
The Limits of Self-Reform: Institution-Building in the European Union

GERALD SCHNEIDER

University of Bern

In this article, I investigate the potential for reform within the European Union (EU). Spatial models are employed to explore the extent to which domestic considerations prevent the organization from intensifying cooperation among member states. I show that intergovernmentalism will ultimately remain the predominant decision-making mode despite recent introduction of the codecision procedure which yields unconditional blocking power to the European Parliament. The capacity for institutional innovation is limited because of the coexistence of intergovernmentalist and supranationalist agenda-setting procedures. This dualism offers opportunities to overturn legislative decisions. After experiencing a defeat in the domain of 'low politics' governments may create 'negative spillovers' by asking for compensation in the unanimity-ruled area of 'high politics'.

1. Introduction

Since the foundation of the European Coal and Steel Community, supranationalists and intergovernmentalists have struggled over control of the integration agenda. Such conflicts still arise over one basic question: to what extent should the member states of the European Union (EU) yield power to supranational institutions like the Commission, the Parliament or the Court of Justice? In this article, I examine whether or not the organization can transform itself into a predominantly federalist institution.

The analysis of the capacity for self-reform in the EU addresses a major debate in theories on regional integration. One school of thought claims that the ultimate responsibility for cooperation lies with the member states (Scharpf, 1988; Moravcsik, 1991). This intergovernmentalist interpretation has led to the conclusion that the organization cannot bring about the

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changes necessary to become a supranational institution. Scharpf (1988: 267) describes the former EC as a ‘joint decision trap’. Because unanimity is inevitable for major reforms, governments are able to block the institutional evolution of the EU during the meetings of the Council of Ministers or of the European Council. According to this viewpoint, ‘there is no “gradualist” way in which joint-decision systems might transform themselves into an institutional arrangement of greater policy potential’ (Scharpf, 1988: 271). The neofunctionalist tradition, conversely, attributes positive agenda-setting power to integrationist actors. According to Sandholtz (1992: 26), the European Parliament exercised this kind of influence in the early 1980s by placing the Single European Act (SEA) in the reform programme of the regional organization. The EU reaches, according to the logic of this approach, the stage of ‘supranationality’ if its governmental authorities are ‘closer to the archetype of a federation than any past international organization, but not yet identical with it’ (Haas 1958: 59).

This article challenges neofunctionalism’s optimistic viewpoint, arguing that decision-making in the EU will be largely intergovernmentalist in the foreseeable future despite the recent empowerment of supranational institutions. The limited potential to reach a reform from within is a consequence of the coexistence of two decision-making procedures, namely *constitutional* and *legislative* agenda-setting. The decisions of greatest importance are taken by the European Council which still governs through unanimity rule. This is in contrast to the interactions between Parliament and the Council of Ministers which are increasingly dominated by qualified majority voting. The presence of two parallel decision-making channels enables EU member states to continue their obstruction of major integration initiatives even after curtailing the sway of intergovernmentalist institutions in the legislative domain.

I also analyse the impact of recent attempts to strengthen the role of the European Parliament. Its legislative agenda-setting power is mainly based on two procedures. Drawing on work by Tsebelis (1994, 1994/forthcoming) on the cooperation procedure, I evaluate the effects of the new *codecision* procedure. According to my formal framework, this innovation brought by the Maastricht Treaty yields Parliament unconditional power to block anti-integrationist legislation. Counter-intuitively, the codecision rule leads to a new dynamic of integration in the legislative domain. Under this procedure, cooperation is more likely in the presence of a lone maverick with extreme preferences. However, the strengthening of federalist forces also contributes to growing strains between ‘high politics’ and ‘low politics’ decision-making.

The article is organized as follows: the second section summarizes the major hypotheses on the balance of power in the process of European

integration and introduces the literature on agenda control. The third section explores decision-making about constitutional initiatives. To illustrate the stylized decision-making process at this level, I combine data on voter attitudes (Eurobarometer) and party platforms (Budge 1992). The fourth section examines agenda-setting in EU legislation, and the fifth section explores the tension between unanimity and qualified majority voting. I address the broader implications in the conclusion. The article relies on some formal tools to unravel the balance of power in the European Union. However, I present my argument in a non-technical way. Mathematical details can be found in the Appendix.

2. Agenda Control and European Integration

Three Conflicting Views

Historically, intergovernmentalists have been more successful in the contest over control of the integration agenda. Despite some major integration breakthroughs, laggards such as President de Gaulle or Prime Minister Thatcher could largely keep the upper-hand. They preserved the veto power of individual states by successfully threatening more integrationist governments with exits or ratification problems (Schneider and Cederman, 1994). Recent institutional reforms shifted the balance slightly, transforming the European Parliament into a 'conditional agenda setter' (Tsebelis, 1994, 1994/forthcoming). However, these developments have provoked counteractions. Domestic constituents worry about the loss of national sovereignty due to the creation of additional regimes, such as the European Monetary Union (EMU) or the Common Foreign and Security Policy (CFSP). At least since the Danish rejection of the Maastricht Agreement in its first referendum on the Treaty, the integration debate has developed into a conflict between ambitious 'Eurocrats', moderate governments and reluctant voters.

Agenda Control and Veto Power

The emergence of new cleavages intensified the academic debate about who is at the helm of the European integration process. Neofunctionalist and intergovernmentalist approaches take the extreme positions in the literature. While intergovernmentalists attribute ultimate policy-making authority in the EU to the European Council and the Council of Ministers, neofunctionalists claim that supranational institutions partly determine the final outcome in a decision-making process. However, both approaches hardly speak to the crucial question of who has the power to amend an integration initiative. In

more formal terms, they do not address the question of who has the power to control the order for voting on different projects ('agenda-setting power').

Since the path-breaking work by McKelvey (1976), Romer and Rosenthal (1978, 1979), Schofield (1978) and Shepsle (1979), agenda control has become a major topic in formal theory.¹ These innovative contributions proved that those who control the agenda can engage in all sorts of manipulation. They showed that the final outcome only represents majoritarian interests if the vote is on a single issue and if the preferences of the voters are single peaked. Under these circumstances, the most preferred position of the majority (i.e. the ideal point of the 'median voter') cannot be defeated. But even if the vote is on one issue only, some policy-makers may possess considerable discretion. For instance, a 'monopoly' agenda setter can make take-it-or-leave-it proposals which the electorate is forced to accept (Romer and Rosenthal, 1978, 1979). If a legislative body simultaneously decides over different issues (i.e. in a 'multidimensional' policy space), almost any alternative might become a group choice (McKelvey, 1976; Schofield, 1978). Hence, an agenda which sequentially pits one position against another might lead to unpredictable outcomes. This also implies that minorities or even single individuals might be able to determine the final vote as long as they control the agenda. Social choice theory consequently predicts that majoritarian preferences tend to become uninterpretable if they form on more than one dimension. This 'chaos result' has engendered considerable scepticism towards the viability of democratic institutions. Riker (1982) maintained that voting procedures cannot respond to the 'collective will'. In his opinion, government policies cannot be derived from majoritarian preferences.

