

STUDY QUESTIONS

1. Explain the concept of spillover. What is its value-added for theorizing European integration?
2. Discuss the criticisms that have been levelled against neofunctionalism. To what extent and in which regard has neofunctionalism been fairly/justifiably criticized?
3. What contribution has neofunctionalism made to theorizing European integration?
4. (How) can neofunctionalist theory be modified/reformulated so as to account for the European integration process of the late twentieth century and early twenty-first century?
5. To what extent and how has neofunctionalism influenced and informed more recent theoretical approaches? Which approaches to theorizing European integration/governance seem to have been particularly inspired by neofunctionalist thought?

4**Liberal Intergovernmentalism**

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Introduction

Liberal Intergovernmentalism (LI) has acquired the status of a ‘baseline theory’ in the study of regional integration: an essential first cut explanation against which other theories are often compared.¹ In this chapter we argue that it has achieved this dominant status due to its theoretical soundness, empirical power, and utility as a foundation for synthesis with other explanations. We begin by outlining the main assumptions and propositions of LI in the section ‘Liberal intergovernmentalism as theory’. We then discuss common criticisms levelled against it and examine the scope conditions under which LI is most likely to explain state behaviour(s). We subsequently explore two cases: one, agricultural policy, where LI is expected to perform well, and another, enlargement, where it might be expected to face difficulties and go on to examine briefly the current state of the European Union. We conclude by pointing out LI’s openness to dialogue and synthesis with other theories and reiterating its status as a baseline theory of European and regional integration.

Liberal Intergovernmentalism as Theory

There are several characteristics of LI that have contributed to its standing as a baseline theory.

First, LI is grounded in broader social science theory. It seeks to modernize integration theory by drawing on general political science theory. It is an application of ‘rationalist institutionalism’, a general approach used to study interstate cooperation in world politics (see also Pollack, Chapter 7 this volume). Although LI draws on insights from traditional schools in European integration studies that treat the EU (or regional integration) as a unique or *sui generis* activity—particularly neofunctionalism (see Chapter 3 in this volume), but also, to a lesser extent, traditional ‘intergovernmentalism’, as developed by Hoffmann (1966, 1982, 1995)—LI seeks to ground these insights in a more consistent and rigorous core of microfoundational assumptions. This allows LI, in contrast to traditional schools of European integration, to specify the motivations of social

actors, states, and leaders, and to derive predictions of aggregate behaviour or dynamic effects from their interaction that can be subjected to empirical tests (Moravcsik 1998: 13–14; 2005).

Second, LI is a ‘grand theory’ that seeks to explain the broad evolution of regional integration. LI is a theoretical synthesis or framework, not a narrow theory of a single political activity. It argues that one cannot explain integration with just one factor, but instead seeks to link together multiple theories and factors into a single coherent approach appropriate to explaining the trajectory of integration over time.

Third, LI is parsimonious. Though multi-causal, LI remains simple. Its basic premises can be summarized in a few general interrelated propositions, which deliberately seek to simplify EU politics, stressing the essential and excluding certain secondary activities. At the same time, it should be noted, LI rejects monocausal explanation, arguing that a minimum of three theories, arrayed in a multistage model—one each of preferences, bargaining, and institutions—are required to explain integration. The precise specification of each theory, moreover, varies by issue area and circumstance. This is hardly an overly simplistic account. Still, the aspiration to parsimony differentiates LI from atheoretical concepts like ‘multilevel governance’—a descriptive metaphor rather than a theory that subsumes nearly all possible political interrelationships found in the EU, including those predicted by LI (Jachtenfuchs 1997: 17; cf. Hooghe and Marks 2001).

Yet the primary source of LI’s success lies not in its generality, ambition, parsimony or other formal attributes, but in the apparent accuracy of the substantive assumptions and empirical predictions it advances about European politics. What are these?

At the most fundamental level, LI rests on two basic assumptions about politics. The first is that states are actors. The EU, like other international institutions, can be profitably studied by treating states as the critical actors in a context of anarchy. That is, states achieve their goals through intergovernmental negotiation and bargaining, rather than through a centralized authority making and enforcing political decisions. The European Community (EC) ‘is best seen as an international regime for policy co-ordination’ (Moravcsik 1993: 480). This assumption is not ‘realist’: national security is not the dominant motivation, states power is not based on coercive capabilities, state preferences and identities are not uniform, and interstate institutions are not insignificant (Keohane and Nye 1977). LI simply acknowledges a blunt empirical fact about contemporary institutions like the EU: member states are ‘masters of the treaty’ and continue to enjoy pre-eminent decision-making power and political legitimacy.

The second basic LI assumption is that states are rational. Rationalism is an individualist or agency assumption. Actors calculate the utility of alternative courses of action and choose the one that maximizes (or satisfies) their utility under the circumstances. Collective outcomes are explained as the result of aggregated individual actions based on efficient pursuit of these preferences—albeit subject to the information at hand and uncertainty about the future. Agreement to cooperate, or to establish international institutions, is explained as a collective outcome of interdependent (strategic) rational state choices and intergovernmental negotiations.

One way to restate the states-as-actors and rationality assumptions is as follows. Decisions to cooperate internationally can be explained in a three-stage framework: states

first define preferences, then bargain to substantive agreements, and finally create (or adjust) institutions to secure those outcomes in the face of future uncertainty.² Each stage is separate, and each stage is explained by a separate theory. Cooperation outcomes are explained only at the end of the multicausal sequence (Moravcsik 1989, 1998). To be useful in analysing European integration in particular, the framework is further specified using precise theories of preferences, bargaining, and institutionalization. It asks: what type of domestic preferences should be expected to matter most in Europe? Which bargaining dynamics should shape European agreements? What factors explain institutional design? LI adopts one specific theory for each step, a ‘liberal’ or societal theory of national preference formation, a bargaining theory of international negotiations, and a functional theory of institutional choice. Each of these LI explanations puts forward concrete propositions, derived from theory, to be evaluated against alternative explanations.

In *The Choice for Europe* (1998), Moravcsik addressed these questions by investigating the evolution of the EU from 1955 to 1992, from ‘Messina to Maastricht’.³ He asked whether:

1. national preferences were driven by general geopolitical ideas and interests or by issue-specific (generally economic) interests;
2. substantive bargaining outcomes were shaped by the manipulation of information by supranational entrepreneurs and information asymmetries or by intergovernmental bargaining on the basis of asymmetrical interdependence;
3. the choice of EU institutions reflected federalist ideology, the need for technocratic management, or an interest in securing credible member state commitments.

The basic argument of choice, in its most condensed form, is that

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 (1998: 18, italics added)

Let us consider each of these three stages in turn, and the precise reasons why Moravcsik and other liberal intergovernmentalists have reached these theoretical conclusions.

