school statesperson like President de Gaulle justified his EU policy by saying it would transform the French economy and, with it, France’s global status (Moravcsik, 2000b).

Most importantly, in a world of uncertainty (or apathy) about the future, some of this feedback is almost certain to be unintended and unwanted. Integration and interdependence create losers as well as winners, and states cannot be sure *ex ante* who is who. Far from ruling out unwanted and unintended feedback, LI assumes that it *must* exist (Kleine, 2013a, p. 4). Otherwise, why would states construct institutions to bolster commitment and enforcement? The regime theory on which LI rests is, in fact, an HI theory that assumes the value of managing uncertainty through somewhat “sticky” institutions. From the LI perspective, international institutions that do not severely inconvenience some states and social groups are in consequential. The simple *ex-ante* observation that random misjudgements, mistakes or unfortunate coincidences sometimes lead to outcomes that some people subsequently come to regret or dislike is theoretically trivial: it tells us little except that we live in a conflictual and uncertain world.

If many theories can accommodate incrementalism, policy feedback and unintended consequences, exactly wherein lies the theoretical value-added of HI? Its key insight, in my view, is that situations sometimes arise in which almost all actors in a political system – in this case, EU member states – agree that current policy is sub-optimal, yet are unable to alter it. Pierson argues insightfully that states (and their constituents) might be stuck due to such factors as short time horizons, powerful veto groups, high adjustment costs,

informational and technical uncertainty, institutional commitments or certain procedural values (Pierson, 2004). This is an important insight, but it hardly seems specific to any one theory. Such constraints on desired reform are so commonplace that political scientists think of them as part of the enduring essence of politics – a Machiavellian world in which the pursuit of ideal goals is often futile and even counterproductive. Note, also, that whether current constraints are ‘endogenous’ to past decisions or ‘unintended’ by past decision-makers is *irrelevant* in the present: the critical point is that countries cannot exit sub-optimal circumstances inherited from a past sequence of events. The same constraints could arise due to random exogenous shocks or (as in most HI narratives) some combination of the endogenous and random causes.

Understood in this way, LI and HI are complementary. HI without LI would be indeterminate, just as NF’s effort to make dynamic predictions about feedback without reliable underlying theories of preferences, bargaining and institutions doomed its predictions to indeterminacy (Haas, 1970, p. 622; Moravcsik, 1998, pp. 13–17). Without reliable theories of preferences, power and institutions, we cannot know how past events create constraints, or which constraints matter in the present. Conversely, LI without HI insights would remain, strictly speaking, accurate in predicting locally optimal outcomes, yet less relevant. We might often want to know when and why random and irreversible perturbations bias policy systematically toward globally sub-optimal outcomes.

This raises an empirical question: how often do EU member states actually find themselves in a globally sub-optimal equilibrium? The last quarter century of EU history suggests that it is relatively rare—but sometimes very important. The strongest example of the sub-optimality trap is the Euro. Today it is hard to find a state that would enter EMU again if it had a time machine and could relive the choice – yet no country leaves. Why? On these points, I believe in retrospect that *Choice’s* analysis of the Euro’s creation remains correct yet incomplete. *Choice* argues—accurately, as recent historical accounts confirm—that EU member states approved economic and monetary union at Maastricht not for ideological or geopolitical reasons. Instead, they sought to reap the short-term gains of a more competitive currency (for Germany) and lower interest rates (for weaker currency countries). Decision-makers were aware of this risk and uncertainty (Moravcsik 1998, Ch 6; Mody 2018; James 2012). The tragedy of the Euro is that European leaders got what they sought, but this policy mix proved unsustainable.

Yet this account overlooks three critical aspects of the Euro’s evolution. First is that national preferences focused on short-term benefits and discounted longer-term risks of sagging competitiveness, financial instability and austerity—perhaps believing that macroeconomic performance would converge and resolve any structural instability in the system. HI reminds us that future LI accounts should pay more attention to the time horizons of preferences. Second is that member states opted for the fatal inclusion of Italy, Greece and Spain—an event that took place well after *Choice* appeared, but was nonetheless critical. Most importantly, since 2010, when the consequences become clear to all, external coercion, potential short-term costs, and pressure from powerful beneficiaries have prevented withdrawals from (or reforms to) the Euro that might well benefit some states in the longer run. This locks undesirable policies in – though not in a way that is unheard of elsewhere, as with IMF bail-outs. Today my own evaluation of the original decision is correspondingly more critical, in part for reasons HI helps illuminate (Moravcsik, 2012; Mody, 2018). The resulting policies will saddle much of Europe with costly adjustment for at least a generation.