Several approaches have limited the generality of these conjectures. Especially neoinstitutionalism (for an overview, see for example, North 1990) emphasizes that particular decision-making structures, transaction costs or a lack of information constrain political choice. In other words, some specific situations guarantee the existence of a set of equilibrium outcomes which cannot be overturned. The median voter preference might thus be respected even in a multidimensional policy space. In real voting systems, a series of norms and rules allows to avoid the indeterminacy of the 'chaos results'. Shepsle (1979) showed axiomatically how decision-making procedures might curtail the set of alternatives. His neoinstitutionalist analysis of structure-induced equilibria (SIE) displayed the extent to which the organization of committee systems and of amendment rules affect the policy choices of legislatures.

According to one strand of the neoinstitutionalist literature (Denzau and Mackay, 1981, 1983), 'sophisticated committees' can enact policies in

accordance with their own but in opposition to the legislature's preferences. Such *positive* agenda-setting power occurs in the event that the floor has no amendment right and must either accept or reject a committee proposal. The literature refers to such restrictive procedures as '*closed*' rules. If the decision-making follows an '*open*' rule, the legislature has the power to amend committee policies. It will thus change proposals which do not coincide with its own preferences. The technical literature describes the limited influence of a committee under a closed rule as *negative* agenda-setting power.

Committees may also exert *ex post veto power*. Shepsle and Weingast (1987a, 1987b) explained the 'Institutional Foundations of Committee Power' by the possibility to kill a proposal when bicameral differences require resolution. Although this model may overstate the importance of committee vetoes in US politics (Krehbiel, 1987, 1991: 193–245) such obstruction might be relevant in the EU because of the recent strengthening of the European Parliament. Most generally, the potential for policy change decreases with the number of veto players.

Agenda-setting power might also be the consequence of an actor's time preference. In a multi-actor bargaining model, Baron and Ferejohn (1989) demonstrated the importance of the temporal aspect in the form of discounting. Committees have thus almost complete power if they face an impatient parliament. Stability is finally possible in the event that decision-making demands more than a simple majority. In such '*supramajoritarian*' settings, no set of voters can be in all winning coalitions (Greenberg, 1979; Schofield et al., 1988). However, if the number of issues ('dimensions') increases, the core of stable outcomes becomes empty.

Two Agenda-Setting Procedures

The present article draws on spatial games to explore basic patterns in the interactions between intergovernmentalist and supranationalist elements of the EU. These games provide the mathematical language which is necessary to understand the main properties of formal decision-making in the EU. The strong institutional focus of this modelling branch allows me especially to deduce the importance of competing actors in the European balance of power. Since I try to reach a broad audience, I present my argument in as non-technical a way as possible.

To unravel the balance of power in the EU, I shall distinguish two agenda-setting processes. A 'high politics' model analyses the bargaining process about major initiatives which takes place in the European Council. I call these intergovernmentalist negotiations '*constitutional agenda-setting*'. In this domain, federalist institutions only possess *negative* agenda-setting

power. They can thus help to prevent a summit decision to move the integration process one step backwards. *Positive* agenda-setting power of supranationalists only occurs in legislative matters. The power of Parliament is largely due to recent innovations, namely the cooperation and the codecision procedures. The analysis of 'low politics' focuses on these two legislative rules which have dramatically changed the interactions between the Council of Ministers and Parliament.

3. Constitutional Initiatives: A Model and an Illustration

Three Stages

Decision-making about major questions currently takes place in three stages. First, a *supranational actor* like the Commission or the European Parliament proposes a policy change. Second, an *intergovernmentalist summit* considers this initiative and possibly amends it. Third, *domestic constituents* in each state decide whether they want to approve or reject the outcome of the intergovernmentalist institutions. Since I focus on the interactions at the international level in this article, my models only embrace the first two stages.²

Because constitutional decision-making resembles a process governed by open rule, the proposing committee is almost powerless. Figure 1a illustrates why intergovernmentalism prevails even in the presence of a far-sighted or sophisticated supranational actor. To display some basic elements of the current EU summitry, I restrict the policy space to one dimension in the beginning.³ I assume symmetric and single-peaked preferences. Suppose that the summit is confronted with a proposal by the European Parliament or the Commission to deepen integration. The horizontal axis in Figure 1a denotes the dimension of integration which ranges between 0 (complete independence) and 1 (complete integration). Since the member states can alter this initiative unanimously only, no negotiation outcome can be more than the smallest denominator; any decision has to take the position of the laggard into account (Schneider and Cederman, 1994). This pivotal member of the EU summit can veto any policy which it considers too integrationist.

SQ denotes the status quo in the integration process. The supranational committee's most preferred integration level is called M because the European Parliament decides by an absolute majority. The graph furthermore distinguishes between the two ideal points of the laggard: the position L represents a situation where a laggard government would like to take the integration process one step backwards. Such a preference could become relevant after a change in government. L' depicts the case in which the laggard moderately prefers to advance the course of integration. If L' is the laggard position, the European Parliament could propose exactly this

Figure 1a
Integration Negotiations with a Unitary Laggard

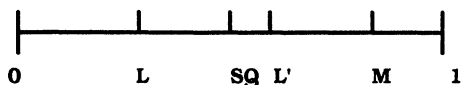
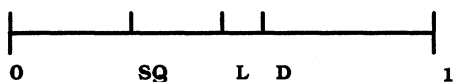


Figure 1b
Integration Negotiations with a Split Laggard



level of integration. Any different suggestion would be amended by the intergovernmentalist summit; the supranational actor has only *negative* agenda-setting power in constitutional questions. Such limitations are also manifest in the case that the laggard's ideal point is L. The European Parliament would refrain from proposing a policy change in such a situation. The supranationalist can thus prevent the integration process from returning to an earlier level of cooperation. However, the ability to support the status quo hinges upon the assumption that the most integrationist government is not interested in establishing a less federalist EU. The Union would experience a constitutional setback in the event that the ideal point of this EU member is to the left of SQ.