National Preferences

Despite the wide range of domestic actors involved in preference formation—and often the wide range of actors involved in foreign policy-making itself—LI continues to treat the state as a unitary actor because it assumes that domestic political bargaining, representation, and diplomacy generate a consistent preference function.⁴ According to liberal theories of international relations, ‘the foreign policy goals of national governments vary in response to shifting pressure from domestic social groups, whose preferences are aggregated through political institutions’ (Moravcsik 1993: 481). The fundamental goals of states—or ‘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 2008).

The key here is the term 'issue-specific'. Note that LI's basic theoretical claim is not—contrary to common misunderstanding—that 'producer interests prevail' or 'economics dominates policy'. It is that state preferences are driven by issue-specific preference functions about how to manage globalization, not linkage to general policy concerns. The appropriate issue-specific model differs by substantive issue. In economic issue areas, the proper model of the national interest generally derives from a balance or equilibrium between producer interests (insider business and workers), on the one hand, and taxpayers and those interested in regulation, on the other (Grossman and Helpman 1994). The latter will loom larger in areas where the regulatory component is more salient, such as environmental policy, immigration, and development aid. In non-economic issue areas (e.g. foreign policy), the economic element may be far less important in the issue-specific calculation and the issue dominated by non-economic concerns (Wincott 1995; Moravcsik 1995, 1998: 26, 50).

In the specific case of the European Union, where most of the initial policy issues were indeed economic and the prospect of internal warfare among democratic capitalist states was remote, Moravcsik's empirical analysis confirms that the preferences of national governments regarding European integration have mainly reflected concrete economic interests rather than other general concerns like security or European ideals. Moravcsik finds that, initially, the central impetus for post-war European integration arose from the great post-Second World War shift from north-south inter-industry trade and investment (i.e. exchanges of manufactures for primary goods) to north-north intra-industry trade and investment (i.e. exchanges of similar manufactures or commodities) (Milward 2000). Concrete preferences emerged 'from a process of domestic conflict in which specific sectoral interests, adjustment costs and, sometimes, geopolitical concerns played an important role' (Moravcsik 1998: 3). Governments pursued integration as 'a means to secure commercial advantages for producer groups, subject to regulatory and budgetary constraints' and 'the macro-economic preferences of ruling governmental coalitions' (Moravcsik 1998: 3, 38). This was true even in certain cases almost universally believed to be dictated by geopolitical and ideological concerns, such as General de Gaulle's opposition to British membership and supranational institutions.

Yet economic interests do not tell the whole story: Moravcsik points out that geopolitical interests (even more than ideology) also had an important impact on European integration. Of the 15 cases (five decisions across three countries) studied in *The Choice for Europe*, forces of economic globalization played an important role in all, yet in fully half geopolitics and ideology had an important secondary impact. In at least three cases, significant outcomes might have been reversed without them (Moravcsik 1998: 474). Overall, Moravcsik concludes, 'naked economic preferences would probably have led to a highly institutionalized pan-European free trade area with flanking policies of regulatory harmonization and monetary stabilization' (Moravcsik 1998: 6).

Substantive Bargains

The national preferences of different states rarely converge precisely. To explain the nature of substantive outcomes of international negotiations among states with different national preferences, LI deploys (following rationalist institutionalism) a bargaining theory

of international cooperation. States must overcome collectively suboptimal outcomes and achieve coordination or cooperation for mutual benefit, yet at the same time they must decide how the mutual gains of cooperation are distributed among the states. Collective and individual interest often conflict, with hard bargaining over distributional gains sapping the willingness and ability of states to cooperate. In this context, bargaining theory argues that the outcome of international negotiations, that is, whether and on which terms cooperation comes about, depends on the relative bargaining power of the actors.

Bargaining power in international politics, as in social life, may result from many factors. LI posits that in the EU context, 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 options') and information about preferences and agreements play a crucial role. Generally, those actors that are least in need of a specific agreement, relative to the status quo, are best able to threaten the others with non-cooperation and thereby force them to make concessions; and those actors that have more and better information about other actors' preferences and the workings of institutions are able to manipulate the outcome to their advantage.

LI seeks to explain the efficiency of bargaining and the distribution of gains from substantive cooperation among states whose preferences have been explained. The historical data in *The Choice for Europe* portrays processes of hard bargaining, in which credible threats to veto proposals, to withhold financial side-payments, and to form alternative alliances excluding recalcitrant governments carried the day. The distributive outcomes reflected the relative power of states based on patterns of asymmetrical interdependence: those who gained the most economically from integration, relative to unilateral and collective alternatives, compromised the most on the margin to realize gains, whereas those who gained the least (or for whom the costs of adaptation or alternatives were highest) tended to enjoy more clout to impose conditions (Moravcsik 1998: 3).

This account downplays the role of informational asymmetries in bargaining, thereby challenging traditional accounts of integration emphasizing potential inefficiencies in bargaining. Both federalists and neofunctionalist accounts have stressed the role of 'ideational entrepreneurs' such as the Commission president and federal idealists like Jean Monnet and Jacques Delors. Such theories are based on the assumption, sometimes implicit, that the costs of negotiating (transaction costs) are high and that entrepreneurs armed with better information, ideas, prestige, or contacts are therefore able to influence national governments (Sandholtz and Zysman 1989; Ross 1995; cf. Moravcsik 1999a, b). LI argues, in contrast, 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's empirical research transaction costs in Europe are generally low relative to the substantive benefits states receive from cooperation and their capacity to provide entrepreneurship on their own behalf. Information and ideas are plentiful and relatively symmetrically distributed among states: there is little evidence that states are less informed or equipped to act than other actors. Given a positive array of state preferences, decentralized interstate negotiations in the EU reliably produce efficient outcomes, with few potential gains 'left on the table'. To be sure, in exceptional cases, supranational entrepreneurs have appeared to have been required for efficient bargaining outcomes to emerge; the Single Act of 1986 appears to have been one such case (Moravcsik 1999a).

Institutional Choice

To explain the establishment and design of international institutions, once a substantive agreement is struck, IR rationalist institutionalism relies mainly on a 'regime-theoretical' account. This perspective conceives of international institutions as instruments to cope with unintended, unforeseen, and often unwanted consequences. LI follows 'neoliberal institutionalism' (Keohane and Nye 1977) in stipulating that international institutions are often necessary conditions for durable international cooperation. In this respect, LI concurs with some claims traditionally attributed to neofunctionalist (or historical institutionalist) theory: states deliberately delegate authority to supranational organizations capable of acting against the subsequent preferences of governments (cf. Fligstein and Stone Sweet 2001: 1208); and institutions incorporate unintended, and unwanted consequences under conditions of uncertainty—an essential component of regime theory (Keohane 1984; cf. Pierson 1996).⁵

Above all, however, institutions help states reach a collectively superior outcome by reducing the transaction costs of further international negotiations on specific issues and by providing the necessary information to reduce the states' uncertainty about each other's future preferences and behaviour. States establish rules for the distribution of gains according to the pre-existing bargain and reduce the costs of coordinating their activities, monitoring the behaviour of others, and mutually sanctioning non-compliance. Accordingly, issue-specific problems of cooperation caused by, above all, the severity of distributional conflict and enforcement problems and by uncertainty about the preferences of other actors and the future states of the world, require and yield different institutional designs (Koremenos *et al.* 2001).

