

Chapter 1

Introduction: Explaining the EU Political System

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Actors, institutions and outcomes: the basics of modern political science

Theories of European integration and EU politics

The allocation of policy competences in the EU: A 'constitutional settlement'

Structure of the book

The European Union (EU) is a remarkable achievement. It is the result of a process of voluntary economic and political integration between the nation-states of western Europe. The EU began with six states, now involves 15, will soon enlarge to another 12 states from central, eastern and southern Europe, and may eventually encompass a further 5 or 10. The EU began as a coal and steel community and has evolved into an economic, social and political union. European integration has also produced a set of governing institutions at the European level with significant authority over many areas of public policy.

But, this book is not about the history of 'European integration', as this story has been told at length elsewhere (see for example Dedman, 1996; McAllister, 1997). Nor does the book try to explain European integration and the major 'turning points' in this process, as this too has been the focus of much political science research and theorizing (for example Moravcsik, 1998; Stone Sweet et al., 2001). Instead, the aim of this book is to understand *how the EU works today*. How has ultimate executive power? Under what conditions can the Parliament influence legislation? Is the Court of justice beyond political control? Why do some citizens support the central institutions while others oppose them? How important are political parties and elections in shaping political choices? Why are some social groups more able to influence the political agenda than others? A policies governing the single market deregulatory or reregulatory? Who are the winners and losers from expenditure policies? What are the political consequences of economic and monetary integration? Have policies extended and protected citizens' rights and freedoms? And, how far are the central institutions able to act with a single voice on the world stage?

We could treat the EU as a unique experiment. However, these are questions that can be asked of any multilevel democratic political system. Furthermore, the discipline of political science has developed a vast array of theoretical tools and analytical methods to answer exactly these sorts of questions. Instead of a general theory of how political systems work, political science has a series of mid-level explanations of the main processes common to all political systems: such as public opinion, party competition, interest group mobilization, legislative bargaining, delegation to executive and bureaucratic agents, economic policy-making, citizen-state relations, and international political and economic relations. Consequently, the main argument of this book is that to help understand how the EU works, we should use the tools, methods and cross-systemic theories from the general study of government, politics and policy-making. In this way, teaching and research on the EU can be part of the political science mainstream.

This introductory chapter sets the general context for this task, explaining how the EU can be a ‘political system’ without also having to be a ‘state’. It then introduces the key interests, institutions and processes in the EU political system and the connections between these elements. The chapter subsequently reviews some of the basic assumptions of modern political science, and discusses how these assumptions are applied in the three main theories of EU politics. Finally, the chapter describes the allocation of policy competences between the national and EU levels, and investigates how these three theories explain this division.

The EU: a political system but not a state

Gabriel Almond (1956) and David Easton (1957) were the first to develop formal frameworks for defining and analysing political systems. Most contemporary political scientists reject the ‘functionalist’ assumptions and grand theoretical aims of these projects. Nonetheless, Almond and Easton’s definitions have survived (see for example Keman, 1993). Their essential characterizations of democratic political systems consist of four main elements:

1. There is a stable and clearly-defined set of institutions for collective decision-making and set of rules governing relations between and within these institutions.
2. Citizens and social groups seek to achieve their political desires through the political system, either directly or through intermediary organizations like interest groups and political parties.
3. Collective decisions in the political system have a significant impact on the distribution of economic resources and the allocation of social and political values across the whole system.
4. There is a continuous interaction ('feedback') between these political outputs, new demands on the system, new decisions, and so on.

The EU possesses all these elements. First, the level of institutional stability and complexity in the EU is far greater than in any other international regime. The basic institutional 'quadrangle' - the Commission, the Council, the European Parliament (EP), and the European Court of Justice - was established in the 1950s. Successive treaties and treaty reforms - the Treaty of Paris in 1951 (establishing the European Coal and Steel Community), the Treaty of Rome in 1957 (establishing the European Economic Community and the European Atomic Energy Community), the Single European Act in 1986, the Maastricht Treaty in 1992 (the Treaty on European Union), the Amsterdam Treaty in 1997, and the Nice Treaty in 2001 - have given these institutions an ever-wider range of *executive*, *legislative* and *judicial* powers. Moreover, these institutional reforms have produced a highly-evolved system of rules and procedures governing how these powers are exercised by the EU institutions. In fact, the EU probably has the most formalized and complex set of decision-making rules of any political system in the world.

Second, as the EU institutions have taken on these powers of government, an increasing number of groups attempt to make demands on the system - from individual corporations and business associations, to trade unions, environmental and consumer groups and political parties. The groups with the most powerful and institutionalized position in the EU system are the governments of the EU member states, and the political parties that make up these governments. At face value, the centrality of governments in the system makes the EU seem like other international organizations, such as the United Nations and the Organization for

Security and Cooperation in Europe. But, in the EU, governments do not have a monopoly on political demands. As in all democratic polities, demands in the EU arise from a complex network of public and private groups, each competing to influence the EU policy-process to promote or protect their own interests and desires.

Third, EU decisions are highly significant and are felt throughout the EU. For example:

- EU policies cover virtually all areas of public policy, including market regulation, social policy, the environment, agriculture, regional policy, research and development, policing and law and order, citizenship, human rights, international trade, foreign policy, defence, consumer affairs, transport, public health, education and culture.
- In fact, some scholars have estimated that the EU sets over 80 per cent of rules governing the production, distribution and exchange of goods, services and capital in the member states' markets (e.g. Majone, 1996).
- On average, more than 250 and 300 pieces of legislation pass through the EU institutions every year – more than in any other single set of policy institutions in the democratic world.
- The primary and secondary acts of the EU are part of the 'the law of the land' in the EU member states, and EU law is supreme over national law.
- The EU budget may be small compared to the budgets of national governments, but several EU member states receive almost 5 per cent of their national gross domestic product from the EU budget.
- The EU regulatory and monetary policies have a powerful 'indirect' impact on the distribution of power and resources between individuals, groups and nations in Europe.
- The EU is gradually encroaching on the power of the domestic states to set their own course in the highly contentious areas of taxation, immigration, policing, foreign and defence policy.