Profiting from a Domestic Split

If some of the key assumptions are relaxed, 'high politics' agenda-setting becomes more complex. Laggards can threaten the integrationist majority to obtain their most preferred outcome in the event that they possess an outside option (Schneider and Cederman, 1994). Once we drop the unitary actor assumption, supranationalists can in return exploit the domestic situation of the stalling governments. In particular, they may profit from an intraparty dispute between two competing laggard factions about the level of integration. This situation is shown in Figure 1b. The laggard has again two ideal points. L is the preferred solution of the majority faction, D stands for the position advocated by the dissident minority group. If the dominating members cling to power, the federalist institution may successfully propose D as the future level of cooperation. Owing to exogenous constraints, a supranational actor can thus reach more integration than a

majority of the laggards would like to accept. Such exploitation is possible with regard to British parties. As long as the dominating faction's highest priority is staying in power, it is unlikely to risk rejection of a treaty favouring the minority bloc. On the contrary, such a step could imply that the governing party has to leave office. Coalition governments could be exploited in a similar way. Among the three dominating EU members, Germany is the most likely victim in this respect. Other negotiators could enforce a policy which is not supported by the majority party, be it the Christian Democrats or the Social Democrats. A quantitative analysis already established that the traditional junior partner of both parties, the Free Democrats, generally has disproportionate influence on government activity (Hofferbert and Klingemann, 1990).

Integrationist forces consequently possess *conditional agenda-setting power* in the domain of 'high politics' as long as they can profit from the domestic weakness of a laggard. However, this form of influence relies on an exogenous condition. If only endogenous factors are considered, the power of the supranationalists is purely negative. In other words, intergovernmentalism is the first and foremost decision-making mode at this level of interaction. Since agreements against the will of the member states are hardly conceivable, constitutional reforms require that all governments prefer more integration over the status quo or that laggards receive compensation for their support.

Domestic Roots of Integration Policies

Combining data on voter attitudes and party platforms, I employ a quantitative framework to identify the domestic roots of integration policies. My approach contrasts considerably with traditional survey studies. Typically, such examinations use country-level aggregates of voter attitudes, implicitly assuming that governments adopt the position of the median voter. This working hypothesis is rather arbitrary because it is not necessarily true that negotiators respect the interests of this pivotal constituent unless there is a referendum. The following analysis is based on a conflicting behavioural postulate. I suppose that governments have to take into account the positions of their close supporters rather than the preferences of the majority of the electorate.

Table 1 summarizes government and voter positions before the SEA and internal market negotiations.⁴ The analysis compares the position of governing parties⁵ with the preferences of their supporters and of the electorate. I contrast the preferences for European integration with the positions towards the welfare state, in particular towards efforts to reduce

income inequality. According to the qualitative literature, a left–right cleavage was another relevant dimension in the negotiations about the SEA and the Internal Market Programme (Garrett, 1992: 541–5). The European Council had accordingly to decide how far state intervention in the internal market should reach. Table 1 shows the domestic foundations of inter-governmental decision-making. It particularly reveals that the ruling parties and the average supporters of all governments participating in the SEA negotiations were *more integrationist* than their average voters. The convergence of interests among the backers of the governing parties seems to have contributed to the ease with which the EC took this most significant step towards European unification since the Treaty of Rome. Interestingly, some hypothetical governments would have had less latitude to sacrifice national sovereignty in favour of the internal market and the SEA. For example, the mean of the supporters of the British Labour Party was 0.3 while the average position of the Danish Social Democrats amounted to only –0.1. Although the Danish and the British governments were more federalist, their adherents were still much more reluctant than the followers of other governing parties.

The ‘laggards’ with respect to European unification were also most critical towards governmental redistribution. Large majorities of Greek, French and Italian voters by contrast tend to favour such activities. The calculations further establish that most average positions of the government supporters were to the right of the preference of the median voter. Other parties like the French Socialists had moved towards the position of this pivotal constituent since they formulated the platform. It should be noted in this context that party programmes only partially reflect voter attitudes. The uniformity of the elite positions on European integration shows that political unification was not among the major concerns in the first half of the 1980s.

To sum up, I have established that the domestic situation in the twelve member states allowed the EC to reach an integration breakthrough in the mid-1980s. In an intergovernmentalist setting, such a success only becomes possible if all participants wish to further integration. The Maastricht Treaty does not indicate that more supranationalism could be reached in decision-making about constitutional matters. As the ‘Declaration on Voting in the Field of the Common Foreign and Security Policy’ suggests somewhat ambiguously, intergovernmentalism will continue to dominate this level of interaction: ‘The Conference agrees that, with regard to Council decisions requiring unanimity, Member States will, to the extent possible, avoid preventing a unanimous decision where a qualified majority exists in favour of that decision’ (Council of the European Communities, 1992: 239).

Table 1
 Voter and Party Positions on European Unification before the
 Negotiations about the SEA and the Internal Market

EC member state	Party positions	Positions on European unification			
		Mean supporters	s.d. supporters	Mean electorate ^d	s.d. electorate
Belgium	2.0/- ^a	1.2-1.4 ^d	0.5-0.8	1.1 (777)	0.9
Denmark	1.0-1.6/- ^b	0.1-0.6 ^e	1.4-1.5	0.0 (842)	1.5
France	2.0	1.1	0.8	1.1 (831)	0.8
Federal Republic of Germany	2.0	1.3/1.4	0.8/0.7	1.2 (939)	0.9
Greece	-	1.0	1.2	1.0 (730)	1.2
Ireland	-/2.0	1.0/0.6	1.0/1.4	0.8 (673)	1.1
Italy	2.0 ^c	1.3-1.4 ^f	0.6-0.9	1.3 (891)	0.8
Luxembourg	2.0/2.0	1.0/1.3	1.2/1.0	1.1 (266)	1.0
Netherlands	2.0/2.0	1.0/1.1	1.1/1.0	0.9 (890)	1.1
United Kingdom	2.0	0.9	1.1	0.6 (1038)	1.2
<i>Positions on the welfare state</i>					
Belgium	-1.2-2.0 ^b	-1.1-1.0 ^k	1.1-1.2 ^k	-1.2 (972)	1.1
Denmark	-2.0-1.6 ⁱ	0.0-0.5 ^l	1.1-1.5 ^l	-0.6 (933)	1.4
France	-2.0	-1.7	0.6	-1.4 (982)	1.0
Federal Republic of Germany	-1.5/1.5	-0.7/-0.5	1.2/1.3	-0.9 (987)	1.1
Greece	-	-1.8	0.6	-1.7 (879)	0.8
Ireland	-2.0	-1.0/-1.2	1.0/0.8	-1.1 (891)	0.9
Italy	-2.0- -1.4 ^j	-1.3/-0.6 ^m	1.0-1.5 ^m	-1.1 (1012)	1.1
Luxembourg	-2.0	-1.0/-1.4	1.4/1.0	-1.0 (291)	1.3
Netherlands	-1.6/-1.6	-0.8/0.2	1.4/1.6	-0.9 (970)	1.4
United Kingdom	-2.0	-0.5	1.1	-0.8 (1229)	1.1