LI argues that issue-specific variation in the delegation and pooling sovereignty reflect the issue-specific concerns of national governments about each other's future ability to comply with the substantive deals reached (either in the sense of strict enforcement or further elaboration of a bargain). Most EU procedures, however, simply set norms and procedures for more efficient bargaining and reduction of uncertainty (Majone 1994). In such cases of pure 'coordination', 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 (Scharpf 1999: 165–6). Cases of outright delegation for this purpose are rare, because governments are generally able to manage such situations.

Cases of more extensive delegation—for example, the use of qualified majority voting, Commission right of proposal, the powers of the European Central Bank, the negotiating mandates of the European Commission, the adjudicatory power of the European Court of Justice, Europe's modest fiscal centralization—are more often aimed at resolving problems of control, sanctioning, and incomplete contracting through credible pre-commitment (Pollack 2003; Franchino 2007). By transferring sovereignty to international institutions, 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 1998: 9, 73).

It is important to remember, however, that the EU differs from national governments in that it has little fiscal capacity (2 per cent of European public spending), no coercive capacity, and an extremely small administration (barely the size of a small European city). Outside of areas like competition, monetary, and trade policy, most EU rules are implemented, administered, and enforced by national officials (Franchino 2007; Moravcsik 2007). The key is credible domestic commitment by strengthening the national executive (Moravcsik 1994) or the national judicial branch (Burley and Mattli 1993; Alter 1998), or the very domestic groups that support the policy in the first place (Bailey *et al.* 1997) vis-à-vis other domestic forces favouring non-compliance. These mechanisms are quite consistent with the liberal view of international relations on which LI is based, in which we expect the most fundamental guarantee of the irreversibility of integration to lie in the evolution and adaptation of national preferences and institutions themselves, not with international regimes (Moravcsik 1998: 493). The process of Europeanization, sometimes seen as a challenge to LI theory, is in fact an essential part of it. European integration is not about replacing the nation state, but about 'rescuing' and adapting it—to use historian Alan Milward's (2000) term—to cope with globalization.

Theoretical Criticism and Scope Conditions

Some object that LI's claim to explain the broad trends in regional integration is exaggerated.⁶ First, 'rational-choice institutionalists' charge that LI—after all initially designed as a theory of grand bargains—cannot explain everyday decision-making, and thus is limited to only a small sliver of EU policy-making in which institutions play a disproportionately small role. Second, 'historical institutionalists' (HI) argue that LI focuses only on conscious intergovernmental decision-making at treaty-amending moments, thereby overlooking many 'unintended' or 'undesired' consequences that occur as a result of treaty amendments. Thus, they charge, LI gives a misleading impression of integration as a whole. Third, others point to empirical examples where LI propositions do not seem to hold. To what extent can LI accurately account for European integration as a whole? And where does it reach its limits?

LI is, by assumption, a theory of intergovernmental decision-making under anarchy. It does not explicitly theorize pre-existing institutional rules. Generally this is interpreted to mean, concretely, that LI is narrowly limited to treaty-amending decisions, while other theories such as rational-choice institutionalism are more appropriate to everyday decision-making or interstitial decisions in between formal treaty amendments (Peterson 1995; Pollack 2005). The latter models incorporate richer institutional detail needed to calculate the effects of the specific rules under which nations vote, set agendas, or interact with the European Commission or Parliament (see Chapter 7 this volume; Garrett and Tsebelis 1996). A large literature has emerged based on formal analysis of institutions and of legal procedures and cases, purporting to show the formal reasons why such institutional details may matter, and providing anecdotal evidence that they do.

While these criticisms contain small kernels of theoretical truth, they are overstated. True, LI works best when decision-making is taking place in decentralized settings under a unanimity requirement rather than in settings of delegated or pooled sovereignty under more complex and nuanced decision rules. Yet, recent empirical research suggests that LI theory applies far more broadly than is commonly supposed, including much everyday EU decision-making. The reason is that many decisions within the EU are taken by *de facto* consensus or unanimity, even when the formal rules seem to dictate otherwise.

- The European Council, where member states act by consensus, increasingly initiates EU policy. The Council has increased its relative influence in recent decades, taking over from the Commission as *de facto* agenda-setter for the EU (Ludlow 1991).
- In the EU legislative process, the Council of Ministers rarely votes, but instead acts by informal consensus, even in considering basic economic legislation. The presidency seeks an informal consensus, often negotiating with recalcitrant states until agreement is reached—a process decisively shaped by LI factors such as ideal points, national preference intensities, and the resulting credibility of veto threats.
- When the Council of Ministers does vote, it formally decides under supermajoritarian (70 per cent) rules—a threshold higher than that required to amend most national constitutions. Hence, recent empirical studies suggest, the basic factors highlighted by LI theory such as ideal points, asymmetrical interdependence, and alternatives to agreement, generally remain dominant structural elements in any understanding of institutional process, whereas factors like precise institutional design, the composition of the Parliament, or the views of the Commission appear to have almost no impact on outcomes (cf. Garrett and Tsebelis 1996; Achen 2006). Nor do these tests suggest that the relative size of governments—a variable stressed by realist integration theorists like Joseph Grieco but not by LI—is of much importance (Grieco 1996).
- There are many other areas of EU decision-making where informal, consensual decision-making appears to prevail, including: the ‘second and third pillars’ of the EU (Common Foreign and Security Policy and Justice and Home Affairs), where governments can opt out, and incremental changes in the scope of legislation that take place by unanimous decision under general clauses of the Treaty of Rome, and intergovernmental ‘comitology’ procedures that oversee implementation, though the latter are less well-understood (Zeitlin and Pochet 2005).

This is not to say, of course, that LI explains everything or that institutional design never matters in EU policy. Indeed, the stress placed by LI theory itself on the deliberate delegation and pooling of sovereignty implies that institutions matter. Obviously many detailed EU legal procedures of delegate authority, for example central banking, supranational adjudication, and competition policy, all presume semi-autonomous legal power. Still, the analysis above implies that LI theory applies far beyond ‘treaty-amending decisions’, well into the realm of everyday EU decision-making.

Some critics offer an even sharper criticism. Proponents of historical (or supranational) institutionalism object that an analysis of the EU’s constitutional evolution that only examines intergovernmental decisions that advance integration is incomplete.