In short, it is beyond doubt that EU outputs have a significant impact on the 'authoritative allocation of values' (Easton, 1957) and determine 'who gets what, when and how' in European society (Lasswell, 1936).

Finally, the political process of the EU political system is a permanent feature of political life in Europe. The six-monthly meetings of the heads of government of the member states (in the European Council) may be the only feature of the system noticed by many

citizens. This can result in the impression that the EU operates through periodic ‘summitry’, like other international organizations. However, the real essence of EU politics are the constant interactions within and between the EU institutions in Brussels, between national governments and Brussels, within the various departments in national governments, in bilateral meetings between governments, and between private interests and governmental officials in Brussels and at the national level. As a result, unlike other international organizations, EU business is conducted in multiple settings on virtually every day of the year.

What is interesting, nevertheless, is that the EU does not have a ‘monopoly on the legitimate use of coercion’. As a result, the EU is not a ‘state’ in the traditional Weberian meaning of the word. The power of coercion, through police and security forces, remains in the hands of the national governments of the EU member states. The early theorists of the political system believed that a political system could not exist without a state. As Almond (1956, p. 395) points out:

... the employment of ultimate, comprehensive, and legitimate physical coercion is the monopoly of states, and the political system is uniquely concerned with the scope, direction, and conditions affecting the employment of this physical coercion.

However, many contemporary social theorists reject this conflation of the state and the political system. For example, Bertrand Badie and Pierre Birnbaum (1983, pp. 135-7) argue that:

... the state should rather be understood as a unique phenomenon, an innovation developed within a specific geographical and cultural context ... Hence, it is wrong to look upon the state as the only way of governing societies at all times and all places.

In this view, the state is simply a product of a particular structure of political, economic and social relations in western Europe between the sixteenth and mid-twentieth centuries, where a high level of centralization, differentiation, universality and institutionalization was

necessary for government to be effective. In other words, in a different environment, government and politics could be undertaken without the classic apparatus of a state.

This is precisely the situation in the twenty-first-century in Europe. The EU political system is highly decentralized and atomized, is based on the voluntary commitment of the member states and its citizens, and relies on sub-organizations (the existing nation-states) to administer coercion and other forms of state power. In other words, European integration has produced a new and complex political system. This has certainly involved a redefinition of the role of the state in Europe. But, the EU can function as a full-blown political system without a complete transformation of the territorial organization of the state - unlike the evolution from the city-state to the nation-state in the early-modern period of European history.

How the EU political system works

Figure 1.1 shows the basic interests, institutions and processes in the EU political system (the arrows indicate the direction of connections: complete arrows indicate a strong/direct link, and non-continuous arrows indicate a weaker/non-direct connection). At the base of the system are the EU *citizens* - the nationals of the 15 member states. EU citizens make demands on the EU system through several channels. In national elections, citizens elect the members of their national parliaments, who in turn form (and scrutinise) the governments that are represented in the EU Council. In European elections, citizens elect the members of the EP. By joining political parties and interest groups, citizens provide resources for these intermediary organizations to be involved in EU politics. By taking legal actions to national courts and the Court of justice, citizens influence the development and enforcement of EU law. And, as a result of these links, public office-holders in all the EU institutions take note of 'public opinion' when defining their preferences and choosing actions in the EU policy-making process.

There are two main types of 'intermediary associations' connecting the mass public to the EU policy process. First, *political parties* are the central political organizations in all modern democratic political systems. Parties are organizations of like-minded political

leaders, who join forces to develop a common political agenda, seek public support for this agenda, and capture political office in order to implement this agenda. Political parties have influence in each of the EU institutions. National parties compete for national governmental office, and the winners of this competition are represented in the Council. European Commissioners are also partisan politicians: they have spent their careers in national party organizations, owe their positions to nomination and support from national party leaders, and usually seek to return to the party-political fray. Members of the EP (MEPs) are elected on (national) party platforms and form ‘party groups’ in the EP, to structure political organization and competition in the Parliament. And, in the main party families, the party organizations in each member state and in the EU institutions are linked through the ‘transnational party federations’.

Figure 1.1

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Second, *interest groups* are voluntary associations of individual citizens, such as trade unions, business associations, consumer groups and environmentalist groups. These organizations are formed to promote or protect the interest of their members in the political process. This is the same in the EU as in any democratic system. National interest groups lobby national governments or approach the EU institutions directly, and like-minded interest groups in different member states club together to lobby the Commission, the Council working groups, and the EP. Interest groups also give funds to political parties to represent their views in national and EU politics. In each policy area, public office-holders and representatives from interest groups form ‘policy networks’ to thrash out policy compromises. And, by taking legal actions to national courts and the Court of justice, interest groups influence the application of EU law.

Next are the EU institutions, and the process of ‘government’ within and between these institutions. The *Council* brings together the governments of the member states, and is organized into several sectoral councils of national ministers (such as the Council of Agriculture Ministers). The Council undertakes both executive and legislative functions: it sets the medium and long-term policy agenda, and is the dominant chamber in the EU

legislative process. The Council usually decides by unanimity, but uses a system of qualified-majority voting (QMV) on a number of important issues (where the votes of the member states are weighted according to their size and a large majority is needed for decisions to pass). Also, each government in the Council chooses its members of the Commission, and the governments collectively nominate the Commission president.

The other main representative institution in the EU is the *European Parliament*. The EP is composed of 626 MEPs, who are chosen in European-wide elections every five years. The EP has various powers of legislative consultation, amendment and veto under the EU's legislative procedures. The EP can also amend the EU budget. The EP scrutinizes the exercise of executive powers by the Commission and the Council, and it votes on the Council nomination for the Commission president and the full Commission college (the investiture procedure), and has the power to throw out the Commission with a vote of censure.

The *European Commission* is composed of a political 'college' of 20 commissioners (one from each member state and two from the five largest member states) and a bureaucracy of 36 directorate-generals and other administrative services. The Commission is responsible for initiating policy proposals and monitoring the implementation of policies once they have been adopted, and is hence the main executive arm of the EU.