Notes: The party positions were derived from indicators listed in Budge (1992). They were calculated according to the following formulas: (1) $2(\text{Number of favourable references to the EC} - \text{Number of hostile references}) / (\text{Number of favourable references} + \text{Number of hostile references})$; (2) $2(\text{Number of hostile references to welfare state expansion} - \text{Number of favourable references}) / (\text{Number of favourable references} + \text{Number of hostile references})$. The preferences of the voters were obtained from Rabier et al. (1984). They represent answers to the following questions: (1) 'In general, are you for or against efforts being made to unify Western Europe?' (2) 'Do you agree or disagree that greater effort should be made to reduce inequality of income?' 'For — very much' ('Disagree strongly') received a value of 2, 'For — to some extent' ('Disagree') is category 1, and -1 and -2 stand for 'Against — to some extent' ('Agree') and 'Against — very much' ('Agree strongly') respectively. A supporter is a person who identifies with a party in the Eurobarometer according to the following question: 'If there would be a General Election tomorrow, which party would you support?'

4. Legislative Agenda-Setting: The Effects of Codecision

Two procedures yield supranational actors partial control over legislation, transforming the EU into an institution with at least some federalist traits. First, an innovation of the SEA, the cooperation procedure, has enhanced the power of the European Parliament from negative to conditional agenda-setting (Tsebelis, 1994/forthcoming). By taking into account the preferences of the Council of Ministers, the legislature can change the status quo. The second supranationalist rule, the codecision procedure of the Maastricht Treaty, has two basic properties. It strengthens the conditional agenda-setting of the legislature and yields Parliament unconditional veto power. It also represents a first step towards bicameral decision-making.⁶ The Treaty on European Union describes the codecision and the cooperation procedures in Articles 189b and 189c respectively.

The Cooperation Procedure

Before the SEA came into existence, the European Parliament could merely consult the intergovernmentalist institutions. The cooperation procedure is the first institutional innovation that secures Parliament's positive influence over EU legislation. It does so through the requirement that the Council of Ministers can only unanimously alter those amendments by the legislature

Table 1 (cont.)

^a PSC: 2.0; CVP: 2.0; PRL: - ; PVV: - .

^b KF: 1.6; V: - ; CD: - ; KrFP: 1.0

^c DC: 2.0; PSI: 2.0; PSDI: 2.0; PRI: 2.0; PLI: 2.0.

^d Mean, standard deviations in parentheses: PSC: 1.3 (0.7); CVP: 1.2 (0.8); PRL: 1.4 (0.5); PVV: 1.4 (0.5).

^e Mean, standard deviations in parentheses: KF: 0.4 (1.4); V: 0.5 (1.4); CD: 0.6 (1.5); KrFP: 0.1 (1.5).

^f Mean, standard deviations in parentheses: DC: 1.4 (0.6); PSI: 1.3 (0.8); PSDI: 1.4 (0.8); PRI: 1.4 (0.9); PLI: 1.4 (0.8).

^g Number of cases in parentheses.

^h PSC: -1.2; CVP: -0.6; PRL: 1.0; PVV: 2.0.

ⁱ KF: 1.6; V: -0.4; CD: 0.0; KrFP: -2.0.

^j DC: -1.4; PSI: -1.6; PSDI: -2.0; PRI: -2.0; PLI: -2.0.

^k Mean, standard deviations in parentheses: PSC: -1.1 (1.2); CVP: -1.1 (1.2); PRL: -1.0 (1.2); PVV: -0.9 (1.1)

^l Mean, standard deviations in parentheses: KF: 0.1 (1.5); V: 0.0 (1.4); CD: 0.0 (1.5); KrFP: 0.5 (1.1).

^m Mean, standard deviations in parentheses: DC: -1.1 (1.2); PSI: -1.3 (1.0); PSDI: -1.3 (1.0); PRI: -0.8 (1.5); PLI: -0.6 (1.5).

Figure 2a
Cooperation Agenda-Setting ($SQ < L$)

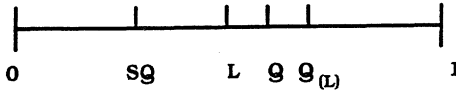
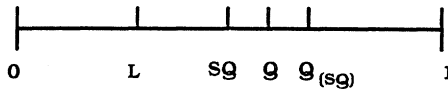


Figure 2b
Cooperation Agenda-Setting ($L < SQ < Q$)



which the Commission supports. The proposal of the supranationalist institution becomes legislation if it is accepted by a qualified majority of the Council of Ministers.

To illustrate the effects of the rule, I present four models. They can be distinguished by the position of the status quo, which is again denoted as SQ. Because the Council has to decide unanimously, I distinguish the position I of the most integrationist member and the position L of the laggard. The preferred position of a majority of the Council members is Q. $Q_{(L)}$ and $Q_{(SQ)}$ are the positions which are as good for the majority as the laggard and the status quo positions, respectively. If actors' utilities are normally distributed, the distances $|Q-L|$ and $|Q_{(L)}-Q|$ have accordingly the same length. Under the same assumption, $|Q-SQ|$ and $|Q_{(SQ)}-SQ|$ are also equidistant. The preferred position of an absolute parliamentary majority is M. I analyse all cases where M is placed to the right of SQ. By definition, Q is situated between L and I. Finally, Parliament is always more integrationist than any individual member of the Council of Ministers.