HI theorists concede to LI that governments enter rationally into grand bargains. Yet once they do so, such agreements may have unanticipated or undesired consequences. These consequences will be difficult to redress, moreover, because domestic societal and institutional actors will have made costly adaptations to new circumstances (Pierson 1996: 30–4).

Underlying such claims are two dynamics. One is a drift in national preferences. Prior bargains may seem inconvenient if national preferences suddenly shift, perhaps after a change in government, a major economic shock, or policy learning. The other is a drift in the function of institutions. Supranational organizations may also ‘work to enhance their own autonomy and influence within the European polity’, thereby uncomfortably constraining governments in unexpected ways (Sandholtz and Stone Sweet 1998: 26). If such feedback or spillover dominates integration, the EU’s long-term trajectory will only *appear* to be shaped by intergovernmental decisions and LI’s structural factors. The real long-term dynamics will be a combination of random external shocks and constrained adaptation that generate a path-dependent process of integration.

The most frequently cited example of the HI dynamic is the assertion of the legal supremacy and autonomy by the European Court of Justice (ECJ). During the 1960s and 1970s, the ECJ interpreted its competences in an integrationist manner unanticipated and initially undesired by governments. This process helped strengthen national courts, private litigants, and occasionally the Commission, thereby influencing the distribution of gains from market liberalization, and encouraging states to accept institutions and enforcement schemes that the ECJ helped design (Burley and Mattli 1993; Alter 1998). Another example is ‘interstitial’ institutional change beyond and between formal treaty changes (Hix 2002; Stacey and Rittberger 2003; Farrell and Héritier 2007). Because treaties are incomplete contracts, they give rise to bargaining between the Council, the Commission, and the Parliament that redistribute competences and prefigure later formal treaty revisions.

In showing that EU institutional arrangements can drift away from initial expectations, HI studies surely have a valid empirical point. Yet we should resist overinterpreting these examples. LI (and ‘rational institutionalist’ IR theory more generally) not only can explain many such cases and accommodate undesired consequences. In fact, LI assumes their existence! If unanticipated consequences did not exist, there would be no need for international institutions to elaborate ‘incomplete contacts’ to begin with. The reason for institutions is precisely to elaborate agreements and credibly lock in compliance against defection by future unsatisfied governments.

Anecdotes of unhappy governments and interest groups therefore do not by themselves constitute compelling evidence against LI. Unforeseen or initially undesired policies may change over time simply and as expected by LI due to changes in state preferences, power, and information. Insofar as such interstitial change results from interstate decisions—or tacit intergovernmental consent—it may well be explicable by LI. This is the case even if other actors, such as the European Parliament, are involved in their elaboration, and regardless of whether or not the change is ratified by treaty amendment. It quite often simply reflects the working out of the uncertainty and indeterminacy inherent in the initial bargain—or any political process. The question, therefore, is whether this uncertainty is so great as to divert integration fundamentally from its course, as HI theory suggests.

This is an empirical question—and one in which the evidence tends to support the LI position (Kleine 2008). Fundamental shifts in the integration process without the consensual support of the member states or threats of exclusion—the critical factors predicted by LI—remain modest. State preference functions regarding integration have tended to be rather stable over time. Governments foresaw many policy consequences often said to be unforeseen: the Common Agricultural Policy, for example—the case that led Fritz Scharpf to apply the HI ('joint decision trap') model to the EU, on which Pierson draws—cannot plausibly be viewed as an unintended consequence, since European governments were quite aware of the consequences of their actions (Scharpf 1988: 251; Pierson 1996: 144; Moravcsik 1998). The past 15 years of EU politics have disconfirmed, for example, the central prediction of Paul Pierson's otherwise admirably rigorous article on HI, namely that the EU Social Protocol has 'tremendous' potential to generate 'unanticipated consequences' (Pierson 1996: 155; also Pierson and Leibfried 1995).

Still, it is important to note that LI is not a universal theory. LI explains integration under most conditions, but not under those that violate its assumptions about preferences, bargaining, and credible commitments. One of the advantages of employing more explicit theory is that we can be more precise about its scope: the scope of a theory is defined by its assumptions; where they do not obtain, the theory does not apply. Two such limitations are important to keep in mind.

First, LI best explains policy-making in issue areas where social preferences are relatively certain and well defined. The LI explanation of state preferences, which focuses on issue-specific societal interests concerning interdependence, should work better, the 'more intense, certain, and institutionally represented and organized' those societal pressures are (Moravcsik 1998: 36) and the less 'uncertainty there is about cause-effect relations' (Moravcsik 1999a: 171). Conversely, 'the weaker and more diffuse the domestic constituency behind a policy' (*ibid.*) and the more uncertain or modest are 'the substantive implications of a choice', the less predictable are national preferences and the more likely ideological preferences and beliefs, or other factors, may be influential (Moravcsik 1998: 486–9; Moravcsik and Nicolaïdis 1999: 61). Thus LI advances a second-order prediction: the variance of outcomes should be correlated with the underlying uncertainty in the circumstances being analysed.

This is precisely what we observe. Across EU policies, the most reliably predictable national preference functions are those in agriculture and trade, where economic preferences are stable. Countries have held consistent preference functions for decades, shifting incrementally in response to changing market conditions and more suddenly in response to overt policy failures (Moravcsik 1998: 493). Similarly, the logic of credible commitment obtains where institutional delegation and pooling has modest and diffuse consequences with generally positive-sum consequences. Where national preferences involve large and predictable downside risks, we observe the construction of international institutions that maintain national prerogatives (Kleine 2008). Thus in agriculture, the member states privilege the status of national ministers, restrict the role of the European Parliament, and employ voting rules that maintain tighter national control (Moravcsik 1998: 488). Less predictable are national preferences in economic areas such as monetary policy, where economic knowledge is more uncertain and the distribution of costs and benefits more

diffuse. Beliefs about the efficacy of monetary policy strategies may have mattered as much as underlying political economy (McNamara 2002). Even less predictable are the politics of constitutional reform in circumstances, such as the recent European Constitutional deliberations, where substantive concerns are not invariably salient. Recent EU constitutional deliberations since 2001 have been overwhelmed by such shifting and weak ideological beliefs (Moravcsik 2006).

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. Basic theories of bargaining, negotiation, and international regimes predict that decentralized non-coercive negotiations will be more efficient where information is plentiful and distributed widely (Coase 1960). Only when governments lack critical information, expertise, bargaining skills, and legitimacy that third parties can provide are the latter likely to be influential. Moravcsik argues that entrepreneurship—or formal institutionalization—is required not so much in situations where international bargaining is complex, difficult or new, *per se*, but when domestic coordination problems are severe (1999a: 282–5). In Moravcsik's analysis, the Single European Act (SEA) is the only major case in which these conditions have applied, and even then only partially. The failure of European multinational firms to discover their common interests and to organize for effective collective action, and the failure of interest groups and domestic ministers to aggregate the numerous bureaucratically disparate proposals into an integrated internal market package, gave supranational entrepreneurs in the Commission and the Parliament a comparative advantage in initiating the SEA, mobilizing a latent transnational constituency, and generating a more efficient outcome (Moravcsik 1999a: 292–8).