The highest judicial authority of the EU is the *European Court of Justice* (ECJ), which works closely with the national courts to oversee the implementation of EU law. The EU also has an independent monetary authority, the European System of Central Banks, which is composed of the *European Central Bank* (ECB) and the central banks of the member states in Economic and Monetary Union.

These institutions produce five types of policy outputs:

1. *Regulatory policies* - these are rules on the free movement of goods, services, capital and persons in the single market, which involve the harmonization of many national production standards, such as environmental and social policies, and common competition policies.
2. *Expenditure policies* - these policies involve the transfer of resources through the EU budget from one social group or member state to another, and include the Common

Agricultural Policy, socioeconomic and regional cohesion policies, and research and development policies.

3. *Macroeconomic policies* - these policies are pursued in Economic and Monetary Union, where the ECB manages the money supply and interest rate policy, while the Council pursues exchange rate policy and the coordination and scrutiny of national tax and employment policies.
4. *Citizen policies* - these are rules to extend and protect the economic, political and social rights of the citizens of the EU member states, and include cooperation in the field of justice and home affairs, common asylum and immigration policies, police and judicial cooperation, and the provisions for 'EU citizenship'.
5. *Foreign policies* - these are aimed at ensuring that the EU acts with a single voice on the world stage, and include trade policies, external economic relations, the Common Foreign and Security Policy, and defence cooperation.

There are two basic policy-making processes in the EU. First, most regulatory and expenditure policies and some citizen and macroeconomic policies are adopted through *supranational* (quasi-federal) processes: where the Commission is the executive (with a monopoly on policy initiative); legislation is adopted through bicameral procedures between the Council and the EP (and the Council usually acts by QMV); and law is directly effective and supreme over national law and the ECJ has full powers of judicial review and legal adjudication. Second, most macroeconomic, citizen and foreign policies are adopted through *intergovernmental* processes: where the Council is the main executive and legislative body (and the Council usually acts by unanimity); the Commission can generate policy ideas but its agenda-setting powers are limited; the EP only has the right to be consulted by the Council; and the powers of judicial review of the ECJ are restricted.

Finally, there is a '*feedback*' between policy outputs from the EU system and new citizen demands on the system, and so on. However, this feedback loop is relatively weak in the EU compared to other political systems. EU citizens gain most of their information about

EU policies and the EU's governmental processes from *national* newspapers, radio and television rather than any *European* media channels. In addition, the national media tend to be focused on national government and politics rather than on European-level politics. Consequently, national elites are the main 'gatekeepers' of EU news: deciding which information is important, and how these should be 'spun' in the national setting. Only social groups who have direct contacts to the EU institutions, such as farmers and some business groups, are able to circumvent the filtering of EU information by national elites.

Table 1.1

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Table 1.1 contains some basic socioeconomic and political data about the current and prospective EU member states, and their representation in the EU institutions. As the data show, no member state is either physically, economically or political powerful enough to dominate the EU. In a sense, every member state is a minority in the EU political system.

Actors, institutions and outcomes: the basics of modern political science

Political science is the systematic study of the processes of government, politics and policy-making. The modern discipline dates from the end of the nineteenth century, when people like Woodrow Wilson, Robert Michels, Knut Wicksel, Lord Bryce and Max Weber first developed tools and categories to analyse political institutions, such as bureaucracies, governments, parliaments and political parties. In the interwar period, a 'behavioural revolution' replaced this focus on the structural features of politics with 'methodological individualism' (Almond, 1996). This new method sought to explain political outcomes as a result of the interests, motives and actions of political actors (such as elites, bureaucrats, voters, political parties and interest groups) rather than as a result of the power of institutions and political structures (such as constitutions, decision-making rules, and social norms). However, the 1980s and 1990s have seen a return to institutions: under the label of 'new institutionalism'. As a result, many contemporary political scientists try to integrate theories

and assumptions about both actors and institutions in a single analytical framework (see for example Shepsle, 1989; Thelen and Steinmo, 1992; Hall and Taylor, 1996).

Starting with *actors*, a common assumption in theories of politics is that political actors are ‘rational’ (for example Dunleavy, 1990; Tsebelis, 1990). This means that actors have a clear set of ‘preferences’ about what outcomes they want from the political process. For example, party leaders want to be reelected, bureaucrats want to increase their budgets or to maximize their independence from political interference, judges want to strengthen their powers of judicial review, and interest groups want to secure policies that increase the well-being of their members. Furthermore, actors are also believed to act upon these preferences in a rational way: by pursuing the strategy that is most likely to produce the outcome they want. So, party leaders will position themselves close to the key voters, bureaucrats will try to increase the size of the public sector, judges will make rulings that strengthen the rule of law, and interest groups will lobby those officeholders that are most likely to be decisive in the bargaining process.

But, actors do not form their preferences and choose their strategies in isolation; they must take account of each other’s interests and expected actions. ‘Strong’ rational choice theories assume that actors have perfect information about the preference-ordering of the actors in the system, and consequently that actors can accurately predict the result of a particular strategy. Nevertheless, the perfect information assumption is often relaxed, which allows for ‘unintended consequences’ of actions and policy decisions. In either approach, political outcomes are seen as the result of ‘strategic interaction’ between competing actors. Sometimes this strategic interaction results in an outcome that is the best of all the possible outcomes for the actors involved. This is said to be an ‘optimal’ outcome. But very often actors are forced to pursue strategies that do not lead to the best outcome - as in the famous ‘prisoners’ dilemma’ game (see Chapter 4). When this happens, the result is said to be ‘sub-optimal’.