The first case (Figure 2a) represents a situation in which SQ is the least preferred outcome for all actors. In such a situation, Parliament has *positive agenda-setting power* under the *condition* that it respects the position of the qualified majority. If the status quo is to the left of the laggard position, Parliament can propose any point in the interval stretching from L to $Q_{(L)}$. The legislature is thus an agenda setter as long as it is impossible for the Council to agree unanimously on an alternative. As Figure 2b shows, such *conditional* influence is also possible if the status quo lies between L and Q. To influence legislation in a positive way, Parliament may offer amendments in the interval ranging from SQ to $Q_{(SQ)}$. There is no counter-project on which the intergovernmentalist institution could agree. The legislature only

Figure 2c
Cooperation Agenda-Setting ($Q < SQ < I$)

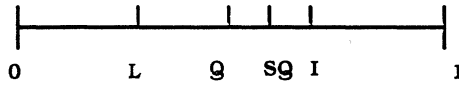
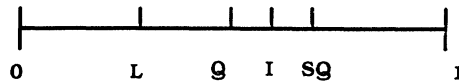


Figure 2d
Cooperation Agenda-Setting ($I < SQ$)



loses its partial control over the European agenda in the event that SQ is to the right of the ideal point of the Council's qualified majority. Figure 2c describes the first of the two cases where legislative agenda-setting becomes entirely intergovernmentalist. In the situation described in Figure 2c, the status quo will prevail because the Council cannot reach an outcome which is better for all its members. If Parliament tries to propose a change to the right of I, the Council would not accept it because it prefers the status quo. As described in the model on 'high politics' decision-making, intergovernmentalists can only unilaterally change the status quo if the most integrationist Council member wants to move one step backwards. Such circumstances are depicted in Figure 2d. The Council of Ministers would agree on the position of its most integrationist member, and the European Parliament could not prevent this regression.

Similar results hold for a two-dimensional choice space (for a formal definition, see Tsebelis, 1994/forthcoming) although the relationship between the position of the status quo and the possibility to exert conditional agenda-setting becomes curvilinear. The European Parliament thus has no power if the status quo is inside or far away from the core of the positions where the welfare of the qualified majority cannot be improved. A further property of the cooperation procedure is that not every legislative outcome is efficient. If one state prefers a Pareto efficient status quo over an equally Pareto efficient counter-proposal, a non-efficient amendment by Parliament may be adopted.

The cooperation procedure also offers Parliament conditional blocking power since the Council of Ministers can only unanimously overrule the Parliament's rejection of a proposal. I define the conditional blocking power in the Appendix.

Table 2
The Codecision Procedure (Article 189b of the Treaty on European Union)

	<i>Commission</i>	<i>European Parliament</i>	<i>Council of Ministers</i>	<i>Conciliation Committee</i>
<i>First reading</i>	Makes proposal	Expresses opinion	Adopts common position	
<i>Second reading</i>		Approves Council's common position or does not make a decision Rejects Council's common position by an absolute majority Amends Council's common position by an absolute majority	Convenes conciliation committee after rejection	Tries to reconcile positions by a qualified majority of its Council and an absolute majority of its Parliament members
<i>Parliament decision after rejection</i>		Confirms rejection of common position by an absolute majority Proposes amendments by an absolute majority		

<i>Council reaction to Parliament amendments</i>	Expresses opinion on amendments	Approves amendments by qualified majority (Commission in favour of amendments)	
		Approves amendments by unanimity (Commission not in favour of amendments)	
	Takes part in reconciliation	Does not approve amendments, convenes conciliation committee	Issues joint proposal Does not issue joint proposal
<i>Joint proposal by conciliation committee</i>		Accepts joint proposal Rejects joint proposal	
<i>No joint proposal by conciliation committee</i>		May issue proposal by qualified majority	
<i>Council proposal after disagreement in conciliation committee</i>		Accepts Council proposal by absolute majority or does not make decision Rejects proposal by absolute majority	

The Codecision Procedure

The Maastricht Treaty further enhances the role of the European Parliament for all legislation covered by the codecision procedure.⁷ The term 'codecision' suggests that control of the agenda by Parliament is less conditional than the influence arising from the cooperation procedure. The major new element is that the rejection of a Council proposal can be final. The blocking power no longer depends on the condition that the Council cannot agree on any alternative to the status quo.

Table 2 illustrates the procedure. It shows how different readings of a proposal will influence legislation in an EU governed by the treaty on European Union. Similar to the cooperation procedure, no final decision is made during the first and second reading. During this period, the main decision by the European Parliament is to either approve of a Council proposal, to amend it or to reject it. The legislature has a first opportunity to kill an initiative when it receives a counter-proposal by a Conciliation Committee after a rejection in the second reading.

This Committee might also become active when the Council unanimously rejects a proposal. The negotiations between Parliament and Council in this forum can lead to a joint proposal which has to find the approval of both the intergovernmentalist and the federalist institutions. If the two sides cannot agree, the Council of Ministers may act unilaterally. The legislature can only accept or reject such counter-proposals in the last period. As is the case for the cooperation procedure, the possibility to amend yields the European Parliament positive but conditional agenda-setting power. The new effect is the existence of unconditional blocking power. This form of agenda control guarantees that no anti-integrationist legislation will be enacted as long as an absolute majority of the European Parliament favours a further strengthening of the cooperation process. The unconditional blocking power restricts the set of possible legislative outcomes under the codecision procedure. Although the European Parliament used its veto right already in February 1994, there are some indications that it will not often do so.⁸ Since the Council of Ministers can forecast possible reactions it will refrain from proposing policies which could run against the preferences of an absolute majority of the European Parliament. In other words, the costs associated with a vetoed proposal force the Council of Ministers to adopt policies which profit the European Parliament.

The following example illustrates the new situation for a two-dimensional policy space. Assume that the European Parliament has to decide on a proposal by the Council to further integration (*x*-axis) and to centralize some activities (*y*-axis). The legislative outcome depends on the actors' ideal points and on the location of the status quo. Each actor's preferences will be

represented by closed, convex indifference contours around the ideal points.⁹ For convenience, I assume in Figure 3 that a qualified majority of the Council and an absolute majority of the European Parliament are unitary actors. Their preferred outcomes are Q and M respectively, and the set of policies which they strictly prefer to the status quo (their 'preferred-to' sets) are depicted as the circles around these points. I derive the conditions of conditional agenda-setting under the codecision procedure in the Appendix.