To illustrate these basic points about LI's scope and empirical power, we now consider an 'easy' and a harder case for the theory.

An Easy Case: Agriculture

The easy case is the initial creation of the Common Market during the 1960s: the removal of internal tariffs and quotas, and the harmonization of external barriers into a common external trade policy, as well as the creation of the Common Agricultural Policy (CAP). Agriculture is an 'easy' case because it creates ideal conditions for the application of LI, which works well when there are certain and intense preferences, clear positive-sum benefits, and clear credible commitment problems. To this day, the CAP remains a core element of the 'European bargain' and continues to consume the better part of the EU's budget. It remains among the most important single foreign economic policies pursued by any industrialized government today—fundamentally shaping the domestic and global political economy of developing nations, as well as transatlantic relations. Farmers' associations have intense preferences, are highly organized, and exercise a strong influence on governments. In no country does public policy stray far from their demands—an ideal condition for the application of LI.

The initial task in any LI analysis is to explain state preferences by understanding the structure of issue-specific domestic societal interests—in this case economic ones. In agriculture, more than any other sector, national preferences were skewed toward producer interests, due to the large size and highly organized nature of the farm sector, and the diffuse and unorganized groups of taxpayers and consumers who were forced to foot the bill. In the 1960s, state preferences concerning a common agricultural policy varied strongly among the major governments and were closely related to producer preferences on agricultural trade inside and beyond the EC. Internal documents, overt domestic unrest and pressure, and the willingness of the government to take diplomatic risks suggest that the French preferences were particularly intense. This reflected importance of the agricultural sector in the three countries: 'Farming employed 25 percent of Frenchmen, 15 percent of Germans, and only 5 percent of Britons. Germany and Britain were large net importers but only marginal exporters of agricultural goods' (Moravcsik 1998: 89–90), while France was a large surplus producer and exporter. Whereas Germany and Britain were uncompetitive in agriculture, French exports were expected to benefit greatly from intra-EC liberalization as long as high prices relative to the world market were guaranteed. Britain as a net importer was interested in maintaining its preferential agreement with the Commonwealth in order to buy agricultural products at relatively low prices. By contrast, Germany with its still sizeable and politically influential agricultural sector 'sought to maintain high support prices behind protective barriers' (Moravcsik 1998: 98). National preferences mirrored the size and competitiveness of commodity sectors: France 'most intensely favored liberalization of commodities trade within a preferential European zone with modest support prices', yet 'strongly opposed agricultural trade liberalization in the GATT'. Germany opposed internal liberalization 'unless very high common support prices were paid' but 'was prepared to make GATT concessions . . . that preserved domestic arrangements': Britain was 'sceptical of any agricultural policy' and favoured a liberalization of global agricultural trade instead (Moravcsik 1998: 161).

Turning from preferences formation to interstate bargaining, LI would predict that France's comparatively strong interest in creating the CAP would place it in an inferior bargaining position on this issue. It needed to give up more, or press its neighbours more, in order to secure agreement. How exactly did this work? The conventional story is that it occurred through issue-linkage, that is, by France offering concessions on entirely unrelated issues it was less interested in. The French government linked the acceleration of internal tariff removal to a schedule for the adoption of the CAP, threatening to block industrial liberalization if Germany did not give up its favoured bilateral agricultural trade agreements, and 'held up the EC's mandate for the Kennedy round of GATT negotiations to force German concessions on the CAP' (Moravcsik 1998: 206–8). Yet the extent to which any country can impose losses on other interest groups in the name of cross-issue linkage is limited by this group's ability to organize and exert pressure. French industrialists did not really oppose the EEC or GATT agreement, nor did German farmers oppose the CAP: there was thus no real quid pro quo at the level of sectoral interests.

The more fundamental story of the CAP, according to Moravcsik, was instead one of 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. French farmers gained preferential access to German markets and higher support prices. In exchange, the CAP was structured on terms that suited German farmers: long transition periods for bilateral quotas, high subsidies, and price supports. Even the modest disadvantage to a few German farmers from slightly lower wheat prices was more than offset by extremely high EU support prices for animal products, the mainstay of German agriculture, resulting in a massive increase in overall German production and exports (Moravcsik 1998: 212–13). The real opponents to this deal were not German farmers but neoliberal finance officials like Ludwig Erhard. To persuade them, de Gaulle worked hard to create the appearance of a credible threat that he would withdraw from the EU entirely if the CAP were not created. Yet he was careful never to put himself in a position of having to make good on the threat—when he threatened to, French farmers rebelled and he backed down (Moravcsik 2001b: 37, 2001c: 53). Here—and only here, that is, within the context of an acceptable political economy bargain—did geopolitical ideology play a role, in the form of de Gaulle's efforts to embarrass German politicians into accepting a deal by threatening to undermine the EEC.

This bargaining outcome demonstrates, furthermore, the near total lack of influence by the European Commission influence as a 'supranational entrepreneur'. To be sure, the Commission was involved in the negotiations throughout, and generations of analysts have mistaken involvement for real influence (cf. Lindberg 1963). Hence the 'closed', high-priced comprehensive, and administratively decentralized agricultural policy was 'the precise opposite of what the Commission had sought'. The Commission always favoured, as it does to this day, a liberal, self-financing, more centralized policy to further the structural adjustment (Moravcsik 1998: 205–6, 161). One reason why the Commission had little power is that member states were in fact better informed about each others' preferences and about the intricacies of agricultural policy than was the Commission; they easily defeated the proposals of Commissioner Mansholt (Moravcsik 1998: 230–2). Convergence of interest and relative bargaining power, not entrepreneurship by insiders, dictated the final outcome.

Turning finally to institutional choice, preferences and behaviour in the creation of the common market reflected concerns about credible commitment, as LI predicts. Again, the establishment of the CAP provides a clear example. Despite its allegedly federalist attitudes, the German government resisted qualified majority voting on the CAP because it feared being forced into lower levels of protection for its agricultural producers. In spite of its purportedly ideological aversion to supranational institutions, France under de Gaulle insisted on a centralized CAP and external trade policy in order to assure German compliance and to lock in permanent financing at high price levels before Britain was admitted. EU agricultural policy was from the start to be decided by unanimity vote without a right of proposal for the Commission—a textbook setting for hard intergovernmental bargaining. Since then agriculture has been subject to a particular form of representation in which national agriculture ministers have direct influence unequalled in other specific issue-areas. From an LI perspective, this institutional 'capture' is endogenous. It is precisely because agricultural interests are so strong, and because nearly all industrialized governments are committed to their subsidization where necessary, that they are privileged in EU-level negotiations.