Turning to *institutions*, which are the main constraints on actors’ behaviour. Institutions can include both ‘formal’ institutions, such as constitutions and rules of procedure, as well as ‘informal’ institutions, such as behavioural norms, shared beliefs and ideology (North, 1990). For example, one case of a formal institution is the term of office of a public office, which restricts the office-holder to a particular ‘time horizon’, and hence leads the office-holder to

not take account of the possible long-term effects of strategies or outcomes. Institutions determine the likely payoffs from particular actions, and hence which is the best strategy to achieve a particular goal. As a result, institutions can produce particular outcomes ('equilibria') that would not occur if the institutions were absent or were changed (Riker, 1980). When this happens, the outcome is said to be a 'structure-induced equilibrium' (Shepsle, 1979).

However, institutions are not fixed. If an actor thinks he/she will be better off under a different set of institutions, he/she will seek to change the institutional arrangements. As a result, actors have preferences about political institutions, and act upon these 'institutional preferences' in the same way that they do on their primary political goals. The process of 'institutional choice' is hence no different from strategic interaction over policy outcomes (see for example North, 1990; Tsebelis, 1990). In both political bargaining over policies and over institutions, there is an existing structure of preferences and institutions. But, in the institutional choice game, the outcome is an 'institutional equilibrium' (Shepsle, 1986), which in turn might produce a different policy equilibrium as a result of a new set of rules governing policy bargaining.

In sum, the basic theoretical assumptions of modern political science can be expressed in the following 'fundamental equation of politics' (Hinich and Munger, 1997, p. 17):

$$\text{Preferences} + \text{Institutions} = \text{Outcomes}$$

'Preferences' are the personal wants and desires of political actors; 'institutions' are the formal and informal rules that determine how collective decisions are made; and 'outcomes' (public policies and new institutional forms) result from the interaction between these preferences and institutions. This simple equation consequently illustrates two basic rules of politics:

- if *preferences change*, outcomes will change, even if *institutions remain constant*; and
- if *institutions change*, outcomes will change, even if *preferences remain constant*.

Politics, then, is an ongoing process. Actors choose actions to maximize their preferences within a particular set of institutional constraints and a particular structure of strategic interests. But, some actors change their preferences, for example as new politicians come to

power. Or, actors collectively decide to change the institutions. In either case, actors pursue new actions, which lead to new policy or institutional equilibria, which lead to new preferences relative to the existing policy status quo, and so on.

But, once a particular institutional or policy equilibrium has been reached, these institutions and policies are often 'locked-in'. First, despite the emergence of new actors or changes in actors' preferences, certain actors invariably have incentives to prevent any change from the new 'status quo'. These actors are said to be 'veto players', and the more veto players there are in a bargaining situation, the harder it is for policies or institutions to be changed (Tsebelis, 1995c, 1999, 2002). Second, when new issues then emerge or the policy environment changes, policy options are now compared with the existing policy equilibrium rather than with the policy situation when the equilibrium was first agreed. As a result, politics is often 'path dependent': where a particular institutional or policy design has long term consequences that were not initially considered by the actors in the initial bargaining situation, for example because the actors had short time-horizons or a lack of information or knowledge about the long-term impact of their decisions (North, 1990; Pierson, 2000).

These assumptions can easily be applied to the EU. As we discussed above, there are a number of actors in the EU system (national governments, the supranational institutions, political parties at the national and European level, bureaucrats in the national and EU administrations, interests groups, and individual voters), and the EU possesses a complex institutional and policy environment. To explain how the EU works, we must understand the interests of all these actors, their strategic relations *vis-à-vis* each other, the institutional constraints on their behaviour, their optimal policy strategies, and the institutional reforms they will seek to better secure their goals.

Theories of European integration and EU politics

Many other contemporary scholars of the EU describe it as a political system (for example Attinà, 1992; Andersen and Eliassen, 1993; Quermonne, 1994; Leibfried and Pierson, 1995; Wessels, 1997a), and some early scholars of the European Community (EC) have argued that

European integration was creating a new ‘polity’ (for example Lindberg and Scheingold, 1970). However, few contemporary theorists try to set out a systematic conceptual framework for linking the study of the EU political system to the study of government, politics and policy-making in all political systems. The conceptual framework in this book is not the same as a single theoretical approach that explains everything about the EU. Thankfully, the ‘grand theories’ of the political system died in the 1960s, to be replaced by mid-level explanations of cross-systemic political processes. As discussed, an underlying argument in this book is that much can be learned if we simply apply these cross-systemic theories to the EU. This is a very different project to much theorizing about the EU, which has tended to seek ‘grand theories’ of European integration rather than mid-level propositions about specific elements of the EU policy process. Nevertheless, these ‘integration theories’ are the intellectual precursors of any theory of EU politics (cf. Hix, 1994, 1998).

The first and most enduring grand theory of European integration is *neo-functionalism* (Haas, 1958, 1961; Lindberg, 1963, Lindberg and Scheingold, 1970, 1971). First developed by Ernst Haas, the basic argument of neo-functionalism is that European integration is a deterministic process, whereby ‘a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth’ (Lindberg, 1963, p. 9). As part of the wider ‘liberal school’ of international relations (IR), neo-functionalists believe that the driving forces behind this ‘spillover’ process are *non-state actors* rather than sovereign nation-states. Domestic social interests (such as business associations, trade unions and political parties) press for further policy integration to promote their economic or ideological interests, and the European institutions (particularly in the Commission) argue for the delegation of more powers to ‘supranational’ institutions to increase the European institutions’ influence over policy outcomes.

However, neo-functionalism’s failure to explain the slowdown of European integration in the 1960s, and the subsequent strengthening of the ‘intergovernmental’ elements of the EC, led to the emergence of a starkly opposing theory of European integration, known as *intergovernmentalism* (for example Hoffmann, 1966, 1982; Taylor, 1982; Moravcsik, 1991). In line with the ‘realist school’ in IR, intergovernmentalism argues that European integration is driven by the interests and actions of the European nation-states. In this interpretation, the

main aim of governments is to protect their geopolitical interests, such as national security and national 'sovereignty'. In addition, decision-making at the European level is a zero-sum game, where 'losses are not compensated by gains on other issues: nobody wants to be fooled' (Hoffman, 1966, p. 882). Consequently, against the neo-functionalist 'logic of integration', intergovernmentalists see a 'logic of diversity [that] suggests that, in areas of key importance to the national interest, nations prefer the certainty, or the self-controlled uncertainty, of national self-reliance, to the uncontrolled uncertainty of the untested blunder' (*ibid.*, p. 88).