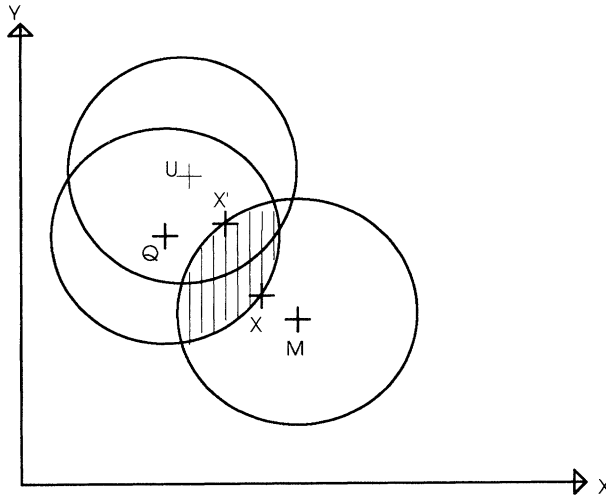
The set of points preferred by both actors to the status quo is the intersection of their preferred-to sets (marked area in Figure 3). Since Parliament and a qualified majority have to approve of any proposal, every policy change must be situated in the supranational winset. The legislature can propose any element of this set — for example, point X — as long as it does not have to care about the unanimous Council. Parliament loses its conditional agenda-setting power in the event that the Council of Ministers could unanimously overrule all elements of the supranational win-set. Reduced agenda control is possible if this domination only refers to a subset of the codecision winset. In Figure 3, I assume that the codecision winset is completely dominated by the unanimous Council. A policy change is only enacted in the event that the preferred-to set of the unanimous Council intersects with the supranational winset. Parliament or a qualified majority of the Council would veto any other proposal. The best the legislature could obtain would be the point X' in such a situation. Its positive agenda-setting power does not exist in such a setting.

Reversal of the Integration Logic

Another interesting feature of the codecision procedure is the support which an extremist coalition of Council members and the Parliament can enjoy. They can profit from the growing distance between governments' preferences which makes a unanimous decision impossible. Counter-intuitively, laggards further the integration process in the domain of 'low politics'. Integration may thus become dependent upon situations where there is so much internal disagreement in the Council of Ministers that it cannot overrule policies backed by a supranationalist coalition of some Council members and the European Parliament. In contrast to the unanimity-ruled periods in the history of the EU, diverging interests are a precondition of further progress in integration.

However, such developments come at the risk of 'inverse' spillovers. In contrast to the neofunctionalist prediction, increased supranationalism in 'low politics' can lead to conflict in the constitutional decision-making arena instead of enhanced cooperation. Such strains may also develop in other

Figure 3
Supranationalist Winsset with Intersecting U(SQ)



arenas in which majority voting applies. An example from the negotiation between the EC and the Alpine EFTA members about a transit treaty indicates how the coexistence of different decision-making procedures may create problems in the future. At the last stage of the bargaining process in the autumn of 1989, Greece insisted on obtaining a sharp increase in the licenses for trucks passing through Austria. The EC could block this hampering claim by a majoritarian decision. Nevertheless, the day after the rejection, the southern EC member finally managed to get very close to its initial demand. To reach its goal, Greece employed the laggard's customary blackmailing strategy. Threatening to veto the agreement about a European Economic Area between the EC and the EFTA, the stalling government successfully linked its pet issue to a decision requiring unanimity.

5. The Tension between Unanimity and Qualified Majority Voting

There is a danger that other states might increasingly try to use the 'hidden' veto right. If the codecision procedure and other forms of qualified majority voting in the Council of Ministers always lead to the same outcome, there might be a risk that new permanent laggards emerge at the level of 'high politics'. In more formal terms, governments which find themselves overruled by a majoritarian decision try to raise the question again in which they experienced a defeat. To prevent such instability, there is a need to

move outcomes closer to the solutions favoured by an unanimous Council. Supranationalists may also try to garner the support of potential laggards by tying the issue at stake to distributive measures. However, the inclusion of side-payments increases simultaneously the legislative complexity, thus endangering the existence of a core of undominated outcomes in the Council of Ministers.

In other words, issue linkage increases the instability of the decision-making process. Further, I show in the Appendix that any instance of conditional agenda-setting under the codecision procedure is constitutionally unstable. Any legislative outcome relying on the logic of the codecision procedure may be challenged in the constitutional domain.

The Conflict Potential

This, of course, leads to the question of whether actors will really make use of the conflict potential. I assume that policy instability will grow for five reasons. First, the current EU bicameralism is not sufficient to overcome the 'constitutional instability' arising from the successful application of the codecision procedure. The Maastricht Treaty has introduced three procedures to avoid conflicts between the Council of Ministers and the European Parliament. On the one hand, the EU has established, in accordance with most two-chamber parliamentary systems, bicameral negotiations where the bill shuttles from one chamber to the other. Relying on an analysis of the French legislature, Tsebelis and Money (1993) call this procedure the 'Navette system'. In the EU under the codecision procedure, negotiations are limited to two stages. The Council of Ministers thus has another chance to make a proposal after the initial rejection by Parliament. In most other parliamentary systems, the search for a consensus solution lasts longer. The second mechanism to solve differences between the two chambers is the introduction of a stopping rule. The Treaty on European Union establishes deadlines for the bicameral negotiations and gives the intergovernmentalist Council of Ministers a chance to make a final proposal if no agreement is reached. Many other countries such as the United Kingdom or Austria have delegated authority to one chamber. In the Union, however, Parliament can exert its veto right on any last-minute proposition by the Council. The introduction of a conciliation committee is the third timid step towards bicameral legislation. Nevertheless, this new institution cannot necessarily solve the problems of instability because it simply relies on the same decision-making procedures as do its parent chambers. Hence, the Treaty on European Union specifies that the bicameral institution shall decide by concurrent majorities (qualified majority of the members of the Council; majority of the representatives of the European Parliament). Predictions of

the final outcome are difficult in this respect because the locus of outcomes is larger in a system with concurrent majorities than in a system governed by majority rule (Tsebelis, 1993).¹⁰

A second reason for why the conflict potential might increase are the contradictory developments in the EU member states. As a consequence, the preferences among the governments seem to become more heterogeneous. The wish for a two-speed Union is, for instance, an expression of growing divergence of interests. Permanent strains in the EU will develop when there are states which are overruled all the time. One plausible scenario is a situation where the United Kingdom or another state wants to preserve the status quo while the rest of the organization wants to move forward.

A third indicator for the growing instability is that issues become more complicated. It is one of the general results of spatial modelling that the core of stable solutions tends to become empty if the number of issues under consideration increases. As long as the qualified majority requirement of the Council of Ministers is larger than $2/3$, there is a structurally stable core for two dimensions, but not necessarily for more than two dimensions. A fourth point is that the instability grows with the size of the decision-making units (e.g. Koehler, 1990). Enlargement of the Union will thus increase the turbulence although some observers contend that there is no trade-off between widening and deepening (Pahre, forthcoming).