A More Difficult Case: Liberal Intergovernmentalism and Enlargement

Decisions to ‘widen’ the EU, just like treaty amendments to ‘deepen’ the EU, involve intergovernmental negotiations under unanimity. Yet they are more complex for LI to explain. While enlargement triggers some intense and concrete distributional issues, particularly for new members, whose entire economic orientation may depend on membership, and for existing members—EU budgetary flows and trade and investment issues being matters of some importance—the interests involved for existing members are in other ways more diffuse. Existing policies as well as the *acquis communautaire* generally remain unchanged, the overall size of the new members is generally small compared to the existing EU and, in any case, any net EU budgetary impact is small compared to national budgets or positive trade effects. The result is to render this a somewhat more ambiguous case for LI theory—in which costs and benefits, and thus state calculations, are more imprecise.

Still, LI predicts that members will calculate the advantages of enlargement in terms of the costs and benefits of socioeconomic interdependence of various types. New members will strongly seek membership in an existing trade bloc, while existing members will move more slowly to promote enlargement, led by those whose interdependence relationship with potential new members is the most positive. They would also exploit their superior bargaining power with applicants to impose conditions, create exceptions and transition periods, and provide side payments, thereby mitigating disadvantages to those existing members who directly compete with new members for subsidies or markets.

In *The Choice for Europe*, only the issue of British membership in the 1960s is analysed in some detail (Moravcsik 1998: 164–220). According to Moravcsik, both British desire for membership and French opposition to it were economically motivated. Whereas Britain’s commercial interests were harmed by exclusion from the customs union, France feared low-price commercial competition and, most of all, British opposition to the CAP. This interpretation challenges the conventional view that de Gaulle was opposed to British entry for ideological or geopolitical reasons having to do with anti-Americanism, NATO, or resentments left over from the Second World War. (Only the explanation of German support for the French opposition to British membership has to resort to geopolitical interests: its economic interests were closer to the British than to the French.) France dropped its opposition only after the CAP was established. Even then the French government demanded a permanent financing arrangement for the CAP as a condition of UK entry. In the negotiations on British membership, the British bargaining position was weak because Britain ‘was more commercially dependent on the Six than vice versa’ (Moravcsik 1998: 220). Britain preferred membership to exclusion and was therefore willing to make major concessions to France, which had little economic interest in British membership and could thus extract those concessions (mainly on the CAP) in exchange for giving up its veto (Mattli 1999; Gstöhl 2002).

What about the Eastern enlargement of the EU in recent years? We begin with national preference formation. Member states took a range of positions, which can be largely—but not entirely—explained by their patterns of interdependence, geographical position, and

economic structure (Schimmelfennig 2001). These positions diverged on both the speed and extent of preferred enlargement: along the dimension of speed, ‘drivers’ advocated an early and firm commitment to Eastern enlargement, whereas ‘brakemen’ were reticent and tried to put off the decision; along the second dimension of extent, one group of member states pushed for a limited (first) round of enlargement focusing on the central European states, whereas others favoured an inclusive approach for all 10 candidates (see Table 4.1).

The distribution of enlargement preferences largely mirrors the geographical position of the member states. Except for Greece and Italy, the countries bordering on central and eastern Europe were the drivers of enlargement; except for Britain, the more remote countries were the brakemen. This is as LI would predict, since the member states’ geographical position can be understood as a proxy variable for ‘the imperatives induced by interdependence and, in particular, the . . . exogenous increase in opportunities for cross-border trade and capital movements’ that should determine national preferences according to Moravcsik (1998: 26). Member states on the eastern border of the EU are both more likely to benefit from trade with central and eastern Europe, and have a greater interest in managing negative externalities—unwanted immigration, social problems, crime, pollution—that might cross borders in the absence of integration. The negative position of countries like Italy and Greece, despite their border position, reflects the potential losses enlargement imposed via trade and budgetary competition on the poorer, less highly developed, and more agricultural among existing members—as LI predicts. Less-developed member states were likely to be more adversely affected by competition over the EU agricultural and structural fund budget, as well as by trade integration with the East, since they specialize in the same traditional and resource-intensive industries (like agriculture, textile, and leather as well as metalworking) as the CEE economies (Hagen 1996: 6–7).

Geopolitical or ideological interests seem to have been decisive in some cases, particularly, as LI predicts, where governments lack no intense economic interest. Some member states acted on the fear that future Central and Eastern European (CEE) members would side with Germany in EU decision-making, a standard interpretation of French reticence towards enlargement (see e.g. Grabbe and Hughes 1998: 5), but emphasis on the Mediterranean region may have affected the Greek and Italian positions, too. Central and eastern Europe is neither geographically close nor economically important to Britain, yet Britain pushed for expansion. Some attribute British commitment to enlargement to the Europhobia of the Conservative governments, which calculated that widening the EU would prevent its further deepening and even dilute the achieved level of integration

Table 4.1 Member state enlargement preferences

	‘Small bang’ (Limited enlargement)	‘Big bang’ (Inclusive enlargement)
Drivers (quickly)	Austria, Finland, Germany	Britain, Denmark, Sweden
Brakemen (slowly)	Belgium, Luxembourg, Netherlands	France, Greece, Ireland, Italy, Portugal, Spain

(see e.g. Grabbe and Hughes 1998: 5), though insiders report that Britain favoured the need to stabilize Europe to tragedies such as Yugoslavia (Wall 2008). Still, LI goes far toward predicting the nature of state preferences for and against Eastern enlargement.

Turning from national preference formation to interstate bargaining, Moravcsik and Milada Vachudova successfully apply LI theory to recent Eastern enlargement and argue that it resembles the British case. Whereas market expansion is usually profitable to members and non-members alike, non-members generally benefit more, due to their enormous one-sided dependence on EU markets. The collective GNP of all 10 Eastern candidates is below 5 per cent of that of the current members, and whereas the share of EU exports and imports of the total foreign trade of the candidates rose to between 50 and 70 per cent in the 1990s, their share of EU foreign trade remained below 5 per cent. The inflow of Western capital is critical for the CEE economies whereas the impact of Eastern economies in the Western economies is far smaller—easing their adaptation and increasing their bargaining power.