The strongest empirical argument against HI is that the Euro appears exceptional. In few other cases have social forces locked in an EU policy broadly considered undesirable – not just by normative philosophers or policy analysts, but by states and their important constituents. Qualities characteristic to the financial sector, such as the depth and breadth of social adaptation to the Euro and the “lumpy” all-or-nothing quality of change, render the Euro a special case. Elsewhere, institutional lock-in seems almost never to work as HI predicts. States are not locked in and have exploited their flexibility to tweak institutions to achieve a preferred balance between flexibility and efficiency (Kleine, 2013a, p. 4). The result, described in detail above, has been a dominant half-century-long institutional evolution toward intergovernmentalism and informality. Current institutions now look almost nothing like those set forth in the Treaty of Rome in 1957, yet on balance states welcome these changes. Proposing plausible explanations for the variation in institutional optimality should be a primary objective for integration theorists.

How can HI and LI best collaborate to explain variation in the optimality of EU policies and institutions? The most critical immediate theoretical step should be to extend and improve LI. In any synthesis of the two theories, I believe LI will continue to play the more fundamental role. Empirically, it simply seems implausible to claim that that *most* states view *most* EU policies and institutions as unwanted or dysfunctional. Hence we need to use LI to establish a realistic functional baseline – one that does not simply impose theoretically or normatively preferences on states and their constituents. Moreover, any reliable explanation of unwanted feedback must necessarily rely on a reliable account of static decision-making and reliable micro-foundations of preferences and institutions that only LI provides. Thus, even if our goal is to explain when and how member states become trapped in locally efficient but globally inefficient policy equilibria, we need to deepen LI first. We must know far more about things like the length of time horizons, the nature of domestic powerful veto groups, the risk acceptance of states, the nature of adjustment costs, the evolution of preferences over time and the credibility of commitments. Future theoretical innovation should focus on this theory synthesis.

### III. Conclusion: Policy Relevance, Ethical Values and the EU

Liberal Intergovernmentalism is a policy-relevant theory, so it is appropriate that I close with a few words of positive and normative policy analysis. LI rejects the views that the EU suffers from a ‘democratic deficit’ and that EU policy-making is ineffective – at least by real-world standards of existing advanced industrial states. LI reaches this optimistic conclusion in part because it takes social preferences, state power and the essentially anarchic nature of world politics as they are, rather than imposing normative ideals, altruistic patterns of behaviour or a United States of Europe on nation-states that remain sovereign. Yet some observers – led by Hix’s (this issue) generous, intelligent and constructive assessment – remain unconvinced. They spy a deep contradiction at the core of this sanguine assessment. With greater diversity of national preferences and the politicization of European ideology, governments now face increasingly unresolvable contradictions between democracy and effectiveness. If leaders act on the expressed will of their citizens, the EU will remain gridlocked and ineffective. If they act against expressed public sentiments, the EU will be undemocratic. An increasingly unruly Europe can’t have it all.

This is a subtly nuanced and profound criticism. Of course, LI theorists can point to the responsiveness of national governments to elite and public pressure on salient issues, constraints on the authority and capacity of EU institutions, consensual decision-making through institutions with checks and balances, and the continuing pre-eminence of domestic political decision-making – arguing that they render the EU democratic in the commonly understood sense, even if direct and centralized electoral control of its institutions is absent (Moravcsik, 2002, 2006). Yet Hix and others object that such checks and balances breed gridlock, which undermines effectiveness (Scharpf, 1999). Real-world assessments await further research, yet, for the moment, two considerations lead me to reassert that the EU remains legitimate and effective.

First is that almost all such criticisms of Europe's 'democratic deficit' rest on a majoritarian, even populist, conception of democracy that I reject as an unrealistic and normatively inappropriate to modern constitutional systems. Granting every transient and ill-informed majority what it wants is not, in my view, democratic. Modern constitutional democracies do – and, from a normative perspective, should – temper respect for majority will with at least three other core values: respect for individual and human rights, improvements to the epistemic quality of decision-making, and curbs on the influence of special interests (as opposed to affected parties) (Keohane *et al.*, 2009; Moravcsik and Sangiovanni, 2002; Moravcsik, 2004).