Fifth, the use of qualified majority voting will make the problems of weighted voting schemes more obvious. Many studies point out the 'paradoxes' (or non-monotonicity effects) that the actual voting power of an actor does not grow linearly with the voting weights. Such anomalies have also plagued decision-making in the Council of Ministers where Luxembourg did, for instance, not possess any voting power from 1958 to 1973 (Brams et al., 1994: 97–104; for a recent analysis of qualified majority voting, see, for example, Herne and Nurmi, 1993).

In short, at the present stage of development, regression seems to follow progression in the EU. The strengthening of supranational actors comes at the price of considerable potential conflict. The formal analysis has shown how the tensions between unanimity and qualified majority voting might inhibit the potential for self-reform within the EU. This of course begs the question why the position of the supranational actors was strengthened in the first place: why do the governments of the EU member states curtail their powers if there is no formal obligation to do so? One major justification for the recent reforms is that decision-making at the European level allows the governments of the member states to diffuse responsibility. They can use the EU or the other member states as a scapegoat when they introduce unpopular domestic policies. Further, integration is a means to gain

independence from domestic constituents. As Moravcsik (1994: 64) writes, '[European executives] have enhanced their institutional, informational and ideological control over EC policy to the point where they dominate domestic agendas'.

Possible Reforms

The tension between qualified majority and unanimity voting is the most manifest expression of the conflict between intergovernmental and supranational decision-making. Most political systems face a similar trade-off (see Mueller, 1989: 103–5). To speed up the decision-making process, majority voting is desirable. Because the losing side will always prevent a unanimous decision on a redistributive issue, such questions should be decided by majority rule. However, to ensure the stability of the constitutional order, a political system needs decision-making close to unanimity. Questions regarding the provision of public goods should be decided in this way since this decision-making rule is ideal if a society tries to improve the situation for every member.

Nevertheless, the theoretical literature is not very helpful regarding how the EU could overcome the problems arising from the coexistence of the two decision-making rules. It is not sufficient to claim that the 'nature' of a certain issue is redistributive, and hence that majority voting is required. As long as there are two decision-making channels, the actors experiencing a defeat may ask for a unanimous vote on a redistributive issue. The radical solution would be to abolish all unanimity-ruled institutions in the EU. This is neither desirable nor feasible. Another possibility is to raise the costs for exercising the veto right. This requires that decision-making in the European Council and the Council of Ministers becomes public. The recent reform proposals of the European Constitutional Group (1993: 25) include the recommendation that the voting results and the positions of the member states should be published.

6. Conclusion

This article has explored actual and future power constellations in the EU. I employed spatial models to identify agenda setters in 'high politics' ('constitutional') and 'low politics' ('legislative') decision-making. The formal analysis of these overlapping procedures reinforces the pessimism of some observers (Scharpf, 1988) that the EU has only a limited capacity for self-reform. The coexistence of two decision-making channels creates an incentive for losers in the arena of 'low politics' to create 'inverse' spillovers. After experiencing a defeat, they might ask for compensation during

unanimity-ruled EU summits. Such demands could lead to further stalemates in the process of European unification, especially if laggards are able to fuel anti-European moods in the electorate. A quantitative analysis combining party and voter preferences showed that major breakthroughs require integrationist preferences of the governments of the EU member states.

I have also demonstrated that the new codecision procedure does not yet lift the European Parliament to the status of a positive agenda setter. Unconditional power would require a procedure where Parliament could make a take-it-or-leave-it proposal to the Council of Ministers without taking intergovernmentalist preferences into account. Despite this limit, the Maastricht Treaty empowers the supranational elements in the EU. Their control of the integration agenda grows as a function of increasing preference diversity among the members of the organization. This is in complete contrast to the old logic of integration which is based on converging interests as the major pivot of integration.

Besides the decision-making rules examined in this article, there are further factors which strengthen intergovernmentalism at the moment. One of them is the possibility to exploit informational asymmetries about outside options to reach the preferred integration outcome. Governments can, for instance, claim that they would leave the EU at least temporarily unless they receive some concession (Schneider and Cederman, 1994). The framework employed in this article does not address such strategic interactions. The spatial models developed in this article do not enable the prediction of exactly which outcome will be chosen. I have focused on the formal voting procedures; it is without question that informal rules and contextual variables such as transaction costs also influence the agenda-setting power of an actor. Finally, deductive reasoning is no substitute for sound tests. Statistical examinations may show that Parliament is less supranationalist than assumed here. The article also did not explore whether or not the interests of the Council and Parliament often converge.

However, such behaviour would not inevitably challenge the general finding that the EU is an intergovernmental institution with some federalist features. Although integrationists have acquired some agenda-setting power, it is not irrational for EU member states to support the expansion of supranationalism. They may favour a further strengthening of federalist institutions as long as the decision-making dualism allows them to demand compensation for legislative defeats. Or to put it the other way around, the limited positive agenda-setting power attributed to federalist institutions will be provisional as long as each government can employ its veto right in the last resort.

Appendix: Agenda-Setting under the Codecision Procedure

This appendix contains the different definitions and results which were described in the main text. It partly draws on those spatial models which examine whether a structurally stable core exists under supramajoritarian decision-making rules (Greenberg 1979; Schofield et al., 1988). In these studies, the Q-core refers to the set of points where the welfare of Q out of N states cannot be improved simultaneously. According to the second theorem of Greenberg (1979), such a Q-core is guaranteed to exist if the minimum special majority q obeys the following condition: $q > W / (W + 1)$ where W is the dimensionality of the choice space.

The Pareto set consists of these points where the situation of all twelve members of the Council of Ministers cannot be improved. The unanimity preferred-to set of the status quo $U(SQ)$ is the set of points that an unanimous Council prefers over the status quo. Correspondingly, the qualified majority preferred-to set $Q(SQ)$ of the status quo represents the set of points which any qualified majority of the Council prefers to the status quo. The qualified majority preferred-to set of the unanimity set $Q(U(SQ))$ stands for those points which a qualified majority prefers to any point in the unanimity set.

According to definition 6 of Tsebelis (1994/forthcoming), the European Parliament possesses conditional agenda-setting power in two cases. First, in the event that the Council would unanimously agree over alternatives to the status quo, there must be outcomes which qualified majorities prefer over the solutions favoured by the whole Council. Formally, when $U(SQ)$ is not empty, $Q(U(SQ))$ is not empty. Second, in the case that the Council cannot agree on any alternative to the status quo, there must be legislative outcomes which the qualified majority prefers over the status quo. Or to put it otherwise, when $U(SQ)$ is empty, $Q(SQ)$, is not empty.