Moravcsik and Vachudova argue that asymmetrical interdependence had decisive implications for bargaining over enlargement. 'Applicant countries . . . consistently found themselves in a weak negotiating position vis-a-vis their EU partners, and accordingly have conceded much in exchange for membership' (Haggard and Moravcsik 1993; Moravcsik and Vachudova 2002: 3; 2003). Given their inevitably strong dependency on the EU market and EU capital, the candidates preferred accepting the EU's conditions of accession to being excluded from EU membership. These include not only the adoption of the *acquis communautaire* but also initially lower subsidies from the EU budget than current members and transition periods on some rights such as the free movement of labour. These 'special provisions reflect the demands of narrow special interests or the concerns of voting publics in the existing members' (Moravcsik and Vachudova 2002: 10), which they could force upon the candidates thanks to their superior bargaining position. For the candidates, it was nonetheless rational to accept these conditions. The EU used transitional restrictions to exclude the new member states temporarily from benefits that are likely to affect old member states negatively. The accession negotiations on Eastern enlargement thus resulted in temporary restrictions of the free movement of labour and the phasing in of agricultural subsidies over a 10-year period.

Whereas LI theorists convincingly explain the preferences and substantive bargains that accompanied enlargement, LI is less clear about institutional choice. Given the high asymmetrical interdependence in their favour and the distributional conflicts among them, why did the member states not stick with 'association' regime that they initially negotiated with the CEE countries? The association regime enabled the potential winners of integration to intensify their economic involvement in CEE markets and, at the same time, protected the potential losers against the costs of trade and budget competition, and permitted greater protection of vulnerable sectors.

Some argue that association did not occur because member states were predominantly interested in a secure and stable neighbourhood (Skålnes 2005). This could be achieved much better through the strong incentives and ties of membership rather than through association. When the wars broke out in former Yugoslavia, the EU therefore decided to prepare for enlargement, and in the aftermath of the war in Kosovo, it expanded the membership perspective to the western Balkans. Frank Schimmelfennig (2001, 2003b)

claims, by contrast, that its identity as a liberal democratic community, which is reflected in the treaty rules on enlargement and the Copenhagen Criteria for accession countries, obliged the EU to admit democratic European countries as full members if they so desire. Still, LI explains much of what we observe, even in the case of enlargement.

The European Union Today

LI theory sheds light on the most striking aspect of European integration today: its substantive and institutional stability. Despite the constitutional debacle of recent years, there seems to exist a 'European Constitutional Settlement'—a stable substantive, institutional, and normative plateau within which incremental EU policy-making is occurring. The Amsterdam, Nice, and Lisbon Treaties, unlike the Single Act or Maastricht, did not contain major substantive reforms. Instead they mark incremental movement along slow trends toward reforms within the existing constitutional structure, such as the strengthening the Council and Parliament, deepening of certain intergovernmental functions outside the first pillar, such as foreign policy and defence, and enlargement of the Union and certain policies, such as Schengen (Moravcsik 2007). Even the proposed Constitution and now the Treaty of Lisbon, despite its rhetorical grandeur, is a conservative document. The only major project in recent years has been EU enlargement.

The major reason, according to LI, is the absence of national preferences for a functional grand project, akin to the 1992 single market or the single currency, sufficient to motivate cooperation. The EU's constitutional convention in 2003 spent little time even discussing substantive reform. In areas such as social policy, centralized neoliberal reform, and immigration (Norman 2003)—attractive though they may be to philosophers as potential vehicles for legitimation (Habermas 1997). Absent 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. Political 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.

Some believe this equilibrium is unstable. They charge that the EU suffers from a 'democratic deficit' that will generate a backlash from angry European citizens. LI's focus on national interest leads naturally to the contrary assessment. Checks and balances between EU institutions,

indirect democratic control via national governments, and the increasing powers of the European Parliament are sufficient to 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)

National governments still call the tune in European integration, pursuing diverse national interests, bargaining hard amongst themselves, and institutionalizing integration

to retain control. In the exceptional cases where EU policy-making is salient for some subset of the population—trade policy, CAP reform, GMOs, 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. Polls suggest that, across Europe, the EU is as or more trusted or popular than national governments. The 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 2007: 41). Much of what is perceived as a democratic deficit stems from the general unpopularity of government, and from the unfortunate decision to force unnecessary public debates and referenda about a confusing constitutional reforms (Moravcsik 2006). Overall, rather than undermining the nation state, intergovernmentalists stress the role of the EU in assuring its ‘survival’ and ‘endurance’ (Hoffmann 1995: 89, 102), ‘rescue’ (Milward 2000), and ‘strengthening’ (Moravcsik 1994).

Some convinced European federalists reject this scenario. They believe that the EU must keep moving toward federal union or risk collapse, colloquially referred to as the ‘bicycle theory’, according to which ‘you must keep moving forward lest you fall off’. This is unduly pessimistic. Every constitutional system reaches a point where it is mature, when it no longer needs to move forward to remain stable. The EU has reached that point. The EU is not a state in the making; it is the most ambitious and successful of multilateral organizations. To acknowledge this in no way diminishes its world-historical importance: the EU is the epitome of multilateral governance and, as such, its success is something that historians may well look back on for centuries as an epochal achievement.

Conclusion: Avenues for Dialogue and Synthesis

Liberal intergovernmentalism is open to dialogue and synthesis with other theories of integration. One reason why LI is open to such a synthesis is that it itself is a synthesis of rationalist theories: it combines theories of preference formation, bargaining, and institutions. Also, as we have seen, it shares elements of traditional intergovernmentalist and neofunctionalist thinking on the EU.

Synthesis is easiest where contending theories share LI’s rationalist foundations and its empirical (positivist) methodological commitments. We have seen that LI’s scope is much broader than it is often believed—because EU institutions are more consensual than their formal structure suggests. Still, where formal institutions matter, LI coexists well with rational-choice institutionalism, with which it shares basic theoretical and methodological assumptions (Pollack 2001, 2003, and Chapter 7 in this volume). Where historical institutionalist theory, which also shares rationalist foundations, is empirically correct—as in explaining the ECJ—it is also better seen as extension of LI than as an alternative to it.⁷ This is because a reliable model of individual decisions, such as that provided by LI, is a necessary precondition for modelling the feedback of institutions on states’ strategies. Without such a model, one would not know which type of feedback matters or how it matters.⁸ As Caporaso (2007) points out, current HI theories

(like neofunctionalist accounts) are unable to predict which interstitial changes will be undesired without such a basis. Pierson accepts LI’s short-run analysis: ‘At any given point in time, the key propositions of intergovernmentalist theory are likely to hold’ (Pierson 1996: 126).

Yet, as the enlargement case demonstrates, LI can even be synthesized with ideational explanations borrowing from social constructivism (cf. Checkel 2001a, c; Moravcsik 2001d, e). Moravcsik states that ideological concerns and linkages to other concerns, such as geopolitics, are likely to play a stronger role when economic interests are weak and cause–effect relations are uncertain. Some argue that identity- and norm-based community effects are more likely to exert an influence on substantive outcomes and institutions if an issue has a strong constitutive or identity dimension, the norms involved have high legitimacy in the EU and resonate strongly with domestic ideas of the actors (Schimmelfennig 2003b). Constitutional politics issues as the parliamentarization of the EU and the institutionalization of human rights at the EU level are other promising areas (Rittberger and Schimmelfennig 2006).