In the EU, my major concern is with informed decision-making. As we have seen above, LI generally takes a sceptical attitude toward referendums on European issues. They often result from short-term political opportunism or arbitrary constitutional provisions, and they foster astonishingly ignorant, even mendacious, public debate among rationally ignorant voters. This encourages fact-free, hyper-ideological zones of debate and choice that empower political extremists and protest voters with lots of gripes but little real investment in any particular outcome. For the reasons discussed above, the fact that populist eurosceptics now claim to have secured a transient majority in an unnecessary referendum in Europe's most eurosceptic state – a majority they cannot claim in general elections or parliament – does not impress me as much as it seems to impress Hix, Hooghe, Marks and others.

The second reason why the EU *generally* remains both democratic and efficient is that LI's assessment is more nuanced and less uniformly optimistic than critics claim. It does not offer blanket optimism – in particular, not about the Euro. Instead, it sets a clear and *critical* standard, grounded in normative as well as positive theory, against which both effectiveness and democracy can be judged and sometimes found wanting. On that basis, I have maintained for many years that the Euro – born of unequal power relations, excessively insulated without any democratic or technocratic justification, and manifestly inappropriate for the weaker half of its members – may well be neither democratically legitimate nor technocratically efficient (Moravcsik, 2002, p. 621; 2004, p. 362; 2006, p. 225n). I suspect critics such as Hix agree with me that herein lies the greatest contemporary threat to the EU's legitimacy and effectiveness.

Yet the Euro is an exception that proves the rule. It is hard to find other cases in which the EU is unresponsive or ineffective: Hix cites only the 'refugee burden-sharing scheme'. Yet, as we have seen, the migration policy governments have chosen is a deliberate, legitimate and functional response that recognizes necessary trade-offs. Member states have sensibly kept their immediate focus firmly on reducing migration ten-fold – for which they (and their constituents) are willing to pay a price in terms of other policy goals, such as perfect

adherence to Schengen or the Dublin accord (Moravcsik and Schimmelfennig, 2018). From an ideal normative perspective, many, including myself, deplore the closure of European borders. Yet no other solution, including a centralized quota system, is politically or technically feasible. LI takes preferences as they are, rather than imputing pro-immigration interests to governments and their constituents that they do not hold and then blaming the failure to open borders on imperfect or insufficiently developed EU institutions.

In closing, let me encourage readers to view current events in a broader context. Hix begins his essay with a humorous anecdote illustrating how LI generates ‘countercyclical’ policy analysis. That story encapsulates the story of my career in EU studies. At times when everyone has been a Euro-enthusiast – as in the 1980s, when many believed that Jacques Delors would pave the way to a United States of Europe – policy analysts and politicians viciously criticized me as peddling Anglo-Saxon euroscepticism ‘lite’. At times when everyone around me has waxed Euro-pessimistic, as is generally the case today, the same crowd criticizes LI for being naïvely optimistic.

Throughout, I believe, LI has remained a fixed point of moderate optimism. Why? Because it does not trust in fickle ideals, populist pleas, unintended consequences, clever political entrepreneurship, the rise and decline of security threats or the short-term perturbations of random chance, but instead in interdependence-driven interests, influence and institutions that endure and evolve over generations. Despite conflicts, caveats and crises, the trend toward transnational interdependence and collective intergovernmental problem-solving remains as close to universal as any development in the modern world. Over decades, I believe that long-term continuities and evolutionary trends – more than hiccups along the way – define the real historical meaning of a process like European integration. Our ability to predict the future is limited, but we know now Europe will never be a state in the accustomed sense of the word – not in our lifetimes, probably not ever. Yet the EU, the most advanced and successful example of voluntary international co-operation in history, is here to stay. LI tells us that this is so because an institutional arrangement like it – ever attentive to the interests and power of nation-states, pragmatic in its aspirations, and carefully calibrated in its authority – is the only sensible way to manage concrete interdependence. About that LI remains, as always, soberly optimistic.

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