To establish the power of the Parliament under the codecision procedure, I derive the conditional blocking power under the cooperation procedure as a first result. This kind of agenda control depends on the impossibility that the Council enacts a policy change on its own. Thus, a qualified majority would make a proposal which Parliament rejects.

R1: Under the cooperation procedure, Parliament possesses blocking power for the rejection of any proposal where $U(SQ)$ is empty.

This result follows from the definition of $U(SQ)$. The Council of Ministers can always agree on an alternative to the status quo if this set is non-empty.■

R2: Under the codecision procedure, Parliament possesses unconditional blocking power.

Follows from the first result.■

D1: Majority preferred-to set of the status quo: for any SQ , define $M(SQ)$ as the set of points that any absolute majority of the Parliament prefers over the status quo.

D2: The intersection of the majority preferred-to set and the qualified majority preferred-to set is the codecision winset $Q(SQ) \cap M(SQ)$.

R3: In order to be enacted, any proposal has to lie in the codecision winset $Q(SQ) \cap M(SQ)$ under the codecision procedure.

This is due to the circumstance that both actors make final decisions (see the second result). ■

D3: Subset of codecision winset: X is any subset of $Q(SQ) \cap M(SQ)$.

D4: Unanimity winsets over X : for any subset X of $Q(SQ) \cap M(SQ)$, define $U(X)$ as the set of points that an unanimous Council prefers over a subset of possible codecision proposals.

R4: The European Parliament possesses conditional agenda-setting power under the codecision procedure if $U(X) \neq U(Q(SQ) \cap M(SQ))$.

If the two sets are identical, every conditional proposal would be dominated by a possible counter-proposal. ■

Corollary: The European Parliament possesses reduced conditional power if $U(X) \neq \emptyset$ and $U(X) \neq U(Q(SQ) \cap M(SQ))$.

D5: Constitutionally stable outcomes of European agenda-setting belong to the Pareto set.

R5: The agenda-setting power of Parliament under the codecision procedure is constitutionally unstable.

To be successful, any conditional proposal has to lie in a subset X of the codecision winset which is not dominated by an unanimity counterproposal belonging to the Pareto set. ■

D6: Heterogeneity of Council preferences: the heterogeneity of the Council preferences is measured by the sum of the weighted Euclidean distances

$$\sum_{i=1}^{11} \|L - x_i\|_A$$

between the laggard position L and the positions of other Council members x_i where A refers to the set of weighting factors.

R5: The power of Parliament is a function of the heterogeneity of government interests.

Assume a two-dimension policy space and an extreme laggard and a moderate laggard on one dimension where $L_{e1} < L_{m1}$. It then trivially follows that the weighted Euclidean distance from the extreme laggard position to the position of member i is larger than the weighted Euclidean distance from the moderate position to the position of member i . Formally,

$$\|L_e - x_i\|_A = [a_{11}(L_{e1} - x_{i1})^2 + 2a_{12}(L_{e1} - x_{i1})(L_{e2} - x_{i2}) + a_{22}(L_{e2} - x_{i2})^2]^{1/2} > \|L_m - x_i\|_A = [a_{11}(L_{m1} - x_{i1})^2 + 2a_{12}(L_{m1} - x_{i1})(L_{m2} - x_{i2}) + a_{22}(L_{m2} - x_{i2})^2]^{1/2} \blacksquare$$

Corollary: Extreme laggard positions in the Council enhance the Power of Parliament.

Notes

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Integration: The Conflict between Voters, Governments, and Supranational Institutions', in Finn Laursen (forthcoming). I benefited from comments made by Thomas Bernauer, Finn Laursen, Volker Rittberger, George Tsebelis and Patricia A. Weitsman. Research support by the Swiss National Science Foundation (Grant No. 8210-030615) is gratefully acknowledged.

1. Although most of the empirical research stemming from this theoretical work is centred on the US Congress, the formal study of agenda-setting has recently been applied to European settings (e.g. Huber, 1992; Tsebelis, 1994, 1994/forthcoming) and multiparty systems (e.g. Baron, 1993; Laver and Shepsle, 1990a, 1990b).
2. For limited information models about the ratification of integration treaties, see Schneider (1994) and Schneider and Weitsman (forthcoming).
3. This limitation does not affect the results which also hold in multidimensional policy spaces. For the formal definitions, see Denzau and Mackay (1981, 1983).
4. The data on party positions refer to the platforms adopted in the last national elections. It was not possible to reconstruct the domestic sources of the Maastricht Treaty because the Manifesto Research Group wants to use the most recent data for its own research.
5. During the SEA negotiations, the following parties were governing the EC member states: Parti social chrétien, Christelijke Volkspartij, Parti réformateur et libéral, Partij voor Vrijheid en Vooruitgang (Belgium); Det Konservative Folkeparti, Venstre, Centrum Demokraterne, Kristeligt Folkeparti (Denmark); Parti Socialist (France); Christlich Demokratische Union/Christlich Soziale Union, Freie Demokratische Partei (Federal Republic of Germany); PASOK (Greece); Fine Gael, Labour Party (Ireland); Democrazia Christiana, Partito Socialista Italiano, Partito Socialista, Democratico Italiana, Partito Repubblicano Italiano, Partito Liberale Italiano (Italy); Chrestlech sozial Vollekspartei/Parti Chrétien Social, Letzeburger Sozialistisch Arbechterpartei/Parti Ouvrier Socialiste Luxembourgeois (Luxembourg); Christen Demokratisch Appel, Volkspartij voor Vrijheid en Democratie (Netherlands); Conservative Party (UK).
6. Since the enactment of the Maastricht Treaty there are six decision-making procedures. Besides the cooperation and the codecision rules, there are consultation, assent, information and budgetary procedures. *Consultation* is the original procedure with a single parliamentary reading which was laid down by the Treaty of Rome in 1957. The *information* procedure was introduced with Maastricht. It obliges the Council to inform Parliament on specific issues. Owing to the SEA, the conclusion of some international agreements like association and accession treaties requires the *assent* of Parliament. For a long period Parliament compensated for its lack of influence in legislation through the *budgetary* procedure. Some reforms have strengthened but not yet completed the control of the legislature over the Community budget.

7. The codecision procedure is supposed to be applied in areas which were previously falling within the domain of the cooperation procedure, such as legislation about the internal market.
8. The European Parliament exerted a veto in the decision on power limits for motorbikes.
9. The assumption of circular preference curves only applies to the graphical illustration.
10. In bicameral legislatures in general, there are always outcomes which beat all other alternatives (an uncovered set) whereas a core of undominated outcomes is not guaranteed to exist (Tsebelis, 1993).

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