These two approaches have been two great monoliths at the gate of the study of European integration since the 1970s. Subsequent generations of researchers have been forced to learn and repeat these approaches virtually by rote, and to explain how their own theories relate to these dominant frameworks, usually by siding with one or the other. However, three new theoretical constructs have emerged as the main new frameworks for understanding government, politics and policy-making in the EU.

First, Andrew Moravcsik has developed a theory he calls '*liberal-intergovernmentalism*' (Moravcsik, 1993, 1998; Moravcsik & Nicolaïdis, 1999). Liberal-intergovernmentalism divides the EU decision process into two stages, each of which is grounded in one of the classic integration theories. In the first stage there is a 'demand' for EU policies from domestic economic and social actors, and, as in neo-functionalism and the liberal theory of IR, these actors have *economic* interests and compete for these interests to be promoted by national governments in EU decision-making. In the second stage, EU policies are 'supplied' by intergovernmental bargains such as Treaty reforms and budgetary agreements. As in intergovernmentalism, states are treated as unitary actors and the supranational institutions have a limited impact on final outcomes. In contrast to the classic realist theory of IR, however, Moravcsik argues that state preferences are driven by economic rather than geopolitical interests, that state preferences are not fixed (because different groups can win the domestic political contest), that states preferences vary across different issue areas (so a member state can be in favour of EU intervention in one policy area but opposed in another), and that inter-state bargaining can lead to positive-sum rather than simple zero-sum outcomes. Nevertheless, in this interpretation, the EU governments remain the primary actors in the political system of the EU, and institutional reforms as well as day-to-day policy

outcomes are understood as the product of hard-won bargains and trade-offs between the interests of the EU member states.

Second, Gary Marks, Paul Pierson, Alec Stone Sweet, Markus Jachtenfuchs, Beate Kohler-Koch *inter alia* have developed an alternative set of explanations under the label of ‘*supranational governance*’ (Marks et al., 1996; Pierson, 1996; Sandholtz and Stone Sweet, 1997; Kohler-Koch, 1999; Stone Sweet et al., 2001; Jachtenfuchs, 2001; Hix, 2002). There is considerable variation within this group of scholars. Nevertheless, they share a common view of the EU: as a complex institutional and policy environment, with multiple and ever-changing interests and actors, and limited information about the long-term implications of immediate decisions. This leads to a common claim: that EU governments are not in full control, and the ‘supranational institutions’ (the Commission, Parliament and Court) have a significant independent influence over institutional and policy outcomes. For example, Pierson (1996) explains the trajectory of European integration in three steps. At time T_0 , the EU governments agree a set of institutional rules or a policy decision, which delegates power to one or other of the EU institutions. At time T_1 , a new bargaining environment emerges: with new preferences in the member states, new powers and strategies of the supranational institutions, and new decision-making rules and policy competences at the EU level. Then, at time T_2 , a new policy or a set of institutional rules is chosen. But, as a result of the changes at T_1 , and in particular because of the strategic behaviour of the newly empowered supranational institutions, the decision by the member states at T_2 is very different than if they had faced the same decision at T_0 . In other words, at one stage the EU governments were in control. However, decisions by the governments produce particular ‘path dependencies’, which invariably result in the further delegation of policy competences and powers to the EU institutions.

Third, George Tsebelis, Geoff Garrett, Mark Pollack, Gerald Schneider, Fabio Franchino *inter alia* argue for a more explicitly ‘*rational choice institutionalist*’ perspective on EU politics (Schneider & Cederman, 1994; Tsebelis, 1994; Tsebelis & Garrett, 1996, 2001; Pollack, 1997; Franchino, 2000c). These theorists start with formal (usually mathematical) models of a particular bargaining situation. From these models, specific predictions are generated about the likely policy equilibrium, the degree of delegation to the supranational institutions, the amount of discretion the supranational institutions have

compared to the member states, and so on. Sometimes these models result in predictions similar to the liberal-intergovernmentalist view: for example, that there are few short-term unintended consequences when the member state governments must decide by unanimity and have perfect information about each others' preferences and the preferences of the EU institutions (as in the reform of the EU Treaties in the Intergovernmental Conferences in the 1990s). However, rational choice institutionalist models can also produce explanations similar to the supranational governance view: for example, that outcomes are controlled by the supranational institutions rather than the member states when agenda-setting is in the hands of the Commission, Parliament or Court or when there is incomplete information in the policy process (esp. Schneider & Cederman, 1994). In other words, rather than seeing EU politics as either controlled by the governments or the EU institutions, this approach tries to understand precisely under what conditions these two opposing outcomes are likely to occur.

The differences between these three contemporary theories of EU politics can easily be over-emphasised (Aspinwall & Schneider, 2000; Pollack, 2001). All three approaches borrow assumptions and arguments from the general study of political science and political systems. All three approaches also share a common research method: of using theoretical assumptions to generate propositions, which are then tested against the empirical reality. As a result, deciding which theory is 'right' is not a case of deciding which theory's assumptions about actors, institutions and information is closest to reality. How good a theory is depends on how much and how efficiently it can explain a particular set of facts. However, some theories are more efficient, some are more extensive, and all theories tend to be good at explaining different things. For example, the liberal-intergovernmental theory uses some simple assumptions, and from these assumptions produces a rather persuasive explanation of the major 'history making' bargains. But, this theory seems less able to explain the more complex environment of day-to-day politics in the EU (cf. Rosamond, 2000; Peterson, 2001). The rational choice-institutionalist approach also aims for parsimony over extensiveness: with some simple assumptions applied to a limited set of empirical cases, and seems good at predicting outcomes where rules are fixed and information is complete. While the supranational-governance approach uses a more complex set of assumptions and seems more able to explain a broader set of policy outcomes from the EU system and the long-term trajectory of the EU. As a result, the power of the different theories can only be judged where

they produce clearly identifiable and opposing sets of predictions about the same empirical phenomenon. Unfortunately, this is rare in EU politics, as it is in a many areas of social science.