These avenues for dialogue and synthesis should not obscure, however, the centrality of LI for the theory and explanation of European integration. There are obvious theoretical reasons why this is so. LI is parsimonious and general, using a limited number of parameters (in particular the domestic issue-specific preference structure of a few major member states) to explain the main substantive and institutional outcomes in the European integration process. It has been tested using high methodological standards, i.e. with testable alternative hypotheses using primary sources. Yet the most important reason for LI centrality is empirical: it tests out. We believe that if one examines issue by issue, there is an expanding empirical consensus that it is the strongest starting point for explaining the basic processes, and outcomes of European integration. Studies of the most consequential EU policies—CAP reform, external trade policy, free movement of people, to name a few—tend to confirm LI variables (e.g. Ludlow 2006).

The empirical dominance of national preferences, asymmetrical interdependence and credible commitments in explaining integration is obscured, in part, by the paradoxical effects of LI’s role as a baseline theory. New studies are often framed against these factors. They seek to show that LI does not explain all aspects of European integration—even if often the exceptions are less significant than the rule. This creates the appearance of widespread criticism while in fact conceding LI’s status as a baseline.

More insidiously, the literature betrays a selection bias in research topics away from substantively important issues (like agriculture and trade), where LI explains outcomes unproblematically, toward insignificant, exceptional and speculative issues, or secondary and hypothetical institutions. There is disproportionate attention paid to issue areas like social policy, where very little has been accomplished, as opposed to immensely important areas like agriculture, services, and trade. There are many studies of the European Parliament for every one of the massively more influential European Council. New constitutional innovations like the Open Method of Coordination (OMC) attract a broad multidisciplinary research agenda, though the OMC process has achieved—even according to strongest advocates—almost no policy outputs to date (Zeitlin and Pochet 2005).

If scholarship reflected the empirical importance of what the EU actually functions, the baseline status of LI variables would surely be clearer. Were this to be the case, the real debate would likely become more sharply focused as it should be on detailed empirical puzzles about the precise nature of the components: the precise specification of state preferences, interstate bargaining, and institutionalization. We would thus transcend what is perhaps the final vestige of the old style of EU theorizing that dominated the field in 1991: the tendency to frame debates in terms of disagreements among 'grand' theories. The purpose of social science theory, after all, is to transform philosophical debates into empirical ones. The first step is to view the contemporary EU, above all, as the result of deliberate state choice.

NOTES

1. This chapter builds on a previous version by Frank Schimmelfennig. For comments on various versions, we thank Thomas Diez, Mareike Kleine, Berthold Rittberger, and Antje Wiener. The usual disclaimers apply.
2. This is an increasingly common starting position for analysing international relations. For analyses consistent with it, see Moravcsik (1997), Fearon (1998), Lake and Powell (1999), Milner (1998), Legro (1996).
3. This is the subtitle of Moravcsik's *The Choice for Europe*.
4. This is sometimes misinterpreted as an assumption that domestic actors do not play a significant independent role in negotiations beyond the state. But multiple representation can be consistent with the rational actor model—as long as it is consistent with a preference ordering.
5. Pierson's otherwise admirable analysis simply misunderstands conventional rationalist explanations of European integration on this point. They do not assume that governments foresee the outcomes of negotiated settlements.
6. In focusing on the extent to which LI explains integration as a whole, we have deliberately set aside other criticisms. We have not, for example, addressed concerns by those who reject 'positivist' methodology altogether. Unlike non-positivists, we simply assume that theory can and should be used to understand the real world by evaluating the accuracy of causal propositions about how the EU really works. See the exchange between Diez (1999c) and Moravcsik (1999c).
7. HI theories might be linked and synthesized with other theories through scope conditions specifying their respective 'domain of application'. See Jupille *et al.* (2003: 21–2).
8. The failure to specify such a model clearly long rendered neofunctionalism indeterminate. See Moravcsik (2007).

GUIDE TO FURTHER READING

- Hoffmann, S. (1995) *The European Sisyphus. Essays on Europe, 1964–1994* (Boulder, CO: Westview Press). A collection of essays by the most prominent representative of traditional intergovernmentalism.
- Menon, A. (2008) *Europe: The State of the Union* (London: Atlantic). A jargon-free introduction to the EU stressing the enduring role of the member states in its everyday operation and constitutional evolution.
- Milward, A. (2000) *The European Rescue of the Nation-State*, 2nd edn (London: Routledge).

A classic work by the most important post-war historian of the European integration process, who stresses its role in strengthening the post-war European state's capacity to manage globalization.

- Moravcsik, A. (1998) *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht* (Ithaca, NJ: Cornell University Press). This book represents the most complete outline of liberal intergovernmentalist theory and a detailed analysis of five major cases of European integration from the Treaties of Rome to the Treaty of Maastricht.
- (1993) 'Preferences and power in the European Community. A liberal intergovernmentalist approach', *Journal of Common Market Studies*, 31(4), 473–524. An earlier and shorter explication of liberal intergovernmentalism, which includes the application of 'two-level games' to European integration.
- (2002) 'In defence of the democratic deficit: reassessing legitimacy in the European Union', *Journal of Common Market Studies* (40th Anniversary Edition), 40(4), November. Defends the broad democratic legitimacy of the EU based on indirect democratic controls of various kinds.
- and Nicolaïdis, K. (1999) 'Explaining the Treaty of Amsterdam: interests, influence, institutions', *Journal of Common Market Studies*, 37(1), 59–85. Adds another case of treaty-amending negotiations to the 'Choice for Europe'.
- 'Review section symposium: The choice for Europe: Social purpose and state power from Messina to Maastricht' (1999), *Journal of European Public Policy* 6(1), 155–79. Unites critiques by important EU scholars and a response by Andrew Moravcsik.
- Thomson, R. *et al.* (eds) (2006) *The European Union Decides* (Cambridge: Cambridge University Press). State-of-the-art analysis of EU decision-making, showing that even everyday decisions are dominated by basic preferences, voting weights, and interstate compromise.

STUDY QUESTIONS

1. What are the three steps of a liberal intergovernmentalist explanation of European integration outcomes?
2. How does LI differ from traditional intergovernmentalism, and which elements does it adopt from liberal IR theory? Which does it share with neofunctionalist integration theory?
3. Which kind of integration decisions does LI explain best and which steps and characteristics of European integration are less likely to be explained well? Are any decisions entirely outside the scope of LI?
4. Which current policies and institutions of the EU are most (least) in line with LI? Why?
5. Would LI currently expect a major new step of European integration? In which area would it be most likely?
6. How do LI theorists answer the critics of the EU's supposed 'democratic deficit'? Where might they nonetheless see a problem?