This may seem a rather arcane debate. However, this overview of the main theoretical positions in EU politics is essential for understanding the intellectual foundations of the more empirically-applied research covered in the following chapters. But, a final building-block is a basic knowledge of the allocation of policy competences in the EU system.

The allocation of policy competences in the EU: A ‘constitutional settlement’

In the EU, as in all political systems, some policy competences are allocated to the centre level of government while others are allocated to the state level. From a normative perspective, policies *should* be allocated to different levels to produce the best overall policy outcome. For example, the abolition of internal trade barriers can only be tackled at the centre of an internal market is to be created. Policies where state decisions could have a negative impact on a neighbouring state (an ‘externality’), such as environmental standards or product standards, are best dealt with at the centre. Policies where preferences are homogeneous across citizens in different localities, such as basic social and civil rights, *could* perhaps be dealt with at the centre (esp. Alesina et al., 2002). And, in the classic theory of ‘fiscal federalism’, the centre should be responsible for setting interest rates as well as income distribution from rich to poor states, on the grounds that central monetary policies inevitably constrain the tax and welfare policies of the states (Brown & Oates, 1987; Oates, 1999). But, in the new theory of ‘market-preserving federalism’, the centre should provide hard budgetary constraints on state expenditures (to prevent high deficits) and regulatory policies should be decentralised, to foster competition and innovation between different regimes (Weingast, 1995; Quin & Weingast, 1997).

From a positive perspective, in contrast, the allocation of competences is the result of a specific constitutional and political bargain, and how actors with different policy goals have behaved within this bargain (Riker, 1975; McKay, 1996, 2001). For example, socialists usually prefer regulatory and fiscal policies to be centralised (to allow for income

redistribution and central value allocation), whereas economic liberals prefer strong checks and balances on the exercise of these policies by the central government. In addition, some constitutional allocations of competence are more rigid than others. For example, where the competences of the centre and the states is clearly specified, and there is independent judicial review of competence disputes, the states are more protected against ‘drift’ to the centre. Alternatively, where competences are divided along functional rather than jurisdictional lines – with different roles for the centre and states within each policy area (such as setting the broad policy goals by the centre and the policy details by the states) – there are less constraints on the expansion of central authority. Nevertheless, under all constitutional designs, the division of competences is never completely fixed, and the long-term trend in all multi-level political systems has been policy centralisation.

Table 1.2
[Table here]

Table 1.2 shows the evolution of competences in the EU and the United States. This exercise is largely impressionist, using a variety of secondary sources, and is hence not an exact science. Nevertheless, several broad trends can be observed. First, both polities started with a low level of policy centralisation. Second, policy centralisation occurred remarkably quickly in the EU compared to the US, and in some areas faster than others. By the end of the 1990s, most regulatory and monetary policies were decided predominantly at the EU level. In contrast, most expenditure, citizen, and foreign policies were controlled by the states. In the US, in contrast, foreign policies were centralised before economic policies. Third, in the area of regulatory policies, the harmonisation of rules governing the production, distribution and exchange of goods, services and capital is now more extensive in the EU than in the US (Donohue & Pollack, 2001). For example, in the field of social regulation, where there are few federal rules in the US, the EU has common standards covering working hours, rights of part-time and temporary workers, workers consultation, and so on. Also, after the high point of regulatory policy-making by Washington in 1980, the 1990s saw the deregulation of US-federal regimes and increasing regulatory competition between the states (Ferejohn & Weingast, 1997). Fourth, in the area of taxation, whereas the EU has harmonised sales tax,

there are no EU rules governing the application of income tax. In the US, in contrast, there are few federal restrictions on the application of consumption taxes by the states, but income taxes are levied by both the state and federal authorities.

These variations in the policy mix in the EU and US stem from very different social, political and historical experiences (Elazar, 2001). Given these differences, there has been a remarkably similar experience in the area of socio-economic policies. A normative perspective would predict that market integration must be tackled at the centre. From a positive perspective, however, in both the EU and the US, basic constitutional provisions guaranteeing the removal of barriers to the free movement of goods and services have been used by the central institutions to establish new common standards in other areas, such as social rights, and the gradual integration of other economic powers, such as a single currency, a larger central budget, and constraints on fiscal policies. In the US this occurred between the late 19th century and the end of the 1970s. In the EU, however, it took a much shorter period: between the early 1980s and the early 1990s. In other words, whereas the US constitutional structure at least placed some constraints on the central authority, there have been few constraints on the power of the EU governments and the EU institutions to centralise power in the name of ‘completing the single market’.

Nevertheless, the table also shows that once the single market was completed and the EU was given the necessary policy competences to regulate this market, a new European ‘constitutional settlement’ had been established: where the European level of government is responsible for the creation and regulation of the market (and the related external trade policies); the domestic level of government is responsible for taxation and redistribution (within constraints agreed at the European level); and the domestic governments are collectively responsible for policies on internal security (justice and crime) and external security (defence and foreign). This settlement was already established by the Single European Act, with some minor amendments in the Maastricht Treaty. The subsequent reforms (in the Amsterdam and Nice Treaties and even in the draft Constitution agreed by the Convention on the Future of Europe and the 2003 Intergovernmental Conference) have not altered the settlement substantially. For example, the draft Constitution proposed by the Convention would set up a ‘catalogue of competences’ which would further constitutionalise the settlement: with a separation between exclusive competences of the EU (for the

establishment the market); shared competences between the EU and the member states (mainly for the regulation of the market); ‘coordination competences’ (covering macro-economic policies, interior affairs, and foreign policies), and exclusive competences of the member states (in most areas of taxation and expenditure).

Hence, despite the widely held perception that the EU is a ‘moving target’, with the permanent process of institutional reform, the opposite is in fact the case. The EU is constantly attempting and failing to undertake institutional reform because the settlement is a very stable equilibrium. It would be much better if the member states accepted the stability of the competence-allocation settlement and focus on the question of how to reform the central institutions to increase the efficiency and democratic accountability of the system as a whole. The EU political system has been built, the challenge now is to determine how it should work.

Structure of the book

The rest of the book introduces and analyses the various aspects of the EU political system. Part I looks at EU *government*: the structure and politics of executive power and public administration (Chapter 2); political organization and bargaining in the EU legislative process (Chapter 3); and judicial politics and the development of an EU constitution (Chapter 4). Part II turns to *politics*: public opinion (Chapter 5); the role of parties and elections and the issue of the ‘democratic deficit’ (Chapter 6); interest representation (Chapter 7). Part III focuses on *policy-making*: regulatory policies (Chapter 8); expenditure policies (Chapter 9); economic and monetary union (Chapter 10); citizens’ rights and freedoms (Chapter 11); and global economic and security policies (Chapter 12). In an effort to create a link with the rest of the discipline, each chapter begins with a review of the general political science literature on the subject of the chapter. Finally, in Chapter 13, the underlying arguments and issues in the book are brought together in a short *conclusion*.

Figure 1.1 *The European Union political system*

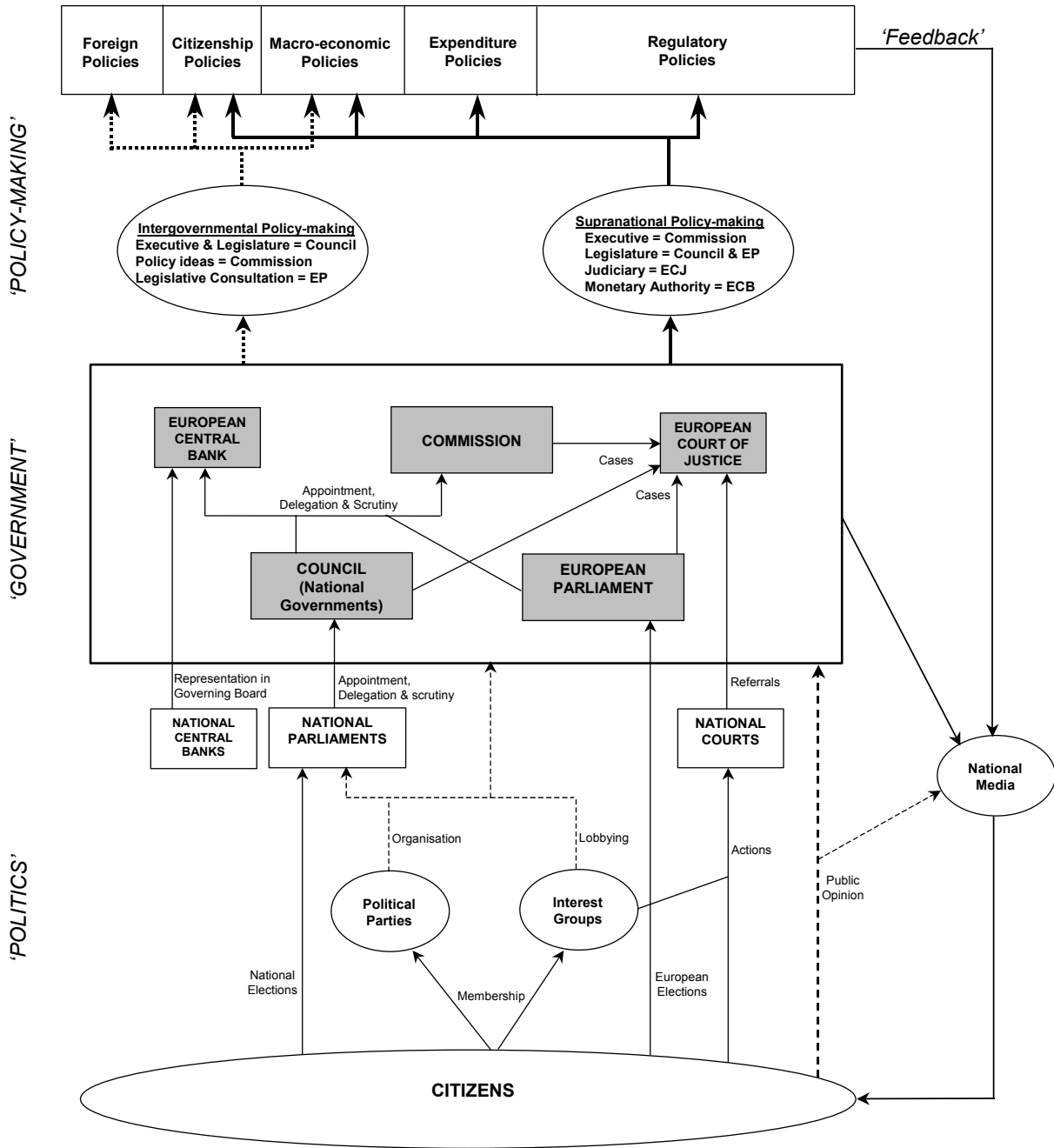


Table 1.1 Basic data about the current and prospective EU member states

Member State	Date joined	Socioeconomic data		Political data		Representation in the EU institutions					
		Pop'n, 2000 (mil.)	GPD/Head, 2000 (€, PPP)	Main political parties & votes in last parliamentary election (%)	Territorial Structure	Maastricht Treaty			Nice Treaty		
						Votes in the Council under QMV	Comm issione rs	MEPs	Votes in the Council under QMV	Comm issione rs	MEPs
Austria	1995	8.1	30,300	Social Democrats Radical Right Christian Democrats	33 Federal 27 27	4	1	21	10	1	17
Belgium	1952	10.3	29,400	Liberals Social Democrats Christian Democrats	24 Federal 20 20	5	1	25	12	1	22
Denmark	1973	5.3	32,700	Liberals Social Democrats	31 Unitary 29	3	1	16	7	1	13
Finland	1995	5.2	28,300	Social Democrats Liberals Conservatives	23 Unitary 22 21	3	1	16	7	1	13
France	1952	58.9	27,100	Conservatives Socialists	34 Regional 24	10	2	87	29	1	72
Germany	1952	82.1	29,100	Social Democrats Christian Democrats	** Federal **	10	2	99	29	1	99
Greece	1981	10.5	18,900	Socialists Conservatives	44 Unitary 43	5	1	25	12	1	22
Ireland	1973	3.8	32,800	Conservatives (FF) Christian Dem's (FG)	42 Unitary 23	3	1	15	7	1	12
Italy	1952	57.2	20,900	Centre-Right Alliance Centre-Left Alliance	45 Regional 35	10	2	87	29	1	72
Luxembourg	1952	0.4	48,500	Christian Democrats Socialists Liberals	30 Unitary 24 22	2	1	6	4	1	6
Netherlands	1952	15.9	26,100	Christian Democrats Right-Wing Populists Liberals Labour	28 Unitary 17 15 15	5	1	31	13	1	25
Portugal	1986	10.0	11,900	Conservatives (PSD) Socialists	40 Unitary 38	5	1	25	12	1	22
Spain	1986	39.5	15,800	Conservatives Socialists	47 Regional 34	8	2	64	27	1	50
Sweden	1995	8.9	29,000	Social Democrats Conservatives	** Unitary **	4	1	22	10	1	18
United Kingdom	1973	59.8	26,800	Labour Conservatives Liberals	41 Unitary/ 32 Regional 18	10	2	87	29	1	72
Bulgaria		8.2	5,100	Centrists Conservative Alliance Left Alliance	43 Unitary 18 17				10	1	17
Cyprus		0.8	18,600	Socialists Conservatives	35 Unitary 34				4	1	6
Czech Republic		10.3	16,100	Social Democrats Conservatives	32 Unitary 28				12	1	20
Estonia		1.4	8,400	Centrists Conservatives Liberals Social Democrats	23 Unitary 16 16 15				4	1	6
Hungary		10.1	14,000	Socialists Conservatives	42 Unitary 41				12	1	20
Latvia		2.4	6,300	Conservatives Liberals	21 Unitary 18				4	1	8
Lithuania		3.7	6,800	Social Democrats Social-Liberals Liberals	31 Unitary 20 17				7	1	12
Malta		0.3	9,600	Conservatives Social Democrats	52 Unitary 47				3	1	5
Poland		38.7	4,600	Left Alliance Centrists	41 Regional 13				27	1	50
Romania		22.5	6,200	Left Alliance Nationalists	37 Unitary 20				14	1	33
Slovakia		5.4	4,000	Nationalists Democrats	27 Unitary 26				7	1	13
Slovenia		2.0	16,400	Liberals Social Democrats	36 Unitary 16				4	1	7

EU15	376.0	27,400	87	20	626	237	15	535
EU27	481.8	23,000				345	27	732

Sources: Eurostat, OECD, Elections Around the World (<http://www.electionworld.org/election.htm>).

Table 1.2 Allocation of policy competences in the EU and the United States

	European Union					United States				
	1950	1957	1968	1993	2004	1790	1870	1940	1980	2004
Regulatory Policies										
Movement of goods and services	1	2	3	4	4	1	3	4	4	4
Movement of capital	1	1	1	4	4	1	3	4	4	4
Movement of persons	1	2	3	4	4	1	3	4	4	4
Competition rules	1	2	3	4	4	1	1	4	4	4
Product standards	1	2	3	4	4	1	1	4	4	4
Environmental standards	1	2	2	3	3	-	-	3	4	3
Industrial health & safety standards	1	2	2	3	3	1	1	3	4	3
Labour market standards	1	1	1	3	3	1	1	2	3	2
Financial services regulation	1	1	1	3	4	1	1	2	3	3
Energy production & distribution	1	2	2	3	3	1	1	3	3	3
Expenditure Policies										
Agricultural price support	1	1	4	4	4	1	2	4	4	4
Regional development	1	1	1	3	3	1	1	3	4	3
Research and development	1	1	2	2	2	1	1	2	3	2
Social welfare & pensions	1	1	1	2	2	1	1	3	4	3
Public healthcare	1	1	1	2	2	1	1	3	3	3
Public education	1	1	1	1	2	1	1	2	4	3
Public transport	1	1	1	1	1	1	1	2	3	2
Public housing	1	1	1	1	1	1	1	2	2	2
Monetary & Tax Policies										
Setting of interest rates/credit	1	1	2	3	4	2	3	4	4	4
Issue of currency	1	1	1	1	4	1	4	4	4	4
Setting of sales & excise tax levels	1	1	1	4	4	2	2	2	3	2
Setting of income tax levels	1	1	1	1	1	1	1	3	3	3
Citizen Policies										
Immigration & asylum	1	1	1	2	3	2	4	4	4	4
Civil rights protection	1	1	1	2	2	2	2	2	4	4
Policing & public order	1	1	1	2	2	1	2	3	3	3
Criminal justice	1	1	1	1	1	2	2	3	3	3
Foreign Policies										
Trade negotiations	1	1	3	4	4	3	3	4	4	4
Diplomacy & IGO membership	1	1	1	2	3	3	3	4	4	4
Economic-military assistance	1	1	1	2	3	3	4	4	4	4
Defence and war	1	1	1	1	2	4	4	4	4	4
Humanitarian & development aid	1	1	1	3	3	4	4	4	4	4

Key: 1 = all policy decisions at the state level (EU-national/regional level, or US-state level)
 2 = some policy decisions at the central level (EU level, or US-federal level)
 3 = policy decisions at both state and central level
 4 = most policy decisions at the central level

Note: EU: 1950 = before any Treaties, 1957 = EEC Treaty, 1968 = Merger Treaty, 1993 = Maastricht Treaty.
 US: 1790 = end of ratification of Constitution, 1870 = reconstruction era, 1940 = New Deal, 1980 = before Reagan

Sources: Adapted from Schmitter (1996), Donohue & Pollack (2001), Alesina et al. (2002).